

SweatFree Procurement Forum for Purchasing Officials

Thursday, March 26, 2009

Next conference call: Thursday, April 30

4 pm ET/3 pm MT/2 pm CT/1 pm PT

Call: 218-339-4600

Access number: 858-342

Duration: 1 hour

Present:

Jeff Baer, City of Portland
Dianne Berndt, City of Milwaukee
Sam Dominguez, City of Austin
Ron Hermes, State of Wisconsin
Carmen Herrera, City & County of San Francisco
Maribeth Ladd and Bob Irvine, State of Massachusetts
Monette McGuire, City of Madison
Henry Oyekanmi, City of Berkeley
Joe Signoretta, State of New Jersey
Monica Wilkes, New York State
Farshid Yazdi, City of Los Angeles

Bjorn Claeson, SweatFree Communities, facilitator and notetaker

Topic: Best practices in university sweatfree licensing and lessons for government procurement

Guest presenter:

Jim Wilkerson, Director of Trademark Licensing and Store Operations at Duke University

Announcements

1. New Sweatfree Purchasing Consortium websites: www.buysweatfree.org
2. New report out on April 15: *Subsidizing Sweatshops II*. SweatFree Communities will publish a follow-up to its July 2008 report on working conditions in U.S. city and state supplier factories. Some new case studies and some follow-ups from cases in the first report. The brands included in the report are: Dickies/Workrite, Lion Apparel, Cintas, Fechheimer, Propper International Inc., Eagle Industries, Safariland/BAE, Elbeco, and Rocky/Lehigh Safety Shoe. All cases will not be poor conditions. Procurement officials are encouraged to contact their vendors to encourage appropriate action related to remediating problems found in these factories. SweatFree Communities will be in touch individually with each office about applicable report details and suggested steps.

Summary of Jim Wilkerson's presentation

Outline of Presentation

1. Why has a consortium approach been crucial to universities?
2. Why have decided as universities that we need a "designated suppliers" approach in order to ensure that our products are truly sweatshop free?
3. What lessons do our experiences hold for cities and states?

Background

I am primarily a business person. I've spent the past 30 plus years operating retail and other businesses, some in the private sector, and the past 28 years operating businesses at Duke. I've worked with licensees and apparel companies for several decades managing the use of Duke's trademarks, and in purchasing items for sale in Duke's stores. Duke's business operations are now about \$50 million a year. The competitive nature of business is inspiring to me, and I greatly respect those companies who succeed, while doing business the right way. Unfortunately, there are far too few of those.

Having become concerned about labor abuse issues – actually initially from watching a History Channel documentary in spring of 1997– I began research and work on a Code of Conduct for Duke's licensees. I completed Duke's Code in the fall of 1997 and released it to the public in early March 1998. Duke's Code was the first university code in the United States, and has since served as the model for virtually all university codes, as well as other codes, including that of the WRC.

I served as co-chair to of the University Advisory Council to the FLA during its first year, and was elected Chairman of the Worker Rights Consortium Board in 2005. I have travelled abroad to see the working and living conditions first hand.

1. Why has a consortium approach with other universities been crucial to Duke?

We must monitor compliance with codes. Codes without monitoring is nothing more than fig leaves for worker exploitations.

One thing we found out very quickly was that it was impossible for Duke University to enforce the code of conduct on our own. We were dealing with hundreds – actually thousands – of factories around the world manufacturing our apparel. It was clear right off that our university was not in a position to enforce the policies ourselves. Inspecting garment factories on the other side of the world is just not something the university is set up for. It was clear that we needed outside monitor or monitors to assist us in conducting investigations and working with the factories.

But it was also clear we could not afford – and it was not cost effective – for us to contract with an independent monitor on a unilateral basis. Most of our major licensees, like Nike, Russell, etc, were doing business with many other universities: such as our rival UNC, Georgetown, Harvard, etc. And as it turned out, the factories manufacturing Duke merchandise for each of these licensees were also manufacturing products for other schools. There is a tremendous amount overlap. So it just did not make any sense for each school that had a code of conduct to send a different monitor to investigate complaints at these same plants – it would lead to pointless redundancy. It made much more sense for our universities to join together and carryout the work jointly, sharing costs and resources. This realization has given birth to the Worker Rights Consortium – which now represents 186 universities and does monitoring on behalf of all of our institutions collectively.

