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 2010-2011, in accordance with the charge to the Committee by the President, we focused on institutionalization of our educational activities and on advancing efforts to integrate evaluation of compliance within the licensing program by participating in a pilot program undertaken by the Collegiate Licensing Company (CLC). This year’s charge specifically called on the Committee to consider potential changes in the Committee’s structure and the University’s oversight mechanisms which may be warranted as licensing opportunities expand into new product sectors.

In the educational arena we
- continued our internship program for professional school students in Bangladesh (see excellent pieces written by the student interns and Committee member Brad Farnsworth in the Center for International and Comparative Studies Winter 2011 newsletter http://www.umich.edu/~cibe/CICS-Winter%202011-FINAL.pdf ),
- partnered with the Center for International Business Education and selected Area Centers to expand and co-fund these internships and related experiential learning opportunities South and Southeast Asia through successful Title VI awards to the area centers over the next 3 years [NB Title VI Area Center Awards have just been cut substantially for 2011-2012],
- sent three Committee members on a WRC organized tour in the Dominican Republic,
- co-sponsored two film showings of “Who Killed Chea Vichea” and guest lecture by Theary Seng on labor and human rights in Cambodia; and,
- Professor Harlow, Chair of the Committee, delivered the Seventh Annual Jonathan Mann Health and Human Rights Lecture at the University of New Mexico, Albuquerque New Mexico, entitled “The Enjoyment of Just and Favorable Conditions of Work: Export-Led Development, Health and Human Rights”.

In the operational arena we
- reviewed the impact of the Collegiate Licensing Company’s (CLC) pilot program Elevating Responsibility (ER6) on the UM Licensing Program,
• recommended that the University continue its participation in this successful effort to increase our licensees active engagement in ensuring compliance with our code of conduct,

• encouraged the licensing office to participate in proposed licensee trainings in corporate responsibility, offering staff support to facilitate logistics of the training (to be held in fall 2011); and,

• continued discussions regarding the potential need to adapt code of conduct oversight mechanisms given the growing range of licensing activities, meeting with Daryl Weinert of the Business Engagement Center to better understand UM’s evolving approach to corporate engagement, holding preliminary dialogues with Nancy Hobbs, Director of Procurement Services, and began a dialog with Don Scavia, Special Counsel to President Coleman for Sustainability, about increasing linkages between campus wide environmental sustainability efforts and adherence to principles of labor standards and human rights.

In the monitoring arena we

• reviewed cases of ongoing concern identified by our monitoring bodies, the Fair Labor Association (FLA) and the Workers Rights Consortium (WRC), noting that no single case required specific action by the Committee this academic year; and,

• reviewed the extent to which a code and monitoring programs based in the context of apparel was sufficiently flexible and knowledgeable to address the widening range of products subject to licensing and the growing overlap between goods subject to licensing and to procurement.

Information about these activities is detailed further in our report below organized into three sections on Educational Leadership, Operational Leadership; and, Compliance Issues and Procedures. We again limit our recommendations this year to issues that require an annual renewal of commitment.

Specifically,

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.

The Committee recommends that the University continue to provide leadership through its participation in the ER-6 program of the CLC.

The Committee recommends that the University continue to support summer internships for professional school students, and provide co-funding as outlined in Appendix I for the Title VI supported internship and experiential learning opportunities.
The Committee recommends that the University begin a dialog to better integrate its efforts in the area of environmental sustainability with its commitments to upholding international labor standards and human rights.

Looking forward to future challenges, we suggest that the structure of the Committee be reviewed by the administration as outlined in the body of the report and, should the Committee continue in its current format that it be directed in the upcoming year

- to continue review of the U-M’s participation in the CLC’s ER6 initiative; and,
- to work towards integration of activities related to the University’s commitment to environmental sustainability with its commitment to social justice.

Kristin Ablauf brought to our attention the upcoming re-design of the UM brand/logo. This is a potential opportunity to ensure that the UM’s commitment to LS-HR in the context of licensing is broadly understood across the university. We would like to see LS-HR discussed explicitly as part of this effort.
Report of the Committee

The 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, Public Policy and Public Health, the International Institute and student groups including SOLE (LSA) as well as the Licensing office and Purchasing.

In 2010-2011, in accordance with the charge to the Committee by the President, we have
- worked with the CLC to enhance the University’s approach to code monitoring and
- sought to enhance academic opportunities for students to improve their understanding of human rights issues in international labor.

