REPORT OF THE

PENN STATE ADVISORY COMMITTEE

ON APPAREL MANUFACTURING

The Advisory Committee on Apparel Manufacturing
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I. Executive Summary

In April 2000, Penn State President Graham B. Spanier named a 10-member committee, comprised of a chairperson, three students, three faculty, and three administrators, to examine the potential benefits of the University’s membership in several organizations that are involved with monitoring labor practices in the apparel industry. The Committee’s charge was to consider all available information on the Fair Labor Association (FLA), the Worker Rights Consortium (WRC), and the Global Alliance for Workers and Communities to determine the benefits of belonging to the organizations.

The Committee conducted seventeen separate meetings since its first one on April 25, 2000. The Committee met with representatives from Students for Accountability and Reform, Nike, the FLA, the WRC and the Global Alliance for Workers and Communities, as well as reviewed more than 150 documents. The Committee collected and reviewed relevant information available up to the time of this report, including the most current updates regarding the organizations.

The Committee found it important to consider key issues and overarching principles as they relate to the global manufacturing of collegiate merchandise. An organization focused on eliminating sweatshop labor will be most effective if it satisfies the following criteria that were established through the Committee’s deliberations.

1. The Committee acknowledged the importance of **licensee/manufacturer involvement** in the development of a code of conduct, as well as monitoring activities. The committee agreed that corporate involvement is important, but not to the extent where the corporate involvement results in the corporations controlling the process and the outcomes.

2. A **single code of conduct** that is aligned with the codes of other universities and international apparel manufacturers is necessary for effective implementation of monitoring. Multiple codes will be confusing and less effective for workers and will not serve the interests of monitoring groups or the University.

3. While an initial objective is to have Penn State licensed merchandise under the purview of the code of conduct and the associated monitoring mechanisms, having **all merchandise** manufactured in non-sweatshop conditions should be the ultimate goal.

4. A clearly defined concept of a “**living wage**,” though elusive and complex, will ultimately be essential to improve the welfare of factory workers and their families. The definition, conceptual meaning, and practical application of a “living wage” for apparel manufacturing laborers should be the subject of continuing discussion and more study.
Factory monitors should be approved or certified by the sponsoring organization. To hold licensees genuinely accountable for factory conditions, it will be essential for monitoring efforts to provide accurate, timely and verifiable information, an immediate opportunity for remediation, and a strategy for the continuous improvement of working conditions.

The use of local non-governmental organizations (NGOs) in the monitoring and verification process seems appropriate, given that the particular NGO is properly trained and equipped to do so. NGOs used for monitoring activities or involved with governance and policy making should be free from conflicts of interest, as well as operate consistently with the stated monitoring objectives and methods.

Public disclosure of information is an important aspect of maintaining honesty and improving awareness in the area of apparel manufacturing. Along with factory locations, monitoring reports should be public, have broad and easy access, and be disclosed after allowing sufficient time for due process.

The University should make careful decisions regarding membership in any organization and, upon becoming affiliated, be prepared to establish a lasting relationship. In consideration of the University’s commitments and change process, the concept of joining a monitoring organization on a “provisional basis” was not acceptable. Further, the Committee recognized the issues associated with making “mid-stream” changes to codes of conduct and monitoring methods, and the administrative impact that would be imposed on the University as well as its licensees.

Recognizing the need for organizational accountability, specific milestones should be established, as well as other criteria, to permit assessment of performance against expectations. Although the University should be prepared to establish long-term relationships, any organization that the University deals with should be expected to demonstrate positive performance for the relationship to continue. The organization’s leadership and governing board members must consider opportunities for improvement and be able to respond to questions from member institutions as they seek advice.

Acknowledging that financial and human resources are limited, the University should follow the operating principle of cost effectiveness which emphasizes maximizing gains, while minimizing costs. Accordingly, funds and human resources should only be utilized for initiatives that are properly focused and have clear prospects for achieving desired results.

While focusing on those organizations aimed at monitoring, complaint verification, and the general improvement of factory working conditions, the Committee witnessed changes in the organizations as they were evolving. Recognizing that this evolution will continue as each organization seeks to achieve its stated objectives, it is anticipated that the study of approaches to eliminate “sweatshop” labor will continue and expand. As a result, any
perceived strengths or weaknesses must be considered in the time frame of this report and be re-evaluated on a periodic basis.

The Committee believes that the University should maintain its membership and association with the FLA. The FLA demonstrates the potential to satisfy the overarching principles established by the Committee. Certainly, licensees and manufacturers are involved in the FLA. The FLA addresses all apparel for its member companies, rather than only university licensed products. The FLA endorses public disclosure of factory locations and monitoring reports. The FLA and its representatives have demonstrated a willingness to address concerns and systematically implement improvements. Providing monitoring direction specific to women’s rights, as well as continuing to study the “living wage,” are two examples of the FLA’s responsiveness.

There are lingering concerns with the FLA in the areas of governance, university participation, women’s rights and the study of the “living wage.” The FLA has not actually begun its monitoring efforts and, until such time as it does, the University must insist that the FLA perform the monitoring it has proposed. Although the Committee agrees that it is worthwhile to continue working with the FLA, specific milestones should be established to permit assessment of performance against expectations, as well as to maintain an ongoing review by the University.

There was considerable discussion regarding membership, but the majority opinion of the Committee is that the University should not join the WRC at this time. Having been incorporated on October 5, 2000, the WRC just hired its full-time director at the end of November 2000. The WRC satisfies few of the criteria established by the Committee. WRC advocates are committed to the “living wage” as a required provision of any of its member codes of conduct, but the WRC cannot demonstrate how the provision will be implemented.

Despite reasonable agreement with points raised by the majority of Committee members, a number of Committee members support joining the WRC. The primary argument to join is that the WRC is intended to improve factory conditions, and although its methodology may be in question, as well as its potential success, it would nonetheless be appropriate for the University to support its efforts and to participate in making it a more effective organization. At least one Committee member proposed that the University join the WRC on a provisional basis, but this idea was dismissed by the Committee, largely as not demonstrating a sufficient, long-term commitment.

