



# WE ARE NOT MACHINES

Despite some small steps forward, poverty and fear still dominate the lives of Nike and Adidas workers in Indonesia.

Timothy Connor March 2002



*"Factory managers abuse and harass us because they think it will increase our productivity. They don't understand that people work better when they are treated in a way that respects their needs. You should do research into that. Maybe then they will stop treating us like machines. All you need to do is turn on a machine and it works automatically. Humans cannot work like that. We are not machines."*

Translation of comments by Nike worker. Focus group discussion, 21 January 2002.  
Name of worker and factory concealed at worker's request.

*"The work system treats us like machines, so we have to keep working, keep working, keep working."*

Worker at the PT Nikomas Gemilang factory (contractor for Nike and Adidas), speaking through an interpreter. Research interview, 22 July 2001.  
Worker's name concealed at her request.

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## EXECUTIVE SUMMARY

**Despite some small steps forward, poverty and fear still dominate the lives of Nike and Adidas workers in Indonesia.**

This report concludes that although some improvements have been made in working conditions in sport shoe factories producing for Nike and Adidas Salomon in Indonesia, the measures taken fall well short of ensuring that workers are able to live with dignity:

- **Wages:** With full time wages as low as \$US2 a day, workers live in extreme poverty and those with children must either send them to distant villages to be looked after by relatives or else go into debt to meet their basic needs.
- **Freedom of association:** Workers have reason to fear that active union involvement could lead them to be dismissed, jailed or physically assaulted.
- **Working conditions:** Workers report that although there has been some reduction in the physical and psychological pressure under which they work, they continue to be shouted at and humiliated and to work in dangerous conditions.

The report is based on original interview and focus group research conducted by the author in July 2001 and January 2002 with a total of thirty-five workers from four factories producing for Nike and/or Adidas in West Java.

### LOW WAGES

Workers live in extreme poverty. They earn full-time wages of approximately \$US56 a month and report that recent increases in legal minimum wages have not kept pace with dramatic increases in the cost of food. They depend on the extra income gained by working extensive overtime and have been hit hard by the economic downturn in the United States, which has pushed down demand and reduced overtime in most factories investigated.

Approximately half of those workers with children are forced by their poverty to send them to live with relatives in distant villages. Many can only afford to see their children three or four times a year and find the separation extremely painful. Those who live with their children commonly go into debt to cover their family's basic needs.

### INTERFERENCE WITH WORKERS' RIGHTS TO FREEDOM OF ASSOCIATION

The arrest, imprisonment and extended trial of Ngadinah Binti Abu Mawardi from the Panarub factory (Adidas) has raised workers' fears that union activity could endanger their liberty. At the Nikomas Gemilang factory (Nike and Adidas) threats of violence against outspoken workers and uncertainty surrounding the attempted murder of Mr. Rakhmat Suryadi has generated anxiety that union involvement could endanger workers' safety.

There has been a reduction in some forms of discrimination against members of independent unions in several factories, but even in these factories workers allege that factory owners have discriminated against active unionists when firing workers.

During 2001 Nike refused a number of practical proposals put forward by human rights groups which would have increased workers' freedom to engage in union activity in particular factories.

## **DANGEROUS AND HUMILIATING WORKING CONDITIONS**

There has been some reduction in the physical and psychological pressure placed on workers, but this needs to be set against ongoing practices which fail to respect their health and dignity.

Positives steps include:

- Reforms which now enable workers to obtain sick leave; and
- Reforms which have significantly reduced the frequency of sexual harassment.

Ongoing problems include:

- Workers are still shouted at when they work too slowly, and in some factories they are still humiliated by having their intelligence insulted or being compared to animals such as dogs or monkeys;
- Considerable obstacles are placed in the way of taking legally-mandated annual leave, and workers are often prevented from taking leave to which they are entitled;
- Respiratory illnesses associated with inhaling vapours from toxic chemicals are still occurring, albeit less often;
- At the Nikomas Gemilang factory workers are still losing fingers in accidents involving cutting machines; and
- At the same factory, workers who want to claim legally-mandated menstrual leave must still go through the humiliating process of proving they are menstruating by pulling down their pants in front of female factory doctors.

## **CONCLUSION**

While there have been commendable improvements, they fall well short of ensuring that Nike and Adidas workers are able to live with dignity. Nike and Adidas should:

- Signal to factory owners and governments in supplier countries that enforcement of labour standards, including increased wages, will not lead to automatic relocation in search of cheaper labour;
- Press for the enforcement of workers' rights to organise and bargain collectively;
- Commit to ensuring workers are paid full time wages which are at least adequate to meet the basic needs of a family and allow a small amount of discretionary income; and
- Work with international unions and human rights organisations to establish a transparent factory monitoring program which is verified by credible organisations which are independent of (ie not selected by) the companies themselves.

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## 1. Introduction

In September 2000, Oxfam Community Aid Abroad released a report assessing conditions in three sport shoe factories in Indonesia, two of which produced for Nike Inc. and one of which produced for both Nike and Adidas-Salomon (hereafter referred to as "Adidas"). The report, *Like Cutting Bamboo, Nike and Indonesian Workers' Right to Freedom of Association*, found evidence of extreme abuses of workers' human rights. These included threats of violence against workers who took part in industrial action and the use of pretexts to dismiss members of independent unions.

In one of the factories, workers were often subjected to verbal abuse by factory supervisors using epithets such as "you dog", "you monkey" and "you pig". In two of the factories, women workers were required to submit themselves to intrusive physical examinations by factory doctors before they could claim legally-mandated menstrual leave. Workers were often required to work more than sixty hours per week, and were either humiliated in front of other workers or threatened with dismissal if they refused. Most importantly for the workers interviewed, in all three factories, wages for a standard working week were well below what they needed to meet their basic needs. When they worked extensive overtime, the additional overtime pay brought the income of childless workers up to a point where they were able to feed, clothe and house themselves and save a small amount. Those workers with children were in a dire financial position even with overtime pay.

On the day the report was released, Nike promised that it would investigate, but it has never published the results of any such investigation. This report aims to assess whether any progress has been made in improving working conditions in sport shoe factories producing for Nike and Adidas in Indonesia in the eighteen months since that report was released.

A great deal is at stake. Whether the current approach to the globalisation of world trade is enhancing or undermining the well-being of the world's poor is one of the most fiercely contested questions of our time, and the international sportswear industry has been in the spotlight like no other. It has been the subject of a sustained ten-year anti-sweatshop campaign by activists, unions and civil society organisations. Concerns about labour abuses in sportswear factories have received extensive coverage in the world's press.

As two of the companies with the largest market share (between them they control 49% of the lucrative US athletic footwear market), Nike and Adidas can more easily afford to put in place programs to protect the rights of workers who make their product. Both companies have adopted codes of conduct and have introduced monitoring systems, which they claim make them leaders in the field of sustainable business practice. Both, along with competitor Reebok, are members of the Fair Labor Association, a multi-stakeholder factory monitoring organisation. In addition, Nike has signed on to the United Nation's Global Compact with business, committing itself to promote a range of human rights issues, including workers' right to freedom of association.

The extent to which these initiatives have enhanced respect for the human rights and basic dignity of workers in developing countries is of vital interest to consumers, workers and the international business community. If their reforms have been effective and are sustainable, then it is time for human rights groups and activists to

switch their emphasis and start to pressure other companies to follow their lead. If, on the other hand, there has been little improvement in factory conditions, then the challenge for the human rights community is to maintain pressure on these companies in order to create impetus for genuine reform.

## 2. Methodology

This report is based on original interview and focus group research conducted by the author in July 2001 and January 2002 with a total of thirty-five workers from four factories producing for Nike and/or Adidas in West Java.

In July 2001 there were indepth audio-taped interviews of between one and three hours each with six workers who were then employed in factories producing for Nike and/or Adidas. Another interview was conducted with a seventh worker who had been forced to leave a factory producing for both companies because of his involvement in industrial action. There were also five two-hour focus group discussions with a total of 28 workers from four factories producing for Nike and/or Adidas; the first in July 2001 and the four others in January 2002. These interviews and focus groups were held as part of research for a PhD thesis being supervised by the school of Geosciences at the University of Newcastle, Australia.

In arranging interviews and focus groups the author worked with local non-government organisations that had an established relationship with the workers involved. In order to protect workers' confidentiality, interviews and focus groups were held away from the factory in locations arranged by the local contact group. Working with local non-government organisations which already have an established

relationship of trust with workers is an approach to factory monitoring which is advocated by, amongst others, the Fair Labor Association, of which Nike and Adidas are members.

The interpreters who assisted with the interviews and focus groups were independent of the organisations that arranged the meetings with workers.

The photographs that illustrate this report were taken by Ashley Gilbertson in November 2001. Gilbertson is a professional photographer based in Melbourne, Australia. The photographs are of workers from four sport shoe factories producing for Nike and/or Adidas. Two of these factories were not represented in the author's interviews or focus groups. Before taking the photographs, Gilbertson interviewed the workers involved – the information they provided is included in the captions accompanying the photos.

The report also contains a case study that is translated from a report prepared by Julianto, on the basis of an interview he conducted with a Nike worker in November 2001. Julianto worked in a Nike contract factory until April 2000 when he was forced to resign because of his involvement in organising a worker demonstration for better pay. He now works as a labour organiser in Serang, West Java. Like many Indonesians he only has one name.



