Report on the activities of the Advisory Committee on Labor Standards and Human Rights¹, 2016-2017

Submitted by Ravi Anupindi, Chair

EXECUTIVE SUMMARY

The President’s Advisory Committee on Labor Standards and Human Rights is appointed by the President of the University to advise the University concerning policies and practices that ensure corporations engaged in the manufacture of licensed goods and bearing the University of Michigan name and/or logos are not engaged in unlawful or unconscionable labor practices.

In 2016 – 2017, pursuant to the charge from the President, the committee focused on promoting University leadership in corporate citizenship with respect to fair labor practices, human rights, and sustainability in its licensing operations.

Major activities for 2016 – 2017 included i) continuing the student summer internship program by sponsoring three learning experiences related to labor standards and human rights; ii) monitoring University licensee renewals; and iii) continuing to monitor developments in the investigation of adherence to labor standards and human rights at the Nike supplier factory Hansae Vietnam.

In the educational arena:

- The committee continued the summer internship program, reaching out to U-M’s campus community to sponsor two international and one domestic experiential learning experiences related to labor standards and human rights;
- Conducted a follow-up study to research methods and strategies for University engagement to ensure social responsibility in sourcing of food and electronics;
- Hosted Dr. Linda Greer, Senior Scientist at the National Resources Defense Council and Interim Director of the University of Michigan Biological Station, to present to the committee her work on environmental issues in the textile industry under a program called "Clean by Design (CBD)";
- Engaged two students (one MBA and one BBA) to conduct research and develop a licensee guidance document intended for small and medium licensees to help them improve their social responsibility capability (in collaboration with the Collegiate Licensing Company (CLC) and University of Michigan Licensing office); and
- The committee Chair presented to the Ross Green Team on November 21, 2016 on the work of the committee in a talk titled “Ensuring Social Responsibility in Michigan Licensed Goods: Story of The Block M Apparel”.

¹ The 2016-17 Committee was chaired by Prof. Ravi Anupindi (Ross School). Committee members included Prof. Omolade Abunbi (LSA), Prof. Sioban Harlow (School of Public Health), Nicholas Rine (Law School), Kristen Ablauf (Licensing), Michael Counts (Procurement Services), Khaled Eid (Finance), Mary-Catherine Goddard (MPH), Sabrina Bilimoria (LSA undergrad), and Rebecca Wren (LSA undergrad). Britney Rashleigh provided administrative assistance.
In the operational arena:

- The committee chair participated in the Fair Labor Association’s (FLA) University Advisory Council (UAC) annual meeting on March 2, 2017, in Salt Lake City, at which the Chair was asked to moderate a panel on Sustainable Remediation and participate in a discussion about the potential for publicly recognized gradation on the level of University engagement;
- Committee members Khaled Eid and Mary-Catherine Goddard represented the University of Michigan for a field visit to apparel factories in the Dominican Republic sponsored by Knights Apparel, a UM licensee.
- Committee Chair attended the annual University Caucus Meeting of the Worker’s Rights Consortium (WRC) on May 4, 2017, in Washington D.C.;
- Committee Chair interviewed with “Supply Chain Dive” for an article titled, “March Madness: Conflicts and confines that make up the NCAA apparel supply chain. Who is responsible for ensuring athletes' gear is made ethically, the brand or the university?” (March 3, 2017); and
- In June 2017, the Chair visited with Nike, Inc. in Portland, OR to discuss ways Nike could more broadly engage with the University of Michigan.

In the monitoring arena:

- The committee monitored University licensee renewals, which entailed the collection of licensee sales, corporate responsibility standards, and supply chains;
- Monitored developments in the investigation of adherence to labor standards and human rights at the Nike supplier factory Hansae Vietnam;
- Monitored severance pay violations at a Tailgate Clothing Company University supplier called Rio Garment in Honduras; and
- On August 30, 2017, the committee noted Nike’s agreement to provide WRC access to its collegiate supplier factories.

REPORT OF THE COMMITTEE

The President’s Advisory Committee on Labor Standards and Human Rights is appointed by the President of the University to advise the University concerning policies and practices that ensure corporations engaged in the manufacture of licensed goods and 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 the School of Public Health; Stephen M. Ross School of Business; the Law School; College of Literature, Science, and the Arts; University Procurement; and Financial Operations and Licensing.

In 2016 – 2017, pursuant to the President’s charge, the committee focused on promoting University leadership in corporate citizenship with respect to fair labor practices, human rights, and sustainability in its licensing operations.
I. EDUCATIONAL LEADERSHIP

A. Summer Internship Program

Encouraged by the success of its 2015 and 2016 summer internship programs, the committee again funded two international and one domestic internship experiences during the summer of 2017.