Changes in the WRC structure and processes are possible, but only after an extended period of time. While recommending that the University does not join the WRC at this time, the Committee members encourage the University to continue to follow the progress of the WRC as it develops its methodologies and practices and becomes more responsive to Penn State’s criteria.
The Committee members recommend that the University remain affiliated with the Global Alliance for Workers and Communities with the belief and understanding that its approach to consider workers’ lives holistically is positive. The Committee members agreed that although the Global Alliance for Workers and Communities would have little direct impact on monitoring efforts to ensure Labor Code of Conduct compliance, it is currently working in overseas factories and providing reports on its progress and has done so in a timely fashion.

The Committee members believe that the Global Alliance has a model for positive change and the ability to implement that model. While one committee member did express concern that Penn State, as a result of being a member of the Global Alliance, is affiliated with a number of companies and organizations that the committee member has serious concerns about, the Committee supports the efforts of the Global Alliance.

Through its meetings, the Committee has come to recognize that The Pennsylvania State University is committed to the elimination of so-called “sweatshop” labor conditions for the workers who manufacturer the University’s collegiate licensed apparel. In a letter, dated April 12, 2000 to Penn State’s Advisory Committee on Apparel Manufacturing, President Spanier wrote: “There is no university in America that is more heavily involved in protecting workers and promoting improvement in the lives of workers and their families abroad, or that has committed more of its financial resources to this effort.” Noting that more remains to be accomplished, President Spanier went on to say, “Nevertheless, there may continue to be opportunities to do a better job in this arena, and it is prudent in any event to monitor the progress of our investment in this effort ... and determine the value of various organizational efforts.”

The Advisory Committee on Apparel Manufacturing encourages the University to maintain this philosophy and to continue its efforts toward the elimination of “sweatshops.”
II. History

In the Spring of 1998, Penn State’s Licensing Committee became engaged in discussions regarding the potential of licensed merchandise being manufactured in “sweatshop” conditions. The Licensing Committee readily determined that such practices, should they occur, are completely unacceptable. The University’s administration was very supportive of the Licensing Committee’s position and encouraged the University’s involvement in a number of initiatives, each aimed at eliminating sweatshops.

The tasks of defining a “sweatshop,” developing a code of conduct, and then implementing a mechanism to ensure compliance have been daunting. The Licensing Committee worked through numerous issues, all in conjunction with the following principles:

(1) A Code of Conduct must be workable. While it is important to establish a clear definition of a “sweatshop,” it is also necessary that the provisions of the Code of Conduct be fashioned in such a way to be easily measured and readily enforced.

(2) Licensees must be involved in the process and provide input regarding any resulting code and monitoring mechanisms. Universities do not have the authority or the capability to undertake adjudication of alleged violations. Any system of monitoring and compliance can only become effective with the cooperation and support of licensees.

(3) The sole relationship between a licensee and a university is through a contract. Accordingly, the only enforceable "remedy" is to terminate the contract in the event of a breach of the Code of Conduct.

Considerable progress has been made since Spring 1998. Penn State became a member of the Collegiate Licensing Company’s (CLC) Code of Conduct Task Force in the Summer of 1998. The Task Force, which was comprised of a number of universities, developed a code of conduct that was adopted by the majority of CLC member schools. Penn State also participated in conference calls initiated by the White House and helped sponsor national seminars attended by all stake holders.

With the encouragement of students, Penn State joined the Fair Labor Association (FLA) in March 1999. The FLA includes representatives from the footwear and apparel industries, human rights groups, religious organizations, university interests, and consumer advocates. The FLA, whose members include more than 145 colleges and universities, is headed by Sam Brown, who once led the Peace Corps and VISTA.
As a founding member of the Fair Labor Association (FLA), Penn State has been involved from the beginning in establishing a Labor Code of Conduct for manufacturers to ensure that Penn State licensed products are made in proper work environment conditions.

In November 1999, Penn State became associated with the Global Alliance for Workers and Communities, which is a unique partnership of business, public, and non-profit organizations dedicated to assessing and improving conditions in overseas factories and communities. The founding members of the Global Alliance included the International Youth Foundation (IYF), Mattel, Inc., The John D. and Catherine T. MacArthur Foundation, and Nike. With the direct involvement of workers themselves, the Global Alliance helps corporations develop ways to respond to worker needs and aspirations on a factory-by-factory basis. The Global Alliance for Workers and Communities evolved in 1998 as a way to broaden global models of corporate responsibility.

In December 1999, all Penn State licensees were required to sign a special agreement with the University’s licensing agent, The Collegiate Licensing Company (CLC). This special agreement specified and included the University’s labor code standards. Of the 619 licensed manufacturers, eight companies have not signed the special agreement and fifty-eight companies have not disclosed factory locations. Although a number of these companies are small and operate locally, a number of these license agreements will be terminated as a result of not executing the special agreement.

In February 2000, a number of student protests occurred at various college campuses where students demanded that universities join the WRC. Currently having 67 affiliated universities, the purpose of the WRC is to verify and inspect conditions in factories producing apparel for colleges and universities. The WRC has been developed by United Students Against Sweatshops (USAS) in consultation with workers and human rights groups around the world. Members of USAS believe that the WRC will force information regarding industry practices into the light of day and pressure firms to improve conditions in factories producing their goods. The WRC rejects some of the tenets of the FLA. Among other differences, the WRC feels that any sweatshop monitoring organization should be completely independent, with no corporate ties or corporate involvement.

Penn State decided to delay any decision to join the WRC until the philosophical differences between the WRC and the FLA were clear and the University could gain a better perspective concerning how each organization expects to function in improving conditions in factories producing university licensed merchandise.