As we noted in the 2008-2009 report, 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 focused on ensuring that our commitments go beyond a presumption of compliance to conducting proper due diligence. In collaboration with the CLC, Licensing now incorporates review of compliance with the University’s code of conduct as part of the licensing decision and plans to become more active in educating our licensees in about development of monitoring and remediation processes.

A continuing challenge for the University will be adaptation of our code and monitoring programs to a licensing environment that encompasses a broader range of products and integration of expectations in the areas of performance, environmental sustainability, and social justice in order to present a more consistent expectation across the range of engagements we have with our corporate partners.

During this academic year, the Committee met monthly to address the President’s Charge to the Committee. No specific compliance issue required action on the part of the Committee or the University.

I. Educational Leadership:

In 2008-2009, 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. This year the Committee’s efforts focused on continuing our successful internship program for professional schools students and co-hosting symposia on labor rights in Cambodia.

In collaboration with Brad Farnsworth and the Center for International Business Education a pilot internship program was initiated in Bangladesh for graduate students with co-funding from LSHR.
and the Center for International Business Education beginning in the summer of 2009. In the summer of 2010, two placements were arranged, one in Bangladesh offices of the WRC and one with the Bangladesh office of the AFL-CIO. The two student interns, Charles Clark and Sarah Kanter, served as Committee members during the 2010-2011 year, greatly enhancing dialog within the Committee while amplifying their own learning experience. Charles did a living wage analysis with the WRC as part of his internship program. The students worked with Brad Farnsworth on two articles that were published in the CICS newsletter which focused on Labor Standards (Volume 3, No. 1 Winter 2010/2011) (http://www.umich.edu/~cibe/CICS-Winter%202011-FINAL.pdf). The partnership with the WRC proved particularly worthwhile and has led to a continuing partnership to provide internship placements for two students in 2011. Thirteen applications were received from students in the Schools of Law and Public Policy and two placements were made one from each school, Michelle Grise and Marisol Ramos, respectively.

Given the success of this program, funds for continuing and expanding this internship program were requested as part of the Title VI applications submitted by the Centers for International Business Education, South Asia, and South East Asia. These Title VI applications were successful and would have provided co-funding for internships and for experiential learning opportunity for undergraduates over the next four years.

**Recommendation I.** The Committee recommends that the University continue to support summer internships for professional school students, and provide co-funding as outlined in Appendix I for the Title VI supported internship and experiential learning opportunities.

As of this writing we have just learned that the Area Center’s Title VI funding has been cut substantially. We plan to continue the internship in 2012 by using LSHR funds to cover the two interns. Evaluation of our ability to continue the program will depend on a review of Centers’ funding status in Fall 2012.

We co-sponsored with the School of Public Health and the Center for South East Asian Studies a showing of the new documentary film “Who Killed Chea Vichea”. The film centered on the assassination of Cambodian Union Leader Chea Vichea. The public event was held at the University of Michigan Museum of Art at 6pm and was followed by a panel discussion. The panel included Rich Garella, co-producer of the film, Allen Hicken (CSEAS), Nick Rine (Law School) and John Ciacori (Public Policy).

The committee also co-sponsored the Center for Southeast Asian Studies’ programming of Attorney, Human Rights Activist, Khmer Rouge Tribunal Complainant Theary Seng’s visit to campus in January. There were three separate engagements for Ms. Seng co-sponsored by CSEAS, UMMA, Cambodia Law Project, CoLSHR, School of Public Health, and North Quad programming. Her public lecture was held at the Helmut Stern Auditorium, UMMA on Jan 13 @ 7pm. On Jan 14 she spoke at the CSEAS Friday-at-Noon Lecture Series, at 1636 SSWB/International Institute, and she led a panel later that day after a second showing of the film Who Killed Chea Vichea at North Quad.

This year, the WRC invited representatives from universities to participate in a labor rights study tour to the Dominican Republic to visit apparel factories and meet with garment workers, factory managers, unions, non-governmental organizations and local labor rights experts. The tour included an opportunity to meet with workers who sew products for Alta Gracia Apparel, (the new factory opened by Knights Apparel designed to fully implement all aspects of the code of conduct including provision of a living wage) and to tour the facility where production is taking
place. The Committee sent three representatives -- Jim Gannon (Purchasing), Charles Clark (student, Public Policy and Business) and Brian Talbot (Business School). Early reports indicate that the trip was excellent, well organized and an important learning experience. The Committee plans to organize an event about this trip in Fall 2011.

