

Minutes of
WRC Governing Board
February 2, 2007

Attending: LaMarr Billups, Marcella David, Jay Marano, Doug Shaw, Jill Esbenshade, Thea Lee, Katie Quan, Joel Feingold, Mark Iozzi, Marlene Ramos, Amy VanHeuverzwyn, and Sara Wallace-Keeshen. Observers attending were Julie Bell-Elkins (University of Connecticut), Derek Lochbaum (UNC-Chapel Hill), and Mel Tenen (University of Miami). Also observing was Zack Knorr (USAS). WRC staff attending were Scott Nova, Anne O'Rourke, Nancy Steffan, Theresa Haas, Bethany Renner, Agatha Schmaedick and Jeremy Blasi. Unable to attend were Mark Barenberg and Jim Wilkerson.

Introductions, Agenda Review: Board Chair Katie Quan began the meeting with introductions and a review of the agenda. It was agreed to re-order the agenda to move voting items to later in the day when a quorum would be present; and to add an executive session for personnel items including the Executive Director evaluation. (Later in the day, unanimous votes were taken to approve the minutes with one correction concerning language about unfair labor practices and to approve the Treasurer's Report as recommended by LaMarr Billups). It was also agreed that there would be separate meetings of the Advisory Council and the University Caucus representatives during lunch.

Executive Director's Report: Scott Nova indicated the financial reports presented in the meeting materials including a profit and loss statement, balance statement, and the FY2007 approved budget. He noted that, through December, the organization had \$924,000 in income, in accrual terms, and total expenses of \$641,000. In response to questions, he noted that the independent audit for fiscal year 2006 is in progress and should be available soon; and that the WRC ultimately intends to consider an office move but that this is less urgent due to the shift towards hiring field staff who work outside of the DC office. Scott reported on the 8 most recent new affiliates (College of William and Mary, Hampshire College, Soka University of America, Trent University, Suffolk University, Dickinson College, Western Washington University, and San José State University) and noted that field activities would be covered later on the agenda.

Nancy Steffan provided an update on the DSP. She noted that attorney Don Baker had submitted a formal request in January to the Department of Justice (DOJ) for a Business Review letter and that a decision was expected in 3 to 6 months. In response to questions, it was clarified that Don is optimistic but that the process is relatively opaque; that the pending status of the letter is not a barrier to continued planning activities by the universities participating in the DSP Working Group; but that the DSP cannot be implemented until the DOJ letter is issued. It was also noted that the Working Group is chaired by Jim Wilkerson of Duke University and meets approximately monthly; that meetings with licensees were held in July 2006 and February 2007; that the DSP now includes 30 institutions including the University of California system; and that an industry consultant has been engaged (Jim Lovejoy of [TC]²) whose conclusions about the practical feasibility of the DSP are positive.

There was some discussion of the DSP Working Group meeting with licensees the previous day. Observations included the need to balance addressing licensee concerns with preserving program integrity; realizing that licensee resistance may be based in part on the fact that, compared to current codes, DSP methods are more intrusive into operations; clarifying that the program revisions made in September 2006 addressed some licensee concerns but not all; characterizing the meeting as contentious but productive and substantive; concerns that licensees should provide supporting data for their claims that the DSP is not feasible; concerns that Working Group

meetings not become a vehicle for licensees to coordinate opposition to the DSP; and noting that a number of the same licensees attended both the July (2006) and February (2007) meetings and expressed resistance but not specific proposals for revisions.

It was noted that licensee objections to the DSP are similar to those raised by corporations to any proposal for new or increased regulation and that licensees may be overestimating the burdens that would be imposed by the DSP. It was also noted that the DSP process appears similar to the experience with disclosure data where licensees initially oppose new regulations, then program revisions are made, and a feasible program ultimately emerges; that licensees claim they have better alternatives to the DSP and it might be helpful to solicit specific suggestions; and that many licensees acknowledge the underlying problems that motivated the creation of the DSP including factory shut-downs and price pressures. It was further noted that changes in sourcing patterns are already common and that the DSP appears to be responsive to current trends towards consolidation and vertical integration, with large brands wanting fewer and longer-term suppliers, especially in the aftermath of MFA phase-out.

Additional comments included noting that achieving a critical mass of universities remains critical and outreach to larger universities is essential. USAS reported that active campaigns are underway at about 45 non-DSP institutions including a recent Day of Action and indicated the likelihood that more universities would sign onto the DSP in March or April. Encouragement and appreciation was expressed for the outreach efforts of USAS and individual Working Group institutions that have conducted peer outreach in support of the DSP. Particular mention was made of efforts by the University of Connecticut, Georgetown University and the University of Miami.

There was also an announcement of a proposed Working Group trip to El Salvador to meet with workers and NGOs. It was noted that this invitation would also be extended to all board members and WRC affiliates; that this was a larger-scale venture than similar previous trips coordinated with individual administrators; and that this would be a valuable opportunity for communication and education about workers and NGOs.

A discussion followed about the difficulty of calculating living wages and how economists seek to measure purchasing power parity defined as the ratio of cost of living between countries. A document was presented that was prepared by WRC staff (Jeremy Blasi and Beth Renner) on real wages in the global apparel industry. The board praised this work for providing clear and meaningful data.

Executive Session for Personnel Issues: The Board met in Executive Session for this agenda item.

