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William Anderson & Harry Nurmansyah  
Social and Environmental Affairs  
Adidas Group  
Asia Pacific

17 June 2010

**Re: Workers' Rights in Indonesia**

Dear Mr Anderson and Mr Nurmansyah,

Thank you for your 30 April letter. We have also read your 17 May online statement in response the Oxfam Australia online campaign letter. Oxfam Australia appreciates adidas' willingness to meet with us on several occasions over the last months and to prepare written responses to our letters and emails. However, Oxfam Australia and the Clean Clothes Campaign believe that if adidas is serious about upholding Freedom of Association, your company needs to take action to protect the rights of workers and to ensure adidas' own workplace policies are upheld.

We welcome adidas providing a list of available job openings to former union leaders. However, we remain concerned that despite adidas' repeated commitment to protecting the rights and job opportunities of former union leaders, there has been very little progress. Adidas has refused to support the employment of the illegally dismissed Panarub union leaders at its supplier factories, despite a commitment in 2007 that adidas would request that "existing suppliers consider former Panarub employees as applicants for available job openings."<sup>1</sup> After applying to work at your Ching Luh Indonesia (CLI) supplier up to 10 times without success, former union leaders from your PT Panarub and PT Spotec suppliers factories feel that they are facing discrimination due to their previous union involvement. So far adidas has been unable to prove that this is not the case.

We welcome adidas' ongoing commitment to improving CLI's recruitment processes over the past three years. However, the factory's recruitment process still does not reflect a merit based system and appears to fall below adidas' own employment standards. Please find attached a list of 948 signatories who have written to adidas about it's practices over the past 15 months, including several individual messages.

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<sup>1</sup> Quote from William Anderson, Head of Social & Environmental Affairs, Asia Pacific in Adidas letter to Oxfam Australia (22/06/2007).

## 1. Former Panarub union leaders

Thousands of people have written to adidas over the past 5 years regarding the dismissal of all the leaders of one of the unions at adidas' Panarub supplier factory. These union leaders were fired for their role in a strike asking for better wages at the factory. As you know, the Indonesian government's Human Rights Commission (Komnas Ham) investigated the workers' dismissal and found it was illegal. Since then several of these union leaders have repeatedly tried to find work at adidas' suppliers. We are concerned that adidas is backtracking on the commitments it made to protect the rights of these Perbupas (now SBGTS) union officials. Adidas made a commitment to protect the employment opportunities of former Panarub union officials in 2007.<sup>2</sup> In particular, adidas promised to 'request that its existing suppliers consider former Panarub employees as applicants for available job openings.'<sup>3</sup>

We understand that adidas has instead turned its focus to ensuring that supplier recruitment systems are fair and transparent so that more experienced workers (i.e. the former Panarub workers) gain preference.<sup>4</sup> In the past three years, however, adidas has not been able to achieve its aim of ensuring fair and transparent practices within CLI's recruitment systems.

Three of the former Panarub union leaders, Mr. Suwandi, Mr. Hamdani and Mr. Suparjo each have up to eight years experience and have applied to CLI on multiple occasions. At the same time, inexperienced workers have been employed in their places, because they have had local identification cards. Understandably, this treatment has led the three individuals to feel that they are being subjected to discrimination—both because of their previous union activities and because of their lack of local connections.

Adidas promised to follow up on the applications of each of these workers to ensure they receive a due process.<sup>5</sup> In our meeting of the 26<sup>th</sup> of March 2010, adidas agreed that it would be unfair to ask Mr. Suparjo, Mr. Hamdani and Mr. Suwandi to keep applying indefinitely when they had not yet received any formal response. On the 28<sup>th</sup> of April adidas contacted Mr. Suparjo (who has sent applications on 5 separate occasions) and advised him to apply once again. Mr. Suparjo was told his application had 'failed documentation'. Adidas declined, however, to specify which part of the documentation was missing. Oxfam Australia checked photocopies of Mr. Suparjo's past applications and found that they fulfilled each of the stipulated criteria. Following this episode, we were informed that Mr. Suparjo's application had reappeared in the CLI database and was due to be processed. This was welcome news. We understand Mr. Suparjo sat a written test at CLI on the 26<sup>th</sup> of May, but that he received an overall score below the pass-mark of 60. We

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<sup>2</sup> See, e.g., William Anderson, Head of Social & Environmental Affairs, Asia Pacific in adidas letter to Oxfam Australia (22/06/2007); minutes from meeting between adidas and Oxfam Australia at adidas office in Jakarta, discussing Panarub Perbupas officials (25/05/2007); William Anderson, Head of Social & Environmental Affairs, Asia Pacific, in adidas letter to Oxfam Australia (04/10/2007).