### 3. Afraid to speak out

Unfortunately, Asian sport shoe workers who speak honestly to researchers about conditions in their factories take significant risks. One of the Nike workers interviewed for the *Like Cutting Bamboo* report (Connor 2000) told of having received an anonymous phone call threatening his life if he continued to publicise conditions in his factory. Also well documented is the case of Ms Lap Nguyen, a Vietnamese Nike worker who was subject to intimidation, violent harassment and dismissal after she spoke to US reporters about conditions in her factory (see for example Connor 2001, p.26). Nike has repeatedly ignored requests from human rights groups that the company facilitate an independent and transparent investigation of Ms Lap's case.

In addition to concerns for their own safety and livelihood, Nike workers are frequently worried that speaking honestly about conditions in their factories will lead companies like Nike to cancel orders, resulting in workers losing their jobs. This is a message that is often reinforced by factory managers and supervisors, who warn workers that telling "outsiders" about factory problems will harm the factory's progress and put their jobs in danger.

All but two workers interviewed for this report asked that their names be kept confidential because they were afraid of reprisals from their factory. In all but the PT Nikomas Gemilang and PT Panarub factories the workers interviewed also asked that the name of their factory be kept secret in case sportswear companies responded to bad publicity about factory conditions by cutting orders.

Those workers photographed for this report indicated that they were aware that as a result of being photographed they may be identified and punished by their employer. In each case they decided that they were prepared to take this risk in order to draw international attention to the conditions in which they and their fellow workers were living. In order to make it more difficult to

identify these workers their names and the names of their factories have been suppressed. If representatives of Nike and Adidas are willing to guarantee that the workers will not be discriminated against for participating in the research, then these details will be released.

Publicly at least, Nike representatives claim that the company abhors any form of intimidation which would prevent workers from openly discussing factory conditions. In a February 2001 interview on Australian radio station TripleJ the following exchange took place between Nike spokesperson Maria Eitel and TripleJ's Steve Cannane (1):

Steve Cannane: *"So, any Nike factory boss in Indonesia who says Nike will pull out if you guys complain, he is wrong in saying that and you won't stand for that kind of intimidation?"*

Maria Eitel: *"He is absolutely wrong and that is absolutely unacceptable intimidation."*

Unfortunately, Nike has refused to back up such statements with action. In May 2001 the Clean Clothes Campaign raised with Nike the case of a particular factory in Indonesia in which the factory manager had criticised workers for talking to foreign researchers and activists. The manager had warned that the workers that any further public criticism of factory conditions might lead Nike to move production to other factories in other countries. The Clean Clothes Campaign requested that Nike meet with those workers and assure them, in the presence of factory management and an independent third party observer, that the company would not cut orders in response to negative publicity.

In an extensive correspondence on this matter, Nike has repeatedly declined to take this step. In an email dated Friday 28 December, for example, Nike spokesperson Dusty Kidd suggested that such a meeting was unnecessary since Nike had investigated and found no evidence that the factory manager had made the statements which workers have attributed to him.

This argument is spurious. It is to Nike's advantage if workers keep silent about labour abuses, and hence an investigation conducted by the company itself cannot be regarded as independent. Even if Nike genuinely believes no such statements were made, this should not

prevent it from meeting with workers and management and reassuring workers that honest comment on factory conditions will not lose them their jobs. Instead, Nike has implicitly indicated its preference for workers to remain afraid that speaking openly will put their jobs in danger.

## 4. Respect for the right to freedom of association

Up until July 1998, Indonesian workers were only allowed to join SPSI, the official government union formed during former President Suharto's dictatorship. This union has close links to the Indonesian military, and in most cases did little to help workers, operating more as an instrument of government power than as a means by which workers could assert their collective interests.

Since Suharto lost power in 1998 it has been legal to form independent unions in Indonesia, and several have been registered in Nike contract factories. In addition, a number of unions which were formerly part of SPSI have broken away to form SPSI Reformasi. The clothing and footwear union SPTSK was originally part of SPSI and then SPSI Reformasi, and has since separated from SPSI Reformasi to form its own federation. It is the largest union in most sport shoe factories supplying Adidas and Nike in Indonesia. There is considerable debate regarding whether SPTSK and other unions who separated from SPSI have genuinely reformed. The situation appears to be complex, with some SPTSK union officials genuinely serving workers' interests, and others operating much as they did during the Suharto era. In a small number of factories producing for Nike and Adidas, there are independent unions in addition to SPTSK.

### 4.1 In fear for their lives: The PT Nikomas Gemilang factory in Serang, West Java

PT Nikomas Gemilang employs more than 24,000 workers and produces for both Nike and Adidas. It is owned by the Pou Chen corporation, Nike's largest sport shoe supplier. Pou Chen also own several other large sport shoe factories in China and Vietnam, including the giant Yue Yuen shoe factory complex in Dongguan, China which employs more than 40,000 workers.

As in many areas in Indonesia, the arrangement of local political structures in Serang is complex. The Indonesian military plays a key role in all aspects of life, and local commanders exert significant authority. There are also official local government representatives – equivalent to local mayors – known as *lurahs*. Finally, there is an unofficial but influential power structure involving local mafia gangs. Workers interviewed for this report claimed that in Serang, there is a close relationship between the official and unofficial structures of power, and that *lurahs* commonly hire local gangs to enforce their will. Thugs hired in this manner are known as *preman*.

Like many factories, PT Nikomas Gemilang has built a close relationship with all three political structures in order to increase its power over workers. According to workers at Nikomas who were interviewed for this report, the factory has provided funds to local *lurahs* for various public works projects, and has also asked these public officials to recruit workers for the factory. This is a useful form of income for the officials, as they commonly charge a fee to workers before they will recommend them to the factory. There is also a history of PT Nikomas employing Indonesian soldiers to provide security in the factory. Finally, workers interviewed for this report claimed the factory has employed *preman* to intimidate and harass those involved in organising industrial action at Nikomas.

The *Like Cutting Bamboo* report (released in September 2000) described how those involved in organising a worker demonstration for better pay on 17 and 18 December 1999 were subjected to intense intimidation and harassment. One of the workers interviewed, Julianto (pictured overleaf), reported being in fear for his life. Factory managers had taken him into an office, and in the presence of an Indonesian soldier he was shouted at and told that if he did not stop organising workers, he would be attacked by hired thugs. Subsequently, he was repeatedly approached in the street by strangers and warned that his life was in danger if he did not resign from the factory. After

receiving similar threats, another Nikomas worker returned home to find his house ransacked by a local gang. By April 2000 this intimidation had forced all twenty workers who had played a key role in organising the demonstration to resign.

Separate to the interview research conducted for this report, the author met the current leader of the PT Nikomas Gemilang branch of the SPTSK union in January 2002. He spoke in glowing terms about wages and conditions at the factory and claimed there was no repression of union rights at the factory.

These claims were in stark contrast to the confidential testimony of the sixteen workers who participated in interviews and focus groups in July 2001 and January 2002. They reported that workers at Nikomas continue to be afraid that union involvement could put their lives in danger. They highlighted a particular event that has significantly increased that fear. On 21 March 2001, Mr Rakhmat Suryadi, a union official at the factory, was attacked by a number of men with machetes in front of the factory as he made his way to work. He suffered wounds to his head

and legs and required 18 stitches in the back of his head. He was hospitalised for a week and was unable to work for a month. His attackers said nothing to him, and made no attempt to rob him. The attack came a month after Mr Suryadi had been quoted in the Indonesian newspaper *Kompas* describing labour abuses in Nike contract factories.

According to local unions and human rights organisations, a number of men have been arrested over the attack and have confessed to it, claiming that a local *lurah* paid them to carry it out. It is still unclear whether the local politician was in turn asked by a third party to arrange the attack. Even if a factory was involved, it may not necessarily have been PT Nikomas, as Mr Suryadi had also been involved in supporting union activities in other factories, including the nearby PT Spindo Mills factory.

Although it is uncertain who arranged the attack on Mr Suryadi, most of the workers interviewed for this report strongly suspect that managers at the Nikomas factory were involved.



*Julianto is a former employee of the Nikomas factory, who now works as a union organiser in Serang in West Java. Photo Ashley Gilbertson/Oxfam CAA*

Since the attack, many workers who had been participating in meetings to discuss their rights are no longer willing to do so. Given workers' claims that Nikomas has a history of employing thugs to threaten and intimidate them, it is hardly surprising that the attack on Suryadi has dramatically increased their fear that becoming active in union affairs could put them in danger.

Nikomas workers also said that they were afraid to report problems in the factory to the SPTSK union leaders, because workers who did so were branded as troublemakers by their supervisors. Supervisors joke about and humiliate such workers and warn others to keep away from them. There is also fear that reporting problems at your factory line will result in you being moved to a more difficult and dangerous section of the factory. Similar fears were reported by workers interviewed for the *Like Cutting Bamboo* report two years ago.