III. Advisory Committee on Apparel Manufacturing

In April 2000, Penn State President Graham B. Spanier, again with student advice, decided to create a 10-member committee to examine the potential benefits of the University’s membership in several organizations that are involved with monitoring labor practices in the apparel industry. The Committee was comprised of three students, three faculty, and three
administrators, as well as a chairperson. Additionally, two student alternates were appointed to the Committee. The Advisory Committee on Apparel Manufacturing, chaired by Dan Sieminski, Assistant Vice President for Finance and Business, with Staff Support from Lynn Tressler, included:

Karen L. Bierman, Director of the Children, Youth and Families Consortium and Distinguished Professor of Psychology;
Phillip R. Bower, graduate student majoring in mineral processing;
Philip J. Burlingame, Assistant Vice President for Student Affairs;
Samantha Chirillo, undergraduate student (resigned 12/1/00);
H. James Dunlop, Director of Procurement and Materials Management;
Dennis S. Gouran, Professor of Speech Communication and Labor Studies and Industrial Relations;
Douglas Grane, undergraduate student majoring in geography;
Janis E. Jacobs, Vice President for Administration;
Romel Sharma, undergraduate student majoring in philosophy; and,
John M. Stevens, Professor of Management.

The Committee’s charge was to provide recommendations to President Spanier pertaining to a number of questions, including whether the University should join the WRC. In a broader sense, the committee was to consider all available information on the FLA, the WRC, and the Global Alliance for Workers and Communities to determine the benefits of belonging to the organizations. Committee members were also to consider the financial implications that any payment of dues/association fees would have for the University. The benefits of belonging to any of the organizations were to be weighed against the cost to students and the likelihood that the organizations will reach their objectives. Finally, the Committee was to consider the compatibilities between Penn State's objectives and those of the organizations mentioned.

The Advisory Committee on Apparel Manufacturing conducted seventeen separate meetings since its first one on April 25, 2000. The Committee discussed numerous issues related to and surrounding sweatshops, as well as met with representatives from Students for Accountability and Reform, Nike, the Fair Labor Association, the Worker Rights Consortium, and the Global Alliance for Workers and Communities. In addition to conducting meetings with those most closely involved, the Committee reviewed more than 150 documents. The Committee collected and reviewed relevant information available up to the time of this report, including the most current updates regarding the organizations.

The Committee recognizes that the organizations it considered in respect to the monitoring and elimination of sweatshop conditions may improve their effectiveness as they evolve. As a result, any perceived strengths or weaknesses must be considered in the time frame of this report and re-evaluated on a periodic basis.

IV. Key Issues/Overarching Principles
Much like Penn State’s Licensing Committee, the Advisory Committee on Apparel Manufacturing found it important to consider key issues and overarching principles as they relate to the global manufacturing of collegiate merchandise. Beginning with the three principles established by the Licensing Committee, it was determined that, as the “sweatshop” debate evolved and matured, a number of additional issues required attention. The Committee discussed key issues/overarching principles at length and believes an organization focused on eliminating sweatshop labor will be most effective if it responds to the following key issues and overarching principles.

A. **Licensee/Manufacturer Involvement**

The Committee acknowledged the importance of licensee/manufacturer involvement in the development of a code of conduct, as well as monitoring activities. Manufacturers of licensed apparel should be invited to assist in the goal of improving conditions for workers, but not be permitted to control or influence University administrative or policy decisions. Concerns focused on the extent any university (including Penn State) would be willing to tell companies how they do their business. Members recognized that it is important to communicate the University’s expectations to all stakeholders. The committee defined control as any one group having the capability to determine outcomes in the decision-making process or actions involving implementation. Further, the members acknowledged that potential conflicts of interest should be reviewed when considering the issue of control. The committee agreed that corporate involvement is important, but not to the extent where the corporate involvement results in the corporations controlling the process and the outcomes.

B. **One Code vs. Many Codes**

The Committee addressed the issue of having one code of conduct versus many different codes of conduct. The members agreed that a single code of conduct, adopted by all universities and accepted by all manufacturers, would probably have the greatest positive influence. The Committee also reached the conclusion that, although codes of conduct are being advertised as “different,” they have more elements in common than not. The areas of difference, however, may be significant enough to warrant adopting a certain code of conduct over another. There was general agreement that a single, universally accepted code of conduct would be most beneficial, but that it may be possible to have a small number of different codes of conduct.

C. **Licensed Merchandise vs. All Merchandise**

The Committee concluded that the University’s most effective leverage is through its license agreements. The members reached consensus that universities can have significant influence in elevating factory standards generally, if they are properly organized. Current estimates suggest that collegiate licensed merchandise represents only 1% of the total merchandise produced. While an initial objective is to have all of the Penn State licensed merchandise under the purview of the code of conduct and the associated
monitoring mechanisms, having all merchandise manufactured in non-sweatshop conditions should be the ultimate goal.

D. **“Living Wage”**

The committee discussed the concept of a “living wage” and the problem of not being able to properly define it for contractual purposes. The Committee agreed that the following, as taken from the February 2000 report from the U.S. Department of Labor entitled, *Wages, Benefits, Poverty Line, and Meeting Workers’ Needs in the Apparel and Footwear Industries of Selected Countries*, fairly describes the issue and explains the problem of including a “living wage” provision in a code of conduct:

The term “living wage” is often used as a synonym for a “fair and decent” level of income that would enable workers to meet their “basic needs.” However, there is little agreement on the definition of what exactly constitute “basic needs” or on the methodology to determine the income necessary to meet such needs. While there have been a number of declarations and conventions by regional and international bodies concerning the right of workers to receive an adequate wage, most do not provide a precise definition of how it should be determined.

A clearly defined concept of a “living wage,” though elusive and complex, will ultimately be essential to improve the welfare of factory workers and their families. The definition, conceptual meaning, and practical application of a “living wage” for apparel manufacturing laborers should be the subject of continuing discussion and more study.

