

Minutes of  
WRC Governing Board  
September 24, 2004

Attending: Colin O'Malley, Marcella David, Jim Brudney, Jim Wilkerson, Doug Shaw, Kirsten Jackson, Mark Barenberg, Jennifer Chien, Chris Howell, Thea Lee, Jamil Barton, Mary Nagle, Jill Esbenshade, Katie Quan, Scott Nova, Anne O'Rourke, Bethany Toole, and observers Phil Breeze (Kutztown University), Heather Muscato Kraman (Cornell University), and Jessica Rutter and Allie Robbins (USAS). Attending in part were Sherry Johnson, Ashwini Sukthankar, Agatha Schmaedick, Lorraine Clewer, Jeremy Blasi and Nancy Steffan.

**Elections, Agenda, Minutes:** The meeting began with the unanimous ratification of new USAS board members Jennifer Chien of Duke University, Kirsten Jackson of UC Berkeley and Mary Nagle of Georgetown University. New audit committee members were elected by unanimous vote: Jill Esbenshade, Jennifer Chien and Jim Wilkerson. The agenda and minutes were unanimously approved along with a change to the agenda to add brief constituency updates after lunch.

**Executive Director's Report:** Scott began with reporting on WRC finances and their new format that synchronizes budget reports with line items used in the WRC internal ledger as recommended by the WRC accountant. For FY04 the WRC has \$979,000 in income; \$843,000 in expenses; and total equity of \$165,000. The audit for FY04 should begin in a few weeks and may modify these numbers. For the current fiscal year FY05 the WRC has projected income of \$1,024,000 plus last year's carry-over surplus, and projected total expenditures of \$1,042,000. Total cash on hand is \$124,000 with \$60,000 in cash reserves and total equity of \$362,000. In response to questions, Scott explained that the WRC is currently considering reconfiguring its existing office space to retain savings on below market rent but will need to look for new office space if this does not work out; and that the \$5,000 budgeted for legal fees reflects bills for previous collective bargaining work and for future contingencies.

Scott introduced the WRC intern Bethany Toole with thanks for her work this summer and for agreeing to continue until December. There was also discussion of the WRC's hiring a Field Representative for China including presentation of the new job announcement; plans to consult universities on this hiring including identifying which schools to consult and how; and the possibility of basing this position in Hong Kong and possibly hiring a Hong Kong citizen or someone with Hong Kong experience although U.S. citizens may be feasible through use of multi-entry visas and the sponsorship of universities.

Scott introduced the five most recent affiliates: California State University at San Bernardino, Fordham University, Franklin and Marshall, Lake Forest, and Johns Hopkins. He also mentioned recent media coverage including an article in The Independent (London) on PT Dae Joo Corporation.

A discussion of factory investigations and remediation projects followed. It was estimated that the WRC has now conducted 15 full-fledged investigations along with dozens of other projects in varying stages; that future hiring depends on available funds but the hiring of a China specialist should cover immediate needs and future expansions are likely to focus on country level field consultants; and that salary for the Latin America ombudsperson is divided between the WRC and the FLA. The advantages of country level field consultants were explained including

reducing the burden of the WRC having to obtain employer status in multiple countries, enabling increased monitoring and worker contact, and the potential to respond quickly to emergencies.

There was considerable discussion of three recent factory closings and their significance. Scott stated that this reflects a fundamental and negative dynamic of the apparel industry that is not associated exclusively with MFA but that MFA may provide an easy excuse for closings. Regrets were expressed about the closing of PT Dae Joo (Indonesia) which was previously an example of positive remediation and where brand action was positive but seemed too late to prevent closing. Related problems with disclosure data were discussed including differences between FLA and WRC data based in part on the FLA receiving data directly from member companies while WRC data comes from brokers or schools and the need to continue efforts to make data more valuable by addressing under and over-reporting. It was agreed that the WRC needs a strategy to address closings and related issues of job security and severance and that timing is critical in responding to closings. The other two recent closings were discussed: Gildan (Honduras) where the economic reasons cited seemed thin and the FLA has acted to suspend; and Monclava I (Mexico) where university leverage seems limited. In response to questions, Scott stated that brands are susceptible to media coverage recognizing that sustained negative publicity can erode brand value. It was agreed that the discussion of closures could continue in subsequent agenda items concerning MFA and investigation updates.

