Report on the activities of the Advisory Committee on Labor Standards and Human Rights, 2017-2018

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 2017 – 2018, 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 2017 – 2018 included 1) continuing the summer internship program by sponsoring three learning experiences related to labor standards and human rights; 2) monitoring University licensee renewals; and 3) 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:

- Continued the summer internship program, reaching out to U-M’s campus community to sponsor two international and one domestic experiential learning experience related to labor standards and human rights. This year, the domestic experiential experience was supported in partnership with the Natural Resources Defense Council (NRDC) in Washington, DC;
- Engaged four students in two research projects: one project focused on developing a better understanding challenges in engaging smaller licensees on social responsibility, and the other investigated how universities engage on environmental issues and sustainability in their licensed goods;
- Hosted Liz Kennedy, Vice President of IMG College Licensing for a discussion on the new Fair Labor Association guidelines, updates on the Nike Hansae Vietnam situation, and gain her insight on the newly-sponsored research assistantships
- Hosted Alex Lebow, Collegiate Engagement Representative, and Jaycee Pribulsky, Senior Director, Sustainable Manufacturing and Sourcing, from Nike to speak to the committee.

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1 The 2017-18 Committee was chaired by Prof. Ravi Anupindi (Ross School). Committee members included Kristen Ablauf (Licensing), Prof. Omolade Abunbi (LSA), Michael Counts (Procurement Services), Khaled Eid (Finance), Monika Johnson, (MBA, MS), Fatima Nasir (LSA, undergrad), Dr. Richard Neitzel (SPH), Nicholas Rine (Law School), Lauren Smith (SPH). Stephen Yaros provided administrative assistance.
In the operational arena:

- Committee member Kristen Ablauf participated in the Fair Labor Association’s (FLA) University Caucus meeting in February 2018 between licensees and universities regarding consistent codes of conducts and obstacles this poses to licensees;
- Monitored University licensee renewals, which entails the collection of licensee sales, corporate responsibility standards, and supply chains; and
- Committee Chair Ravi Anupindi attended the annual WRC University Caucus meeting in Washington, DC on April 18, 2018 and the FLA University Caucus and the FLA board meeting, also in Washington DC on June 18-19, 2018.

In the monitoring arena:

- Monitored developments in remediation for violations of labor standards and human rights at the Nike supplier factory Hansae Vietnam, resulting in an agreement with WRC to further improve the factory’s efforts.

REPORT OF THE COMMITTEE

This year, the Committee had representation from the School of Public Health; Stephen M. Ross School of Business; the School of Public Health; the Law School; College of Literature, Science, and the Arts; University Procurement; and Financial Operations and Licensing.

In 2017 – 2018, 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.

I. EDUCATIONAL LEADERSHIP

A. Summer Internship Program

Encouraged by the success of its 2016 and 2017 summer programs, the committee again funded two international travel fellowships and one domestic internship experience during the summer of 2018.

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 executed in collaboration with the NRDC, an organization dedicated to preserving and sustaining the planet’s natural resources. This year’s project focused on examining the particular environmental footprint of manufacturing UM licensed apparel goods. A call for applications included a brief project proposal asking the applicants to submit their resume, transcripts, and a brief statement of their interest in the project.

For the International Travel Award, the committee received a total of five applications: three from the School of Public Health, one from the School of
Public Policy, and one from the Law School. Graduate students Elizabeth Guthrie and Kyle Sullivan, both of the School of Public Health, were selected as recipients of the committee’s 2018 International Travel Awards. Funding provided by the committee allowed Ms. Guthrie to travel to Tianjin, China to investigate how improved work-related controls and safety standards can be used to improve worker health outcomes in low and middle-income countries. Mr. Sullivan will contribute to Dr. Rick Neitzel’s continued efforts to study electronic waste recycling in Northern Thailand. The group will work with stakeholders to analyze potential interventions in policy, governance, employment and economic development that can influence e-waste streams and labor standards at e-waste worksites on both workers and their surrounding communities. Both Ms. Guthrie and Mr. Sullivan will present their findings to the committee in the Fall of 2018.

For the domestic project engagement with NRDC, the committee received a total of 20 applications: 11 from the College of Literature, Science, and the Arts; three from the School of Public Health; two from the Rackham School of Graduate Studies; two from the College of Engineering; one from the School of Public Policy; and one from the Stamps School of Art and Design (minor at Ross School of Business). Five of the applications were from graduate students, while 15 were from undergraduates. Based on committee members reviews, six applicants were shortlisted, who were then interviewed by Committee Chair Ravi Anupindi and Dr. Linda Greer from NRDC. Ultimately, undergraduate Gillian Yerington (Stamps School of Art and Design/Ross School of Business) was chosen as the recipient of the internship.

