

Report of the Resources Committee of the Council of the Princeton University Committee
Academic Year 2006-2007

Submitted by Nolan McCarty, chair, on behalf of the Committee
September, 2007

Summary

In 2006-2007, Princeton for Workers' Rights (PWR) asked the Resources Committee of the CPUC to recommend that Princeton expand its anti-sweatshop program by joining the Workers' Rights Consortium (WRC) and endorse the WRC's Designated Suppliers' Program (DSP). The Resources Committee was unanimous in its view that Princeton should engage with the WRC and should establish a relationship with that organization. The Committee was divided, however, on whether that increased engagement should include joining the organization immediately. Consequently, the Committee presents this report recommending that the University take steps towards building an active and productive relationship with the WRC that may or may not include immediate membership. This report also endorses continued participation in the Fair Labor Association (FLA). The Resources Committee takes no position at this time on the proposal to participate in the DSP.

In the past, the Resources Committee has considered questions about the use of sweatshop labor in the production of products licensed by Princeton. Those earlier committees recommended participation in the FLA but not the WRC. Asked by PWR to reconsider the question of membership in the WRC, this Committee concluded that membership in both organizations has the potential to strengthen the University's role in supporting international labor standards in factories where merchandise bearing Princeton's name is manufactured and would clearly demonstrate Princeton's commitment to fair labor practices. In the Committee's view, both organizations have significant strengths as well as weaknesses. The Committee sees potential complementarities between the two groups: at a minimum the Committee believes that the organizations can offset each other's shortcomings; at best, the Committee believes that if the two groups can work together, they can provide a range of services and monitoring activities that would expand the overall effectiveness of anti-sweatshop efforts. The Committee believes that the benefits potentially achievable from cooperation are sufficiently strong to override previous recommendations by this Committee to participate only in the FLA, and it believes that Princeton's membership in both organizations can encourage greater cooperation between the two groups. The Committee, however, suggests that this recommendation be reviewed periodically to determine whether the synergies that are being sought do, indeed, develop.

Princeton has played an active leadership role in the FLA since that organization was created in 1999, and the Committee strongly endorses Princeton's continued participation and leadership. Over the past eight years the FLA has strengthened and expanded its programs, and the inclusion of companies—along with universities and NGOs—on its board and in its policy-making process remains a strength of the organization. The Committee commends the recent addition of two new projects, the Enhanced Compliance Project and FLA 3.0, which are designed to bring more university licensees into compliance with labor standards and to significantly improve and expand upon conventional monitoring processes throughout the FLA program. The Committee notes, however, that the FLA's reporting mechanisms need to be improved and urges the organization to upgrade its web and other communications to keep the public and its members apprised of the status of on-going monitoring projects. The Committee also suggests that the FLA consider engaging a wider range of monitoring agencies and, in particular, that it develop closer relationships with local NGOs to provide more effective factory monitoring.

The WRC's inclusion of students on its governing board, as well as participation by academic experts, university administrators and labor representatives, is an important strength of that organization.

Indeed, the Committee gave considerable weight to the recommendation of the student organization Princeton for Workers' Rights that Princeton join the WRC in addition to the FLA. The WRC's affiliation with local NGO monitors is also a strong point that has the potential to offer a unique perspective on local conditions. The Committee is concerned, however, about recent tactics of the United Students Against Sweatshops (USAS). USAS is a major constituent group of the WRC, holding one third of the positions on its board, and its hostile behavior toward the FLA strikes the Committee as counterproductive. The Committee also has serious reservations about the Designated Suppliers Program (DSP) that USAS has proposed become the signature program of the WRC. The DSP proposal, which is still being refined by a WRC working group and is awaiting review by the U.S. Department of Justice, would require Princeton to source the majority of its apparel from factories accredited by WRC; would require long term contracts with those factories; and would require those factories to meet wage and labor organization standards set by the WRC. The Committee's reservations include concerns about the effectiveness and appropriateness of the DSP and concerns that a singular focus on this one program could undermine the effectiveness of other WRC efforts.

The Committee is encouraged by cooperative actions undertaken by both organizations in May 2007, with regard to the closure of a manufacturing plant in the Dominican Republic. The Committee is hopeful that the FLA and the WRC can build on these cooperative efforts and can forge a relationship that will provide enhanced benefits to member institutions.

