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IR/PS CSR Case # 07-05

# **Workers Rights Consortium and University Logos**

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## **I. Introduction**

The Worker Rights Consortium (WRC) is a non-profit organization that monitors the production of university apparel to ensure that factories producing affiliate university goods are in compliance with the WRC Code of Conduct.<sup>1</sup> The Code stipulates the standards to which manufacturers of university apparel must adhere; such as, providing a livable wage, compensating for overtime hours, maintaining policies regarding health and safety, recognizing the right to organize, and other such standards protecting the rights of workers.<sup>2</sup>

The WRC emerged in 1999 out of the student-led, anti-sweatshop movement on U.S. university campuses. Since its inception, it has monitored factories where university logo apparel is produced largely through investigations as a response to received worker complaints. Recent developments, however, have changed the overall structure of the WRC.

United Students Against Sweatshops (USAS), an organization of students working to improve labor conditions internationally, has worked closely with the WRC to create the Designated Suppliers Program (DSP) and has actively worked to convince universities to accept the new Program. The DSP is an attempt to address the enforcement strategy problems that universities face while ensuring that university logo apparel is not produced under labor conditions that violate human rights.<sup>3</sup>

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<sup>1</sup> WRC home page ref

<sup>2</sup> WRC Code of Conduct Page

<sup>3</sup> DSP program description from USAS website

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Under the Designated Suppliers Program, university licensees are required to source a large portion of their university logo branded goods from factories that have been determined, through independent verification, to be in compliance with human rights standards. The verification process has been delegated to the WRC. In addition to current monitoring practices, therefore, the WRC will be designating certain factories as acceptable suppliers of university logo goods based on the investigated factories' labor practices.

## **II. The Current University Apparel Production and Monitoring System**

### *A. University Logo Goods and Licensing*

#### i. University Trademark Licensing Offices:

“A trademark is a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that distinguish the source of goods of one party from those of others.”<sup>4</sup> Typically, American Universities trademark their name in order to identify and separate themselves and their products from other schools. University administrations will delegate the responsibility of protecting the university name and symbol to an office of trademark licensing to handle all matters related to vendors and the manufacturers of goods bearing the university name. The university's office of trademark licensing is the gatekeeper; deciding which manufacturers can produce goods branded with the university logo.

The university trademark office also negotiates all contracts with licensees who are granted the right to produce university branded goods. The university receives a royalty on all trademarked

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<sup>4</sup> The U.S. Patent and Trademark Office [www.uspto.gov/web/offices/tac/doc/basic/trade\\_defin.htm](http://www.uspto.gov/web/offices/tac/doc/basic/trade_defin.htm)

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goods sold; usually this is a percentage of the net sales of all goods produced with the university logo. All campus groups and departments must source commercial consumer products bearing the university's trademark through a licensed vendor, and most universities reserve the right to cancel a contract with a licensee at any time.<sup>5</sup>

ii. Licensee's Producing University Apparel:

A licensee is an apparel manufacturer that has been granted the right to produce university logo branded material. Nike, Reebok and many other manufacturers enter into a contract with the university stipulating obligations in design, labor standards, royalties and other such matters. Licensees have the option to either produce the branded materials in their own factories or to contract the production out to independently owned factories.<sup>6</sup>

A licensee contracting with a university affiliated with the WRC will agree to a contract which includes the following provisions:

- Non-compliance with the university Code of Conduct constitutes a breach of the license agreement or contract
- The licensee or contractor must submit annual reports certifying its compliance and that of any of its subcontractors

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<sup>5</sup> Office of Marketing & Management of Trademarks  
UC Berkeley <http://businessservices.berkeley.edu/HtmFiles/OmmfTrademarkGuidelines.htm>,  
University Relations: Trademark Licensing  
Rutgers <http://urwebsrv.rutgers.edu/trademark/>  
Trademark Licensing: Northwestern University  
<http://www.univsvcs.northwestern.edu/trademark/policy.html>

<sup>6</sup> Columbia University DSP: <http://www.columbia.edu/cu/senate/committees/external/sweat06.htm.pdf>

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- The university reserves the right to investigate or to order a third party investigation and requires the licensee or contractor to cooperate in such investigations<sup>7</sup>