Ms. Yerington is expected to submit a report on her work investigating the University apparel supply chain to understand the sources of UM fabric supply and estimate the environmental footprint of products that use these fabrics. She will make a brief presentation to the committee in 2018-2019.

B. Research Assistantship Program

During the Winter 2018 semester, the committee funded four research assistantships: two positions focused on the capacity of small/medium licensees to evaluate and remediate human rights issues in their supply chain, while the other two evaluated opportunities and mechanisms for integration of environmental impacts and sustainability into existing purchasing policies and procedures for licensed goods. These project opportunities were advertised to the student community and the committee received a strong response, totaling 18 applications for the supplier engagement positions and 11 for the environmental issues position; a total of 24 graduate and 5 undergraduate students collectively applied for these projects. Shortlisted members were interviewed by select committee members and two students were chosen for each position. Rosie Sharp (Graduate, Ross) and Vanessa Wong (Undergraduate, Ross) were accepted for the supplier engagement
assistantship, while Sara Hayat (Graduate, Law School) and Megan Souders (Graduate, Public Policy) were accepted for the environmental issues assistantship.

Under the supervision of select committee members, Ms. Sharp and Ms. Wong investigated supplier engagement and how the committee could leverage its resources to aid smaller (C and D category) suppliers in compliance. The ultimate goal was to develop recommendations on how the university could better engage with small licensees in their social responsibility journey. The student team worked under the guidance of Chair Ravi Anupindi and committee member Monika Johnson. Two key insights the study revealed include i) the need for (software) dashboard that integrates various sources of information on licensee practices for the licensing director to facilitate decision making, and ii) FLA’s current e-learning tool, while a step in the right direction, is not sufficiently customized to appeal to the category C & D licensees.

Ms. Hayat and Ms. Souders focused on environmental issues and conducted a benchmarking study of licensing codes and practices of other universities related to environmental issues in their licensed goods operations. The research assistants connected with U-M Procurement and athletics to inquire about their initiatives regarding environmental issues. Chair Anupindi aided in external outreach, calling on procurement offices of other universities and the Sustainable Purchasing Leadership Coalition for input on the study. The student team worked under the guidance of committee members Dr. Rick Neitzel and Lauren Smith. The team’s main conclusion is that codes of most universities, including that of the University of Michigan, do not address any environmental issues. A few that do restrict to occupational health and safety elements; furthermore, it appears that even these are rarely looked into in assessing the licensees by these universities.

C. Liz Kennedy: Discussion on FLA Guidelines, Nike Hansae Vietnam, and Research Assistant Projects

Liz Kennedy, Vice President for IMG College Licensing, was invited to the January 10, 2018 meeting to inform the committee about the newest Fair Labor Association (FLA) guidelines; update members on the Nike Hansae Vietnam situation; and provide her opinion on the recently created research assistantships.

FLA: During the October 2017 board meeting, FLA approved changes to their collegiate licensee program, identifying licensees as ‘category B’ whose annual collegiate revenues exceed $5 million or if it produces goods in at least 10 collegiate factories. These changes were made in addition to the annual $50 million revenue threshold already in place. Ms. Kennedy described this program change as a positive, as many of the licensees that switched from category B to category C or D were smaller collegiate operations who were exploring their collegiate market potential. FLA also revamped the
expectation and obligations of licensees in each category. These changes will most likely not affect the University of Michigan.

**Nike Hansae Vietnam**: Ms. Kennedy noted that Nike had agreed to comply with allowing the Workers Rights Consortium (WRC) to take part in the factory oversight process. Nike also agreed to sign the Collegiate Licensing Company (CLC) standard licensing agreement, making it easier for them to comply with university contracts.

**Research Assistantships**: Regarding the supplier engagement study, Ms. Kennedy suggested focusing on parsing out which target groups within C and D licensees the committee would want to examine and potentially help. The research assistants would best serve this purpose by exploring the predispositions of these licensees as well as their problematic points within their efforts on compliance. She also suggested using non-revenue-based criteria given the time constraints. As for the environmental-facing research group, Ms. Kennedy recommended referring to data from Sumerra’s Ethical Supplier Engagement Program that utilizes a fair number of questions relating to environmental health and safety. However, she continued by saying that asking broad environmental questions might yield inconsistent results. As there is more pressure than ever on brands to detoxify apparel and products, she suggested looking at screen printing which is typically a large issue with environmental safety.