The international travel award was open to graduate students, whereas the domestic project experience was open to both undergraduate and graduate students. For the international travel award, prospective applicants were asked to submit a brief proposal of their work accompanied by a resume, transcripts, and a letter of recommendation. The domestic project experience was implemented in collaboration with Sumerra LLC, a social auditing company based in Portland, OR that does work for University licensing programs. This year’s project focused on analyzing the University Survey Program data to understand the risk profile of the licensees. A call for applications included a brief project proposal asking applicants to submit their resume, transcripts, and a brief statement of their interest in the project.

For the International Travel Award, the committee received eight applications: three from the School of Public Health, two from the Ford School of Public Policy, and one each from the College of Literature, Science, and the Arts and Health Informatics (a joint program between the School of Information and the School of Public Health). Upon review by a sub-committee, graduate students Lauren Smith (School of Public Health) and Berenice Castillo (College of Literature, Science, and the Arts) were selected as recipients of the committee’s 2017 International Travel Awards. Funding provided by the committee allowed Ms. Smith to travel to Colombia to evaluate waste systems on both workers and their surrounding communities. Ms. Castillo worked on both the University of Michigan and Cornell University’s campuses examining employment-claim outcomes across race and immigration status among low-wage workers. Ms. Castillo’s research aims to better understand both the myriad of potential claim outcomes and how these outcomes vary by key factors, including employee legal status.

For the domestic project engagement with Sumerra LLC, the committee received eleven applications including three from graduate students in each of the Schools of Social Work, Public Policy, and Education, as well as five from undergraduate students in the College of Literature, Science, and the Arts and three from the Ross School of Business BBA program. Upon review of applications, the committee selected Erik Nesler (Ross School of Business) for the internship. Based at Sumerra’s headquarters in Portland, OR, Mr. Nesler’s research focused on analysis of the University Survey
Program data to understand, at a deeper level, the licensees that are producing for Universities (both in general, and at the University of Michigan, specifically). The research goal was to sort through this data to understand which type of licensee offers the most risk to universities, and what common factors, if any, indicate that licensees may offer lower risks to universities.

All three interns are expected to submit a report of their work as well as make brief presentations to the committee during the 2017-2018 academic year.

Two of the committee’s 2016 awardees, Michael Jenuwine and Erin Collins, presented their research findings at the committee’s second meeting of the academic year on November 2, 2016. The third 2016 awardee, Mary-Catherine Goddard, presented her research findings at the committee’s third meeting on December 5, 2016. Ms. Goddard subsequently served on the PACLSHR for the 2016-2017 academic year.

B. Research Assistantship Program

During the Winter 2017 semester, the committee funded four research assistantships focused on investigating social responsibility practices in University non-licensed goods procurement. This project opportunity was advertised to the student community, and the committee received an overwhelming response from the student body (a total of 33 applications - 18 graduate and 15 undergraduate students). Select committee members interviewed shortlisted applicants, and ultimately selected five students – three graduate and two undergraduate. Ultimately, though, only four of the students continued the research. Those students were Montana Stevenson (Graduate Student, Ross School of Business and the Erb Institute), Brad Wintersteen (Graduate Student, Ford School of Public Policy), Madeline Bianchi (Undergraduate Student, Literature, Science, and the Arts), and Maria Redoutey (Undergraduate Student, School of Engineering).

This year’s study was a follow-up on the 2016 study to assess social responsibility practices of the University in non-licensed procurement. The 2016 report titled, “A Strategic Vision for Leading in Socially Responsible Procurement Practices” was submitted to the committee and the President’s office. Subsequently, the President’s office approved a follow-up study to be conducted in 2017. The objective of this study is to focus on two select categories, food and electronics, to research and develop methods and strategies for ensuring social responsibility in these sectors. The final deliverable will be a presentation and a report to the committee.

The research assistants worked under the supervision of select committee members (the Chair and Michael Counts) and with support from University
Procurement Services. For the select sectors of food and electronics, the team worked on four specific areas:

- Assessment of labor standards and human rights issues;
- Identification of external partners (similar to the FLA and WRC’s role with licensed goods) or other sector specific organizations to assist the university;
- Identification of select universities who share similar perspectives and are willing to work with the University of Michigan; and
- Identification of feasible pathways for improving labor standards in these two categories that outline necessary resources (internal and external) and an organizational structure, as well as appropriate (direct and indirect) cost impacts.