*B. Worker Rights Consortium Independent Monitoring*

i. The WRC Goal:

The WRC operates as a non-profit, independent monitoring agency, assisting affiliate universities in enforcing the Code of Conduct. The ultimate goal is to maintain and ensure the observance of workers rights in the factories producing clothing with university trademarks. They aim to keep affiliate universities abreast of the factory practices where university logo goods are produced and they conduct audits of these factories; revealing if they are in compliance with the agreed upon code of conduct. The university links the WRC to the licensees and the factories where university apparel is produced.

ii. University Affiliation with the WRC:

Universities desiring to become an affiliate of the WRC must send a letter from the university president or chancellor to the WRC explicitly stating an interest in becoming a member. When a university decides to become an affiliate of the WRC, they agree to adopt the WRC Code of Conduct in their licensing agreements with the manufacturers that produce or contract out the production of university logo apparel.

Universities are required by their affiliation to provide a list of the names and locations of all factories involved in the production of their branded goods to the WRC. The manufacturers or

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<sup>7</sup> “Administrative Guidelines to Assure Contractor and License Compliance with the University of California Code of Conduct for Trade Mark Licensees.” University of California, June 19, 2000  
<http://www.ucop.edu/ucophome/coordrev/policy/6-19-00code-guide.html>

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licensees must, therefore, disclose all of the factories from which they are sourcing university goods to the universities.

The following three obligations stipulate the requirements for a university to become a WRC affiliate:

- Maintain the manufacturing Code of Conduct in all contracts with licensees producing the university goods
- Provide the WRC with factory disclosure information
- Pay annual affiliation fees: Annual fees typically equal 1% of the previous year gross licensing revenues with a minimum fee of \$1,000 and a maximum fee of \$50,000<sup>8</sup>

iii. Factory Monitoring Procedures:

The WRC investigates factories to verify compliance with workers rights. The decision to carry out an investigation is made by the WRC governing board. The board is composed of fifteen members, with five members coming from the university caucus, five members from the advisory council, and five from USAS.

The university caucus is made up of two representatives from each of the affiliate universities chosen by the university's proper administration. This group votes for five board members, with two members from schools having larger licensing programs, two from schools with smaller licensing programs, and one from a school with no licensing program.

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<sup>8</sup> WRC website on university affiliation

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The overall governing structure also includes an advisory council filled with experts on labor rights and factory monitoring. The advisory council also elects five representatives to the board.

The third involved entity in governing is composed of students. USAS elects five student representatives to serve on the WRC governing board. Students must be enrolled as either an undergraduate or grad student in order to serve on the board.<sup>9</sup>

The governing board will only proceed with an investigation if the following two criteria are met:

- There is reasonable cause to believe that a party has engaged in action constituting a non-trivial violation of University Codes of Conduct or the WRC Code of Conduct, or there is good cause, based on the WRC's objective principles to investigate whether there is such reasonable cause in a particular facility or category of facilities
- There is substantial cause to believe that the workers who are or may be affected by an investigation desire that the WRC initiate an investigation.<sup>10</sup>

The WRC focuses on problems identified through complaints from workers in the factories producing university affiliate branded goods, identified through complaints from workers using a network of affiliated student groups and NGO's, they collect information about possible violations and develop investigations to follow up on the allegations of violations from workers.<sup>11</sup> However, any group or entity can report complaints to the WRC regarding factory violations for consideration of an investigation for the factory in question.

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<sup>9</sup> WRC website governance section

<sup>10</sup> WRC website investigative protocols

<sup>11</sup> University of Michigan, Presidents Advisory Committee on Labor Standards and Human Rights, Committee Activities 2001-2003, Lawrence S. Root, Chair, p4. [www.ilir.umich.edu/coLSHR/reports/rpt2001-2003.pdf](http://www.ilir.umich.edu/coLSHR/reports/rpt2001-2003.pdf)



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When the WRC decides to carry out a factory investigation, they put together a collaborative investigative team. The team must include a community member from the specific region where the investigation is carried out along with the member's local representative or advocate. The member cannot, however, be a current employee of the workplace under investigation. In addition, one team member must also be a WRC staff or board member.<sup>12</sup>

The composition and size of the investigative team in addition to the two mentioned mandatory members is left to the discretion of the executive director of the WRC board. The team may also include local or foreign advocates for labor rights or specialists on labor law. The duty of each member is determined by the executive director.<sup>13</sup>

Investigations are typically initiated in response to complaints either by factory workers or outside parties. Each investigative case is independently examined and includes a specification of the scope and content of the investigation prior to commencement. The assessment specification is determined by the executive director and the other WRC board members.