**D. Nike Representatives**

Alex Lebow, Collegiate Engagement Representative, and Jaycee Pribulsky, Senior Director, Sustainable Manufacturing and Sourcing, spoke to the committee on November 2, 2017. Several committee members attended to hear from the Nike representatives regarding labor standards work and ask questions.

**II. OPERATIONAL LEADERSHIP**

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

Committee member Kristen Ablauf attended the Fair Labor Association’s University Caucus meeting on January 23, 2018. The meeting featured conversations between licensees and different universities with panels on implementing consistent codes of conduct. Ms. Ablauf noted the general sense of hesitation amongst licensees to collaborate, however it seemed some companies were open to the idea. The company Lake Shirts voiced their willingness to do so, which Ms. Ablauf said displayed forward-thinking within the industry.

Small table discussions also took place during the working lunch focusing on the disparity between company procedure in filling out the IMG self-assessment questionnaire. For example, some companies have administrative staff fill them out, while others have staff dedicated to these
issues complete them. These inconsistencies create inaccuracies in the assessments.

During the FLA June Board meeting, the University Caucus gathered for a brief dinner meeting on June 18, which was attended by Chair Ravi Anupindi. FLA provided an update on the guiding principles of university affiliation, which proposes to categorize universities based on their level of engagement with the FLA. No decisions were taken.

B. Worker Rights Consortium’s University Advisory Council Annual Meeting

Chair Ravi Anupindi attended the annual WRC University Caucus meeting on April 18, 2018. WRC provided an update on the progress with building and fire safety under the Bangladesh Accord. According to WRC, 87% of safety hazards (1,200+ individual issues) now eliminated. In two cases, worker representatives’ appeal to the arbitration panel to enforce brand obligations was successfully resolved, illustrating the strength of the Accord agreement. The original five year (Accord) agreement was extended in 2018 for another three years. The extension provides greater capacity for Accord staff for assessment and making recommendations to brand for improvement. Over 140 brands have renewed their agreements. The extension a) ensures that the progress achieved under the first Accord is maintained, b) opens door to a possible expansion of scope, c) provides new protections for workers who face retaliation from their employer when they advocate for improved safety, and d) makes improvements to the dispute resolution mechanism.

WRC also updated on the Hansae Vietnam factory remediation as well as on Nike contracting with universities (as discussed under the MONITORING AND COMPLIANCE section of this report).

C. 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, 237 licensees were up for renewal or review, 66 of which were required to participate or continue to participate in the ESEP.
Ultimately, 198 licensees were reviewed, with many receiving multi-conditional renewals.

III. MONITORING AND COMPLIANCE

A. Continued Monitoring of Nike and Hansae Vietnam

Following remediation stemming from several investigations of Hansae Vietnam, Nike’s supplier factory, the plant has signed a Memorandum of Understanding for further improvements via work with the WRC. As of April 2018, the WRC was able to secure new commitments to Hansae Vietnam’s remediation: $750,000 in pay back for unpaid work and illegal recruitment fees; access to assessment of cooling system due to fainting from overwork and excessive heat; 4,500 ergonomic chairs to replace backless benches; reinstatement of workers fired while pregnant; and independent union training. Nevertheless, a few outstanding commitments like follow-up on factory temperature, and freedom of association training remain. However, given that Nike has pulled out of Hansae Vietnam with predictable reaction from factory, it is unclear whether further progress is possible.

In addition to these efforts, Nike has been holding quarterly calls with university affiliates, including Committee Chair Ravi Anupindi and Committee Member Kristen Ablauf. After proposing the revision of labor terms in licensing agreements and collaborating with universities on these resolutions, Nike has released the new key elements of their revamped agreements. New licensing agreements will include: labor standards based on university codes; obligation to fully remediate violations; incorporation of WRC factory access protocol; recognition of university affiliations with WRIC and/or FLA as independent monitor(s); and direct disclosure of factory data to licensing agent and schools, not only via the Nike website.

The agreements holding these key terms are already signed or pending at over 40 schools.

IV. SUGGESTIONS FOR 2018 – 2019 COMMITTEE ACTIVITIES

Based on the activities of the Committee to date and issues pending as of September 2018, items that will likely need attention in the coming year include:

- Continuation of summer travel fellowship & 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 the NRDC, or another similar partner.

- Explore action items based on the two research projects on (small) licensee engagement and environmental issues in university licensing code.
• Continuation of the Research Assistantship program to continue to explore how the University can improve licensing operations while providing students an engaged learning experience.

• Host a workshop/conference centered on understanding best practices in sustainable food procurement by institutions.

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