Background

In 2006-2007 the Resources Committee was asked to consider a recommendation by Princeton for Workers' Rights (PWR) that Princeton join the Workers Rights Consortium and endorse the WRC's proposed Designated Suppliers Program (DSP).

This request came before the Resources Committee because, following extensive CPUC discussions in 1998-1999, the Resources Committee was asked to provide a forum for continuing review of the policies and practices that the University adopted in response to concerns about the use of sweatshop labor in the production of merchandise bearing Princeton's name.

Questions about the use of sweatshop labor in the production of products licensed by Princeton were first raised in the fall of 1998 by students and by the administrative office responsible for Princeton's trademarks and licensing. The topic was discussed at four CPUC meetings in the fall of 1998 and the spring of 1999 and in various other settings. The outcome of those discussions was an agreement that the University should require its licensees to adhere to an appropriate code of conduct – governing both working conditions and the treatment of workers – in the production of Princeton merchandise. To that end, Princeton joined and has played a leadership role in the FLA. As a member of the FLA and of its University Advisory Council, Princeton has made two commitments: 1) to require all of its licensees (about 120) to adhere to the FLA Code of Conduct and meet the FLA requirements associated with their licensee category and 2) to disclose publicly the factory locations where licensed products are manufactured. Both of these policies remain in effect.

In several reports, beginning in 2000 and most recently in 2004, the Resources Committee reported to the CPUC its endorsement of the University's active participation in the FLA. In each of its reports the Committee discussed the question of whether the University should also join the WRC, and in each case recommended that Princeton not join at that time.

This year, PWR recommended that the University join the WRC at this time, in addition to its membership in the FLA, and further recommended that the University endorse the WRC's proposed DSP.

The Resources Committee had four meetings this spring to evaluate these recommendations. It met first with University Vice President and Secretary Robert Durkee, who represents Princeton in the FLA and serves on the board of directors of that organization. It met next with representatives of PWR to discuss that organization's recommendations and learn more about the WRC. In early May, the Committee met with Professor Tim Bartley, visiting fellow in the Niehaus Center for Globalization and Governance, whose research includes work on international labor and environmental conditions. Finally, the Committee met at the end of May to develop its recommendations. In the interim, the Committee reported in April to the CPUC.

In addition to its meetings, chair Nolan McCarty reached out to colleagues from colleges and universities that belong to both organizations to learn more about their experiences with the FLA and WRC. He also talked with representatives of each of the groups.

The Committee evaluated PWR's two recommendations separately. In evaluating the proposal to join the WRC, the Committee considered three core questions: 1) Is there sufficient compatibility between the WRC and FLA such that it is practical to be a member of both or are the two organizations sufficiently at odds that it would not be practical to belong to both? 2) Are the two organizations – WRC and FLA – complementary such that the University would have access to additional services or programs by joining the WRC in addition to the FLA? 3) What are the specific benefits of belonging to each organization?

The Resources Committee determined that despite some recent antipathy, the WRC and FLA have the capacity to work together in a spirit of cooperation and compatibility. The goals of the two organizations are aligned; the methods of achieving those goals are potentially complementary; there is a history that includes periods of cooperation. It is the Committee's expectation that Princeton's participation in both groups can help encourage cooperation. The Committee also believes that by belonging to both organizations, Princeton can benefit from a variety of approaches to addressing labor standards and can have access to different types of research and analysis on labor issues.

In terms of specific benefits, membership in the FLA gives the University access to and influence on a wide range of manufacturers, including but not limited to some of the largest and most influential apparel companies. (The FLA encompasses all companies that produce products bearing Princeton's name, not just apparel companies.) The FLA requires internal and external monitoring of a wide range of companies and factories; FLA membership provides access to a group of like-minded colleges and universities that allows Princeton to work collaboratively toward resolution of sweatshop and labor standards issues. FLA member institutions must require all of their licensees to adhere to a stipulated code of conduct, and they must require all of their licensees to disclose publicly the locations of factories where their collegiate merchandise is manufactured. Princeton has access to monitoring reports on their licensees and can participate in pilot programs and other FLA initiatives. Princeton will be one of the participants in the Enhanced Compliance Project which the FLA is launching this fall.

Membership in the WRC would give Princeton access to student and labor leaders who are engaged in efforts to support workers' rights and fair labor standards. Membership also provides access to monitoring reports generated by WRC investigations, and to a broad range of local NGOs working with apparel manufacturing plants and employees worldwide. WRC membership would also provide access to a group of like-minded college and universities and expand Princeton's opportunities to work collaboratively on world-wide labor issues. Princeton's current code of conduct would meet the WRC standards with regard to institutional codes.