As we have found, the value in joining together is not simply economic – not simply cost sharing – but also because it has been crucial for our universities to have a forum in which to share information on key cases, to work jointly on projects that affect each of our institutions, and jointly set new policies and strategies where they are needed. The WRC elected representatives includes university caucuses. We have elected representatives on the board, which represent the university caucus of the organization.

Finally, the collective approach gives the university community much more clout in dealing with problem licensees. I'll give you one example. Right now, Duke University is dealing with some very serious violations of our code of conduct in Honduras by Russell Corporation which is owned by Fruit of the Loom. The company was found by the WRC to have violated workers' right to

freedom of association at their plants, first by systemically firing workers who tried to organize a union and then – after being forced by the university community to reinstate 145 workers with back pay – by closing a factory in order to avoid having to deal with a union. The company has been absolutely unwilling to do what is necessary to correct the violation. So Duke ultimately had to discontinue our relationship with them. But the reality is that Russell probably does not care all that much about what any one university thinks or does. We're a fairly small player for them – and that means, by ourselves, it is hard to get violations corrected. But in this case we're not the only university that has taken action. There are now more than 20 universities that have decided to end their relationship with Russell Corporation. And all of this has occurred in the last 6 weeks. Each school ultimately makes its own independent decision. But the fact that the university as a community is dealing with this gives me confidence that in the end Russell will correct the violations of our code of conduct and we will see some real progress.

Joining together the Worker Rights Consortium has been a major step forward. But we've also found that more is needed to truly ensure that workers' rights are being respected in the manufacture of our products. This is why we have decided to strengthen our universities' policies by advancing something called the Designated Supplier Program or DSP.

2. This brings me to the second section of my presentation: What is the DSP and why are we developing it?

The fact is that codes of conduct are not accomplishing their purpose. Significant progress has been made in a small number of factories. And very modest improvements may have been achieved at a larger number. But the basic reality has not changed. It is the same today as it was when university codes of conduct were first adopted. On most days, in most factories that produce collegiate apparel, there are serious and widespread violations of the rights of workers. And despite working long hours, most workers continue to live in poverty conditions that truly shock the conscience.

Why is this the case? Violations persist because licensees – brands – have not done what it takes to solve the problem. Many licensees haven't even pretended to enforce university codes of conduct at suppliers' factories. Almost none have monitors and most don't have any idea what's happening in their contract factories. Some licensees do send monitors to factories, and tell their suppliers to shape up. Unfortunately these licensees completely undermine the effectiveness of their own monitoring, by squeezing their suppliers so hard on price that the suppliers cannot afford to implement the labor rights improvements they are being asked to make.

The problem with our existing codes of conduct is that they are based on the assumption that we can rely on our licensees to do what is necessary, to ensure their suppliers can, and will, respect the rights of their employees. We know now, after more than six years of trying to enforce these codes, that this assumption was wrong. Most licensees, whether they monitor their factories or not, have refused to change their pricing practices, and their other sourcing practices – by which I mean the way they deal with their contract suppliers. Licensees continue to place factories under relentless price pressure, which gives factories a powerful incentive to cut costs by ignoring labor standards.

Most licensees continue to jump from factory to factory in an endless search for lower costs, which keeps most factories in a constant state of economic insecurity and gives them very little incentive to make labor rights improvements. It also results in total insecurity for workers and keeps wages at poverty level. And most licensees continue to offer no rewards to those factories that actually do improve working conditions, often leaving those factories, and moving production to other factories with worse conditions and lower prices.

This is the main reason why our codes of conduct have not gotten the job done. The vast majority of licensees simply have not done their part. They have not increased the prices they

pay their suppliers, and have not rewarded the better factories with more business and longer-term commitments. Most have not really done anything differently, except telling their suppliers to comply with university labor standards, while imposing prices on them that make that compliance impossible.

So what is the DSP? It essentially requires licensees to do what they should have been doing all along: pay prices to suppliers sufficient to enable suppliers to comply; expand business with those suppliers that make progress on worker rights; and stay with those suppliers long-term. Under this program, instead of letting companies source wherever they like and then try to clean up the mess later, only pre-approved factories may be used. Those factories must pay a living wage, fully respect freedom of association, and comply with all applicable codes. Brands must pay a fair price and commit to stay in a factory for at least 2 years. The result will be a situation in which only factories that pay a living wage and fully respect all of the obligations of the conduct of conduct will be allowed to manufacture university logo apparel. Right now, we are building a critical mass of universities in order to move to implementation. At the moment 41 universities have signed on.