In May 2001, the US human rights organisation Global Exchange released a report (written by the author of this report) which called on Nike to alleviate the fears which the attack on Mr Suryadi had generated. It asked the company to send representatives to meet with Nikomas workers and make a commitment to ensuring that they are free to organise unions without fear of retribution (Connor 2001, p. 73). The report also suggested that Nike establish a confidential procedure for workers to notify independent organisations if they receive any threats or discrimination for union activity. These requests have so far been ignored. Apparently Nike is comfortable with the status quo at PT Nikomas, where fear of violence prevents workers from asserting their union rights.

#### **4.2 Jailed for union activism: The PT Panarub factory in Tangerang, West Java**

In 2001, the case of Ngadinah Binti Abu Mawardi brought international attention to the difficulties

facing Indonesian workers seeking to assert their union rights. Ngadinah was the secretary of the Footwear Workers' Association (PERBUPAS), the smaller of two unions operating at PT Panarub, a factory in Tangerang in West Java which produces for Adidas. A branch of the SPTSK union also operates at the factory.

In September 2000 Ngadinah's union organised a strike that was joined by most of the 8000 workers in the factory. The workers were seeking to be paid for overtime at the legally-mandated rate; to be allowed to take the (unpaid) menstrual leave which they are allowed under Indonesian law; and to receive higher allowances. On 12 September the union and factory management reached an agreement which included a commitment from the factory not to fire or otherwise intimidate workers who were involved in the strike.

On Monday 23 April 2001 Ngadinah was arrested and placed in Tangerang prison. She was charged under Article 160 (inciting others to break the law) and Article 335 (unpleasant conduct toward others) of the Indonesian criminal code.

Ngadinah's detention pending trial and the vagueness of the charge against her raised concern amongst international human rights groups. The use of Article 335 was of particular concern. It is a poorly defined offence that dates back to the Dutch colonial period and was often used by the Suharto government to suppress labour protests and strikes. The case received extensive media coverage both in Indonesia and overseas, and a number of international organisations encouraged their members to write protest letters in support of Ngadinah to Adidas, PT Panarub and the Indonesian government.

On 23 May 2001 Ngadinah was released from prison, but the charges against her were not dropped. Lawyers from the Social Information and Legal Guidance Foundation (SISBIKUM), a non-government organisation with a close relationship with Ngadinah's union, ran her

defence. The Executive Secretary of that organisation, Arist Merdeka Sirait, noted that PT Panarub had fired board members of Ngadinah's union in the past. He expressed the belief that the factory had colluded with the police to arrange Ngadinah's arrest in order to suppress the independent union at the factory.

The Jakarta Post agreed, reporting on 25 May that Ngadinah was arrested "due to a complaint filed by PT Panarub executive Slamet Supriyadi. Supriyadi had told the police that Ngadinah was the mastermind of the four-day massive strikes conducted by 8,000 workers at the company's compound in Tangerang from September 8 to September 11 last year. He claimed the strikes that were provoked by Ngadinah had caused Rp 500 million in losses to the company." Ngadinah herself, in a statement made on her release from prison, alleged that in Indonesia "employers and government officials are colluding to suppress legitimate union activities". Adidas Salomon has made no response to claims that its supplier colluded with police to arrange Ngadinah's arrest.

During her trial, Ngadinah argued that the strike was an outbreak of frustration at years of low wages and forced overtime. At one point she told the judge: "In the factory, each lane of forty-seven workers has a target of 620 shoes per day...720 if we work overtime. The very minimum target for a day is usually 700. If we don't reach our target the management gets very angry with us. Angry to the point that sometimes they throw shoes at the workers. This is why the workers struck, not because I told them to."(2)

As the trial progressed, SISBIKUM raised concerns that it was not being conducted fairly. Ngadinah's lawyer reported that there had been excessive and repetitive questioning of defence witnesses by the judge, non-admission of defence expert witnesses, and admission of eight prosecution witnesses but only two defence witnesses. Eventually Ngadinah's lawyer stopped representing her in protest at the manner in

which the trial was being conducted and she represented herself. On 30 August Ngadinah was found not guilty on both charges filed against her.

Ngadinah participated in a focus group discussion with other workers from PT Panarub in January 2002. She expressed a strong belief that the support she received from international human rights organisations was the only reason she was found not guilty. Had it not been for that support, she believes she would now be in jail.

Before Ngadinah was arrested, it was common for members of her union to be singled out by their supervisors for more harsh treatment. They would also be given menial tasks such as cleaning the factory floor. Since her trial, this kind of discrimination has ceased. Ngadinah and other Panarub workers believe this is a result of the international community's new interest in conditions in the factory, rather than a change of heart by factory management. The factory still discriminates between the two unions at the factory, to the extent that it has provided SPTSK but not Perbupas with an office in the factory.

On her return to the factory once her case was dismissed, Ngadinah was moved to the human resources department in the factory. She lacks the educational background required for this position, and has repeatedly asked that she be allowed to return to the production line. The factory has always refused these requests and insisted that she is needed where she is. Ngadinah strongly believes she has been put in this section in order to separate her from other workers and prevent her from encouraging them to become involved in union activity. According to Ngadinah, the leader of the Perbupas union at Panarub works in one of the warehouses – another section where he has little contact with other workers. He has also repeatedly requested a transfer to a production line job, but these requests have repeatedly been refused.

Panarub's use of contract workers makes it very difficult for those workers to become active union

members. Workers who participated in the focus group in January 2002 estimated that up to 40 percent of the 8,000 workers at Panarub are on six-month contracts. In August 2000 when the contracts of 600 workers came to an end, the great majority were rehired, but all thirty workers who had joined Perbupas were told they were no longer needed. Since then Perbupas organisers have not tried to recruit contract workers for fear that they could put their jobs in danger.

### 4.3 Some steps forward, but active unionists still have reason to fear unfair dismissal: factories which workers asked not be identified.

As discussed above, workers interviewed from other sport shoe factories in preparation for this report asked that the name of their factory be kept confidential. Each of these factories produces for Nike rather than Adidas.

In some of these factories, there have been important improvements in terms of respect for workers' right to freedom of association. The *Like Cutting Bamboo* report detailed a variety of measures used by factory owners to make life difficult for independent union leaders and to dissuade workers from joining independent unions. A number of these practices have ceased. Those Nike sport shoe factories which have independent unions now give those unions an office at the factory and meet with the independent union leadership on a regular basis. They allow representatives of those unions more freedom to discuss union issues with workers during work breaks.

Union organisers are usually allowed to hand out information about the union to other workers during breaks, although the factories censor what is distributed and refuse to allow any material that is critical of working conditions. In these factories, independent union leaders are no longer threatened that they will never receive

promotion, and one or two have been promoted. The practice of constantly moving independent union leaders from one section of the factory to another in order to unsettle them has also ceased, and no union leaders in these factories have received any threats of violence in the last two years.

Some workers believed that these improvements have come as a result of their union's hard work in building support among workers. Others believed they have come as a result of international media coverage of suppression of union rights at their factory. During one of the focus group discussions held in January 2002, an independent union organiser who was in regular contact with workers at other Nike contract factories said (through an interpreter):

*"We hope, we really hope you start to put more attention to other factories because now we get better conditions, better facilities. As a worker I think we should have solidarity with other Nike factories. So please put more attention to others, rather than just coming to [factory name]. I know that all the better conditions we get are from people like you..."*

*"We just want to make it clear. If you report there are better conditions... maybe the international community will think, "Its O.K. then", while the fact is from maybe fourteen factories producing for Nike here in Indonesia... there are two with improvements... and the others suffer still."*

Unfortunately, even in these factories workers remain afraid that joining an independent union will put their jobs in danger. The practice of finding pretexts for firing independent union members or putting them on *scorsing* (forced indefinite leave) was what gave the *Like Cutting Bamboo* report its name. One of the workers interviewed for that report described the impact on the independent union of having its members fired in this manner as "like cutting bamboo wood". Workers interviewed for this report gave me recent examples of this practice, and reported that many workers interested in joining

an independent union had decided not to for fear of losing their jobs.

One of the workers interviewed in July 2001 had been on forced indefinite leave for four months. He and 63 workers had been told early in March 2001 that because of a slowdown in orders, their labour was not currently needed. Although only a small minority of workers at the factory are members of the independent union, 45 of the 63 workers laid off at that time were independent union members, including four members of the union's board. At the end of March 2001, those workers were laid off and all but two accepted redundancy pay. The worker interviewed in July 2001 was one of the two who protested the dismissal and hence remained on indefinite leave with reduced pay while the case was resolved. He believed the factory was attempting to reduce the influence of the independent union by disproportionately dismissing its members. The worker took his case to the Central Committee on Labor Dispute Settlements (P4P) at the Indonesian Ministry of Manpower, but the case was decided in favour of the factory.

Unfortunately Indonesia's public service and judiciary cannot be relied upon to adjudicate such cases in an unbiased manner. Under Suharto's dictatorship, judges and public servants frequently colluded with factory owners to suppress union rights, motivated by a desire to maintain an investment climate that would encourage international companies to maintain production in Indonesia. Although the country has begun a process of democratic reform, commitment to the rule of law remains weak. Amnesty International's 2001 Annual Report noted that in Indonesia "the independence of the judiciary continued to be undermined by corruption and by government interference". (3)

During the time the worker was protesting his dismissal due to a "downturn", the factory employed more than thirty new workers but refused to allow this worker return to work. In January 2002, union organisers from his factory

reported that this worker had eventually given up and accepted his redundancy because the "road was too long" and he couldn't fight the decision any longer.