Siobán Harlow, Chair of the Committee delivered the Seventh Annual Jonathan Mann Health and Human Rights Lecture at the University of New Mexico, Albuquerque New Mexico, entitled “The Enjoyment of Just and Favorable Conditions of Work: Export-Led Development, Health and Human Rights”.

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 specific attention to the new initiative “Elevated Responsibility (ER-6)” undertaken by the CLC. In January 2010, U-M began its participation in CLC’s new ER 6 program. Kristin Ablauf, Director of Licensing reported to the Committee regarding the impact of the program and adaptations to the process that were made for the 2011 renewal period. Ablauf reported in October following the initial project period that 24% of 311 reviewed accounts were not renewed. Out of 111 not renewed, 23 did not complete the required Corporate Responsibility Questionnaire, 8 were poorly completed, 17 had poor royalties, 23 were of combination of these categories and 3 were deliberate non-renewals on the part of the company. 55 licensees were granted a conditional renewal process in the spirit of educating/training the licensee.

Following the initial project period several adjustments were instituted in the process. The Corporate Responsibility Questionnaire is now sent in advance of the license renewal paperwork with an accompanying letter to prevent miscommunications that might delay applications or result in incomplete ones. To date there have been no signs of royalty loss due to this program.

The Committee met with Liz Kennedy by teleconference in December to review U-M’s participation in CLC. Liz Kennedy stated that through the ER6 pilot program, the CLC has acquired survey data that has given them a better sense of the licensing landscape with respect to category C licensees. Essentially licensees are lagging in corporate responsibility (CR) especially for companies that comprise the bulk of college licensee business, those with revenues under 50 million per year. Through the ER Program (signed on by UCLA, UNC and UM), the CLC initiated a pilot survey (to coordinate with the FLA/WRC programs) to assess the amount of supply chain risk and to determine how to mitigate those risks. Less than 1/3 of category C licenses surveyed have a code that reflects international labor standards. Less than 1/2 have a CR program. Most licensees purchase from suppliers in ways that exacerbate noncompliance of codes. There exists a lack of credible training. In terms of a code, the survey revealed that 24% have no code, 4% left that item blank, 18% responded inadequately to the inquiry 22% said yes but did not provide any supporting documentation and 69% did not give a satisfactory answer.

CLC worked with Scott Nova of the WRC to revise the survey for the 2011 licensee renewals. This revised questionnaire will facilitate assessment of the impact of the ER-6 engagement on licensees’ practice. Licensing is now working with the CLC and two of our partner schools to offer trainings to licensees about corporate responsibility and how to build monitoring programs within their businesses. We plan to offer a training program covering these topics to approximately 200 licensees at UM in Fall 2011.
Recommendation II: The Committee recommends that the University continue to provide leadership through its participation in the ER-6 program of the CLC.

The Committee engaged in several activities to better understand the evolving world of licensing and address how changes in the University’s oversight mechanisms may be warranted as licensing opportunities expand into new product sectors. For example, UM has received applications from toy manufacturers and licensing opportunities are growing in the areas of electronics and computers.

We first met with Daryl C. Weinert, Executive Director, U-M Business Engagement Center (BEC) who educated the Committee about the BEC’s role in coordinating diverse engagements across the University with a given company. He noted that a licensee might also be working with University Procurement and asked how consistent the University’s engagement was with such a company regarding codes of conduct. Following this meeting, the Chair met with Nancy Hobbs, Director of Procurement Services, and Dennis Poszywak to review the history of the Licensing and Procurement codes and the differences in their monitoring processes. Procurement developed their code of conduct subsequent to Licensing and uses a Dispute Resolution Board that is only convened when a complaint arises. N. Hobbs pointed out in that discussion that the number of companies involved in Procurement is much greater and more diverse than Licensing. The Procurement code also contains an environmental sustainability clause.