A more detailed, side-by-side comparison of the two organizations is appended to this report.

While the Resources Committee supported PWR's recommendation that Princeton belong to both the WRC and the FLA, it did so with some reservations. These reservations include a concern that United Students Against Sweatshops, a key constituency within the WRC, has, in recent months, engaged in hostile tactics aimed at the FLA. On-going hostility by USAS toward the FLA has the potential to undermine the compatibility and complementarity that the Resources Committee would like to encourage. It is the Committee's strong recommendation that Princeton bring its considerable influence to bear on overcoming any antipathy between USAS and FLA. In this effort, the Committee calls upon not only Princeton's official representatives to the FLA and WRC, but also PWR and other campus-based organizations to work to reduce conflict and encourage cooperation between the two organizations. The Committee is encouraged by PWR's interest in working with both organizations.

The Resources Committee also expressed concern about some of the disruptive tactics that USAS has used on other campuses. Princeton has long valued widespread debate and discussion of issues on which members of its community may hold quite different views. The CPUC in general, and the Resources Committee in particular, have served as venues for thoughtful consideration of controversial and potentially divisive issues. Princeton also has developed policies to guide consideration of certain issues, including policies that generally prohibit the University from taking "a political position or playing an active role with respect to external issues of a political, social, or moral character." The Committee expects that individuals and organizations at Princeton will continue to address even the most difficult issues in accordance with these well-established and successful practices and policies.

The members of the Resources Committee carefully considered the impact of reversing the recommendations of previous Committees that Princeton participate in the FLA but not in the WRC. The Committee has deep appreciation for the work of these earlier Committees and respect for the role of precedent in institutional decision-making. The Committee feels, however, that circumstances have changed enough so that the time is right for Princeton to consider membership in the WRC in addition to membership in the FLA. Those changed circumstances include the sense of this Committee that Princeton does not need to have a leadership role in both organizations. While the Committee appreciates and admires the tremendous work that Princeton has contributed to the creation and evolution of the FLA, the members do not believe that such a leadership role is required of the University in all of the organizations to which it belongs. The Committee also notes that both the FLA and WRC have developed new programs designed to enhance and encourage factory compliance with fair labor standards and collegiate codes of conduct. The Committee is encouraged by the willingness of both the FLA and the WRC to respond to criticism, and to work to improve and expand efforts; this willingness to develop new programs and to strengthen existing efforts signals the possibility of increased compatibility and complementarity. Finally, the Committee is encouraged by the cooperative efforts of the FLA and the WRC in responding to an apparel factory closing in the Dominican Republic. This joint effort suggests that the potential now exists for the FLA and the WRC to work together more closely. The Committee hopes that Princeton and other institutions that have joined both groups can work to maintain and expand the emerging spirit of cooperation between both organizations.

Should Princeton join the WRC, the Committee recommends close monitoring and periodic review to assess whether the expectations of cooperation, compatibility and complementarity are met.

The Resources Committee currently takes no position on the PWR recommendation that Princeton endorse the Designated Supplier Program, but it has serious reservations about the program as proposed. The committee strongly recommends postponing this issue until the WRC working committee has completed its review and revision of the DSP proposal and until that proposal is reviewed by the U.S. Department of Justice.

In conclusion, the Resources Committee encourages the university to join the WRC as a way to supplement and complement our long and fruitful engagement with the FLA. It believes that our dual membership could contribute to greater levels of cooperation between the organizations as they pursue their common goals. Indeed, Princeton would not be alone in this endeavor. Recently, Stanford University President John Hennessey has announced that Stanford will join both organizations with explicit goal of the bringing them together. President Hennessey's thoughtful statement is attached.

Resources Committee Membership
2006-2007

Nolan M. McCarty, Chair
Susan Dod Brown Professor of Politics and Public Affairs

Deborah A. Prentice
Professor of Psychology

Emelie M. Hafner-Burton
Assitant Professor of Politics and International Affairs

Christopher McCrudden
Vice President for Finance and Treasurer

Benjamin McKeon *GS

Jean Knab *04

Lawrence Darby '08

Vincent Ley '08

WRC MONITORING

Factory monitoring is initiated by the WRC in response to concerns about working conditions at a particular factory or in response to valid complaints from workers at a specific factory.