Another worker interviewed in July 2001 from the same factory was also on forced indefinite leave, in this case as a result of an incident that occurred in April 2001. According to that worker she and a friend were concerned that a new line chief who had been appointed in their section of the factory had a reputation for being harsh and aggressive toward workers. They decided to make a formal complaint about this appointment.

Before they did so, a rumour developed that they were planning to encourage workers to hold a production slowdown to protest the appointment. The worker denied this was ever her intention. She was interviewed by a factory manager, who accused her of encouraging workers to work so badly that 80 percent of their product on a particular day was rejected.

According to the worker, this allegation was false. She claimed that of the 300 pieces of the product they made that day, only 13 were rejected. The worker believed she and the other workers involved in the incident were targeted because they had a reputation for standing up for workers' rights. She and her union also took her case to the Central Committee on Labor Dispute Settlements at the Indonesian Ministry of Manpower. The committee also ruled against the worker.

With that worker's permission, the author wrote to Nike a number of times between July and November 2001 requesting that the company facilitate an independent investigation of her case, to ensure that she had not been unfairly dismissed. Nike avoided the request for an independent investigation and instead indicated that Nike staff would investigate. The company has ignored a number of further requests from the author for information about this internal investigation. If Nike was genuinely committed to ensuring that workers are not being



discriminated against for asserting their rights, then the company would have been willing to arrange an independent investigation by a credible monitoring organisation. By January 2002 this worker had found it impossible to continue her protest against her dismissal and had accepted redundancy pay. Again, members of her union explained that "the road was too long".

In another factory, workers felt that the process for deciding who gets laid off during a downturn gives the factory a lot of scope to get rid of active trade unionists. On such occasions, individual line supervisors choose which workers in their line lose their jobs. This gives supervisors considerable freedom to remove independent union members or workers who have a history of complaining about poor conditions. Each supervisor's checklist of workers also shows which workers are in the independent union, and that increases workers' anxiety. Workers I interviewed had asked their supervisors why their union membership was included on such lists, but had not received a satisfactory answer. One joked that if the information was there so that supervisors knew which workers should receive bonuses and wage rises, she would be very grateful, but somehow she doubted it. Recently this factory laid off 600 workers, and in that particular case the factory did not dismiss a disproportionate number of independent union members. Workers nonetheless believe that the factory should negotiate with union leaders in order to work out a fairer means of determining which workers lose their jobs.

In most of the factories investigated, there have recently been significant drops in orders for

shoes. Workers in these factories have been told that this is because the economic downturn in the US following the September 11 terrorist attacks has dramatically reduced demand. In addition to the factory that dismissed 600 workers in December 2001, another Nike contract factory plans to fire 400 workers in March 2002. The two factories investigated in which orders have not reduced are PT Nikomas Gemilang and PT Panarub. It is particularly concerning that orders from Nike are being cut in factories in which independent unions have become established, whereas orders have remained stable in PT Nikomas Gemilang, a factory which has drastically repressed independent union activity. Human rights groups have frequently called on Nike to regularly make public its level of orders to each factory so that any discrimination against factories with unions can be tracked. The company continues to refuse to do so.

Press reports suggest that factors other than the economic downturn in the US may also be playing a role in the reduction of orders to sport shoe factories in Indonesia. On 11 February 2002 *Business Week* published an article citing Anton Supit, chairman of the Indonesian Footwear Association, saying that political instability and rising costs associated with inflation in Indonesia were leading "Nike, Reebok, Adidas, and others" to move orders to China and Vietnam. In January 2002 the author met with representatives from two factories producing sport shoes for Nike in Vietnam. Those factories were experiencing big increases in orders. Unlike Indonesia, in Vietnam the only union allowed by law is the official union of the Communist government.

## 5. Case study: Leily's story

*This is a translation of a report prepared by Julianto, himself a former employee of the Nikomas factory, who now works as a union organiser in Serang in West Java.*

On Sunday, 4 November 2001, I interviewed a Nikomas worker. The interview took place at the worker's residence. She agreed for her story to be reported but only allowed me to put a false name on the report. She explained that using her full name might put her into danger when the report reaches her factory management.

Leily started working at Nikomas from July 1997 right after she graduated from high school. The job was suggested to her by a friend who worked there. She was at first very happy that she could find a job easily and hoped that she could help her parents. But her wages were so low that she could hardly afford to support herself. She had to live in the factory dormitory so she could send some money to her parents at Central Java and help them pay for her two sisters to go to school. The dormitory was very uncomfortable, she shared a three by six metre room with 11 other workers. The toilet was placed 80 metres from her room, and they had to queue up to use it.

At the work place, the situation wasn't any better. Her team leader and supervisor were very rude to every worker. Her supervisor yelled at them and cursed them all the time, calling them "monkey", "pig", "stupid" or "dumb." Leily presumed that this rudeness was caused by the pressure from the management to reach high production targets. Leily and her friends couldn't always achieve the target. On two occasions in 1998, this resulted in her supervisor throwing the outsole of a shoe at her. At the end of 1998, for the same reason Leily and two other workers in the Sewing Department were punished by being forced to stand in front of their factory line for the whole day. The next morning, they had to wash the factory floor before being permitted to work again. Leily felt humiliated by this treatment.

From the end of 1999 to the beginning of 2000, Leily was threatened with being fired because she attended a workers' meeting and refused to speak about it. She was harassed by factory officials and a security guard broke into her locker at the dormitory to search for her notes from the meeting. From that day on, she never attended another worker's meeting because she was afraid of being fired.

In October 1999, Leily married a co-worker at Nikomas, and she moved from the dormitory to a small house with one bedroom which they rent for Rp 150.000 (\$US14.50) per month. They have a child, who lives with Leily's parents in Central Java. Leily and her husband have to work a lot of overtime just to cover their living costs and so she can't afford to stop working to take care of her child. She estimates they each need Rp 800.000 a month to meet their basic needs, but Leily's full time wage is only Rp 438.000 per month and her husband's is Rp 441.000 per month. They work a lot of overtime so that they are able to send some money to Leily's parents for their child every month. It is expensive to travel to Central Java and so they can only afford for either Leily or her husband to visit their child once every four months. Leily strongly believes that there should be a childcare centre at the factory.

In October 2000, a friend of Leily was very sick, but the supervisor forced her to keep on working. Not until she fainted did the supervisor call an ambulance and take her to the clinic. Leily has also seen many kind of violence against workers, but she has kept silent because she doesn't want to lose her job. She's unhappy with her working conditions but she feels stronger with friends around who have shared the same experience.

These days there have been improvements in the way supervisors treat them, which is good. But the difficulties which workers face take many forms. Leily is never allowed to take menstrual leave, and has been unable to take the twelve days of annual leave to which she is supposed to be entitled because her supervisor won't allow it. This happens to most of the workers.

She hopes that working conditions in her factory will improve. Through this interview, Leily hopes that:

1. PT Nikomas Gemilang stops all kind of violence against workers, and punishes the supervisors who break the rules.
2. Nike and Adidas raise the wages at the factory.
3. Nike and Adidas provide a dormitory for married workers.
4. Nike and Adidas provide a childcare centre and a transport allowance.
5. Nike and Adidas allow workers to have their own organisation.

## 6. Working Hours

Nike's code of conduct requires that each factory "on a regularly scheduled basis, provides one day off in seven, and requires no more than 60 hours of work per week, or complies with local limits if they are lower." Adidas' Standards of Engagement states that "Employees shall not be required, except in extraordinary circumstances, to work more than 60 hours per week, including overtime, or the local legal requirement, whichever is less. Employees shall be allowed at least 24 consecutive hours off within every seven-day period, and shall receive paid annual leave".

Working hours vary according to seasonal fluctuations in orders. They also vary from factory to factory and across different factory sections. The *Like Cutting Bamboo* report found that in all of the factories investigated, workers

were regularly required to put in more than 60 hours per week, and in the Nikomas Gemilang factory work-weeks of 70 hours and above were common. Workers who refused overtime were subject to a range of possible punishments. In some factories workers were given a series of warning letters which could result in their dismissal, in others they were shouted at and humiliated by having to clean the toilets or stand all day in front of other workers.

Most workers interviewed for this report in November 2001 and January 2002 indicated they are now working a lot less overtime than was common during peak periods in the past. In some sections of some factories workers are doing barely any overtime at all, in others working hours vary between 45 and 60 hours per week.



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Ten people live in this building in a slum about one hundred metres down the road from a contracted Nike factory. There is one tiny kitchen, one bathroom and a small communal laundry area. There is no running water – a deep communal well and a small bucket with rope tied to the handle provides water for washing and cooking. As of November 2001 these tiny dark rooms cost Rp. 80,000 (USD\$8) per month. The workers were paid a basic wage of Rp. 426, 000 (USD\$43) per month, and a daily allowance of Rp. 5000 (USD\$0.50) which is supposed to provide for lunch and transport.

Before July this year, the workers claimed to only be able to survive by working long overtime hours on the production line. But, with an 'economic slowdown' in the US since July, Nike has dramatically cut back the overtime hours. Now many of the workers are forced to make loans from a finance company The average loan is Rp. 300,000 (USD\$30) according to one long-time employee. This in turn keeps the worker bound to the factory in order to repay their debts, which can take up to one year. As I left the slum, a woman who had been very subdued ran outside, exclaiming, "Have you photographed everything? Our broken roofs?"

