Executive Summary
This President’s Advisory Committee on Labor Standards and Human Rights advises the University concerning policies and practices to ensure that corporations engaged in the manufacture of licensed goods, bearing the University of Michigan name and/or logos, are not engaged in unlawful or unconscionable labor practices. In 2008-2009, in accordance with the charge to the Committee by the President, we have reviewed the University’s approach to code monitoring while considering the importance of University leadership in corporate citizenship and assessed how to maximize integration of our activities with the educational mission of the University. In undertaking this review we have reflected on the fact that the Committee is now in its tenth year of existence. The initial stage of articulating the University’s commitment to labor standards and human rights including development of a code of conduct, an effective working relationship with our monitoring bodies the Fair Labor Association (FLA) and the Workers Rights Consortium (WRC), and relevant contract language for our licensees has been completed. As the University moves into its second decade of our engagement with this issue, we must now consider how best to ensure that our commitments go beyond a presumption of compliance to conducting proper due diligence.

In regards to our educational mission, the Committee has conducted a preliminary review of relevant coursework and the chair has met with John Chamberlain of the Center for Ethics in Public Life and members of Human Rights Through Education, a student group that focuses on expanding human rights education in the curriculum. We have also mounted a pilot internship program in Bangladesh for graduate and professional students and discussed the possibility of incorporating evaluation of labor standards as a component of on-going experiential learning courses. In addition, we spent considerable time assessing a specific complaint against one licensee in the process of which we identified areas in which additional procedures would be helpful.

Our findings and recommendations are summarized below organized in three sections on Educational Leadership, Operational Leadership and Compliance Issues and Procedures.

Recommendation 1: The Committee recommends that discussion take place as to whether the University wishes to continue investing in issues related to the future of labor and labor relations as part of its educational mission and consider the implications of that regarding development of core faculty and core courses in the area.

Recommendation 1.a: The Committee recommends that an institutional home for the educational mission of LS-HR be identified and that an appropriate structure for this relationship be defined to ensure effective programming, scholarship and curricular development relevant to Labor Standards and Human Rights.

Recommendation 1.b: The Committee recommends that a web-based searchable database be developed to increase visibility of existing curricular opportunities. A model of such a database is the one created for the Graham Environmental Sustainability
Institute on environmental issues. The database should broadly encompass the overarching themes of social justice/human rights while clearly identifying courses relevant to specific sub foci such as labor rights. The database ought to be developed in collaboration with the unit identified as the institutional home for the Committee’s educational mission.

**Recommendation I.c:** The Committee recommends that investments be made in helping sustain relevant existing experiential learning courses that incorporate a unit relevant to the themes of labor standards and human rights.

**Recommendation I.d:** The Committee recommends that investments be made in developing/extending at least two country-specific internship programs for interdisciplinary teams of graduate/professional school students that provide opportunities in organizations involved in activities relevant to the themes of labor standards and human rights.

**Recommendation I.e:** The Committee recommends that the Committee enhance public dialogue on issues relevant to labor relations and human rights by organizing/sponsoring one major symposium each year in collaboration with the unit providing an institutional home for our educational mission and other relevant partners. In addition, the Committee should continue to co-sponsor student organized lectures relevant to the Committee’s mission.

**Recommendation II:** The Committee recommends that the University move towards increased engagement with and review of licensees efforts to monitor compliance to the University standard throughout their supply chains.

**Recommendation II.a:** The Committee recommends that the University work closely with Liz Kennedy and the CLC over the course of the coming year as they develop their Expanded Corporate Responsibility Services Program, specify the level of increased engagement we expect at the licensee level, and assess the financial/staffing costs of conducting this enhanced review in-house versus through the CLC.

**Recommendation II.b:** The Committee recommends that the University conduct a careful review of data gathered through the roll-out of the Fair Labor Associations Enhanced Licensing Program (ELP) and the new factory registration system to provide information on the current level of compliance of our Category C licensees and estimate the staff time required to review and make recommendations relevant to this data.

**Recommendation II.c:** The Committee recommends that the University continue to participate in both the FLA and the WRC for the immediate future particularly given their capacity and expertise in evaluating complaints, conducting investigations and developing tool-kits and trainings for licensees.