<sup>3</sup> Quote from William Anderson, Head of Social & Environmental Affairs, Asia Pacific in Adidas letter to Oxfam Australia (22/06/2007).

<sup>4</sup> William Anderson, Head of Social & Environmental Affairs, Asia Pacific in adidas letter to Oxfam Australia (4/10/2007).

<sup>5</sup> Adidas has promised to continue to check and independently validate the progress of former Panarub union leaders' applications on the CLI database, see, e.g., Harry Nurmansyah, Regional Manager West Asia Social and Environmental Affairs and William Anderson, Head of Social & Environmental Affairs, Asia Pacific in adidas letter to Oxfam Australia (30/04/2010); meeting between Oxfam Australia and adidas in adidas office, Jakarta (25/05/2007).

understand this is a new test, and SBKU Ching Luh have informed us that many of the experienced workers are failing this test.

We met recently with SBKU union from CLI. They told us that this new psychological test is being applied during the recruitment process and that it disadvantages those workers who may have many years of experience making sports shoes, but who have not recently finished high school. SBKU further reported that meanwhile inexperienced workers are being given a different skill test to the experienced workers. SBKU, whose members are primarily experienced factory workers, does not believe that this new psychological test is appropriate for testing the skills of applicants. The test is too broad and requires a high level of education, which is not necessary for many of the operator jobs at the factory. Oxfam Australia and the Clean Clothes Campaign are very concerned that CLI seems to be continually finding new ways of avoiding employing former union leaders.

In our meeting at the CLI factory on 24<sup>th</sup> of May, adidas reported that Mr. Suwandi and Mr. Hamdani were on the list to be interviewed when warehouse positions become available at CLI. We are at a loss to understand why Mr. Suwandi was not called for the warehouse positions that were recently filled in April 2010. Mr. Suwandi was one of the first to put in an application when Ching Luh first opened, so he should have been at the top of the list for the First in First Out system.

*Oxfam Australia and the Clean Clothes Campaign believe that if adidas is serious about supporting Freedom of Association in its supplier factories, then adidas will ensure that these illegally dismissed union leaders find new jobs at an adidas supplier factory.*

## **2. CLI Applications from former Union officials of PT Spotec**

Adidas made a clear commitment that former Spotec workers would be prioritised for recruitment at CLI and that they would receive transparent and fair treatment.<sup>6</sup> However, we understand that the applications of Mr. Agus Santosa, Mr. Heri Kurniawan, Mr. Syaiful and Mr. Suhardi have yet to be fairly processed. On the 3<sup>rd</sup> of March 2010 the four were invited to participate in CLI skills testing. Mr. Syaiful and Mr. Suhardi were told afterwards to wait to be contacted, but so far they have not received a response. Mr. Agus and Mr. Heri were told that they had failed the test because of their height. Adidas has since admitted that this rejection constituted discrimination of these two applicants. Since then it has been claimed that “Agus and friends” should not be processed based on a petition put forward by a group of other workers.

Oxfam Australia and the Clean Clothes Campaign believe these former Spotec union leaders should be judged on merit and not other considerations such as their popularity amongst other workers. Nowhere in CLI’s recruitment criteria does it consider personal politics or past union membership. Adidas’ own workplace standards state that there must be no discrimination in recruitment and that hiring decisions ‘must be based solely on ability to perform the job, rather than on the basis of personal characteristics or beliefs...’

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<sup>6</sup> See, e.g., Harry Nurmansyah, Regional Manager West Asia Social and Environmental Affairs and William Anderson, Head of Social & Environmental Affairs, Asia Pacific, in adidas letter to Oxfam Australia (07/04/2008).

including association membership.<sup>7</sup> Mr. Agus, Mr. Heri Kurniawan, Mr. Syaiful and Mr. Suhardi should be processed according to their experience and professional skills.

Adidas and CLI have stated that the working environment might not be safe for these individuals if they are not liked by other workers. If threats are being made by workers inside the factory, CLI and adidas have an obligation to send a clear message to employees that violence against fellow workers will not be tolerated. Adidas and CLI should do everything in their power to ensure that the CLI working environment is safe and CLI employees do not feel intimidated.