Photo Ashley Gilbertson/Oxfam CAA

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This is well down on the kind of working hours that were common in the preceding six to 12 months. One of the Nike workers interviewed in July 2001 was at that stage working 11 hours per day, seven days per week (a 77-hour week). By January 2002 this workers' hours had fallen to 57 per week. Workers at PT Nikomas Gemilang reported that from December 2000 to February 2001 many workers in the factory were working 12 hours per day, seven days per week (an 84-hour week). As of January 2002, 60 hours per week was the norm.

It is likely that much of this fall in working hours has been due to the reduction in orders discussed above, but it may also be due to Nike and Adidas putting more energy into enforcing their codes of conduct. According to a worker from Nikomas, the extraordinary hours being worked up until February 2001 came to an end as a result of the intervention of a Nike inspector.

Workers in a number of other factories said that factory managers have made announcements that overtime above certain amounts per week is voluntary, and it is possible to avoid doing overtime above those levels by going to the personnel manager. Often the problem in these factories was that complaining to the personnel manager would put the worker's supervisor offside, and so workers didn't complain in order to avoid becoming the target of supervisors'

anger. Requesting exemptions from "compulsory" overtime is still frowned upon in these factories and workers who do so are commonly warned that they could lose their jobs.

The paradox with regard to falling levels of overtime is that wages are so low most workers are desperate to work as many hours as they can. Workers from all factories repeatedly emphasised how vital overtime income was in order that they could meet their basic needs. It is not possible to cover even food and rent on the base wage. In a focus group in January 2002 Ngadinah from the Panarub (Adidas) factory said (through an interpreter):

*"We live on our overtime pay – all the workers in Panarub. If you do not get overtime, you will get very little."*

In July 2001 when I asked a (Nike) worker who was working 77 hours per week whether he would like to work less hours, he replied that of course he would prefer to get some rest, but that he needed to work those hours to be able to save. In a January 2002, in a focus group in another (Nike) contract factory, a worker said that although overtime is voluntary in their factory, it is "forced by nature" since they cannot survive without it. Workers who are now working less than 60 hours per week in particular are living in extreme poverty.

## 7. Wages

The *Like Cutting Bamboo* report (September 2000) found that workers' wages were well below what they needed to meet their basic needs, and that they were heavily dependent on overtime income. It also found that workers with children were in a particularly dire financial position.

Since then, research funded by Nike itself has considered the adequacy of Nike workers' wages in Indonesia. In February 2001, Nike released a report titled "Workers' Voices: An Interim Report of Workers' Needs and Aspirations in Nine Nike Contract Factories in Indonesia". The research was funded by Nike, arranged by the Global Alliance for Workers and Communities, and conducted by the Center for Societal Development Studies at Atma Jaya Catholic

University in Jakarta. It found that most workers in Nike contract factories were paid at or above the official regional minimum wage, which was then about Rp 286,000 (US\$32.9) (4). It recognised, however, that in most Indonesian provinces the minimum wage was below the government's own estimate of the minimum cost of living for a single male, forcing workers to rely on income from overtime. When overtime and bonuses were included the average monthly salaries in the nine factories rose to between Rp 471,550 (US\$54) and Rp. 614,150 (US\$70.6). Even with overtime pay adding so significantly to workers' income, "over half" of the focus group participants reported that their wages were "low and not sufficient" (4). Workers interviewed for this report strongly emphasised that wages continue to be inadequate.



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*This couple are in their early twenties. They live in a small compound with other Nike workers. The man has been working at a nearby factory producing Nike sportshoes for three years. When the couple were interviewed and photographed (in November 2001) the woman was eight months pregnant. They are scared. Already they are paying Rp. 80,000 (USD\$8) per month rent, and another Rp. 12,000 (USD\$1.20) for water. In November 2001 his wage was Rp. 435,000 (USD\$43.5) and when there was overtime available the maximum extra income he was able to earn was Rp. 200,000 (USD\$20). 'Now there is no overtime. My wage is O.K. for food (basic low quality rice) for us, but we can't buy a radio or anything. As a parent I am very worried about my baby.'*

*"We save money little by little", he continues, "the one thing I am scared of is the financial situation when the baby is born because the Nike wage is too low." In January 2002 local governments in Indonesia raised minimum wages, but workers' say that cuts in government subsidies for fuel and other essentials mean that minimum wage increases are not keeping pace with inflation.*

*Photo Ashley Gilbertson/Oxfam CAA*

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Workers interviewed in July 2001 were being paid a base wage of between Rp.426,000 (\$US37.50) and Rp.500,000 (\$US44) per month. The wage slip pictured is that of Ngadinah from the PT Panarub factory (Adidas). It shows that in a three week period between 9 and 30 November 2001 she was paid a base wage of Rp.343,000 (\$US32.50) plus two additional allowances which totalled Rp.33,600 (\$US3.16). An amount of Rp.11,130 (\$US1.05) was then taken out to cover her government-mandated health insurance (Jamsostek) and other costs, leaving her with Rp.365,700 (\$US34.50) for the three weeks. Her weekly income in this period therefore was Rp.121,900 (\$US11.50), and she had to survive on Rp.17,414 (\$US1.65) per day.

In January 2002 the legal minimum wages in most Indonesian provinces rose significantly, in some by as much as 38 percent, to help workers afford price increases associated with reductions in government fuel subsidies. Workers in the Nike and Adidas factories researched are now earning a base wage of between Rp.565,000 (\$US56) and Rp.590,000 (\$US58.50) a month. According to the workers who participated in focus groups in January 2002, however, prices have risen faster than wages, and so their economic situation has not improved. The government raised fuel prices by an average of 22 percent on 17 January, but in the preceding months the price of basic goods like rice and kerosene had already risen dramatically due to hoarding in advance of the subsidy's removal (*Jakarta Post* 2002b). On 9 January the *Jakarta Post* reported that the price of kerosene had "risen drastically". In West Java, where most Nike and Adidas contract factories are, the price of rice had risen from its usual level of Rp 2,600 (\$US 0.26) per kilogram to between Rp 2,800(\$US 0.28) and Rp 3,200(\$US 0.32) per kilogram. The price of palm oil had risen to Rp 3,500 (\$US 0.35) per kilogram from the normal Rp. 2,800(\$US 0.28) (*Jakarta Post* 2002b).

Workers from the Panarub factory in Tangerang, West Java reported in a focus group discussion

on 21 January that by that time, the cheapest price of rice had jumped again to Rp.4,000 (\$US0.40), an increase of 50 percent on its price six months before. They also said that over the same period, the price of eggs had gone up from Rp.6,000 (\$US0.60) to Rp.8,000 (\$US0.80) per kilogram, a 33 percent increase (5). Early in February 2002, Java was hit by massive floods, the economic cost of which is likely to be in the hundreds of millions of dollars. The floods caused extensive damage to crops and transport systems (roads and bridges) resulting in another jump in food prices (*Business Times* 2002).

Recent reductions in overtime have further reduced any benefit from the new wage increase. As mentioned, workers rely on overtime to meet their basic needs and save some money for saving. In July 2001 a single worker who lived in a factory dormitory and ate meals provided by the factory reported that when working a lot of overtime some months she was able to save as much as Rp.100,000 (\$US9.70).

| PT. PANARUB INDUSTRY CO. LTD.      |                     |                       |            |
|------------------------------------|---------------------|-----------------------|------------|
| SLIP GAJI 6                        |                     |                       |            |
| STAFF HRD                          |                     |                       |            |
| DARI TGL 09/11/2001 s/d 30/11/2001 |                     |                       |            |
| NIP : 251200107 NO. 6041           |                     |                       |            |
| N A M A : NGADINAH                 |                     |                       |            |
| KOMPONEN UPAH TETAP :              |                     |                       |            |
| G. POKOK                           | 19.00 x 18,060.00 = | 343,140.00            |            |
| KOMPONEN UPAH TDK. TETAP :         |                     |                       |            |
| L. BIASA 1                         | 0.00 x 0.00 =       | 0.00                  |            |
| L. BIASA 2                         | 0.00 x 0.00 =       | 0.00                  |            |
| I. BUR                             | 3.00 x =            | 0.00                  |            |
| M. NGGU                            | 0.00 x =            | 0.00                  |            |
| U. MAKAN                           | 16.00 x 2,000.00 =  | 32,000.00             |            |
| TJ. SEHAT                          | 16.00 x 100.00 =    | 1,600.00              |            |
| GRADE 1                            | 16.00 x 0.00 =      | 0.00                  |            |
| PEREM F                            | 16.00 x 0.00 =      | 0.00                  |            |
| TUNJ. UANG TUGAS                   | Rp.                 | 0.00                  |            |
| TUNJ. EKSTRA                       | Rp.                 | 0.00                  |            |
| TUNJ. UANG KOPI                    | Rp.                 | 0.00                  |            |
| TUNJ. URAKAN SHIF                  | Rp.                 | 0.00                  |            |
| TUNJ. UANG TRANSPORT               | Rp.                 | 0.00                  |            |
| PREMI/BORONGAN                     | Rp.                 | 0.00                  |            |
| <b>TOTAL GAJI KOTOR</b>            |                     | <b>Rp. 376,740.00</b> |            |
| KOREKSI PPH Ps1 21                 | Rp.                 | 0.00                  |            |
| POT. JAMSOSTEK                     | Rp.                 | 8,550.00              |            |
| POT. PPH PSI 21                    | Rp.                 | 0.00                  |            |
| PURAN BERTANG PEKERJA              | Rp.                 | 1,000.00              |            |
| POT. DANA KESRA                    | Rp.                 | 1,600.00              |            |
| <b>TOTAL UPAN YG. DIBAYAR</b>      |                     | <b>Rp. 365,700.00</b> |            |
| =====                              |                     |                       |            |
| PPH 21 DITANGGUNG PEHERINTAH       |                     | 0.00                  |            |
| TGL. TERIMA                        |                     | TANDA TANGAN          |            |
| 27/12/2001                         |                     |                       |            |
| JML. S. BUFT. TIN                  | :                   | 12                    |            |
| JML. CUTI KHUSUS                   | :                   | 1                     |            |
| JML. AL. PHA                       | :                   | 0                     |            |
| JML. SAKIT                         | :                   | 2                     |            |
| JML. IZIN                          | :                   | 0                     |            |
| JML. SCORSING                      | :                   | 0                     |            |
|                                    |                     |                       | PEHERINTAH |