Everyone joined Scott in congratulating Jill Esbenshade on the recent publication of her book *Monitoring Sweatshops*.

**China Work and MFA:** The discussion began with a presentation of recent reports by the WTO and the U.S. International Trade Commission including the WTO conclusion that collegiate apparel production is likely to become even more concentrated in China than the rest of the apparel industry due to the type of products involved. There was general concern that the response of many countries seems desperate and inadequate including hoping to rely on humanitarian aid and tariff protections; that U.S. job losses are estimated at .5 million; the negative impact of factory closings and the possible message that code compliance may have negative consequences in cases of relatively progressive factories like PT Dae Joo; and the increasing importance of schools monitoring compliance with legal severance requirements. There was an update on WRC work concerning China including efforts with Hong Kong allies including the Hong Kong Christian Industrial Committee. It was explained that these efforts seek to help NGOs use factory trainings on issues such as health and safety to achieve access to workers and develop a complaint mechanism. Such “parallel means” are not considered a replacement for legal rights of association but may provide immediate help with urgent needs such as disability entitlements and may help promote progressive conditions. Considering that China has an estimated 120 to 160 million migrant workers, the WRC views having a Field Representative and possibly additional consultants as critical. In discussing a constructive role for brands, points raised included that brands can be helpful by asking their suppliers to give the WRC and NGOs factory access; that brands can sometimes be too involved and efforts are more effective when led by workers and their allies; and that the WRC may want to consider using some means to ask schools to ask their licensees to express concerns to the Chinese government about legal prohibitions on associational rights. In terms of logistics, it was stated that WRC investigations would likely be similar to efforts elsewhere except that associational rights could not be demanded; that there may be some limits in finding allies although alternatives to traditional NGOs exist such as university legal clinics; that the WRC would not launch an investigation if worker involvement is not possible; that WRC can help support the development of Chinese NGOs given that many are relative newcomers; that work in China requires a new educational piece and new efforts to link that education to a complaint mechanism; that

universities have opportunities for constructive action beyond WRC efforts through social responsibility conference and other means; that the WRC may need a political strategy to support worker efforts such as asking brands to alert the government about their concerns about legal rights and asking U.S. schools to voice concerns to the U.S. government; and that interim steps may be helpful but the ultimate goal is changing law and practice. It was emphasized that it is important for the WRC to have a policy considering the likelihood that the majority of goods will soon be produced in a country where code compliance is impossible due to legal prohibitions on associational rights; that available reporting of royalties by country make it burdensome but possible to track production shifts to China, and that effectiveness depends on companies and the Chinese government seeing economic consequences for non-compliance with codes. Some board members raised questions of what progress the WRC has made subsequent to the similar discussion of these issues in May including whether associational rights are viewed as one right among many or as central and the concern that the WRC make any policy decision a deliberate rather than de facto act; whether the option of allowing licensees unlimited sourcing from countries such as China while requiring these licensees to make a positive contribution through their sourcing requires greater specifics and is only meaningful if a critical mass of schools follow the other options to bar sourcing or prohibit any further shift in production until improvements occur; that there is an urgency for developing organizational priorities soon given that the likely irreversible shift in production over the next year or so may make future systematic change more difficult; and that academic views are not unipolar and some see greater engagement as beneficial. Suggestions were made including a possible study tour of Chinese factories in December.