The investigation is composed of some of the following methods:

- Questioning of all witnesses involved in alleged violations of codes and law
- Interviews with the largest number and most randomly selected sample as is feasible
- Gathering all forms of relevant evidence as determined by the investigative team

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<sup>12</sup> [http://www.workersrights.org/wrc\\_protocols.asp](http://www.workersrights.org/wrc_protocols.asp)

<sup>13</sup> [http://www.workersrights.org/wrc\\_protocols.asp](http://www.workersrights.org/wrc_protocols.asp)

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iv. WRC Successes and Insufficiencies:

With its foundation, the WRC implemented an approach to monitoring the apparel industry entirely new to the field. They decided to focus their efforts not on the certification of companies or factories, as earlier organizations such as the Fair Labor Association (FLA) had done; they argued the complexity of the global production chain made it impossible to uphold the legitimacy of such certifications. Instead, the WRC has focused on verifying workers complaints.<sup>14</sup>

Another integral element to the structural foundation of the WRC has been its commitment to remain entirely independent. Unlike the FLA and other mandates for corporations to carry out their own factory assessments, the WRC does not allow corporations to serve on its governing board. Only the constituent groups of students, university administrators, and labor experts are permitted to serve as members of the WRC board.<sup>15</sup> This composition was intended to allow the WRC to remain faithful to the interests of workers in the apparel industry.

Since its inception, the WRC has been successful at achieving its goal to keep affiliate universities informed, and has therefore increased the overall transparency of the global apparel industry manifold. The following statement exemplifies why the WRC has been an important development in monitoring the production of university logo goods:

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<sup>14</sup> *Monitoring Sweatshops: Workers, Consumers, and the Global Apparel Industry*. Jill Esbenshade. Temple University Press. Philadelphia, PA.2004. p. 186

<sup>15</sup> *Ibid.* p. 187

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Universities generally don't even know where their products are produced, let alone whether workers were endangered to produce them. Indeed, with global out-sourcing many brand name companies cannot trace the supply chains which lead to the student store, and are blissfully ignorant of conditions in these factories.<sup>16</sup>

By requiring universities to write into their contracts with licensees that they must disclose all factories used in the production of university trademark goods in order to become a WRC affiliate, the WRC has improved the clarity of global apparel industry operations.

Examples such as the Korean owned Kukdong Apparel Factory in Atlixco, Mexico show how effective the WRC has been in improving transparency and factory conditions: On January 18, 2001 four workers at the Kukdong factory complained to the WRC about abuses. The WRC investigated and found the factory used child labor, physically abused workers, locked workers inside the factory, supplied rancid food for lunch, and did not provide a liveable wage.<sup>17</sup>

The WRC investigations were published on their website, resulting in public concern from students, university administrators, and labor activists. Reebok and Nike intervened and in the end the management of the Kukdong factory rehired the workers they had fired for going on strike. In the following months after the publicized factory violations, workers and management were negotiation a collective bargaining agreement that resulted in the firms independent union in the *maquila* industry.<sup>18</sup>

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<sup>16</sup> *Dollars & Sense: The Magazine of Economic Justice*. "Sweatshops 101: Lessons in Monitoring Apparel Production Around the World." Dara O'Rourke. Vol. September/October 2001.

<sup>17</sup> *The American Prospect*. "No Justice, No Contract: The Worker Rights Consortium Leads the Fight Against Sweatshops. Alexander Gourevitch. P. 1

<sup>18</sup> Initiative for Policy Dialogue. "The US Anit-Sweatshop Movement." Liza Featherstone  
[http://www2.gsb.columbia.edu/ipd/j\\_sweatshops.html](http://www2.gsb.columbia.edu/ipd/j_sweatshops.html)

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The main tools of the WRC have been the investigations and factory assessment reports, which make public their findings in each factory they investigate. The policy of the WRC is to work with a factory found out to be in violation of the Code of Conduct in order to bring them into compliance. The WRC claims that “if licensees understand that colleges and universities will not accept a ‘cut and run’ approach, they will have a strong incentive to fix problems.”<sup>19</sup>

There is, however, a downside to this approach in that it is feasible that a factory could remain a producer of university apparel affiliated with the WRC and simultaneously continue to violate workers rights in the face of pressure to comply. Labor practices uncovered in factories for the public do not automatically translate into compliance with university and WRC codes.