Ngadinah's pay slip. Photo Ashley Gilbertson/Oxfam CAA

In January 2002 a focus group of six single workers from the same factory responded to a question about how much they were able to save with ironic laughter. They instead described how it had become necessary to borrow money towards the end of each month until their pay came through.

The situation is worst for workers with children. The inadequacy of their wages makes it extraordinarily difficult for them to support their families. In some factories, single workers willing to live eight to a room are able to take advantage of free dormitory accommodation at the factory. That option is not open to workers with families. The Nike-funded Global Alliance research into conditions in Nike contract factories in Indonesia noted in February 2001 that:

*"In the focus group discussions, when workers were asked why they sometimes feel sad, some young parents reported living separately from their small children. Those workers explained that due to the lack of affordable child care options and high cost of schools in the greater Jakarta area, they were forced to leave their children behind in their home towns with extended family." (Center for Societal Development Studies 2001, p.20).*

One of the aims of the research conducted in July 2001 and January 2002 for this report was to get a sense of what proportion of Nike and Adidas workers with children find it necessary to live separately from them and how that impacts on those workers and their families. Around 28 percent of workers in Nike contract factories in Indonesia are parents (Center for Societal Development Studies 2001, p. 20). The 35 workers who were either interviewed or who participated in focus group discussions with the author were asked to estimate what percentage of parents working at their factories are forced to

leave their children with relatives in their home village. Thirty estimated that more than half left their children in the village. Of the remainder, one estimated 50 percent, one estimated 40 percent, and the other three found it difficult to estimate but said "a great many" workers at their factory lived apart from their children (6).

Evidently, most workers in this situation can only afford to visit their children every one to six months, depending on the distance from the factory to the village. Most workers from islands other than Java only see their children once every couple of years. One worker interviewed had a three-year-old daughter; he and his wife could only afford to see her once a month. Naturally, they found the separation extremely painful. All workers strongly agreed that if their wages were adequate to meet the basic needs of a family, or if the factory provided childcare, the vast majority of workers would prefer to live with their children.

Currently those workers who choose to live with their children take on an enormous financial burden. One worker had a one-year-old son and described how he and his wife had been forced to take out a loan to cover her living expenses while she looked after the baby. They live hand to mouth, frequently having to buy food on credit between pays. Another worker interviewed in July 2001 had a sister who also worked at the factory. She had a three-year-old son and was in a very difficult financial situation. She paid a neighbour Rp.60,000 per month to look after her son and had to cut down on basic food items so she could afford milk for the child. Another single worker commented in July 2001 that the poverty of his fellow workers with families was too sensitive an issue to discuss with them directly, but he could see from how they lived and how little they ate how difficult it was for them.

## 8. Health and Safety

Unless properly managed, the processes involved in sport shoe production can pose very serious risks to workers' health. Potential issues include exposure to dangerous chemicals, respiratory illnesses, musculoskeletal hazards (such as repetitive motion injuries and back injury from heavy lifting), acute injury hazards (such as lacerations, amputations, crush injuries or falls), exposure to excessive heat or noise and dangers to workers' eyes. Effective management of health and safety requires a range of measures including epidemiological surveillance of the workforce, careful worker training, industrial hygiene monitoring and the involvement of workers in management-labour safety committees. It is also desirable that appropriate professional medical care be available at factory clinics.

An authoritative assessment of a factory's performance in this area requires the proper keeping of factory records and full audits by trained specialists. Although this issue is ostensibly an important part of these companies' monitoring programs, Nike and Adidas very rarely allow genuinely independent specialists to investigate conditions and then report on them in a systematic and fully transparent manner.

On those few occasions when professional, independent and transparent inspections have been allowed, they have brought to light significant hazards. In March 1999, Nike allowed Dara O'Rourke to inspect the Tae Kwang Vina factory in Vietnam – a factory that had previously received negative media coverage for allowing workers to be exposed to toxic chemical vapours. O'Rourke was well qualified for the task; he is a trained health and safety specialist and is now assistant professor of environmental and labour policy at Massachusetts Institute of Technology. He found that although the factory had reduced worker exposures to toxic solvents and other chemicals, exposure levels to a number of those chemicals still contravened

Vietnamese government standards. He also documented a number of other health and safety concerns in the factory, including excessive noise and heat, poor ergonomics, misuse of protective equipment and poor tracking of the causes of illness (O'Rourke and Brown 1999). In 2000 O'Rourke assessed the findings of a Nike audit conducted by PricewaterhouseCoopers of a factory in Indonesia which was producing for both Nike and Reebok. He found that the audit had failed to identify hazardous chemical use and other serious health and safety problems (O'Rourke 2000).

Until companies like Nike and Adidas are willing to insist on auditing of health and safety which is both professional and fully transparent, interview and focus group research such as that conducted for this report can at least give a broad sense of the seriousness of the dangers which workers' face.

### 8.1 Exposure to dangerous chemicals

Six of the workers who participated in the research program discussed the problem of respiratory illness from inhaling chemical vapours. The dangers associated with exposure to vapours from organic solvents in sport shoe factories gained considerable international media attention in 1997 when one of Nike's own factory monitoring reports, conducted by accounting firm Ernst and Young, was leaked to the *New York Times* (Greenhouse 1997). The report documented extremely dangerous levels of exposure. Particularly concerning was exposure to toluene at between 6 and 177 times the Vietnamese legal limit (TRAC 1997). Toluene is a chemical solvent that can cause central nervous system depression, damage to the liver and kidneys and skin and eye irritations. There is also a body of scientific evidence linking exposure to toluene vapours with miscarriages



(7). The leaked report noted that exposure to toluene and other chemicals had resulted in "increasing number of employees who have disease [sic] involving skin, heart, allergic, throat" (TRAC 1997).

Nike has introduced what it calls "water-based" chemicals, which are now used in the process of gluing different sections of its sneakers together. It would be more accurate to describe these "water-based" chemicals as "reduced solvent" chemicals. They still contain potentially dangerous organic solvents, but at a reduced level from the "solvent-based" chemicals used previously. Workers' exposures to vapours from these chemicals still need to be measured by industrial hygiene monitoring, and those exposures need to be reduced or eliminated based on the monitoring results. The most effective forms of control involve local exhaust ventilation and product substitution. Individual respirators should be used only as a last resort since they are only effective when the workers using them have been fit-tested with individually-assigned equipment, when the cartridges are regularly changed before saturation, and when workers have received training on their use, cleaning and storage.

In May 1998, Nike made a commitment to ensuring that all its factories meet US government health standards for air quality. In April and May 2001 the author of this report requested on a number of occasions that the company provide test results giving evidence of whether or not these air quality standards had been met. The company has so far declined to provide this information. Workers interviewed for this report said that Nike did send inspectors to measure air quality in the factory, but workers were not told the results of the tests.

One of the Nike workers interviewed in July 2001 worked with the "water-based" chemicals and reported that two or three times a week she was having bouts when it was painful for her to breathe. These usually lasted for up to two hours

at a time. She estimated that five of the eight workers in her section were having similar problems.

By January 2002 that worker had left the factory. Union organisers from her factory interviewed at that time said that although respiratory problems amongst workers in the factory were now less common, they do still occur. One of the workers from the Nikomas Gemilang factory who participated in a focus group discussion, described how a friend of his had resigned in June 2001, because he had started to cough up blood as a result of an illness that he believed was related to his work with chemicals in the factory.

Further research is urgently needed to give a more comprehensive sense of the extent to which respiratory illness associated with inhaling vapours from toxic chemicals remains an issue in sport shoe factories producing for Nike and Adidas and other brands.