Monitoring and inspection of factories is limited to those factories producing college logo apparel.

The WRC monitoring process typically includes several follow up visits to correct workplace issues.

The WRC investigations are undertaken by a combination of 1) local and regional groups, organizations and advocates, 2) the U.S.-based WRC staff, board and other personnel of the WRC and its affiliated universities, and 3) other individuals and organizations with expertise in labor-rights compliance and other relevant fields.

Since its inception in 2000, the WRC has monitored a number of factories and released full reports on 18 of those factories.

FLA MONITORING *EXTERNAL MONITORING*

The FLA monitors factories in which logo merchandise is produced by FLA-affiliated companies and in response to valid third party complaints.

Monitoring is limited to those factories producing products, including college logo materials, for FLA-affiliated companies.

Investigations are undertaken by FLA-accredited external monitors. Monitors are accredited by FLA for two year periods and are eligible for re-accreditation upon FLA review. FLA completed 126 external monitoring processes in 2006.

The FLA external monitoring program includes a remediation phase that requires factories to begin remediation within 60 days.

INTERNAL MONITORING

The FLA requires company affiliates to conduct annual internal monitoring efforts that must include the following efforts: to inform workers of their rights under the FLA Code of Conduct – information is disseminated orally, and by posting Code standards within the factory and through other activities to education workers; to establish relationships with local labor and human rights NGOs and unions to assist in identifying noncompliance; train company monitors about the Code, local and international laws, and effective monitoring techniques; provide workers with a confidential reporting channel with which to report non-compliance to the company; conduct periodic announced and unannounced factory visits including worker and management interviews and audits of wage, hour and other employee records; and establish a means of remediation to correct and prevent noncompliance with Code standards.

FLA verifies the internal monitoring process by conducting an annual audit of internal review procedures and documentation; making field visits; and review reports of external monitors.

WRC WORKER COMPLAINT MECHANISM

The WRC works through local NGOs to conduct training on workers rights under college and university codes of conduct, including their right to lodge a confidential complaint.

Workers bring complaints to the attention of trusted NGOs and, through them, to the WRC.

WRC REPORTING TOOLS

The WRC maintains a factory disclosure database on-line that includes the names and locations for all factories producing goods for WRC schools as reported by licensees.

The WRC produces factory reports that summarize the factory assessments. Reports are included for each initial assessment and all follow up investigations. Reports are posted on the WRC website.

WRC FUNDING

In 2006, the WRC audit indicates that the organization had a budget of \$1,183, 712 with \$601, 918 coming from grants and contributions, \$569,654 from college and university dues, and the balance coming from conference and interest income. About half of the grants and contribution dollars come from government grants and the rest from foundation grants and private contributions.

WRC CODE OF CONDUCT

College and university affiliates must adopt a code of conduct. The WRC has established a model Code that institutions may adopt. Institutional codes must include basic protection for workers in the following areas: wages, hours of work and overtime compensation, freedom of association, workplace safety and health, women's rights, child labor and forced labor, harassment and abuse, and non-discrimination and compliance with local law but are not required to include all of the provisions of the WRC model code.

FLA WORKER COMPLAINT MECHANISM

The FLA requires each affiliated company to provide a confidential process for third party complaints to be made to the company.

Individuals and organizations may also lodge complaints with the FLA or "another institution that could reasonably be expected to pass them along...", such as accredited monitors or members of the FLA's NGO Advisory Council.

FLA REPORTING TOOLS

The FLA requires affiliated schools with licensing programs to disclose the location of factories that produce licensed material. The FLA is now developing an on-line factory disclosure database with search capabilities.

The FLA produces annual tracking charts for all external monitorings.

The FLA produces an annual report describing the compliance activities of participating companies.

FLA FUNDING

In 2006, the FLA reported a total budget of \$2,770,000 with \$900,000 coming from participating companies, \$387,000 from licensees, and \$750,000 from college and university dues; \$500,000 came from monitoring fees, \$33,000 from workshop and other service fees; \$44,000 came from a U.S. Department of State grant. FLA received about \$140,000 in donated legal services and \$16,000 in miscellaneous income including interest.

FLA CODE OF CONDUCT

Affiliated companies must adopt the FLA Code of Conduct which addresses: forced labor, child labor, workplace harassment and abuse, nondiscrimination, health and safety, freedom of association, collective bargaining, wages and benefits, hours of work and overtime compensation.