In the case of Gildan Activewear, a large Montreal based T-shirt manufacturer producing university logo items, the company had itself identified as a socially responsible corporation and joined the FLA voluntarily. It was also involved in contracts with universities affiliated with the WRC. In response to complaints from workers both the FLA and WRC initiated investigations into the El Progreso factory in Honduras. However, on July 12, 2004, right before reports were to be published on the investigation findings, Gldan closed the El Progreso factory.<sup>20</sup>

The global garment industry is highly mobile, with contracts continuously shifting from subcontractor to subcontractor within and between countries. Licensees can move production between subcontractors after one year, one month, or even as little as one week.<sup>21</sup>

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<sup>19</sup> WRC FAQs [http://www.workersrights.org/about\\_faq.asp#13](http://www.workersrights.org/about_faq.asp#13)

<sup>20</sup> NOW. “Hemmed into a Corner.” By Adria Vasil. Aug 5-11, 2004 Vol. 23 No. 49  
[http://www.nowtoronto.com/issues/2004-08-05/news\\_story.php](http://www.nowtoronto.com/issues/2004-08-05/news_story.php)

<sup>21</sup> Dollars & Sense. “Sweatshops 101: Lessons in Monitoring Apparel Production Around the World.” By Dara O’Rourke. <http://www.dollarsandsense.org/archives/2001/0901orourke.html>

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Both the WRC and the FLA produced critical reports of Gildan, but there was very little they could do. Gildan claimed that its closure was for economic reasons and neither the WRC nor the FLA could prove that Gildan's reason for closure was false. In this case it was so easy for Gildan to close its factory in Honduras and neither monitoring organization had the authority to influence the situation. The greatest concern in this case is the precedent it sets for other licensees in producing university apparel.<sup>22</sup>

In more recent attempts to remedy situations like the one involving Gildan Activewear, USAS and the WRC have proposed the Designated Suppliers Program which would delegate the certification of factories as a new responsibility for the WRC. Universities who join would be required to source a certain percentage of their goods only from those factories which received a certificate of being in compliance with the WRC Code of Conduct. It would not be able to keep Gildan's factory open, but it could result in limiting licensees from moving production of university trademark goods from designated factories to those that have not yet been certified by the WRC.

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<sup>22</sup> <sup>22</sup> NOW. "Hemmed into a Corner." By Adria Vasil. Aug 5-11, 2004 Vol. 23 No. 49  
[http://www.nowtoronto.com/issues/2004-08-05/news\\_story.php](http://www.nowtoronto.com/issues/2004-08-05/news_story.php)

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### **III. Outline for Further Research**

#### *C. The Role of USAS in Developing Current Monitoring Practices and Pressuring Different Actors to Comply*

- i. The students were effective in bringing the WRC to fruition. Recap of story in the first draft of the creation of the United Students Against Sweatshops (USAS) and the later creation of the WRC.
- ii. Student protests organize rallies and sit-ins outside of University administration offices in the attempt to bring attention to the sweatshop conditions under which university apparel has been made so that the universities agree to join the WRC.
- iii. The same tactics are again employed in 2005 with the proposal of the Designated Suppliers Program. Students on university campuses organize protests through USAS to pressure the universities to join the DSP. It works.
- iv. Recap of the university-wide UC adoption of the DSP in 2006 and the plan for how it will be carried out.
- v. USAS and other student groups have worked as a pressure mechanism, but this is not a practical means to end sweatshop labor practices. Students cannot protest every time there is a violation of labor standards, and therefore, USAS has proposed the DSP as a strategy for creating an enforcement mechanism for compliance with labor standards.