## 8.2 Acute injury hazards

Workers in the hot press section of sport shoe factories work with heavy, solid metal moulds; if one falls on an unprotected foot, it has the potential to cause amputation or severe crushing. Strong steel-toed shoes are required to protect workers from this injury. One of the workers from PT Nikomas Gemilang interviewed in July 2001 reported that workers in the hot press section had frequently requested that they be provided with stronger and safer shoes, but the company had refused on the basis that they are too expensive. Nikomas Gemilang workers who participated in the focus group discussion in January 2002 reported that safe shoes had still not been provided in that section.

In some sections of the factories workers have to be extremely careful that their fingers are not caught in the machines and cut off; the danger is particularly high when they are under pressure to work quickly. Workers from the Nikomas

Gemilang factory who participated in interviews in July 2001 and the focus group discussion in January 2002 independently estimated that accidents involving loss of fingers occurred on average five or six times a year amongst the 23,000 workers at the factory. Workers who participated in the focus group in January 2002 reported that a worker at the factory had lost part of his fingers in an accident just the week before. Workers interviewed for the *Like Cutting Bamboo* report in 2000 estimated that accidents of this nature were occurring much more frequently than this, so it may be that the factory is taking greater precautions to prevent this kind of injury. Standard health and safety procedures require that factories keep careful records of the number of injuries of this nature, in order to help identify their causes and assist in preventing them. Until Nike and Adidas and their suppliers are willing to open up their health and safety practices to public investigation, it is not possible to know whether these companies are taking adequate steps to prevent these injuries.

### 8.3 Appropriate medical care in factory clinics

Workers interviewed in 2000 for the *Like Cutting Bamboo* report claimed that the much-touted free factory clinics in these factories were operating more as instruments of control than as a means of promoting workers' health. Obstacles placed in the way of workers who wanted to claim menstrual leave were illustrative. Under Indonesian law, women are entitled to take a certain amount of unpaid leave when they have their period. When they have a particularly bad period, it is sometimes necessary for factory workers to claim this leave, particularly since they cannot afford medication that would help ease their pain. Workers from two factories reported that before they could take this leave, they were required to go to the factory clinic and be physically examined by factory doctors in order to prove that they were menstruating. The

humiliating nature of this procedure meant that very few workers took this leave.

By January 2002 one of those factories had stopped that practice, and in most of the others investigated it is now possible to claim menstrual leave relatively easily. At the Nikomas Gemilang factory, however, all women who participated in interviews or focus group discussions said that although officially the company policy has changed, in practice those who want to claim menstrual leave are still required to prove they are menstruating by pulling down their underpants in front of female factory doctors. Very few workers are willing to suffer this humiliation and so forgo that leave.

One area in which all workers agreed there had been improvements was in getting permission to take sick leave. In the past it has been extremely difficult for workers to claim such leave and a great deal of pressure has been put on them to work even when they are extremely sick. Workers interviewed for this report described a situation that has improved significantly. Although in some factories workers are still required to continue working unless their illness is relatively serious, provided they have genuine doctor's certificates the factories have been much more willing to allow them to take time off to recover.

### 8.4 Exposure to heat and noise

In focus groups a number of workers raised heat and noise as issues which made working in their section of the factory extremely unpleasant. On site audits are necessary to assess whether the levels of heat and noise involved are such that they are posing a danger to workers' health.

## 9. Verbal abuse

The *Like Cutting Bamboo* report (released in September 2000) found that verbal abuse of workers was common, and that in the PT Nikomas Gemilang factory workers were routinely shouted at by supervisors if they worked too slowly or made mistakes.

Supervisors would frequently insult them with the use of such epithets as "dog", "monkey" or "pig". This verbal abuse was particularly extreme when high work targets had to be met.

The February 2001 the Nike-funded Global Alliance report discussed above found that 30.2 percent of workers interviewed in nine Nike contract factories in Indonesia had personally experienced verbal abuse, and 56.8 percent had observed the problem. In focus groups, workers reported that harsh words or verbal abuse are common in their factory environment and are considered a normal part of relationships with supervisors. Workers who participated in that study defined verbal abuse as "harsh or unkind words, angry shouts, and words that humiliate and cause shame such as names of animals and insults to the workers' intelligence" (Center for Societal Development Studies 2001, p.4,27).

As of January 2002 there had been a reduction in the level of verbal abuse in most the factories investigated for this report. In the Nike contract factories supervisors have received training in how to relate to workers, and in a number of factories workers have been encouraged to

complain if they are abused. This has reduced the amount and the intensity of abuse, but it still occurs. In most factories workers said they are still shouted at when they work too slowly, but supervisors no longer humiliate them or compare them to animals. One exception to this is the Nikomas Gemilang factory (Nike and Adidas) where workers reported that although supervisors have been officially instructed by factory management to insult workers less, it is still not uncommon for them to be shouted at and called "dog" or "monkey". Workers in a number of factories noted that supervisors' anger in turn resulted from the pressure on them from higher managers to make sure workers reach work targets.

According to workers from PT Panarub (which only produces for Adidas), verbal abuse in that factory is still very common. Most supervisors shout at workers when they work too slowly or fail to reach targets, and many frequently insult them by calling them "stupid" or "idiot".

Apart from the situation at PT Nikomas Gemilang described below, in which workers have been struck by Indonesian soldiers employed as security guards, there was no other evidence of violence against workers. Workers in two factories reported that sometimes when supervisors shout at them for making mistakes they will throw parts of shoes on the ground, but they no longer throw shoes at workers or use violence against them.

## 10. Use of Indonesian soldiers to provide "security" in the PT Nikomas Gemilang factory

In Indonesia there is a long history of soldiers being employed by factory owners during periods of industrial unrest, to keep workers on the job and prevent them from striking or demonstrating for better pay or conditions.

In September 1999 a US student delegation observed Indonesian soldiers stationed at the PT Nikomas Gemilang factory at a time when wage negotiations were being conducted. When this was drawn to Nike's attention, company representative Dusty Kidd responded that Nike had "specifically instructed factories not to allow military personnel to be stationed on factory premises". The factory then replaced the soldiers with non-military security. Subsequently, during peaceful strike action by workers at PT Nikomas on 18 December 1999, police from Brimob (an armed police brigade) equipped with guns were

called into the factory, and together with factory security guards and hired civilians they threatened and provoked workers (Bissell et al 2000).

Workers interviewed for this report in July 2001 reported that soldiers were again being employed by the factory as security guards and had been involved in cruel and unprovoked acts of violence against workers. They asked that specific instances not be described in this report in case the workers involved were punished for speaking to me. Workers who participated in the focus group discussion in January 2002 said that complaints about this by the SPTSK union at the factory had led factory management to stop employing soldiers for a few months.

By January 2002 they had started employing them again, but stationed in front of the factory rather than inside it. Although as yet there have been no further incidents of violence against workers by these soldiers, their presence at the factory increases workers' fear that union involvement or participation in industrial action could put their safety at risk.



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*At the huge Nikomas factory, one security guard of about ten around the entrance attempts to shield the entrance from the photographer. Media attention on this factory has convinced the owners of the factory to remove all Nike logos from the signs outside. Before, Nike logos were a favorite background for the wire service photographs. This factory employs more than 24,000 workers.  
Photo Ashley Gilbertson/Oxfam CAA*

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## 11. Sexual Harassment

According to the Nike-funded Global Alliance report released in February 2001, 7.8 percent of workers reported receiving unwelcome sexual comments and 3.3 percent reported being touched inappropriately (Center for Societal Development Studies 2001).

Workers interviewed for this report described a number of procedures that have been put in place to address this problem. Supervisors and managers have received training aiming to discourage sexual harassment, and in the Nikomas Gemilang factory a number of

supervisors who were accused of sexual harassment have been fired. Most workers were unsure whether their fellow workers were being harassed, as it is a very sensitive issue in Indonesian culture and not one that is discussed openly. Most believed that sexual harassment is now less of a problem in their factory than it has been in the past. None of the workers interviewed had been sexually harassed themselves, although some said that sexual harassment continues to occur in their factory, but workers are scared to report it because they believe they may lose their jobs if they accuse a member of the factory's management structure.

## 12. Annual Leave

In all three factories investigated for the *Like Cutting Bamboo* report workers were allowed Moslem religious holidays but it was very difficult for them to take any other annual leave, even though they were theoretically entitled to 12 days each year. Line supervisors put a lot of pressure on workers not to take leave on days other than religious holidays.

Workers interviewed for this report claimed that although it had become somewhat easier to claim their legally mandated annual leave, there were still significant problems. Although a number of factories had introduced better

policies for taking leave, and one had even provided training for workers in how to claim it, at the factory line, obstacles were still put in the workers' way. They must get permission from their supervisors to take annual leave, and supervisors commonly refuse unless they can find another worker to take their place on the line on that day. In most factories if their supervisors refuse then workers can gain permission by complaining to the "corporate responsibility" or "personnel" section of the factory. Complaints can lead to victimisation by factory supervisors, however, and workers are extremely wary of making a complaint. As a result many workers miss out on much of their annual leave.