The University’s procurement office provided the student team appropriate data and support for their research. The team also worked with several internal and external stakeholders, gaining information and advice to guide their research development. On April 26, 2017, the team presented their findings to the full committee and members of the University Procurement and Michigan Dining Services. Subsequently, the team submitted a final report to the committee. The presentation and report will be uploaded to the committee website in the near future.

In August 2017, the Chair and committee member Michael Counts discussed the report with Nancy Hobbs, Associate Vice President of Finance and then Interim Director of University Procurement Services, to discuss the findings of the study. On September 14, 2017, the Chair met with President Schlissel to update him on the findings and discuss next steps.

C. “Clean by Design” Presentation from Dr. Linda Greer

Dr. Linda Greer, Interim Director of the UM Biological Station and Senior Scientist at the National Resource Defense Council, was invited to present her work on environmental issues in the apparel industry under a program called "Clean by Design (CBD)".

The CBD study opens the curtain to the environmental side of apparel manufacturing by demonstrating that better environmental performance is consistent with improving cost efficiency and identifying simple, low-cost improvement opportunities.

Dr. Greer suggested that the University of Michigan take a leadership role in asking its licensees to reach back to Tier-2 suppliers to improve environmental performance. Dr. Greer also pointed out that no University is looking at the CO2 footprint in their purchasing and cited a few studies showing at least half of a University’s carbon footprint is in what it buys and
not in what it produces. It was concluded that perhaps the committee could continue the discussion at a later date on whether to engage with licensees regarding their Tier-2 suppliers and the metrics used to record their environmental impact and progress. The committee chair is also continuing to work with Dr. Greer to further research and explore this topic.

II. OPERATIONAL LEADERSHIP

A. Fair Labor Association’s University Advisory Council Annual Meeting

The committee chair attended the Fair Labor Association’s (FLA) University Advisory Committee (UAC) annual meeting in Salt Lake City on March 2, 2017.

At this meeting, the Chair moderated the FLA panel on sustainable remediation titled, “A Multi-Stakeholder Panel Discussion: Improving Workplace Standards in Collegiate Supply Chains – From Monitoring to Remediation”. Panelists included Cindy Holmes (UCLA), Audrey Ogawa Johnson (Dallas Cowboys Merchandising), Emma Morley (Zephyr Graf-X), and Vivienne Riggio (The Sustainability Continuum). The panelists discussed challenges in remediation, shared strategies that worked, and potential for collaboration across brands on audits and remediation.

A working group of the FLA surveyed universities to assess their view and engagement with the FLA and showed there was a general sense that the level of university engagement with the FLA was small. Many universities simply pay their dues but do not participate or engage further. These findings were discussed at the UAC meeting and there was a discussion regarding whether there should be publicly recognized gradation on the level of University engagement.

The committee chair brought this information back to the committee for discussion and then provided FLA some of the committee’s feedback.

B. University Licensee Renewals

The office of Intercollegiate Athletics reviewed licensee applications for renewal, which entails the collection of licensee sales, corporate responsibility standards, and supply chains. As a condition of some renewals, licensees are required to participate in Sumerra LLC’s Ethical Supplier Engagement Program (ESEP).

The ESEP provides licensees with guidance to ensure that their factories take an aggressive stance to rectify codes of conduct violation. It is designed to guide a collegiate licensee on their social responsibility practices journey including knowing what to do, where to go for help, how to report, etc. Participation in ESEP is recommended or sometimes required by the University, and is implemented by Sumerra, LLC. Experience suggests the
program leads to sustainable change provided the licensee is involved and participates.

Over the past year, 68 licensees were up for renewal or review, 23 of which were required to start or continue to participate in the ESEP. Ultimately, 61 licensees were reviewed, with many receiving multi-conditional renewals.

Additionally, two students – one MBA and one BBA – began work with Vice President of CLC Liz Kennedy and committee Member Kristen Ablauf on a project to develop a guidance document for small and medium licensees on implementing social responsibility practices in their companies. The students will review various audit and investigation reports from the FLA and the WRC, as well as supplier self-assessments coordinated by the CLC, to collate common issues, suggested remedial actions, and implementation updates and challenges.

C. Committee Members Visit Factories in the Dominican Republic

Knight’s Apparel, a University of Michigan licensee and part of the Hanes Brands, issued invitations for universities to visit factories in the Dominican Republic. Committee members Khaled Eid and Mary-Catherine Goddard represented the University of Michigan. The trip involved two factory visits; the first to a unionized facility and the second a non-unionized one. At the conclusion of the trip, both committee members gave a full report to the committee.