E. **Monitoring Objectives/Methods**

The Committee addressed concerns regarding what objectives should be set for monitoring and considered appropriate methods to accomplish such monitoring. To hold licensees genuinely accountable for factory conditions, it will be essential for monitoring efforts to provide accurate, timely and verifiable information, an immediate opportunity for remediation, and a strategy for the continuous improvement of working conditions. Regardless of the organization involved with the particular monitor (i.e., GA, FLA, WRC, other), the committee agreed that the following guidelines were of key importance.

Monitors should:

- Be approved/certified by the sponsoring organization(s);
- Have consistent methodologies across all locations and be properly trained to do so;
- Be able to operate in an efficient and cost-effective manner;
- Confirm compliance with the Code of Conduct;
- Conduct regular and on-going visits;
- Be able to respond to specific complaints;
- Define critical elements for which immediate/urgent action is required; and,
- Recommend corrective actions and the expected time frame for their completion.
F. Non-Governmental Organizations (NGOs)

The use of local NGOs in the monitoring and verification process seems appropriate. There are many organizations that are classified as NGOs, however, and each is organized to support specific missions. The Committee members agreed that it would be appropriate to accept the principle of local NGO involvement, given that the particular NGO was properly trained and equipped to perform such functions associated with factory conditions. The members agreed that NGOs used for monitoring activities or involved with governance and policy making should be free from conflicts of interest, as well as operate consistently with the monitoring objectives and methods stated above.

G. Public Disclosure

Public disclosure of information is an important aspect of maintaining honesty and improving awareness in the area of apparel manufacturing. The Committee spent time discussing public disclosure and how much information is appropriate. The members concluded that, along with factory locations, monitoring reports should be public, have broad and easy access, and be disclosed after allowing sufficient time for due process. Due process, in the present context, consists of the following steps: monitor issues report to factory and licensee; licensee works with factory to correct problems; problems are verified and corrected; and the report is disclosed, whether or not the problem is corrected. The Committee also endorsed the view that parties being monitored should not be put in a defensive or reactive posture in the press, but also that they should not have the authority to reconstruct or edit findings.

H. University Commitments and Change Process

The members agreed that Penn State must abide by existing legal agreements. Committee members believe that the University should make careful decisions regarding membership in any organization and, upon becoming affiliated, be prepared to establish a lasting relationship. As a result, the Committee members agreed that the concept of joining a monitoring organization on a “provisional basis” was not acceptable. Further, the Committee recognized the issues associated with making “mid-stream” changes to codes of conduct and monitoring methods, and the administrative impact that would be imposed on the University as well as its licensees.

I. Organizational Accountability

The “sweatshop” environment seems to be one in which change will occur at a measured pace, but for the parties involved, a great amount of communication and consultation is required, as issues are identified and solutions are agreed upon. The Committee discussed the need for responsiveness from any of the monitoring organizations with regard to questions, issue resolution, or recommendations aimed at improving processes. The organization’s leadership and governing board members must consider opportunities for
improvement and be able to respond to questions from member institutions as they seek advice. The Committee members agree that communications should be timely and responsive, regardless of perceived conflicts.

Although the University should be prepared to establish long-term relationships, any organization that the University deals with should be expected to demonstrate positive performance for the relationship to continue. Recognizing the need for accountability, specific milestones should be established, as well as other criteria, to permit assessment of performance against expectations.

J. Financial/Human Resource Commitments

Acknowledging that financial and human resources are limited, the University should follow the operating principle of cost effectiveness which emphasizes maximizing gains, while minimizing costs. The Committee addressed the matter of financial commitments and recognized that resources are limited. Accordingly, funds and human resources should only be utilized for initiatives that are properly focused and have clear prospects for achieving desired results. Penn State’s dues to the FLA are projected to be about $100,000 over five years. Penn State is also projecting a commitment of $350,000 to the Global Alliance for Workers and Communities during this same time frame.

V. Fair Labor Association (FLA)

The FLA came about as the result of a task force, then known as the Apparel Industry Partnership (AIP), which was initiated by the White House in 1996 with the active participation of the U.S. Department of Labor. The task force was composed of representatives from human rights groups, consumer advocates, labor unions, religious organizations, university interests, and corporations. Created in November 1998, the FLA’s code of conduct and associated monitoring provisions were the result of significant and extended negotiations between all representatives.

The following taken from the FLA web site, located at http://www.fairlabor.org/, provides a statement as to the mission of the Fair Labor Association:

The mission of the FLA is to improve working conditions in factories in the United States and abroad. To this end, the FLA Charter Agreement establishes an industry-wide Code of Conduct and monitoring system. The agreement lays the foundation for an independent monitoring system. The FLA will accredit independent monitors to inspect factories that manufacture products for its participating companies and for licensees of its affiliated universities, determine whether these companies are in compliance with the Association’s standards, and issue public reports that will give consumers the information they need to make informed purchasing decisions.
In an effort to ensure continued university involvement, the AIP worked with representatives from several universities and collegiate licensing organizations to have interested universities join the FLA. In March 1999, the U.S. Department of Labor announced that a core group of universities had joined the FLA and that among other modifications, the FLA would add a university representative to its governing board, establish a full-time university liaison position, and create the FLA University Advisory Council to which each university member of the FLA can appoint a representative.

The FLA, through a systematic approach to monitor participating companies accredits independent monitors, certifies company compliance with the FLA standards, addresses questions critical to the elimination of sweatshop labor, and serves as a source of information about its code, monitoring principles, and participating companies. The FLA addresses all merchandise of member companies, as well as collegiate licensed merchandise. Universities are free to think of the standards reflected in the FLA code of conduct as a floor, and that schools can require their licensees to higher standards.

The Board of Directors of the FLA, the governing board, is comprised of six labor/NGO representatives, six industry representatives, one university representative, and a voting Chairperson. The university representative is nominated and selected by the FLA University Advisory Council.