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*This Nike worker sighed deeply when she talked about the twenty thousand pairs of soccer shoes they burnt the week before this photograph was taken. "The factory said the quality was not high enough. We are very disappointed because we work until very late in the afternoon for many days, and then they just burn all of it. Now we need to work even harder to replace them."*

*When she was interviewed (in November 2001) she was being paid Rp. 449,300 (USD\$45) per month, and was forced to work the maximum amount of overtime every week. She makes soccer shoes, most of which go to Europe and Africa.*

*Living alone in a tiny room nestled amongst many others in a bustling area of West Java, this worker is paying Rp. 85,000 (USD\$8.5) per month rent. One day she hopes to share her room with a husband, but she has not met anyone yet. Like many of her colleagues, she expects to meet a man at the factory.*

*After sending money home to her family, she is left with very little. Her sister has been working in the giant Nikomas factory in Serang, fifty kilometres away, and they meet when they can. Her sister lent her a water cooler and a radio. Aside from this she has few guests. When asked if she has thought about other jobs, her answer is curt: "Tell me. What else can 1 do?"* Photo Ashley Gilbertson/Oxfam CAA

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### 13. Conclusion

Nike and Adidas workers in Indonesia live in extreme poverty. Even when significant amounts of overtime work are available, wages are so low that they break up families, forcing many workers to live separately from their children. At times like this, when the combination of an economic downturn in the US and rising inflation in Indonesia have pushed down orders and overtime levels, workers' economic situations become perilous, and many have been forced into debt just to survive. Mass dismissals associated with this drop in orders have forced many hundreds to join the 40 million Indonesians already unemployed.

Fear also dominates the lives of these workers. With good reason, they are afraid that speaking openly about factory conditions or getting involved in active unions will put their livelihoods in danger. The arrest, imprisonment and extended trial of Ngadinah Binti Abu Mawardi from the PT Panarub factory, which supplies Adidas, has raised concern that active union involvement could also endanger their liberty. Attacks on outspoken workers at the PT Nikomas Gemilang factory, which supplies both Nike and Adidas, have made the 23,000 workers at that factory afraid that involvement in union activities could endanger their lives (8).

This poverty and fear result directly from the way in which Nike and Adidas have chosen to do business. Both operate global contracting systems that push the costs of unstable consumer markets onto those least able to afford them – young workers from poverty-stricken rural areas in industrialising countries. In order to be able to provide the flexibility and low costs which companies like Nike and Adidas demand, factory owners keep full time wages below what is needed to meet the basic needs of a single worker. This makes most workers desperate to work as much overtime as they can – hence the factory owner is able to fill new orders quickly, whenever they come in. The pressure for

maximum flexibility and minimum cost also makes it necessary for factory owners to prevent the growth of active unions, which might stop production or seek to increase wage costs. If contractors are unable to control their workers and keep their costs down, Nike and Adidas can easily move their orders to other companies who are willing to do so.

Nike and Adidas are not alone in this, but they have more capacity than most companies to do something about it. Contracting and sub-contracting of production has become endemic in the global clothing and footwear industry, and as a result extremely exploitative working conditions have become the norm. Human rights groups have targeted giant companies like Nike and Adidas because their profit levels mean they can more easily afford to ensure that workers producing their goods are able to live with dignity. Nike's net income for the 2001 financial year to May 31 was \$US589.7 million. Adidas' net income for the year 2000 was \$US160 million (9). Both are extremely generous when it comes to celebrity athlete endorsements. Nike has a five year endorsement contract with Tiger Woods which involves paying him \$US100 million (*Los Angeles Times* 2001), and another with Lleyton Hewitt worth \$US15 million for the same period (*Business Review Weekly* 2001).

Despite this wealth, both companies have refused to put in place structural reforms that would ensure decent wages and conditions. Both refuse to commit to a wage standard that would meet the basic needs of a small family. Neither is willing to put in place the kind of independent systems for monitoring and verifying factory conditions which campaigners have demanded. Additionally in the last twelve months, Nike in particular has refused a number of practical proposals put forward by Oxfam Community Aid Abroad, the Clean Clothes Campaign and Global Exchange, which would have increased workers' freedom to engage in union activity and speak openly about factory conditions in particular factories.

That is not to say that there have been no improvements in these factories. Workers interviewed for this report indicated that they are shouted at and humiliated by their supervisors less often than they were eighteen months ago, and that instances of sexual harassment are also occurring less often. In some factories there has also been a reduction in some types of discrimination against members of independent unions, although the critical issue of discrimination against union members when selecting workers for dismissal has not been addressed.

There have been some improvements in the area of health and safety, although these must be seen against ongoing dangers to workers' health. A particularly positive development is the greater accessibility of sick leave for workers who are genuinely ill. Against this, respiratory illnesses associated with inhaling vapours from toxic chemicals are still occurring, albeit less often. Workers are still losing fingers in accidents involving cutting machines at the PT Nikomas Gemilang factory, and in the same factory they are still being denied safe footwear that would protect their feet from possible amputation in the case of accidents involving heavy metal moulds. Although there have been improvements in some factories in the procedures for applying for legally-mandated menstrual leave, in practice at the Nikomas Gemilang factory workers are still required to prove they are menstruating by pulling down their pants in front of factory doctors.

In short, Nike and Adidas have not done enough to address the concerns of human rights groups, consumers and workers themselves. Those improvements that have occurred are commendable, and the companies deserve some recognition for them. The changes demonstrate that positive change is possible, in response to international pressure. Unfortunately, the changes fall well short of ensuring that Nike and Adidas workers are able to live with dignity. What is needed is structural

reform that is sustainable, transparent and independently verified. In order to address this Nike and Adidas should:

1. Signal to factory owners and governments in supplier countries that enforcement of labour standards, including increased wages, will not lead to automatic relocation in search of cheaper labour.
2. Press for the enforcement of workers' rights to organise and bargain collectively.
3. Ensure that their suppliers minimise the use of contract labour and other hiring and dismissal practices that increase workers' fear that participating in unions could put their jobs in danger.
4. Ensure that armed soldiers are not employed by factory owners and stationed at factories, particularly in countries with a history of the military being used to suppress unions.
5. Commit to ensuring workers are paid full time wages which are at least adequate to meet the basic needs of a family, and allow a small amount of discretionary income. In order to do this they should:
  - Carry out research on the value of workers' current wages.
  - Consult with local trade unions, human rights and other relevant organisations and academics to determine appropriate living wages in each area.
  - Negotiate the level of a living wage with genuine representatives of workers.
  - Establish prices to suppliers that reflect the cost of paying living wages.
6. Undertake serious research into their own ordering practices to see where they need to be adapted to enable suppliers to follow the standards outlined in their codes.
7. Work with international unions and human rights organisations to establish a monitoring



and verification program that includes verification of factory monitoring by credible organisations which are independent of (i.e. not selected by) the company.

Such a program should:

- Include worker education to ensure that workers are aware of their rights.
- Establish a confidential, accessible complaint mechanism for workers whose rights are not being respected.
- Ensure that regular, professional and transparent auditing of occupational health and safety takes place in supplier factories.
- Make all monitoring and verification reports public so that the international community can know the extent to which improvements have occurred.

- Include the regular release the addresses of all suppliers and the levels of orders from each supplier to the international unions and human rights organisations involved in the monitoring and verification program. This would give some insight into whether workers who try to organise unions are being punished by having production shifted to non-union factories.

By taking these steps, Nike and Adidas would genuinely become leaders in the field of corporate social responsibility, and would set a standard that other companies could be encouraged to follow. Until they do so, it is likely that Nike and Adidas workers will continue to suffer extreme and unnecessary hardship; until they do so – whatever they may hear from Nike, Adidas or organisations sponsored by them – consumers cannot and should not have any confidence that their sportswear is made in decent conditions.

## Notes

1. See <http://www.abc.net.au/triplej/morning/features/s251857.htm>
2. Ngadinah's comments were translated by Agatha Schmaedick, a member of the US organisation United Students Against Sweatshops who attended part of Ngadinah's trial.
3. See Amnesty International's website at <http://web.amnesty.org/web/ar2001.nsf/webasacountries/INDONESIA?OpenDocument> (accessed 26 Feb. 2002).
4. The Global Alliance report did point out that the hourly wages at the nine factories, which at that stage varied between \$US0.32 and \$US0.42, were much higher than the overall hourly pay of Indonesian production workers in 1999 (US\$ 0.17) (Center for Societal Development Studies 2001, p. 23). In making this comparison it neglected to mention that most Nike factories are located in heavily populated industrial zones where the cost of living and the minimum wage are both significantly higher than in most parts of Indonesia.
5. To the best of the author's knowledge, official figures for recent inflation in the cost of basic food items in West Java are not yet available.
6. This is clearly not a precise measure, but gives a broad sense of what proportion of Nike and Adidas sport shoe workers in Indonesia are in this situation. More research is urgently needed, particularly on the impact on these children of living apart from their parents.
7. Information regarding the dangers of Toluene is summarised in the *Toxicological Profile for Toluene, Updated*, published by the U.S. Agency for Toxic Substances and Disease Registry (Atlanta: ATSDR, 1998).
8. The Indonesian Manpower Ministry estimates that 40 million people are currently unemployed in Indonesia out of a population of more than 200 million (*Interpress Service* 2002).
9. Sources were the companies web sites: [www.nikebiz.com](http://www.nikebiz.com) and [www.Adidas-salomon.com/en/ir/](http://www.Adidas-salomon.com/en/ir/)

Note that exchange rates cited in this report were determined using the following web-based currency converters: the Universal Currency Converter and Oanda.com <http://www.oanda.com/convert/fxhistory>.

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