**Recommendation II.d:** The Committee also recommends facilitating efforts of the FLA to build capacity for improved compliance monitoring by licensees by hosting and co-sponsoring as necessary FLA training programs.
**Report of the Committee**

This President’s Advisory Committee on Labor Standards and Human Rights advises the University concerning policies and practices to ensure that corporations engaged in the manufacture of licensed goods, bearing the University of Michigan name and/or logos, are not engaged in unlawful or unconscionable labor practices. This year, the Committee has representation from LSA, the Schools of Business, Law and Public Health, the International Institute, and student groups including SOLE (LSA), NET-IMPACT (Business), and MELLA(Law).

In 2008-2009, in accordance with the charge to the Committee by the President, we have
- reviewed the University’s approach to code monitoring
- considered the importance of University leadership in corporate citizenship and
- considered the University’s responsibility to foster academic discourse and scholarship that may improve understanding of human rights issues in international labor.

In undertaking this review we have reflected on the fact that the Committee is now in its tenth year of existence. The initial stage of articulating the University’s commitment to labor standards and human rights has been completed including development of a code of conduct, an effective working relationship with our monitoring bodies the Fair Labor Association (FLA) and the Workers Rights Consortium (WRC), and relevant contract language for our licensees. As the University moves into its second decade of our engagement with this issue, we are now faced with ensuring that our commitments go beyond a presumption of compliance to conducting proper due diligence so that we can in good faith stand behind our stated commitments.

The Committee has met monthly, scheduling additional meetings as needed to address critical compliance issues and to meet with representatives of the CLC, FLA, and WRC. In addition, the chair has met with John Chamberlain of the Center for Ethics in Public Life and members of Human Rights Through Education, a student group that focuses on expanding human rights education in the curriculum. Based on this review we have formulated recommendations regarding future directions for the Committee in relation to the University’s educational mission, operational leadership and responsibility to enforce our licensee code of conduct. In addition, we spent considerable time assessing a specific complaint against one licensee in the process of which we identified areas in which additional procedures would be helpful. Our findings and recommendations are summarized below organized in three sections on Educational Leadership, Operational Leadership and Compliance Issues and Procedures.

I. **Educational Leadership:**

The Committee was asked to consider how best to leverage the resources of the University to advance understanding of the issues involved in globalization and labor and to inform decision-making by the University while promoting education, scholarship, and campus discourse about international labor rights. The Committee reflected on the fact that the Institute for Labor and Industrial Relations has been closed and, noting the void on campus, considered the implications for the University’s educational mission in this area.

**Recommendation 1:** The Committee recommends that discussion take place as to whether the University wishes to continue investing in issues related to the future of labor and labor relations as part of its educational mission and consider the implications of that regarding development of core faculty and core courses in the area.
An Institutional Home for the Educational Mission of LS-HR. The University of Michigan’s long-standing interdisciplinary focus, the depth of our faculty scholarly expertise in relevant areas and strong student interest in international labor standards and human rights place us in an exceptional position to contribute to and provide educational leadership. However, the Committee recognized that identification of a more permanent educational home and critical educational partners within the existing organizational structure of the University is necessary to effectively engage with the educational mission of the University. In the past, Committee chairs have leveraged their positions within relevant institutional structures (e.g. Larry Root as Director of the former Institute for Labor and Industrial Relations; Siobhan Harlow as Associate Director of the International Institute) to provide the programmatic and staff support and institutional linkages needed to effectively foster research, support curricular innovations and mount symposia. The alternative of creating a new program/center focused narrowly on labor standards and human rights was not considered an optimal solution. Students and faculty conceptualize this issue as one linked broadly to issues of globalization, development and human rights. Housing the educational mission of the Committee as a programmatic area within an existing Center that has an allied purpose would maximize opportunities for productive synergies and be cost efficient. Identifying critical institutional partners and forging structural alliances with those partners will also be necessary if the research and educational mission is to flourish. Important educational partners for the Committee include the Center for Ethics in Public Life, the International Policy Center, the International Institute and several of its constituent centers including the Center for International Business Education.