The FLA’s annual budget is approximately $1.4 million. There are three primary sources of funds including the United States Government (60%), member universities (20%), and member companies (20%). Part of the funding supports a current FLA staff of six individuals, but additional staffing is anticipated. To become a member of the FLA, an institution, such as Penn State, must commit 1% of its licensing royalties up to $50,000 annually as dues.

Penn State joined the FLA in March 1999, after almost a year of working with the Collegiate Licensing Company’s Code of Conduct Task Force and considering the need for a monitoring system that had been offered by the FLA.

Again from the FLA website, the following describes a member company’s involvement regarding internal and external monitoring:

Companies affiliated with the FLA shall implement an internal company monitoring program consistent with the FLA Principles of Monitoring covering at least one-half of all their applicable facilities during the first year of their participation, and covering all of its facilities during the second year. In addition, the company commits to use independent external monitors accredited by the FLA to conduct periodic inspections of at least 30% of the company’s applicable facilities during its initial 2-3 year participation period. All internal and external monitors will also provide their reports to the FLA which will, in turn, prepare a public report in accordance with the FLA Charter.
In its early stages, the FLA received criticism for having a code of conduct that was not strong enough, particularly in the areas of public disclosure, wage provisions, and women’s rights. Additionally, its governance structure and method for selecting external monitors were questioned and interpreted as weaknesses in the organization. The primary critics of the FLA were supporters of the WRC, which is discussed later.

Since that time, the FLA has made adjustments in a number of its provisions. At its June 20, 2000 meeting, the FLA University Advisory Council (UAC) passed a resolution regarding public disclosure which in part reads, “a college or university affiliate with a licensing program, in addition to meeting all other standards already prescribed in the charter of the FLA and the bylaws of the University Advisory Council, also shall have adopted a policy that requires the public disclosure of factory locations by its licensees.”

In addition, the UAC adopted a resolution that addressed wage levels. Specifically, the University Advisory Council:

(1) encourages the FLA to continue to look carefully at the question of wages, drawing upon the Department of Labor study, other studies, experience gained through monitoring, and other sources of information;

(2) encourages educational programs and faculty research that seek clearer understanding of the concept of a “living wage” and the implications of implementing a “living wage” or other higher wage requirement as part of the Workplace Code; and,

(3) establishes a task force to consider on its behalf issues related to the wage provision in the FLA code, taking into account both the continued work of the FLA in this area and any findings that result from further research, with the expectation that this task force will periodically apprize the University Advisory Council of its progress and make a report at the Council’s next meeting.

The FLA addresses women’s rights in a document entitled Monitoring Guidance and Compliance Benchmarks, which can be found on the FLA’s web site. The FLA code provision for non-discrimination reads as follows:

No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

It further defines this provision for monitoring to include:
(1) Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement.

(2) There shall be no differences in compensation and benefits attributable to gender.

(3) Employers will not prohibit the employment of married women.

(4) Employers will not use pregnancy tests or the use of contraception as a condition of hiring or of continued employment. Employers will not require pregnancy testing of female employees, except as required by national law.

(5) Information arising from pregnancy testing undertaken voluntarily will not be used as a factor in involuntarily reassigning, firing or making any other employment decision that disadvantages a pregnant woman.

(6) Reasonable accommodation will be made in the event of pregnancy, in a manner that will not unreasonably disadvantage the pregnant woman.

(7) Employers will not, on the basis of a woman’s pregnancy, make decisions that result in dismissal, threat to dismiss, loss of seniority, or deduction of wages.

(8) Employers will ensure that pregnant women are not engaged in work that creates substantial risk to the health of the pregnant woman.

(9) Employers will ensure that women are not engaged in work that creates substantial risk to their reproductive health.

To gain more first-hand knowledge of the FLA, the Committee met with representatives from Nike during one meeting and reserved a separate meeting to meet with the FLA Governing Board’s university representative, while in a conference call with the FLA’s university liaison. The following informational items are of importance:

(1) The FLA set out and has completed adopting a set of labor standards and monitoring guidelines that meet the needs of its represented groups. It was noted that one of the FLA’s strengths is that it is represented by NGOs, universities, and companies. The FLA is oriented toward monitoring with continuous improvement and establishes mediation toward problem resolution.

(2) The FLA’s external monitoring process is scheduled to begin before the end of Fall 2000. Monitoring is to occur at 30% of the factories using external monitoring. This is in addition to the requirement that 100% of the factories be monitored internally. According to FLA standards, companies are required to monitor each of their factories on a yearly basis.
(3) There are internal and external monitors. Companies employ their own internal monitors. When the internal monitoring report is submitted, the FLA staff are to be notified of the problem(s), when the problem(s) occurred, and how they will be rectified. External monitors have to be accredited by the FLA. Applications are available on the FLA website. Some monitoring organizations have submitted their applications, but no external monitors have been accredited at this time. Certain NGOs can be accredited in specific areas of the code or by geographic location, and companies can then choose them to perform the external monitoring.

(4) There is discussion concerning having more than one university representative on the FLA Board. However, because only four (Nike, Addidas, Reebok, Gear) of the eleven member companies produce collegiate merchandise, the single university seat on the FLA Board is viewed as more than reasonable from the perspective of the manufacturers. It is recognized that the single university seat has significant influence on the FLA Board and that the notion of adding more university representatives is being considered. FLA Board members recognize that there are 145 schools standing behind the university representative on the Board, which increases this member’s influence beyond the voting power.

(5) FLA member companies currently represent 10% of the apparel business, or approximately $30 billion of the total $300 billion apparel business. The percentage will go up, but not dramatically, when licensees become involved. From the FLA’s perspective there is some disappointment that many companies have not yet joined or become affiliated with the FLA.

(6) For certain changes to occur in the bylaws and code of conduct, super majority voting requires that two-thirds of the manufacturers and two-thirds of the NGOs approve the change. The FLA created this voting provision in large measure for both the NGOs and the companies to ensure that the other group could not dominate in making significant policy changes. The super majority voting requirement ostensibly would ensure a solid foundation, such actions would be embraced by all participants should they be adopted, and, therefore, everyone would be protected. A resolution to change the super majority voting process will be proposed for adoption at an upcoming FLA Board meeting. The proposal is to have each member vote and approve changes with a simple two-thirds vote of the Board.

