

The Public Eye on Davos, Globalization and labour rights panel, 27 January 2003

## **Yeheskiel Prabowo, FSPTSK**

Good morning, I bring greetings from Mr. Rustam Aksam, the president of my union, FSPTSK. He could not be here, but I am here on his behalf. My name is Yeheskiel Prabowo. I am the District Secretary of the FSPTSK union in the Banten region of West Java, Indonesia.

Last year around one hundred thousand workers of the textile, garment and shoe industries in Indonesia have been left without jobs after multinational manufacturers, merchandisers and retailers stopped production and orders to their subcontractors.

Besides losing their jobs some of them even have been left without proper retrenchment benefits or no compensation at all due to irresponsible foreign investors who left the country.

Foreign investors came to Indonesia to enjoy attractive offers of facilities from the government and now have left the country after making profits and avoiding the emerging of free and democratic trade unions, which sought workers rights to demand better wages and to secure improvements in working conditions.

Amongst those multinationals which reduced ordering is NIKE. Doson case is one of the examples where NIKE, after exploiting workers, enjoying profits and neglecting corporate social responsibility, stopped orders to Doson, which caused around 7,000 workers who already have worked with the company for nearly ten years, to suddenly lose their jobs.

Jeff DuMont, NIKE general manager in Indonesia, sent a letter to the chairman of the local SPTSK Union.

Translated into English, part of that letter said, and I quote:

“NIKE’s decision to stop orders to Doson is purely a business decision. The decision was not taken due to the changing of government policy, labour problems or disagreement with Doson management. Freedom of association has never been used by NIKE as reason to reconsider its subcontracting strategy. The decision of NIKE to stop ordering from Doson has been informed officially to the factory management in February 2002 so that Doson has nearly 9 months to find other buyers. Compared to other NIKE subcontractors in Indonesia, Doson could not prove potential ability as well as other factories have proved it in the past few years. If Doson has decided to reduce the number of workers in this transition period, NIKE commits to give assistance programs to the affected workers. For example we have called on other NIKE subcontractors to recruit the retrenched Doson workers if there are vacancies. Although according to the law NIKE has no obligation to do this, NIKE believes this is the right action. Indonesia is still an important shoe supplier for NIKE. NIKE will continue to cooperate with nine subcontractors in Indonesia, which employ 60.000 people. We hope that this letter could clarify this matter, which we discussed on Monday 22 July 2002.”

End of Quote.

The whole contents of the letter signed by Jeff DuMont were purely public relations statements. Most of the statements were contradictory with reality.

Doson Director Sin Jung Yang, claims that the factory, which has been producing shoes since 1993, has routinely filled complex orders that cannot be handled by other subcontractors. Doson has been manufacturing 20% of all NIKE shoes in Indonesia. NIKE also encouraged Doson to expand and build a new factory. Yet when the factory was expanded in mid 2001, NIKE reacted by withdrawing its orders, making the expansion pointless.



NIKE moved the Doson Research and Development department to other subcontractors, so Doson could not develop their products for other merchandisers.

Although Nike claimed that freedom of association has never been used by NIKE as a reason to reconsider its subcontracting strategy, this is the opposite of the facts.

SPTSK is the only union at Doson since 1999. It is led by Joko Haryono as the chairman who says that the factory was closed because its workers had been the most aggressive in pushing demands. In the year of 2000 the union and management started to negotiate the renewal of Collective Bargaining Agreement, which will last until 2001. The need to renew the Collective Bargaining Agreement was strongly demanded by the union because they needed improvements in working conditions and wages. In March 2001 the union and management started to negotiate to revise the existing Collective Bargaining Agreement but the result was a dead lock.

Due to the urgent needs of workers the union agreed to amend the Collective Bargaining Agreement articles such as the increase of meal allowance, shift allowance, factory uniform etcetera as a condition to extend the existing Collective Bargaining Agreement. In October 2001 the union demanded the increase of the annual Lebaran bonus and the meal allowance and asked the management to settle the extension of the existing Collective Bargaining Agreement. The workers went on strike to push their demands.

In December 2001, Doson management retrenched 31 workers involved in the October strike.

In February 2002 the union put pressure on Doson management to settle the problems such as the retrenchment of 31 workers and the extension of the Collective Bargaining Agreement. The union warned the management to settle the problems immediately. If not the union would launch slowdown action.

In the same month, February 2002, NIKE sent a letter to Doson to stop orders, starting September 2002.

It is very clear that NIKE's main reasons for stopping orders to Doson were due to labour problems and the increase of minimum wages, which were seen by NIKE as obstacles to continue its orders to Doson.

During the peak time NIKE placed orders to 20 subcontractors in Indonesia and gradually reduced to only 9 subcontractors after Doson closure. NIKE insists that it remains committed to Indonesia but it indicates that the allocation of orders will be given only to the subcontractors which can handle labour problems and have exclusive bilateral relations with NIKE.

The Doson case is not the only one, it happens also that other merchandisers and retailers provide no orders security to suppliers or subcontractors and no job and income security to workers.

When workers begin to organise unions in their plants or the union becomes strong, they respond by switching orders to other countries. Competition becomes more severe, merchandisers and retailers play off suppliers/subcontractors and countries against each other. As a result job security becomes almost non-existent because the industry continuously relocates to areas where wages are low, where there is no freedom of association and no workers rights.

In Indonesia most workers are unorganised and where unions exist they are often weak and poorly organized.

As an affiliate organization of ITGLWF (International Textile, Garment and Leather Workers Federation) our union federation fully supports its endeavours to have International Framework Agreements with retailers, merchandisers and multinationals. These could be used to eliminate

considerable parts of exploitation that currently happen in subcontracting operations and pressure multinationals to increase their interest in corporate social responsibility.

In Indonesia National laws and international standards, which should help, are largely not implemented. Government gives more protection and incentives to investors rather than to workers. Corruption, collusion and nepotism still exist. Those problems are facing workers at the time of huge unemployment.

There is a need to strengthen the free and democratic trade union movement in Indonesia to uphold workers' rights to demand better wages and to ensure improvements in working conditions. Besides our links with the international trade union movement we also need to build powerful alliances with other international organizations such as NGOs etcetera.

Thank you.