The following resolution was passed with two abstentions from Marcella David and Chris Howell: The WRC will create a subcommittee on issues concerning the phase-out of the Multi-Fibre Arrangement, the threat to codes of conduct, and possible university responses. The subcommittee will draft a 1 to 2 page paper to establish a WRC policy on these issues. The paper will be based in part on the September 24 WRC memo on the same topic outlining three possible approaches: bar sourcing from countries where the law prohibits compliance with fundamental code provisions; allow licensees to use current suppliers in such countries but prohibit any further shift of production until improvements occur; or allow licensees unlimited sourcing from such countries but require these licensees to make a positive contribution through their sourcing. The subcommittee will begin with emphasizing the fact that Chinese law (and perhaps the law of other countries) prohibiting the exercise of associational rights is a fundamental violation of every university code of conduct. The subcommittee will provide more specifics concerning the third option of licensees making a positive contribution through sourcing. It was acknowledged that this policy will be in furtherance of the current WRC Model Code of Conduct provisions titled "Labor Standards Environment" concerning countries where law or practice conflicts with WRC labor standards. A friendly amendment was accepted to enable the committee to possibly broaden its focus as needed. The subcommittee will decide how to communicate with the full board and if a board statement is required, bylaw provisions will be followed for such communications by email or conference call. Each constituency will select two representatives to the subcommittee. The University Caucus selected Doug Shaw and Jim Wilkerson; the Advisory Council selected Mark Barenberg and Katie Quan; and the USAS selection is pending.

**Personnel Subcommittee:** Board members were asked to consider a document provided for procedures for evaluating the Executive Director. Feedback should be submitted to the personnel subcommittee which was modified to add Mary Nagle as well as continuing members Doug Shaw and Mark Barenberg. The committee will continue developing this document including specific performance objectives.

**Scheduling the Next Board Meeting:** The next board meeting is scheduled for January 28, 2005 (Friday) with a back-up date of February 4, 2005 (Friday).

**City/Town/School District/High School Code Enforcement:** The board unanimously passed the following resolution: The WRC shall create an additional affiliation category to explicitly allow affiliation by individual public or private secondary schools. Requirements for affiliation will be the same as those for college and university affiliates: secondary schools will be required to adopt a code of conduct, request factory disclosure of their vendors and/or licensees, and pay affiliation fees in order to affiliate. Minimum annual affiliation fees for these schools will be \$500 with the understanding that if the WRC's work with non-university entities expands, additional fees may be necessary where feasible on the part of the schools. The board of directors, in consultation with affiliates in this category, may reevaluate the dues requirement and determine an appropriate percentage-based dues structure as the cost of code enforcement for these affiliates becomes clearer. Affiliated secondary schools will not be part of the University Caucus. The board of directors also authorizes the Executive Director to pursue temporary relationships, on an ad hoc and experimental basis, with other non-university entities including school districts, schools boards, and cities and towns to determine whether partnerships with these entities could be of value to the WRC and its constituencies. This may include conducting industry and factory-level research to assist with public law and code of conduct enforcement for these entities and determining appropriate fees to cover the cost of this work.

The following related amendment to WRC bylaws was also passed unanimously: The Bylaws of the Worker Rights Consortium are hereby amended by the addition of the following sentence to Section 2.14, to be inserted as a new paragraph after the current last paragraph of the section: "Minimum annual dues for affiliated secondary schools shall be \$500."

The related discussion included stating that this resolution responds to requests the WRC has been receiving, an update on the City of Los Angeles which expects an ordinance to pass in mid October to enable a pilot project with the WRC budgeted at \$50,000; that the WRC will ensure that these activities cover their own expenses and do not stretch resources and staff; and that due to the WRC's structure this resolution should help increase the possible range of WRC investigations and leverage without increasing obligations for the number of investigations. It was agreed that it's valuable for the WRC to engage with Los Angeles and other early efforts to help shape a positive direction. In particular, the WRC was already able to propose a living wage element as part of its efforts with the City of Los Angeles.

**Additional Investigation Updates:** Several items were discussed including BJ&B (Dominican Republic – regrets were expressed that the workforce has been reduced by half after previous improvements and there was discussion of the potential for the WRC to launch investigations for strategic reasons as provided for in current protocols along with investigations of worker complaints); a possible partnership with the ILO (Mark Barenberg will get materials from the ILO for their module on productivity and organizational enhancements to discuss their possible incorporation with WRC remediation efforts); Africa (the WRC recently began its first investigative work in Africa in Swaziland and Kenya); and Lian Thai (Thailand – there have been some positive developments and a report should be issued soon). Scott gave an update on the annual report which should be published soon and on wage disclosure for which the WRC assisted Georgetown University and the University of Wisconsin-Madison with licensee communications and for which university action is now needed for any continued action

**Adjournment:** The meeting was adjourned with thanks to all for their participation.