**Recommendation I.a:** The Committee recommends that an institutional home for the educational mission of LS-HR be identified and that an appropriate structure for this relationship be defined to ensure effective programming, scholarship and curricular development.

Web-Based Curricula, Experiential Learning and Campus Dialogs. Although the Committee initially planned to identify curricular gaps and make recommendations regarding the development of new courses, feedback from students and others suggested that our focus should not be on generation of additional courses. At the undergraduate level, students suggested that the primary need was for a system to facilitate student’s identification of relevant curricular offerings. Faculty and students agreed that identification of relevant curricular offerings ought to be broadly framed to enhance opportunities for students to engage with the inter-related topics of social justice, the impact of globalization, global business, development, poverty, health and welfare, all of which influence and contextualize the exercise of labor rights. An important sentiment expressed by some members of the committee was that resources at the undergraduate level should focus on increasing on-campus opportunities, increasing the reach of student exposure to such issues. At the graduate/professional school level, the primary needs identified included increasing opportunities for on-campus engagements with relevant practitioners and scholars outside the classroom setting and providing opportunities for relevant experiential learning opportunities provided in the context of existing curriculum and degree requirements.

Our discussions revealed that students can have a difficult time locating relevant courses because they are not easily identified in the course listings, class descriptions may differ from the actual class content, and courses may not be offered every year or be one-time special topics courses. HRTE students identified a set of issues that limit students ability to take advantage of existing offerings. For example, relevant courses often don’t translate to distributional or concentration requirements. Offerings are particularly limited for general LSA freshmen. It is often challenging for a student to integrate such interests into a formal course of study. There are limited
mechanisms to obtain formal recognition of a student having undertaken concentrated work in the social justice/human rights area. Relevant courses are spread across multiple departments which, while inherently reflecting the interdisciplinary nature of these themes, makes them less easily amenable to completion of a double major or minor. Students saw formal certification of concentrated work as important documentation for their subsequent career development efforts.

The Committee spent time last fall gathering information about courses currently offered on campus related to the topics identified above, including courses that include an experiential learning component. However, we suggest that a more systematic effort be undertaken during the summer with a goal of having a prototype database available for the Fall 2009 term. This effort would also provide insight on curricular gaps. The Committee is reluctant to mandate what other departments’ curricular offerings should be in these areas, but a few highly relevant gaps have been identified that warrant highlighting since courses in these areas may be critical to enhancing dialog and student scholarship. The Committee does note that the University does not currently offer a course on International Labor Law or on International Standards for Occupational Health and Safety.

In the area of experiential learning the committee suggests prioritizing support to enhance the sustainability of existing, highly relevant experiential learning courses on campus that agree to incorporate a unit relevant to the concerns of the Committee and development of country-specific internship opportunities for interdisciplinary teams of graduate/professional school students. The chair is beginning preliminary discussions with faculty responsible for relevant experiential learning courses to assess their level of interest. Relevant courses identified to date include:

   i. UC 215: Contemporary Issues in Southeast Asia
   ii. POLSCI 389: Labor Rights in the Global Economy?
   iii. RCSSCI 463: Mexican Labor in North America: Field Study & Seminar
   iv. PUBPOL 674: Economic and Social Policies in a Selected Emerging Market Economy

The Committee has initiated a pilot graduate internship program in Bangladesh for Summer 2009 in collaboration with the Center for International Business Education. This program is modeled on a similar previous program (http://www.umich.edu/~cibe/students/Azad-new.pdf) and on the successful Cambodian Law Project. We are currently negotiating placements for three students from the Schools of Public Policy and Law in CSR-related business associations and NGOs in Bangladesh. Students involved in experiential learning opportunities sponsored or co-sponsored by the Committee should be expected to share their experience in an appropriate campus forum upon their return.

The committee continues to focus on the importance of raising awareness of the complexity of the issues that underlie efforts to ensure international labor standards and human rights and of stimulating productive synergies on campus. Towards this goal, the Committee sees the organization and co-sponsorship of public symposia/workshops as central to its mission and has set a goal of hosting one major symposium per year in addition to responding to requests for co-sponsorship of relevant lectures and symposia. Ideally, these symposia will facilitate faculty scholarship and suggest potential avenues for future research.