(7) Two members representing union interests were involved in finalizing the Code of Conduct and Monitoring Principles, but then left the FLA reportedly over the issues of opening trade with and the lack of collective bargaining in China. Despite numerous attempts by the Committee to confirm the claim, the union representatives did not respond to any communications.

(8) Because universities have strong opinions regarding “living wages,” the FLA recognizes that the wage provision in its Code of Conduct remains open to discussion and, as a result, has adopted the earlier referenced resolution concerning the continued study of the “living wage.”

**Recommendation**
The Committee members believe that the FLA demonstrates the potential to satisfy the overarching principles established by the Committee earlier in this report. Certainly, licensees and manufacturers are involved in the FLA. The Committee heard on numerous occasions that licensee/manufacturer cooperation was paramount toward realizing any goals aimed at improving factory worker conditions. The FLA addresses all apparel for its member companies, rather than only university licensed products. The FLA endorses public disclosure of factory locations and monitoring reports. The FLA and its representatives have demonstrated a willingness to address concerns and systematically implement improvements. Providing monitoring direction specific to women’s rights, as well as continuing to study the “living wage” issue are only two examples of this positive outlook.

While early in the process, the FLA has established leadership and staffing, which further suggests that the organization is well positioned to move forward and continue implementing its stated objectives. This is not to suggest that the FLA’s plan is not ambitious. The Committee recognizes that achieving its stated objectives will require a continued interaction with all stakeholders.

The points made above, coupled with the fact that the University was one of the founding members and has been involved with the FLA to influence its activities, contributes to the Committee belief that the University should maintain its membership and association with the FLA. The Committee members could not identify any compelling issues that would justify terminating the relationship.

There are lingering concerns with the FLA. Member universities and NGOs should be vigilant regarding concerns about the FLA’s governance structure. Although the Committee members believe that the single university seat on the Governing Board has been quite effective to-date, actions taken by the Board in the future should be closely reviewed with an eye to corporate domination.

The FLA has indicated that it will monitor for multiple codes of conduct, specific to its individual members. Given that the FLA has not yet demonstrated a systematic and successful monitoring program, the Committee members question its ability to administer different codes of conduct at the same factory location. The Committee members believe that multiple codes may create the need for precision in a system that is only in its early stages.

All agreed that the FLA has not actually begun its monitoring efforts and, until such time as it does, the University must insist that the FLA perform the monitoring it has proposed. Concerns about the FLA remain in the areas of governance, university participation, women’s rights, and the study of the “living wage.” Although the Committee agrees that it is worthwhile to continue working with the FLA, specific milestones should be established to permit assessment of performance against expectations, as well as to maintain an ongoing review by the University.
VI. **Worker Rights Consortium (WRC)**

The WRC is a creation of United Students Against Sweatshops (USAS). During the summer and fall of 1999, USAS, in consultation with workers and human rights groups, developed a model that focused on disclosing information concerning sweatshop conditions to the public, thereby, serving to induce firms to improve conditions in factories.

In mid-February 2000, Penn State, along with many other universities, received a letter from USAS requesting that the University become a member of the WRC so that it could attend the WRC’s founding conference on April 7, 2000. During this time frame, demonstrations were occurring at a number of universities in which students, in some instances “taking-over” administrative offices, demanded that their universities either disaffiliate with or refrain from joining the FLA and become members of the WRC.

As stated in a document produced by the WRC entitled **Outline** and dated February 2000:

The Worker Rights Consortium is a practical improvement upon industry-controlled monitoring organizations. United Students Against Sweatshops is convinced, no matter how well-intentioned these organizations may be, their efforts will be to relieve the pressure to clean up the industry, to cover up abuses, and to lend the credibility of schools’ names to the very companies that have created the global sweatshop system.

From the WRC web site, located at [http://www.workersrights.org/](http://www.workersrights.org/), is the following description of how the organization would fulfill its mission as stated in the document referenced above:

Participants will set up a WRC Agency, operating independently of industry representatives and university licensing offices, to receive and verify worker complaints of abuses and violations of the WRC Code of Conduct. The Agency will work with worker-allied groups in sourcing areas to establish the system to receive complaints and to verify them.

Also in the document entitled **Outline** the following statement appears concerning how the WRC planned to function as of February 2000:

Under the WRC, it is the responsibility of the licensees to ensure their compliance with the code of conduct. By joining the WRC, universities and colleges commit to the implementation of broad public disclosure and a mechanism to verify information received through disclosure and worker complaints. Given the vast scope of the apparel industry, the WRC does not provide for certification of factories or companies. Rather, the WRC seeks to open up conditions in the apparel industry to public scrutiny and to respond to the need of the workers sewing licensed products for institutions of higher education.
The WRC presently has two organizational bodies. There is a 15-member Governing Board, which includes five university elected representatives, five United Student Against Sweatshop elected representatives, and five representatives from the WRC Advisory Council. The second body is the WRC Advisory Council, which is comprised of representatives who have significant expertise in issues surrounding worker abuses. As of February 3, 2000, the representatives on the WRC Advisory Council included a number of labor union officials, academic supporters, and members of a number of watch dog groups.

The WRC has indicated that because it plans to conduct spot investigations, rather than engage in comprehensive monitoring, it can operate with comparatively little financial resources. The WRC’s current annual budget is $300,000. Revenues from member universities are estimated at $150,000. The sources of the remaining $150,000 are a matter the WRC has not made public at this point. To become a member of the WRC an institution, such as Penn State, must commit 1% of its licensing royalties up to a maximum of $50,000 annually as dues.

Penn State delayed any decision to join the WRC until the philosophy of the WRC became clearer and the University could gain a better perspective concerning how the WRC expects to function.