The Committee met by teleconference with Scott Nova of the WRC and Heeral Coleman of the FLA to discuss their perspectives on and capacity to monitor companies beyond apparel. The FLA has not yet considered this issue extensively although H. Coleman indicated that the FLA would be looking at monitoring issues in other industries in the future. The WRC has some experience dealing with non-apparel items including plush toys and electronics. The WRC’s perspective is that production and labor issues are not meaningfully different than those at apparel factories, although issues of safety and health are increasingly important in electronics manufacturing. Apparel industry codes were the first to be developed, are more advanced, and have been the model to follow. There is a lower response rate and less monitoring in the electronic industry than the apparel industry. Another complicating factor is the high number of electronic industry factories in China and their comparatively high incidence of work related accidents and deaths, and worker rights violations. (See for example the Wall Street Journal 6/3/2011 “Measuring the Human Cost of an iPad Made in China.”) Nova also stated that the apparel industry has paid little attention to environmental issues, but more attention has been focused on environmental sustainability in the electronic industry. Care is needed as some environmental improvements can be cost effective or cost neutral, and may be promoted while ignoring labor issues. WRC has the capacity to expand, but expansion would depend on requests by its affiliates and discussion of needed resources for such an expansion would also need to take place.

The Committee discussed the issues that will need to be addressed as licensing expands beyond the current product sectors. Current product mix is approximately 70% apparel and 30% non-apparel. Licensees are currently required to join the FLA. Some products/companies are already members of other code/monitoring groups. The FLA does not currently have the capacity to provide services to or to monitor other product categories. However, if a company was not affiliated with the FLA, where would a complaint be lodged for a non-affiliated company and how would a complaint investigation be mounted?

The Committee articulated that our goal is to clearly define the basic code requirements with a preference for having fewer and more consistent codes across all product sectors. Following
evaluation of the acceptability of a code, the key issues are the ability to monitor, implement and enforce codes.

**Core Values**

a) All companies should be held to the same standard.
b) The University should be engaged with a limited number of monitoring organizations but with more than one (reflecting cost considerations and balancing perspectives across organizations)
c) Common standards should be implemented for licensing/purchasing at U-M
d) The UM should establish a minimum requirement across industries/organizations no weaker than our current code.
e) Have fewer more consistent codes and monitoring/reporting systems that are well harmonized and facilitate compliance and compliance monitoring.

Monitoring organizations need to have the ability to address issues specific to a given industry and the organizational capacity to monitor the industry. Monitoring capacity must include three components -- Complaint response, Internal monitoring, and External monitoring.

Kristin Ablauf brought to our attention the upcoming re-design of the UM brand/logo. This is a potential opportunity to ensure that the UM’s commitment to LS-HR in the context of licensing is broadly understood across the university. We would like to see LS-HR discussed explicitly as part of this effort.

III. Compliance Issues and Procedures

The Committee continued to monitor complaints and assess concerns about licensees raised by the FLA/WRC. Throughout the year we reviewed cases of ongoing concern identified by our monitoring bodies the Fair Labor Association (FLA) and the Workers Rights Consortium (WRC), noting that no single case required specific action by the Committee this academic year.

We have specifically monitored the case of involving Gildan Activewear Inc. On July 15, 2010, the Fair Labor Association received a Third Party Complaint from the SITRAGILDAN union, affiliated with the union federation FEDOTRAZONAS, at the factory Gildan Activewear Dominican Republic (aka “Gildan Dortex”), located in Guerra, Dominican Republic. Gildan Dortex is one of the Gildan Activewear Inc. factories subject to the FLA program. We have monitored interim reports from both WRC and FLA on this complaint including Professor Adrián Goldin’s independent assessment of the complaint. A detailed remediation plan that has been submitted to the FLA and monitoring of the implementation of this plan is ongoing.

We noted the opening of Knights Apparel’s Alta Gracia factory in the Dominican Republic. This factory produces a new product line that is certified by WRC to be sweat-free. Some of those apparel items are now being sold at the bookstore in the Michigan Union.

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. Provision of internship placements for our students has proved a significant side benefit of our participation with the WRC. The Committee continues to support the following 2008-2009 recommendation.

**Recommendation III:** 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.

Committee members again noted that consideration should be given to reviewing how licensing fees are allocated across the University.

**Update on Russell Athletics and Jerzees de Honduras.**

On May 19th 2011, at a meeting in Los Angeles, the union from Russell’s Jerzees Nuevo Dia factory signed a collective bargaining agreement with the Russell Athletic company. Key elements of the contract include a 19.5% wage increase, effective immediately, with an additional 7% increase in January; the expansion of Jerzees Nuevo Dia to add an additional 250 workers; free transportation and lunches (things for which workers currently pay); and a significant investment in new machinery, which will enable workers to improve production and therefore further increase their wages. This contract is unprecedented in Honduras’ export apparel sector.