III. MONITORING AND COMPLIANCE

A. Continued Monitoring of Nike and Hansae Vietnam

On November 17, 2015, the committee received a memo from Scott Nova, Executive Director of the Workers Rights Consortium (WRC), detailing Nike’s refusal to allow the WRC access to its supplier factory, Hansae Vietnam, to investigate allegations of labor standards and human rights violations. Meanwhile, the Fair Labor Association (FLA) had conducted an investigation in October 2015. At the time, the main issue was a brief strike by workers concerning bonus payments, which was triggered by a complaint from Cornell University earlier in the year. WRC went on to conduct their own investigations with workers outside the factory and released a report in May 2016, which identified issues in other factories as well. Nike continued to refuse WRC’s request of access to its supplier factories, and in response to a third-party complaint filed by the University of Washington in June 2016, FLA conducted a second investigation in July 2016. FLA decided to temporarily withhold publication of its report from the second investigation, but shared a draft with the WRC. In October 2016, a joint investigation team from FLA and WRC conducted another detailed investigation of Hansae Vietnam factories. This was the first time the two
organizations successfully conducted a joint investigation. Reports of this last investigation were released on December 6, 2016.

FLA reported that most of the significant issues highlighted by WRC that were not included in previous FLA reports were primarily in the area of Occupational Health and Safety. The other distinction between approaches of FLA and WRC centered around suggested remediation. FLA generally gave guidance but not specific instructions, while WRC gave specific instructions.

In order to receive information from all sides, Noel Kinder, Vice President of Sustainable Manufacturing at Nike, was invited to speak to the committee. Mr. Kinder said the findings by FLA and WRC were upsetting and reiterated that Nike takes these concerns very seriously. Nike has vetted the claims and taken various steps to ensure remediation not only at the factory sites but also with the corporate headquarters of Hansae Vietnam. To emphasize Nike’s seriousness on the issue, they also cut their orders by 50% with Hansae.

Hansae has not completed all of the remediation but are making good progress. They have been going through a series of audits throughout 2017, the results of which are unknown at this time and will continue to be monitored by the committee.

The committee recommended to the President that he encourage Nike to take the lead on exploring the possibility of a collaborative audit and remediation process across various brands. Such an initiative would result in producing more comprehensive audits and more effective and efficient remediation of labor standard and human rights violations

B. Tailgate Clothing Company Supplier Violation

On November 28, 2016, WRC informed the university about severance pay violations at a Tailgate Clothing Company supplier called Rio Garment in Honduras. Tailgate is a University licensee and owned by a major global apparel brand, American Eagle Outfitters, a Fortune 1000 corporation with $3.5 billion in revenue during its 2016 fiscal year. The WRC reported that “Tailgate’s proposal is insufficient to correct the violations of university labor standards at Rio Garment. The figure the company proposes is significant, but it is only a small fraction of the amount owed to workers.” WRC reported that it continued its “efforts to ensure that the workers at Rio Garment receive all of the compensation they legally earned the amount of severance.” It was confirmed that Tailgate produced University of Michigan merchandise at that location from 2014 through 2016. Because the WRC communication was an update, no action was taken by the committee.

C. WRC Access to Nike Factories
On August 30, 2017, the WRC and Nike, through discussions facilitated by Georgetown University, reached agreement on a protocol for WRC investigations of Nike suppliers. Under this new protocol, Nike agrees to facilitate access for the WRC to its collegiate supplier factories.

IV. SUGGESTIONS FOR 2017 – 2018 COMMITTEE ACTIVITIES

Based on the activities of the committee to date and issues pending as of September 2017, items that will likely need attention in the coming year include:

- Continuation of the summer internship program, sponsoring international human rights and labor standards related research experiences for graduate students and continuing the committee’s undergraduate internship in partnership with Sumerra LLC, Portland, OR, or another similar partner.

- Continuation of the Research Assistantship (RA) program. As evidenced by the overwhelming response to the 2017 RA project, there is tremendous student interest in these topics and the RA program is a great opportunity to engage the Michigan student body in education and research, while assisting the university in its sustainability journey. Specific topics of research should be identified through discussions with the committee members, University Licensing, University Procurement Services, and the President’s office.

- Review the scope of the committee’s work as outlined in the President’s Charge to the Committee document and suggest recommendations, when appropriate.

- Host external speakers to present latest thinking on social sustainability issues to the University community.