The Committee conducted three separate phone interviews with representatives from the WRC. The first conference call included three university officials who had been elected to the WRC Governing Board. The second conference call was with a student who is a member of USAS and serves on the WRC Governing Board. The third conference call was with the WRC’s acting director.

During these calls, the Committee learned of or confirmed the following:

(1) While trying to make the organization as efficient and effective as possible in order to do more good than harm, the WRC recognizes that sweatshop issues are complicated and involve legal and ethical questions that require careful consideration. The WRC became a legal entity by incorporating in the State of New York on October 5, 2000. Over the next few months, organizational issues will be addressed, and an Executive Director will be hired.

(2) The WRC focuses only on licensed merchandise, whereas the FLA is involved with all apparel, including licensed merchandise. Collegiate licensed merchandise represents about 1% of the total apparel industry.

(3) The WRC is currently working from its white paper which contains its vision. This document indicates that the WRC would not systematically monitor, but would respond to “worker complaints,” conduct spot investigations, and form an assessment after problems have been
identified. The process envisioned is that information will come in from the factory via NGOs, e-mail, phone, and other means. After receiving the initial information, the WRC is to verify that the information is correct. This information will then go to the WRC members, the universities, to see how they wish to respond.

(4) The WRC plans to apprise universities of its findings, and, if there is a problem identified, the university will have to contend with it. It was emphasized that the WRC is reportedly an information gathering and disseminating organization, that may or may not make recommendations to member colleges and universities concerning how to deal with problems that have been identified.

(5) It is not clear what the WRC will actually spend to implement its information gathering and dissemination system or when the necessary funds will be available. At this time, the WRC plans to implement a few projects, determine their associated costs, and look for funding from foundations concerned with international issues.

(6) Under the WRC model, workers will be told about the WRC Codes of Conduct. Presumably, if workers are well-educated, they will use the WRC information gathering and dissemination system to improve working conditions. The WRC reportedly committed not to take a cookie-cutter approach in conducting its activities, but instead feels that needs and approaches must vary from country to country. The plan is to begin in a few areas by developing model investigations, while involving local people in the process. The WRC plans to accept a broad-range of methodologies, rather than depend on one overall set of standardized procedures.

(7) Regarding corporate involvement, there are individuals associated with the WRC who are opposed to any corporate involvement. They contend that the WRC is more credible because it does not allow industry to influence any of its activities. Nor is it allegedly necessary to have the involvement of companies to conduct monitoring activities. The belief is that many investigations can be done via off-site interviews. If the WRC is unable to get into the factories, it will conduct off-site visits to assure workers of confidentiality.

In contrast, there is recognition from other WRC supporters that gaining access to factories is important and can be accomplished through contractual obligations and licensee agreements as defined by the WRC member universities. They also feel that the WRC cannot make its way into the factories without working with the licensees and manufacturers. For this group, the belief is that although the licensees or manufacturers will not participate on the WRC Board, they nevertheless need to be involved in the “monitoring”/verification process.
The WRC plans to conduct meetings with industry representatives in order to better create a dialogue with companies. It was noted that the WRC modified its policy regarding corporate involvement at its first meeting of the Governing Board. The organization, however, will not begin implementation until the Executive Director is hired.

(8) With regard to union involvement, there is a WRC Advisory Council member who is the Vice President of the AFL-CIO. There is also another Board member who worked for UNITE for 25 years, but does not currently represent that organization. As reported by the WRC’s acting director, the unions do not provide any financial support to the WRC. Despite numerous attempts by the Committee, the union representatives did not respond to any of the Committee’s communications; hence, the members remain unclear as to the nature and extent of union involvement.

(9) Some argue that the WRC Code is better than that of the FLA because it requires payment of a “living wage.” The WRC continues to study the “living wage” issue and is looking for pro-active ways to implement the “living wage” standard. The WRC’s official policy is that member colleges and universities have their own codes, which may include a “living wage” provision and that the WRC will then come up with ways to implement it.

**Recommendation**

There was considerable discussion regarding membership, but the majority opinion of the Committee is that the University should not join the WRC at this time. The WRC satisfies few of the overarching principles established by the Committee earlier in this report. The WRC rejects the notion of licensee, manufacturer, or corporate involvement in its operations. The Committee members continue to interpret this as a problem in regard to gaining access to factories.

Its approach of verifying third party allegations, only as they relate to university licensed merchandise, seems impractical. The WRC does not have an established system to verify third party allegations. WRC advocates are committed to the “living wage” as a required provision of any of its member codes of conduct, but the WRC cannot demonstrate how the provision will be implemented.

Rather than confirming compliance with a code of conduct, the WRC confirms non-compliance through complaint verification and spot checks. The approach seems more efficient and oriented toward accomplishing the same objective; however, a WRC member institution cannot determine that its licensees are abiding by the code of conduct, given that it does not receive an adverse report on the licensee. Therefore, the university can only hope that all code violations are being identified through the WRC process. Further, the WRC’s approach to individually notify member universities of violations for their handling,
may create an administrative liability for which few of the individual universities are prepared.

In addition, the WRC is in its very early stages of development. Having been incorporated on October 5, 2000, the organization hired its full-time director at the end of November 2000. Members of the Committee did not find the WRC to be responsive in its dealings with the Committee. Although significant issues remain, the Committee members believe the WRC will require time in which to better organize and address issues “single-mindedly.” The Committee did not perceive a consistency of overall thinking among the various representatives on the WRC Board.

Despite reasonable agreement with points raised by the majority of Committee members, a few of the Committee members support joining the WRC. Those wanting to join the WRC proffer that the Committee limited its thinking and had a set of principles that, by their very nature, exclude the philosophy of the WRC, which is more oriented toward human rights than business principles.

The primary argument to join is that the WRC is intended to improve factory conditions, and although its methodology may be in question, as well as its potential success, it would nonetheless be appropriate for the University to support its efforts and participate in making it a more effective organization.