**Committee Structure**

Following the Russell Athletic case, and for the past two years, the Committee has not been asked to review or make recommendations regarding a complaint against a licensee. Ongoing activities of our two monitoring organizations, the FLA and WRC, have successfully addressed complaints as they have arisen and continued to move forward efforts to enforce international labor standards. At the same time the licensing department through its collaboration with the CLC ER-6 program, has begun a proactive review of compliance as part of the licensing process and increasingly is engaged in educational activities with our licensees. It may be a timely moment for the administration to consider whether a standing committee is still warranted.

Clearly the Committee has proved enormously valuable as a resource to the Licensing Director and in the development and execution of educational and experiential learning opportunities for our students. In addition, service on the Committee has provided a profound educational experience for the faculty, students and staff that influences their research and staff work respectively. New members to the Committee indicate that it takes about one year to become fully oriented to the issues and licensing/monitoring structure under which the UM operates while membership ensures that members read and stay abreast of on-going communications and issues from the FLA, WRC and CLC. Members now familiar with the work of the Committee tend to think the Committee could meet less often. Consideration should be given to the following options:

a) Continue the Committee in its current form, or with fewer members, with a defined Charge to advance practice in the field; or,
b) Appoint a Committee, with the same composition or with fewer members, to be convened on a limited and as needed basis should a complaint arise (perhaps modeled on the Procurement Dispute Resolution Board).

If the Committee continues to function in the current format, an option would be to create an academic home to support the Committee’s educational mission. Previous discussions with the Center for Ethics in Public Life did not bear fruit. However, the Chair has begun preliminary discussions with Peter Jacobson about providing an institutional home for the Committee within his Center for Law, Ethics and Health at the School of Public Health, and this opportunity could be pursued if it is of interest to the administration.

Recommendations regarding 2011-2012 activities

The Committee suggests that should the Committee be continued in its current form the University begin looking forward to future challenges. We suggest that the Committee be directed in the upcoming year

- to continue providing review and recommendations regarding the U-M’s participation with the CLC’s ER6 initiative; and,
- to work towards integration of activities related to the University’s commitment to environmental sustainability with its commitment to social justice. (The Chair and member Brian Talbot held a preliminary discussion with Don Scavia, Special Counsel to President Coleman for Sustainability, about this concept.)

**Recommendation IV:** The Committee recommends that the University begin a dialog to better integrate its efforts in the area of environmental sustainability with its commitments to upholding international labor standards and human rights.
APPENDIX I

Support of Experiential Learning Opportunities
U-M President’s Committee for Labor Standards and Human Rights (LSHR)
in collaboration with
International Institute Centers – Title VI Awards

Center for International Business Education (CIBE)
For the past two years, the LSHR has partnered with the CIBE to support international internships for professional school students in Bangladesh. Based on the success of this program, CIBE incorporated a request for support to co-fund this opportunity as part of their Title VI application. CIBE administers the call for applications, identification of internship opportunities and administration of funds for the program.

CIBE’s newly awarded Title VI grant will provide $4,000 of support for this program annually over the next four years (Summer 2011- Summer 2014).

We recommend that LS-HR continue to provide $8000 of support towards this program annually for this time period. (Total $32,000). NB. Based on funding cut to CIBE we suggest that $16,000 be used to cover the 2012 interns to enable the program to continue at least one more year.

Center for South East Asian Studies (CSEAS)
In 2007 and 2008, CSEAS had support through an Experiential Learning grant from the International Institute to support summer travel-seminars in South East Asia linked to the course SEAS 215: Contemporary Social Issues in Southeast Asia. Following the trip students enrolled in UC300 to complete a group project based on their summer experience.

As part of the CSEAS successful Title VI application, they have included in their budget for 2012, $3,000 in support of a travel-seminar on the working conditions of garment factory workers in Cambodia, to be organized by CSEAS faculty affiliate Rine in collaboration with a Cambodian NGO.

This program will also be co-sponsored by the U-M President’s Committee for Labor Standards and Human Rights (LSHR). We recommend co-funding of $9000.

Center for South Asian Studies (CSAS)
The CSAS was also successfully funded and is interested in potential internship opportunities. We recommend co-funding of these internships once a formal request is received.