During the past academic year, we co-sponsored with SOLE a visit by workers from Jerzees de Honduras to campus as part of a tour organized by USAS and hosted a public lecture by Auret van Heerdan and Scott Nova entitled “University Licensing & International Labor Standards: Reflections on the First Decade & Challenges for the Next”. Together with the Center for Ethics
in Public Life, we have begun initial planning for a symposium in Fall 2009 focused on the question of due diligence when making claims of ethical purchasing/licensing or what constitutes a true ethical purchasing strategy. Other potential themes of interest for lectures/symposia include a) how the current financial crisis will affect labor and human rights protections in international settings and b) when society is reflected on the factory floor: labor rights in the context of historically repressive regimes.

**Recommendation I.b:** The Committee recommends that a web-based searchable database be developed to increase visibility of existing curricular opportunities. A model of such a database is the one created for the Graham Environmental Sustainability Institute on environmental issues which covers course listings and faculty. The database should be broadly encompassing of the overarching themes of social justice/human rights while clearly identifying courses relevant to specific sub foci such as labor rights. Such a database ought to be developed in collaboration with the unit identified to be the home for the Committee’s educational mission.

**Recommendation I.c:** The Committee recommends that investments be made in helping sustain relevant existing experiential learning courses that incorporate a unit relevant to the themes of labor standards and human rights.

**Recommendation I.d:** The Committee recommends that investments be made in developing/extendng up to two country-specific internship opportunities for interdisciplinary teams of graduate/professional school students that provide opportunities in organizations involved in activities relevant to the themes of labor standards and human rights.

**Recommendation I.e:** The Committee recommends that the Committee enhance public dialogue on these issues by organizing/sponsoring one major symposium each year in collaboration with the unit providing an institutional home for the educational mission of the Committee and relevant partners. In addition, the Committee should continue to co-sponsor student organized lectures relevant to the Committee’s mission.

II. **Operational leadership:**

The Committee was asked to promote U-M’s leadership in pursuing fair labor practices and human rights in licensing operations with attention to efforts to build on the CLC licensing process as recommended in previous annual reports.

As background, the Committee noted in its 2003-2005 report to the President that compliance monitoring systems, although well-established for large licensees, had yet to be established for the large group of small and medium-sized licensees. In its April 2006 report following evaluation of the WRC’s proposed Designated Supplier Program, the Committee recommended that the University initiate, in cooperation with other parties, procedures to require our licensees to document how they monitor/enforce our code of conduct and to develop protocols to better monitor and support adherence to our code of conduct. In its 2007 Report to the President, the Committee recommended that the University strengthen adherence to the labor code of conduct by changing its licensing procedures to require that, as a condition for new licenses and renewals, licensees adequately document how they monitor the code of
conduct in their facilities and those of their suppliers. Following a pilot research project by a group of University’s including UM, the FLA initiated development of an information system to better assess the status of licensee’s compliance programs and identify capacity building needs. In 2007, the Committee also recommended that the University use the information system being developed by the FLA, the Enhanced Licensing Program, to the extent feasible to collect information about the actions and capacity of licensees to monitor the code of conduct in their facilities and those of their suppliers.

The FLA piloted the Enhanced Licensee Program in 2007-2008 with UM and its suppliers participating in the pilot self-assessment program. A total of 91 Category C licensees completed a self assessment and profile. This pilot demonstrated that many licensees were not in substantive compliance with the FLA or the UM codes of conduct, were not conducting audits of their suppliers and did not know how to remediate problems in compliance. This finding was not unexpected but the pilot program clearly identified the nature of the compliance problem and areas where licensees need information/training.

In 2009-2010 the FLA began rolling out the Enhanced Licensee Program (ELP) for all licensees, developed a web-based portal for the self-assessment, a training portal with tool kits for licensees to facilitate development of needed competencies and capabilities, and has begun hosting training sessions for licensees and licensors to address the considerable gap in knowledge about the nature and practice of code compliance monitoring. Licensee affiliates of the FLA are now required to complete the self-assessment on an annual basis, thus UM licensees who participated in the pilot program will soon undertake their second self-assessment. The University will have access to results of the ELP self assessments and the FLA scoring report for its own licensees through a web portal and will be able to monitor both scores and change in scores over time. However, the goal of the FLA program is to improve licensees’ capacity to monitor the code of conduct and care must be taken to ensure that licensees’ do not begin to game the system.