Mr. Heri Kurniawan, Mr. Syaiful and Mr. Suhardi should be offered the opportunity to be retested, without having to go to the back of the interview list.

## **2.1 Retesting Ms. Ari, former union leader at Spotec**

In our meeting at Ching Luh on 24<sup>th</sup> of May with adidas and Ching Luh management, Ching Luh management explained that the process of testing has been recently improved to allow for less subjectivity in the scores. Given the admission that there was previously subjectivity in Ching Luh's test scores, we ask once more than Ms. Ari be given the opportunity to be retested at the factory.

As reported to adidas in February this year, Ms. Ari worked at PT Spotec for six years in Sewing, Development and Assembly. Confident of her high level of skills, competence and experience Ms. Ari was optimistic that she would be employed by CLI. After a probation period, Ms. Ari was informed that she failed the aptitude test. The pass score for the test was set at 60 and Ari's recorded results were as follows:

Ability to understand theories: 50  
Ability to operate: 50  
Ability to adapt: 50  
Creativity: 50  
Discipline: 50

Ms. Ari has retained the score card stating the above. Ms. Ari continues to believe that her aptitude test was not conducted fairly and that these scores do not reflect either her knowledge or skills. She is concerned that CLI management is reluctant to hire her on account of her union activity at Spotec. Ms. Ari reports that during her training days at CLI, the supervisor who was training her offered to promote her to forewoman, on condition she give up her union involvement. Ms. Ari refused.

*Ms. Ari should be given the opportunity to be retested with an independent tester present to oversee and confirm the recruitment process.*

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<sup>7</sup> Adidas Group, *Our Workplace Standards*, [http://www.adidas-group.com/en/sustainability/suppliers\\_and\\_workers/code\\_of\\_conduct/default.aspx](http://www.adidas-group.com/en/sustainability/suppliers_and_workers/code_of_conduct/default.aspx), accessed 12 May 2010.

### **3. Public Notification regarding job vacancies**

We hope that adidas will follow through with its proposal to encourage suppliers to advertise job openings on-line. In addition to investigating the online option, the traditional method of posting a list at the front of the factory is very important for a number of reasons. Posting the lists of workers to be interviewed and the list of workers who are progressing in their application process is very important way to notify applicants about their upcoming interviews and it is also an important transparency mechanism. We understand that some applicants are being called only a few hours prior to their scheduled interview, which does not give them enough time to get their papers in order. We suggest that notices need to be posted at least two weeks prior to the interview time, so that applicants can ensure all their documents are up to date, such as their police check and 'yellow card'. In the past we have been told that job vacancy notices at CLI have been torn down as soon as they were put up, so we recommend these postings should be placed in a secure area where they cannot be torn down.

### **4. Recruitment processes at CLI**

We are encouraged that CLI has committed to making serious changes to its recruitment process and has openly discussed its program for reform. However we are disappointed to see that its corrective action plan falls well short of a merit based system.

#### **a) Discrimination based on residency and gender**

We understand that CLI has made arrangements to prioritise applicants put forward by local village heads. In fact, CLI has committed that 60% of new recruits must have a local identity card. A fair recruitment system should not require applicants to create local political connections. Furthermore, giving into pressure and demands from local power holders does not encourage a transparent recruitment process – instead it creates greater incentives for unfair recruitment practices. Rather than engaging in discriminatory recruitment practices, Oxfam Australia and the Clean Clothes Campaign believe there are other ways that the local community could be supported.

We understand CLI's recruitment process not only discriminates based on residency but also on gender, with gender quotas applying to 60% of positions. CLI has committed that 40% of its new recruits will be 'local' men (20% 'local' women). We also understand that local applicants are being given a different skill test to non-local applicants. According to adidas' own code of conduct for suppliers:

'Decisions about hiring, salary, benefits, training opportunities, work assignments, advancement, discipline and termination must be based solely on ability to perform the job, rather than on the basis of personal characteristics or beliefs, such as race, national origin, gender, religion, age, disability, marital status, parental status, association membership, sexual orientation or political opinion.'

We recommend that adidas ensure that your supplier is complying with your own code of conduct with regard to a merit-based recruitment system.

