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US University Pressures Indonesian Companies to Compensate Workers

Andrew D. Kaspar | February 15, 2012



Former employees of the Kizone textile factor Curug, Tangerang, are owed severance pay totaling \$3.45 million. (JG Photo/Andrew D. Kaspar)

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serenityjam 9:13am Feb 16, 2012
Shouldn't our government file a claim on behalf of our workers against the employer and all other companies involved?

I think that Indonesian government can seek relief with the appropriate international trade organizations and, maybe our trade ministry can communicate with its counterpart in the USA.

I wonder why our Labor ministry did not pursue filing legal cases against Kizone. Foreign investors must clean up their obligations before packing up, should it not be the case? Poor workers are being abandoned to fend for themselves.

Aslam Hidayat doesn't know who Bucky Badger is. But the former local union leader and about 2,700 other factory workers in Tangerang may someday credit the payment of \$1.8 million in long-due compensation in part to Bucky's US university, halfway around the world.

More than a year ago, textile workers in Curug, Tangerang, were left in the lurch when their employer abruptly packed his bags and fled Indonesia. The workers of the factory, Kizone, were left jobless and without severance pay totaling Rp 30.8 billion (\$3.5 million).

Today, the advocacy of the Workers Rights Consortium and pressure from US universities like the University of Wisconsin-Madison — Bucky is the school's badger mascot — may see to it that the workers receive the severance they are legally due.

When South Korean owner Jin Woo-kim fled in January 2011, Green Textile, a company that placed orders with the factory, briefly took over management but shuttered operations a few months later. Under Indonesian labor law, the workers were owed terminal compensation totaling about one year's pay at minimum wage.

Athletic companies Nike, Adidas and the apparel division of American football's Dallas Cowboys all contracted with Kizone to produce their merchandise.

Though not legally liable, accountability in such circumstances is understood by labor rights groups to fall to the companies that subcontracted their manufacturing to the local firm.

Via "codes of conduct," many US universities' athletic programs require apparel providers like Nike and Adidas to ensure the factories they work with adhere to minimal labor standards and the labor laws of the countries to which they outsource.

For these companies, the reward for adherence is the right to stamp university-affiliated merchandise with their logos.

A proportional solution

The WRC serves as a labor rights watchdog for some 180 US universities and monitors conditions at the far-flung, and typically low-wage, factories to which apparel companies often subcontract production. A January report from the Washington-based organization aimed to alert its members to the plight of the Kizone workers, and to urge the companies involved to remedy the situation.

That has already happened, to an extent. Nike and Green Textile have given about \$1.5 million to the

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workers; an amount they say is equal to the proportion of the factory's output that constituted their share. The Dallas Cowboys plan to pay \$55,000, also based on what the company says is its proportional share of responsibility.

Scott Nova, executive director of the WRC, argues that proportional settlements are not in keeping with the spirit of code of conduct agreements. But reporting code violations and recommending courses of remediation is the extent of the WRC's reach.

"Universities have placed these labor standards into their contractual agreements with the companies, but each university makes its own decision as to whether or not to act on our findings and, if so, what exact measures to take," Nova said.

The primary target of the WRC report is Adidas, which has refused to offer any compensation on the grounds it had ended its relationship with Kizone prior to the factory's code violations.

The report challenges those claims, accusing Adidas of providing "misleading information" and "rhetorical slights of hand" to absolve itself of responsibility.

Adidas has insisted it is "adhering to and, in fact, exceeding both the spirit and the letter of the University of Wisconsin's strict code of conduct required of its business partners," while maintaining that it "cannot assume, or accept, the liability for the severance owed by the former owner of Kizone, who violated Indonesian law and fled."

Kizone on campus

Having requested the WRC report and demanded that Adidas respond to the allegations, UW-Madison on Tuesday indicated that it would enter into mediation with the company, a process it said could take up to 60 days.

"I'm committed to seeing redress for the impacted workers, and I believe mediation is the most efficient and practical method to reach this goal," university chancellor David Ward said. "I look forward to a positive resolution to this matter as soon as possible."

A "positive resolution" could take several forms, from Adidas paying the outstanding severance to a proportional solution to a breakdown of the process — an outcome that would likely see the university put Adidas "on notice."

The latter would give the company 90 days to correct the violation or see its ties with UW-Madison cut, a move that would cost the school about \$2.5 million a year in sponsorships.

For Adidas, the immediate price would likely take the form of negative coverage of its outsourcing practices. Perhaps more consequentially, it could unleash a domino effect if other universities are similarly aggrieved and begin issuing their own threats to pull licensing agreements.

It would not be the first time Madison leveled an ultimatum. A dispute in 2010 involving factories in Honduras led the school to end its contract with Nike after the company refused to pay.

After losing the university's business, Nike reversed course three months later and paid the Latin American workers.

Beyond universities' pressure on their athletic sponsors, little else is likely to provide the remainder of the Kizone workers' legally owed compensation.

The factory's debt is more than seven times the amount raised through the liquidation of its assets. Anggy Kusuma Putra, the court-appointed receiver in charge of determining the funds' disbursement, has proposed giving the employees 20 percent of the total, about Rp 3.5 billion of the Rp 16.4 billion they are still due.

However, Anggy said the proposal had been challenged by one of Kizone's "separatist creditors," to whom priority is given. An initial hearing today will attempt to resolve the contested disbursement, but according to the WRC report, past precedents indicates there is a high likelihood the workers will not receive even that fraction of the severance owed.

Just as Aslam is unfamiliar with Bucky Badger, few of the Kizone workers have any sense of size of the companies whose apparel they stitched. They don't know, for example, that Adidas reported a profit of 973 million euros (\$1.3 billion) in the first nine months of 2011.

"We only hope that Adidas will help the employees of Kizone," Aslam said.

Additional reporting by Mary Anugrah Rasita