Nonetheless, the University will now have access to considerable information about each licensee and the responsibility now falls on our shoulders to begin reviewing and evaluating this data for our own licensees on at least an annual basis. In addition, the FLA is rolling out a web-based matrix for registering factories in licensee supply chains which will also require regular review. These activities require a nontrivial time investment and signal the fact that increasing efforts to monitor and strengthen adherence to our code of conduct will require an increasing allocation of staff time and clear specification of roles and responsibilities in this regard. For the current time, the Committee Chair and administrative staff and the Licensing Director have agreed to be the responsible parties for having access to and conducting an initial review of the emerging data with the goal of developing procedures for review and proper utilization of this data over the coming year. The Committee believes it is important the University work with the FLA in the area of capacity building. The Committee with the School of Business will co-sponsor two FLA training sessions on May 14th and 15th. Based on our experience with and licensees’ response to this initial event, we will consider whether and when to co-sponsor additional trainings.

As noted in the 2007-2008 Committee report, the issues of proper use of the FLA ELP data led the University, along with several other large schools, to work with the Collegiate Licensing Company (CLC) to develop a system to better incorporate quality of code compliance in its licensing decisions. Although the CLC had been working with
Representatives of several schools to develop an appropriate mechanism for ascertaining information about and scoring of compliance monitoring, it became clear that CLC needed to enhance its own capacity and build its own staff to properly address this mission. In March 2009 Liz Kennedy, formerly from USC, joined the CLC as their first Vice President of Corporate Responsibility to help the organization develop and offer an expanded Corporate Responsibility Services Program.

In March 2009, the Committee met with CLC representatives including Liz Kennedy. Ms. Kennedy reviewed the steps taken at USC to ensure that their licensees were monitoring labor practices in their supply chain. Essentially USC required their licensees to take proactive efforts on their own to work on improving compliance throughout their supply chains. Licensees were required to conduct audits, provide copies of these audits to USC and remediate any issues identified within the audit. USC staff were thus required to review the audits and remediation efforts. As has been true within the FLA ELP program, USC identified a substantial need for increasing education of licensees. Although USC lost licensees, there was little impact on their overall licensing revenues.

Through its deliberations over the past year, the Committee has come to recognize that in order for the University to ensure our commitment to Labor Standards and Human Rights we must move beyond a presumption of compliance and begin to conduct proper due diligence as part of the licensing process. This suggests that the University must, on its own or through an organizations such as the CLC, increase its attention to evaluating the practices of its licensees. This effort is distinct from the complaints monitoring and investigation undertaken by the WRC and FLA and distinct from the capacity building role of the FLA. There are staff and cost implications of increasing UM’s engagement in this manner. Recognizing the need for education and capacity building the Committee suggests that principles be established to guide our review including the commonly recognized principle of progressive realization in the field of human rights.

**Recommendation II:** The Committee recommends that the University move towards increased engagement with and review of licensees’ efforts to monitor compliance throughout their supply chains.

**Recommendation II.a:** The Committee recommends that the University work closely with Liz Kennedy and the CLC over the course of the coming year as they develop their Expanded Corporate Responsibility Services Program, specify the level of increased engagement we expect at the licensing level, and assess the financial/staffing costs of conducting this enhanced review in-house versus through the CLC.

**Affiliation with the FLA and WRC.** The University continues to benefit from its memberships in both the Fair Labor Association (FLA) and the Worker Rights Consortium (WRC), two complementary organizations. While the FLA generally focuses on internal and external monitoring, developed in consultation with companies, the WRC focuses on addressing problems identified through complaints from workers. Both approaches build company compliance from different vantage points and this dual strategy helps to establish a system of checks and balances in our evaluation of code compliance complaints. UM has been affiliated with both since their inception approximately 10 years ago and we continue to see value in maintaining both associations because of the complementary information they offer on licensee issues. Representatives of the Committee consulted frequently with the leadership of each organization.
during the academic year, most closely in our efforts to understand the nature and implications of the Russell Corporation factory in Honduras (see Section III below). In recognition of the growing expectation of University-level review of licensees, it may become important to add staff and consideration of the relative costs and benefits of in-house review versus external monitoring may be needed in the future.