## **b) The use of middle-men and threats of violence**

Both adidas and CLI have admitted that the problem of middle-men or *calo* remains significant at CLI. Until CLI can create a genuine merit-based recruitment system and takes active steps to eradicate the use of *calo* the recruitment process will remain vulnerable to bribery. Adidas has also mentioned that there has been property damage and threats from local villagers. We would suggest that the involvement of the police would be an appropriate response to these threats.

Oxfam Australia and the Clean Clothes Campaign hope that as adidas expands its production in Indonesia, it ensures that supplier factories are upholding adidas' own code of conduct, including a merit-based, consistent and transparent recruitment system.

*If adidas hopes to achieve a fair recruitment process at CLI they should:*

- *Ensure CLI implements a merit-based recruitment system free of corruption and all forms of discrimination.*
- *Support CLI to achieve transparency across its recruitment process.*

## **4. Engaging with unions at Ching Luh Indonesia (CLI)**

Thank you for providing Oxfam Australia with information about CLI's engagement with the three unions at the factory. We welcome that CLI is negotiating with the unions at the factory around important issues like the payroll formula. SBKU has mentioned to us that they believe communications could be improved between factory management and the unions if the unions were given the opportunity to learn English and the factory management learnt Bahasa Indonesian.

## **5. Allegation of bribery at PT Nikomas**

Oxfam Australia is still waiting for adidas to adequately address the case of alleged bribery at Nikomas. Our colleague, Mr. Chris Wangkay, gave adidas a statement from Ms. Neneng stating that she had to pay a bribe to secure employment at PT Nikomas. Whilst she did not provide details of names in her written statement she has, however, clearly indicated in her statement that she will provide information verbally at adidas' convenience. Previously adidas has indicated that any allegations of bribery would be investigated seriously and as a matter of priority.<sup>8</sup> We are therefore waiting for adidas to take up this offer and investigate the matter.

## **6. Respect for workers' rights across adidas' supply chain and adequate resourcing of adidas' compliance teams**

We think it is important that adidas looks for new ways to provide incentives for respect for freedom of association and fair treatment of workers. We hope that adidas will prioritise factories that perform well on workers' rights, and reward good practice with increased orders, better trading terms and long term trading relationships.

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<sup>8</sup> See, e.g., William Anderson, Head of Social & Environmental Affairs, Asia Pacific and Harry Nurmansyah, Regional Manager West Asia Social and Environmental Affairs, in adidas letter to Oxfam Australia (21/07/2009). In this letter adidas highlighted that the payment of recruitment fees is a breach of adidas Group's Workplace Standard and also contravenes PT Nikomas's internal hiring policy.

In the 30 April letter adidas raises the issues of human resources shortages within adidas' compliance team. We note your May online statement adidas states:

'Over the past 3 years the adidas Group's Social & Environmental Affairs (SEA) department has redirected its staff resources from our general social compliance programme, which monitors health and safety issues for some 130,000 workers employed in factories in Indonesia, to address Oxfam's concerns over the job search by the individuals named in their campaign.'

We are very concerned that your SEA team is currently inadequately resourced. It is our understanding that adidas' SEA team is tasked with ensuring that adidas' codes of conduct are upheld in your supplier factories, including Freedom of Association. We believe the issues that Oxfam Australia and the Clean Clothes Campaign raise with regard to employment opportunities of former union leaders fall within the scope of the SEA's team work and hope they are able to be resolved soon.

Given the consistent labour rights problems in your Indonesian supplier factories – we respectfully suggest that adidas invest some of the company's recent and increased profits into better resourcing the company's compliance teams.

## **7. New Training Centers for Footwear Workers**

Thank you for the information you have provided about the establishment of new training centers for footwear workers' in Indonesia. We understand that the initiative is in early stages. We hope that adidas will take the opportunity to encourage integrating human rights awareness into these training programs. We look forward to further updates on the progress of the initiative.

## **8. FOA Protocol Negotiations**

We welcome adidas' statement that it is committed to continue its role in the negotiation process with the trade unions in the development of FOA protocol. We look forward to a positive outcome from these ongoing negotiations.

## Moving forward

We understand that Indonesia-based production of adidas footwear is set to rapidly expand over coming months. As such, we hope that adidas will take this opportunity to implement a more progressive and proactive approach to ensuring respect for labour rights across its supply chain. In the meantime, we expect that outstanding labour rights issues within your existing supply factories will be resolved in a timely manner.

Yours sincerely,




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