Another argument for joining the WRC is that the University affiliated with the FLA and the Global Alliance in their very early stages of development and, therefore, the University should likewise join the WRC, while it is in the early stages of development. At least one Committee member proposed that the University join the WRC on a provisional basis, but this idea was dismissed by the Committee, largely as not demonstrating a sufficient, long-term commitment.

The Committee believes that existing WRC university members are aware of and share the concerns raised above. The Committee also believes that the quality of the WRC university members is such that, with their involvement and influence, changes in the WRC structure and processes are possible, but only after an extended period of time. While recommending that the University not join the WRC at this time, the Committee members encourage the University to continue to follow the progress of the WRC as it develops its methodologies and practices, and, given improvements consistent with the University’s criteria, consider at some later time the possibility of joining.

VII. The Global Alliance for Workers and Communities

The Global Alliance for Workers and Communities was formally launched in April 1999. The Alliance is a partnership among private, public, and non-profit institutions dedicated to
improving the work and life opportunities for young adult factory workers. Created by the International Youth Foundation, the Alliance seeks to involve local, non-governmental organizations, as well as employees and their representatives, to help broaden the models of corporate responsibility and negotiate standards among business, government, civil society, and international institutions.

From the web site of the Global Alliance for Workers and Communities, which is located at http://www.theglobalalliance.org/, the following statement concerning the organization’s idea behind its formation appears:

For new economies to thrive and take hold, the next generation must be prepared with the skills and knowledge necessary to build strong economies, and with the values and principles necessary to nurture successful societies, communities and families. As corporations increasingly reap the benefits of a global economy, they are also moving to shoulder more social responsibilities, especially in countries just beginning to develop market economies. That is the organizing idea behind the Global Alliance for Workers and Communities, an alliance of private, public and non-profit organizations to help improve the lives, workplace experience and communities of young workers in global manufacturing and service companies.

The Global Alliance for Workers and Communities is headed by an Executive Director, who reports to the CEO of the International Youth Foundation (IYF) Board. A nine-member Operating Council governs the Global Alliance for Workers and Communities within the structure of the IYF and provides an organizational interface to the Executive Director. The Council members bring extensive experience related to social and economic development, social auditing, and the education/development of young adults.

For the year ended December 31, 1999, total operating expenditures of the Global Alliance for Workers and Communities was $1,014,473. There was an operating surplus of almost $12,493,509 in revenues over expenditures as of June 30, 2000. The Global Alliance currently operates with a staff of eight people.

The cost associated with membership in the Global Alliance varies on the basis of discussions and negotiations with a limited number of partners. Penn State officially joined the Global Alliance on June 12, 2000 and made a five-year commitment in funding and in-kind support valued at $75,000 per year.

The Committee had one meeting with the executive director of the Global Alliance and developed the following understandings as a result:

(1) The Global Alliance wishes to work with a broad mix of manufacturers, as well as six to eight universities, all focused on improving development opportunities for youth.
An aspect of the Global Alliance’s work is to provide stronger links between factories and the communities in which they operate to improve infrastructure, including water, sewer, community services, school systems, and other related matters.

Potential benefits of the Global Alliance’s approach and methodology are reduced turnover, improved productivity, higher employee morale, and better relations between management and workers.

The Global Alliance is currently working with Nike and Gap in three countries (Thailand, Vietnam, and Indonesia) and in 30 factories having a combined workforce of 110,000 people. The Global Alliance believes it cannot be successful in its role without the involvement of the manufacturers.

There are 2 million NGOs in the United States that are registered with the Internal Revenue Service as 501(c)3 organizations and are classified as educational, scientific, and charitable.

For any labor code of conduct to be effective, workers have to be empowered, trained, and understand what their rights are.

**Recommendation**

The Committee recommends that the University remain affiliated with the Global Alliance with the belief and understanding that its approach to consider workers’ lives holistically is positive. The Committee members agreed that the Global Alliance for Workers and Communities would have little direct impact on monitoring efforts to ensure that licensees are abiding by the Labor Code of Conduct. The Global Alliance is, however, currently working in overseas factories and providing reports on its progress and has done so in a timely fashion. The Committee members believe that the Global Alliance has a model for positive change and the ability to implement that model.

While one committee member did express concern that Penn State, as a result of being a member of the Global Alliance, is affiliated with a number of companies and organizations that the committee member has serious concerns about, the Committee supports the efforts of the Global Alliance.

**Summary**

Penn State’s Advisory Committee on Apparel Manufacturing conducted seventeen separate meetings since its first one on April 25, 2000. The Committee’s charge was to consider all available information on the Fair Labor Association (FLA), the Worker Rights Consortium (WRC), and the Global Alliance for Workers and Communities to determine the benefits of belonging to the organizations. The Committee met with representatives from Students for Accountability and Reform, Nike, the FLA, the WRC and the Global Alliance for Workers and Communities, as
well as reviewed more than 150 documents. The Committee collected and reviewed relevant information available up to the time of this report, including the most current updates regarding the organizations.

The Committee addresses the need for a firm set of criteria in order to evaluate the organizations in a logical fashion. The report reflects the results of the Committee’s deliberations in the areas of licensee/manufacturer involvement; one code versus many codes; licensed merchandise versus all merchandise; the “living wage;” monitoring objectives/methods; non-governmental organizations; public disclosure; University commitments and change process; organizational accountability; and, financial/resource commitments.

Using the established criteria and the information collected, regarding each of the organizations, the recommendations in this report include that the University should: 1) maintain its membership with the Fair Labor Association; 2) maintain its membership with the Global Alliance for Workers and Communities; and, 3) not join the Worker Rights Consortium at this time.

While focusing on those organizations aimed at monitoring, complaint verification, and the general improvement of factory working conditions, the Committee witnessed changes in the organizations as they were evolving. As a result, any perceived organizational strengths or weaknesses must be considered in the time frame of this report and be re-evaluated on a periodic basis.