**Recommendation II.b**: The Committee recommends that the University conduct a careful review of data gathered through the roll-out of the ELP program and the new factory registration system to provide information on the current level of compliance of our Category C licensees and estimate the staff time required to review and make recommendations relevant to this data.

**Recommendation II.c**: The Committee recommends that the University continue to participate in both the FLA and the WRC for the immediate future particularly given their capacity and expertise in evaluating complaints, conducting investigations and developing tool-kits and trainings for licensee.

**Recommendation II.d**: The Committee also recommends facilitating efforts of the FLA to build capacity for improved compliance monitoring by licensees by hosting and co-sponsoring as necessary FLA training programs.

I. Compliance Issues and Procedures

The committee continued to monitor complaints and assess concerns about licensees raised by the FLA/WRC. During the 07-08 year, we reviewed and took action in relation to a complaint involving Jerzees de Honduras, a factory operated by Russell Corporation in Honduras.

The Committee has been monitoring issues related to Russell Corporation’s factories in Honduras since 2007 when documentation of violations of freedom of association at Jerzees de Choloma and Jerzees de Honduras led to the development and implementation of a corrective action plan. In October 2008 concerns about potential violations of freedom of association at Jerzees de Honduras were brought to our attention by the WRC following the announcement that Russell Corporation planned to close the Jerzees de Honduras plant, which at the time was in the midst of contract negotiations with a union. Both the WRC and the FLA conducted investigations. We communicated our concerns to Russell on October 31, 2008 and on January 14th. The factory was closed on January 31, 2009. The committee assessed responses from Russell Corporation to our inquiries and to the larger universities constituency including memos sent from Rick Medlin, Executive Vice President of Russell Corporation, and spoke to Russell representatives by conference call prior to making a recommendation.

After reviewing reports from each of our monitoring organizations, discussing these reports with each organization, participating in conferences calls with other interested parties and reviewing the materials provided by Russell, we recommended that Russell’s license not be renewed while communicating to the company our willingness to reconsider their application for a license in one year conditional on their demonstrating their ability to meet the standards of our code of conduct.

The case was complex and made more complicated by the economic crisis. The FLA
and WRC came to different conclusions about the rationale behind Russell’s decision to close the factory. For the committee, one of the most troublesome aspects of Russell Corporation's actions regarding the Jerzees de Honduras plant is that they failed to apply lessons presumably learned from a previous similar encounter at this plant and another facility, Jerzees de Choloma. In the prior situation, Russell agreed to follow a series of steps regarding its treatment of workers, especially in communicating the company's commitment to free and open labor negotiations. Despite this agreement, the Committee concluded that Russell had followed virtually none of the expected steps when it came to dealing with workers at the Jerzees de Honduras factory. The committee furthermore concluded that even if top management at Russell firmly and strongly believed in respect for every human being and respected the right to association, they did a poor job of communicating those ideals to people at the two plants and of implementing/enforcing appropriate practices. As a result, the committee lacked real assurances that Russell would comply with the new procedures and promises articulated in its 16th February statement of principles. Our recommendation was accepted and the decision made not to renew the license effective March 31, 2009. We have, as requested, discussed our rationale with our counterparts at our peer institutions.

The Committee continues to monitor the case and a subcommittee has been appointed to review data and make future recommendations to the Committee. At issue is what criteria should be used to evaluate whether or not Russell should be reinstated as a licensee should they reapply. In the past 10 years, we have not reviewed a complaint that is similar to the current case and thus have no precedent to follow. In addition, we are reviewing the case within the context of the University’s stated interest in strengthening adherence to our code of conduct (See section II above).

The Committee has identified some areas where specification of procedures is still needed. First, additional thought should be give to developing procedures for effective communication with our licensees when a problem arises including identification of who should be in direct communication with company leaders and the extent to which the University should communicate directly versus through the CLC. Second, additional specification of committee procedures for reviewing complaints and evaluating evidence presented in relation to those complaints may be helpful.