WRC GOVERNANCE

The WRC is governed by a 15-member Governing Board, including five representatives of university administrations elected by the University Caucus, five representatives of United Students Against Sweatshops (USAS), and five representatives of the WRC Advisory Council

The University Caucus is a body comprised of two representatives of each WRC affiliated college or university.

The WRC Advisory Council is comprised of U.S. and international experts on labor rights issues and representatives of labor rights NGOs in the U.S. and abroad. The Council currently includes 26 individuals who represent labor or NGOs or are faculty members of various U.S. and international institutions. The Advisory Council members are selected by the Board.

USAS is an international student movement of student organizations and individuals that is an affiliate of the Alliance for Global Justice and funded by a number of labor unions.

The WRC board currently includes representatives from USAS (5), university administration (4), university faculty (4), labor(1), NGOs(0). One seat, that selected by the WRC Advisory Council, seems to be vacant at this time

WRC FEES

The WRC charges colleges and universities \$1,000 or 1% of gross license fees up to a maximum of \$50,000 – whichever is greater.

WRC RESEARCH

The WRC undertakes research on economic and legal issues in apparel producing countries; the WRC serves as an information and education resource on issue and trends in the global apparel industry; and the WRC staff and the organizations international network of advisors consult with affiliated colleges and universities.

FLA GOVERNANCE

The FLA Board of Directors includes six representatives from industry, six labor/NGO representatives, six college and university representatives, and an independent chair.

Industry representatives are selected by a majority of the participating companies; labor/NGO members by then-serving labor/NGO board members; university board members by the University Advisory Council; chair is selected by 2/3 majority of the board which must also include at least 2/3 vote of the labor/NGO, university, and industry members.

The University Advisory Council includes one representative of each university affiliated with FLA and one representative from other entities involved in collegiate licensing. Collegiate licensing representatives must be renewed annually except for the Collegiate Licensing Company, Licensing Resource Group and International Collegiate Licensing Association which, as founding members of the Advisory Council, are continuing members on the same terms as the college and university members.

The FLA board includes six NGO representatives, six university representatives, and six industry representatives. The chair, Carol Bellamy, is the nineteenth member of the board.

FLA FEES

The FLA charges fees to participating companies; affiliated universities without licensing programs pay \$100; universities with licensing programs pay 1% of gross licensing fees up to a maximum of \$50,000.

FLA RESEARCH

The FLA undertakes projects including European Stakeholder forums, Supplier Consultations in India, Living Wage forum, Sustainable Compliance project, NGO consultation, an upcoming conference in the Dominican Republic to discuss the future of the apparel industry there, and more.

WRC AFFILIATION

Colleges and universities are invited to affiliate with WRC if they adopt a Code of Conduct as described above, agree to disclose licensee information and to ask their licensees to disclose the name and location of factories, and agreed to pay the appropriate dues.

NEW PROGRAMS

The Designated Suppliers Program (DSP) is WRC newest program. The DSP was proposed by USAS early in 2006. A working group was created to identify stakeholder concerns and develop ways to respond to the concerns in order to enhance the effectiveness of the program. In March of 2006 the working group released a revised version of the DSP. The working group continues to meet to refine the program which has yet to be implemented.

Under the revised DSP program, university licensees would be required to source 75% of university logo apparel from factories that have been accredited by WRC. For DSP accreditation, factories must agree to pay a living wage (set by WRC) and must recognize the right to organize and bargain collectively. Colleges and universities would phase in participation over three years, increasing the share of business with DSP factories from 25% to 75%. The DSP program applies only to factories where apparel is assembled and/or sewn; if embroidery or other embellishments are applied elsewhere, those factories or processes are not covered by DSP. Licensees are required to place enough business in each DSP factory so that more than 50% of the factory's total output is for the collegiate market; licensees are required to enter into at least a three year contract with DSP factories. WRC will verify factory compliance initially, and on an ongoing basis in response to worker complaints and/or spot inspections. Licensee compliance with the fair price standard is enforced through binding arbitration; if the WRC believes the fair price standard is violated, but no arbitration has been triggered, it can intervene. Licensee compliance with sourcing requirements and majority production requirements is enforced by WRC on the basis of mandatory annual reporting by licensee.

FLA AFFILIATION

Companies and licensees are required to adopt a Code of Conduct, be investigated and monitored by FLA, to develop and implement an internal monitoring and annual reporting system, report the name and location of factories, and to pay dues.