Needless to say, the brands are generally not enthusiastic about the program. This is not surprising, as the brands opposed codes of conduct, factory disclosure, and virtually every other step forward in this work – because it imposes more requirements on them.

But this has not been the case across the board. We are about to move begin a major new project with the largest university licensee, which in many ways amounts to implementing the DSP on a pilot basis in one piece of the collegiate industry: college bookstores. I won't get into the details, because it is not yet fully public. But, in short, the collegiate company is opening up a pair of pair of factories in the Caribbean which will pay workers a true living wage and respect the right to have a union. These will be the first apparel export factories anywhere in the developing world to pay workers a living wage. Universities will have the option of stocking this product in their bookstores. We are very enthusiastic about this. It is a major breakthrough.

We are pleased to hear that the city and state movement is moving in a similar direction – with talk of a “pre-approved” vendor program. We believe this is definitely the way to go.

3. To conclude my remarks, I'd like to offer some brief thoughts on what lessons our experiences on university campuses may hold to your important work at the city and state level.

First, I would emphasize again that there is strength in numbers. It makes an awful lot of sense – both economically and practically – to join together in an organization to do enforcement work, rather than to try to do this individually.

Second, it is important to start the enforcement work with a realistic understanding of what the realities are in this industry: most factories manufacturing apparel export to the US, whether for universities licensees or other brands, are paying poverty wages and violating the law. I know that SweatFree Communities is releasing a report on these conditions in the next few weeks. These sorts of reports are invaluable because they shine a spotlight on the unfortunate reality that we face.

Third, I would encourage you all to try to learn from our errors – or trial and error approach over the past eight or nine years. We know that a complaints-based approach is not sufficient, because violations are the norms, not the exception. We need to have system where the factories are pre-approved and where there is genuine commitment to pay a living wage or a non-poverty wage. This means finding vendors willing to adhere to a higher standard and to pay decent prices to their suppliers. It will mean some consolidation of the market, so that orders at decent prices are being concentrated on these designated factories so that these designated factories are focused

primarily on and accountable to the city and state market. In the end, I am convinced this is the only way to make sure our codes of conduct – or in your case sweat-free ordinances – are being respected.

4. Questions and Answers

Q: Can you provide a summary of how the procurement process works at colleges and whether or not you need competitive bidding?

Jim: It works differently at private and public universities, though both require competitive business process. Most public universities are required by policy or law to accept the lowest price. Private universities are not. At Duke, we established bid requirements that include service, delivery, and company position on the sweatfree issue. All this is taken into consideration.

Q: So moving to the DSP – does that translate into working with smaller group of vendors for Duke?

Jim: The DSP not yet implemented. We still are working on a critical mass of Universities to compel the companies to participate. Will it require consolidation of vendors? In my opinion, that is the way we want to head. Currently we have 400 Duke licensees. Approximately half are apparel licensees. Our goal is to get that down to 50 licensees. We found that we get 86% of revenue from the top 20 licensees. So there is no business need to have 400 companies producing Duke apparel. Also, a large number of licensees increase tendencies to cut throat pricing that drives labor conditions down.

Q: Do you also supply university janitors and police?

Jim: Duke procurement purchases those apparel but not my department.

Q: Are those items covered by the code of conduct?

Jim: No, they are not under the same code as university licensees. Anything that bears Duke's name falls under the code of conduct. But a plain garment without insignia of Duke does not fall under the code. But there is an effort to include all procurement under the code. It might happen in the next 8-10 months.

Q: Is a smaller number of vendors necessary for DSP to be successful? And what would be the implications for competitive bidding?

Jim: Consolidation of licences is not necessary for DSP success. But on a factory level—yes consolidation is necessary. In general, we need a smaller number of companies to keep track of. Competitive bidding depends on how many people you normally require to bid. Would you be able to place a requirement on companies that in order to bid they have to convince you that they meet certain standards?

I understand that this is a complication. However, as an example I can find t-shirts for a dollar, but they're going to be made by children, people who are almost in prison, people who are pregnancy tested as condition for getting a job, and in some cases women have to prostitute themselves to get job in an apparel factory. I am certain that there will be growing activism on these issues that will perhaps affect the political reality so that we can require labor rights compliance for bidding.

Q: Is Duke expecting to pay more for DSP products?

J: Yes. Our estimate is that the cost of an item will increase 3-6% in order to pay for a living wage. If we passed this on to the customer, it would mean a 1 ½-3% increase in retail price.

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