Board Departure Announcement: Doug Shaw announced that he was departing Georgetown University and the WRC Board to become Director of Security at Physicians for Social Responsibility. Katie led the board in expressing gratitude and best wishes to Doug with thanks for his great contribution, leadership in the University Caucus, and collegial spirit.

Update on State and City Government Procurement Codes and Discussion: Scott and Nancy summarized that, 2 years ago, the WRC board authorized pilot projects to explore relationships with state and city government entities developing labor rights provisions in their procurement ordinances. This has been a gradual process beginning with a request from the City of Los Angeles to the WRC for enforcement assistance. Two weeks ago, the WRC had a productive meeting with the City and has now begun to collect disclosure data and prepare for enforcement

work after lengthy negotiations over contractual issues. The WRC has also collected disclosure data as part of its code enforcement work for the Catholic Public School Boards of Ontario and is now starting its first labor rights assessment for them. A contract similar to that of the City of Los Angeles is also being drafted for work with San Francisco, which has also chosen the WRC as the monitor for enforcement of its “sweat-free” procurement ordinance. Throughout these activities and other contacts, the WRC has stressed the advantages demonstrated by the example of universities acting collectively and confirmed that the efforts of universities and students have catalyzed more effective enforcement. The WRC plans to attend a meeting in March to continue discussions with government entities, including providing input on the WRC model and options for state and city governments to form their own consortium. It was clarified that the WRC agrees in principle with the San Francisco policy of covering all product purchases but that the WRC contract covers only apparel for the first year, with the WRC providing advice on future expansion which may include product categories such as electronics where supply chain structures are similar to those in the apparel industry. It was also noted that WRC board member Mark Barenberg has been advising state and city entities on these issues. Overall, it was noted that these developments reflect positively on the WRC in that additional entities have approached the WRC for advice and that the WRC has been awarded contracts in competitive bidding.

Discussion of WRC Fee Structure: Scott reviewed the current affiliate structure with categories A (annual gross licensing revenue of \$1,000,000 or greater), B (between \$100,000 and \$999,999), and C (less than \$100,000—including schools with no licensing program). He explained that Category C affiliates have paid a flat fee of \$1,000 per year since WRC’s inception in 2000 and that he now proposed consideration of an increase to \$1,500. The reasons for this increase include the fact that inflation has eroded the value of the \$1,000 flat fee by 22% since 2000; that the fee has also lost value as a percentage of overall organizational expenditures, as the organization has grown, and that the annual fees of the A and B category institutions tend to rise over time as licensing revenues increase, while the \$1,000 fee for C schools has remained flat. It was agreed that this may become an agenda item for budget discussion at the spring WRC board meeting and appropriate steps including giving adequate notice would be taken to implement any related bylaw changes. It was also agreed to consult with the University Caucus and especially the C category affiliates.

Discussion followed about the importance of crafting appropriate language for proposing a fee increase; the fact that the increase would represent about \$65,000, which is roughly 5% of the WRC budget; gauging any negative impact on affiliation numbers and possibly suspending this proposal if it is likely to cause the loss of affiliates; addressing whether the WRC is adequately serving the specific needs of C category institutions; noting that this proposal represents an adjustment for inflation rather than a real increase; noting that a small number of B category schools could be affected where their licensing revenue is between \$100,000 and \$150,000; and seeking to avoid the possible misperception that a fee increase could be tied to DSP-related costs.

It was noted that the FLA has lower fees for small schools but that this is possible because of the FLA’s corporate revenue stream, while WRC policy excludes corporate and labor funding sources. It was stressed that university revenue is critical and that the WRC has been fortunate in obtaining government and private foundation support but that the future of Department of State funding is uncertain. Thus, the fee increase, if it happens, should be considered to be an offset rather than an expansion of the budget.

Scheduling Next Board Meeting: The next Board meeting was tentatively scheduled for May 18, 2007 (Friday). The date will be circulated after confirmation with board members who were

unable to attend. Everyone thanked Thea Lee again for the party she was hosting that night for board and staff.

Reports from Field Staff and Discussion: WRC staff Agatha Schmaedick and Jeremy Blasi gave a presentation on the growing problem of the misuse of contract labor in apparel factories. They outlined the disparities in the treatment of contract workers compared to other categories of workers. It was noted that it is often more difficult to establish legal grounds for defending the rights of contract workers; that current legal protections are being further eroded; and that contract workers may be less likely to report any code violations for fear of reprisals. Examples were given from workplaces in Kenya and the Philippines. It was also noted that confusing and/or intentionally obfuscatory record keeping practices may make it more difficult for monitors to accurately track worker classifications.

It was confirmed that the excessive use of contract workers is a code violation and that the upcoming Chong Won report will include this issue. It was agreed that the WRC should engage in systemic communication about this widespread and increasing practice and generate hard evidence about this trend. It was further agreed that there is a need to clarify that local compliance staff should not allow legal ambiguity to thwart effective action and that the WRC should seek to voice its concerns to corporate decision-makers. In addition, the field staff presentation at the March 13 University Caucus meeting will include contract worker issues.

A brief discussion followed about labor reform proposals in China that would bring China into closer compliance with international labor standards but are facing opposition from corporate entities. It was agreed that the WRC would prepare a report for universities on this continuing debate.

Adjournment: Katie adjourned the meeting with thanks to all for their participation. Jill led the board in thanking departing staff members Agatha and Beth for their amazing work and contribution to the WRC and wishing them the best in their future endeavors.