### **II. How the DSP Addresses the Current Monitoring Enforcement Problems**

#### *A. Overview of DSP:*

It is a program that was originally proposed by the United Students Against Sweatshops (USAS) in 2005 and endorsed by Columbia's Students for Economic and Environmental Justice (SEEJ). The DSP targets the difficulties in monitoring factories and verifying factory compliance with labor standards. Current monitoring procedures are uneven, costly and they lack enforcement mechanisms.

#### *B. Current Status of the DSP:*

Number of universities that have signed on—31

#### *C. The new WRC codes with the adoption of the DSP require licensees to adhere to the following criteria:*

- i. The factory must demonstrate full compliance with internationally recognized labor standards as embodied in university codes of conduct
- ii. The factory's employees must be represented by a legitimate, representative labor union or other representative employee body
- iii. The factory must demonstrate that its employees are paid a living wage, once it is receiving prices for its products sufficient to make this feasible
- iv. The factory must produce primarily or exclusively for the university logo goods market, or for other buyers committed to equivalent standards (including payment of a living wage) (this is just pulled directly from USAS website)<sup>23</sup>

<sup>23</sup> United Students Against Sweatshops <http://www.studentsagainstsweatshops.org/docs/designatedsuppliers.doc>

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*D. Implementation:*

Factories not in compliance will be subject to contract termination with the university. The program is intended to be phased-in over time with an initial grace period of six months. After the first year of implementation, the required amount to be sourced from WRC verified factories will be 50%, and after three years, the requirement will be 75%. Once the 75% level is reached, the university community will review the effectiveness of the DSP. The burden falls on the licensee to adhere to standards, otherwise a contract will be terminated.<sup>24</sup>

*E. The DSP alters how the WRC will now operate:*

Instead of having the WRC carry out investigations only when complaints are received from factory workers, the compliance assessments will now be conducted at 1) at the time of a factory's initial application for DSP status, and 2) an ongoing basis, in response to worker's complaints and also spot inspections. If a factory is found not to be in compliance with the standards, the factory is given an opportunity to correct identified violations. However, if the factory then fails to comply, the company will lose its DSP status and the licensee using the factory not in compliance will be subject to losing its contract with the university.<sup>25</sup>

*F. Enforcement Mechanisms:*

Licensee compliance with sourcing requirements is enforced by the WRC. Licensees self report which factories they are sourcing their goods from. The WRC will then review the data provided by the licensee to ensure that there is compliance on sourcing from factories verified by the WRC. Failure to report accurately or to fulfill sourcing requirements is reported to the university trademark licensing office and made public through the WRC website, and the licensee is therefore subject to the university's termination of the licensee contract.<sup>26</sup>

**III. Potential Problems with the DSP**

*A. Economic and Legal Concerns*

*B. Fair Labor Association Complaint*

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<sup>24</sup> Columbia University <http://www.columbia.edu/cu/senate/committees/external/dss.htm>

<sup>25</sup> WRC/DSP <http://www.workersrights.org/DSP/Designated%20Suppliers%20Program%20-%20Revised.pdf>

<sup>26</sup> WRC/DSP <http://www.workersrights.org/DSP/Designated%20Suppliers%20Program%20-%20Revised.pdf>

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#### **IV. Discussion Questions**

1. What are some of the potential problems arise in investigating issues that arise solely based on workers' complaints? Investigate the WRC's website. Do they say anything about the "network of NGOs" that they work with? If so, how robust is this network and how effective of a communication channel is it for factor workers to practically utilize?
2. Visit WRC's website. What is their annual operating budget? Which regions/factories have they investigated in the past? How effective is their auditing system? What would the WRC require to expand its capability?
3. The WRC previously limited its scope to verifying workers complaints. How much value does this add to the global supply chain? What other factors should be addressed in order to ensure the integrity of the supply chain? Does the WRC's move into certification solve these problems? What prompted the WRC to start certifying factories?
4. Compare and contrast the WRC and the Fair Labor Association (FLA). To what extent do their interests converge or diverge? Why would universities choose to join both the WRC and the FLA? Should the WRC consider working with the FLA or is it better off working independently?
5. This paper discusses an example where the WRC mechanisms lead to improvements in factory conditions while also presenting an example in which a factory were closed due to WRC exposure. Do the benefits of having organizations like the WRC outweigh the costs? Who benefits? Who loses?