Colleges and universities are required to participate in the University Council, pay annual dues, and require its licensees to be accepted by the FLA under the conditions outlined in the FLA charter with respect to accreditation.

NEW PROGRAMS

The Enhanced Compliance Program (ELP), allows universities to take an active role in conducting due diligence on their licensees' compliance performance. It is expected to bring more factories into FLA compliance by increasing interaction between universities, licensees and the FLA. Licensees could achieve compliance by achieving factory accreditation or by sourcing products from "compliance-ready factories." FLA will establish an advisory committee to work on the ELP, and especially to help bring smaller licensees into the program. The ELPs certification of "compliance-ready factories" includes 1) already accredited factories; or 2) a factory operated by an FLA participating supplier; or 3) a factory that is part of FLA 3.0, the Soccer Project or an equivalent FLA special project; or 4) a factory that has a democratically-elected union and a negotiated collective bargaining agreement.

FLA 3.0 is a new compliance approach that piloted in China and Thailand in 2007. The program is an attempt to go beyond conventional monitoring process by identifying the root causes of noncompliance and then working collaboratively with companies, factory management, workers, civil society organizations and other to implement compliance mechanisms that are both effective and sustainable.

Beyond sweatshops: Developing a strategy for a responsible approach

[May 29, 2007](#)

By [John L. Hennessy](#)

I drafted the first version of this article on May 17, 2006. While I have made some revisions and explored many alternative solutions since then, the core content has not changed. The decisions I propose here are the ones I was prepared to present to a group of student representatives in a meeting scheduled for May 29, 2007. Whether that group of students simply lost patience with the process or intuited a particular outcome and decided to cut off discussions, I do not know. The need for a decision, however, is no less critical, and it is time for the University to move ahead with a plan.

I apologize for the length of this piece, but the issues are not simple ones, and despite all the media coverage, a number of facts are not well understood, even by those who have advocated one or another position.

Stanford's name is inextricably linked with the pursuit of knowledge and a commitment to using that knowledge to improve the world. The University exercises tremendous care in how it allows its name to be used. One of the most visible uses of Stanford's name is through its licensing program. Stanford licenses its emblems to companies that oversee the production of all sorts of goods — from T-shirts and hoodies to watches and fine crystal. We want the manufacture of these products to be consistent with the University's commitment to a safe and fair working environment.

In this new era of global supply chains, this poses a challenge since Stanford is several steps removed from the factories doing the manufacturing, which are primarily located in developing countries. The factories are owned not by the licensees (such as Patagonia or Nike) but by local companies. The degree of oversight and enforcement of local labor laws in these countries is often minimal, meaning that factory conditions are difficult to monitor and solutions not easy to enforce. Ironically, sweatshop conditions are created primarily by a local employer abusing the rights of fellow citizens.

In the long term, the solution to these situations is better local enforcement of labor standards, which in most countries prohibit child labor, unlimited forced overtime and similar abuses. Better enforcement and working conditions will come about naturally as economic growth improves quality of life for individuals in the developing world, as well as the ability of governments to enforce their laws. Efforts by multinational companies to enforce such standards in thousands of factories halfway around the world will always be challenging and raise larger questions. Indeed, some people have even objected that such attempts by institutions in the developed world to impose rules and cultural assumptions on the developing world constitute a sort of new-age colonialism.

Despite these challenges, I believe that if Stanford is to allow its name to be associated with a variety of such merchandise, we should do our best to ensure that the manufacturers of these products treat their workers fairly, with dignity and in accordance with the local laws that protect employees. Stanford is prepared to take steps to meet this challenge. For several months, I have been meeting with students on these questions, and while we share common broad goals, we also differ on how to best achieve those goals.

We all agree, for instance, that Stanford must spell out its Code of Conduct for its licensing activities. I have asked that such a statement of principles be drafted by the Advisory Panel on Investment Responsibility and Licensing, which has faculty, student, staff and alumni representation.

We also agree that such a code needs to be backed up by steps that can help ensure that the code is followed. Stanford is ready to support organizations and other mechanisms to monitor compliance and enforce these principles. Stanford will join two different organizations — the Worker Rights Consortium (WRC) and the Fair Labor Association (FLA) — each of which has markedly different approaches to improving workers' conditions overseas.

The WRC includes representation from universities, students, international labor rights experts and the labor movement, and conducts investigations based on complaints from workers. If the complaints are verified, the WRC works with schools, licensees and local organizations to correct the problem. The FLA is weighted toward representation from licensors (such as Stanford), licensees (such as Patagonia) and other manufacturers, and uses both on-site inspections and investigation of complaints to ensure compliance. The FLA has generally managed to perform far more inspections and thus cover more workers, but the existence of the WRC creates an additional mechanism for monitoring.

While certain Stanford students have recommended that the University join only the WRC, we do not believe that the best long-term policy is necessarily to pick exclusively the FLA or the WRC; each has advantages. I believe the greatest improvement in workers' conditions will occur if the WRC and the FLA can be persuaded to join forces and resources. Together, they have greater potential to develop more effective programs. I hope that Stanford will be able to influence this strategic direction as a member of both organizations. (It is useful to note that although Stanford has not belonged to these organizations, its licensees all belong to the FLA, so the Stanford-branded apparel is as "sweat-free" as the apparel at any other university.)

In examining these two organizations, we made a detailed review of their achievements of the last few years. While both groups have made some progress, it has been limited in scope primarily to single factories on which the FLA and WRC have shined their spotlights. Each group is now seeking a broader remedy, proposing more extensive programs to institute stronger safeguards for workers, but it remains to be seen how effective either will be.

The FLA has recently rolled out a pilot program in China that aims to provide factories with the incentives, capabilities and plans to develop sustainable compliance with its Code of Conduct requirements. The FLA and its members will monitor these results and terminate licenses with any licensees that continue to source from factories that do not comply after a reasonable remediation effort has been made. Stanford will be assessing the success of this program in the coming months.

The WRC supports the Designated Suppliers Program (DSP), which limits production of university-licensed goods to a small number of factories, each of whose output must be at least half university-branded merchandise. By concentrating production in a small number of certified factories with certain economic safeguards in place for the factory owners, the supporters of the DSP believe that the probability of unfair or unethical working conditions would drop, at least at DSP factories. Certain Stanford students have asked that we not only join the WRC but that we also endorse the Designated Suppliers Program.

There are, however, numerous problems with the DSP. First, it is unlikely to be effective for a number of years, if it succeeds at all. To understand why, you need to know that a small number of universities (less than 20) dominate the marketplace for athletic wear. Stanford is a very small player with much less than 1% of the university-branded apparel market. Unless the vast majority of the large public institutions embrace the DSP, it cannot be successful. So far, none of the top 10 licensing universities are among the small number of colleges and universities that have signed onto the DSP.

More importantly, if the DSP were truly successful, it could actually result in more harm than good for apparel workers. How can this be? Because the entire collegiate-branded market is only 5% of the athletic apparel market, the requirement that at least half a DSP's factory consist of collegiate-branded

apparel means that at most 10% of the factories will be manufacturing such apparel. Although the monitoring of those factories would be better than it is today, 90% of the athletic apparel factories would not be monitored by colleges and universities! This would result in a likely decrease in protections for the vast majority of athletic apparel workers.

Although an outcome that improves only the manufacturing of collegiate-branded apparel might make a few purchasers feel better about proclaiming themselves “sweat-free,” I find it hypocritical and morally objectionable to embrace a solution that is likely to decrease the protection of a much larger number of workers.

We need a better solution. It is possible that the DSP will evolve into a better solution, and we will continue to monitor its progress. In parallel, we have been exploring alternatives. One attractive possibility is to develop a method to essentially guarantee compliance with our new Code of Conduct by licensees willing to demonstrate such a commitment. Athletic apparel that was manufactured by such licensees could receive a designation, such as “GSW: Guaranteed Sweat-free.” It is possible that not all our licensees could meet this higher standard, resulting in fewer products bearing the Stanford name. If such a designation generated significant consumer interest, however, there would likely be more demand and growing availability. We are beginning to explore the possibility of identifying a core group of licensees who will be able to meet our rigorous requirements. If our idea is feasible, implementation will not be easy or quick, but if successful, we will be able to ensure that Stanford-branded merchandise is manufactured under the highest standards without compromising the welfare of other workers.

I wish there were a simple solution that did not have any disadvantages. There is not. Our commitment should be to work together to find new ways to ensure that Stanford continues to act as a force for good throughout the world.

John L. Hennessy is President of Stanford University. He can be reached at hennessy@stanford.edu.