



WORKER RIGHTS CONSORTIUM

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To: WRC Affiliate Colleges and Universities
From: Scott Nova
Date: July 26, 2011
Re: Workers at PT Kizone Still Owed \$1.8 Million; No Action from adidas and Dallas Cowboys

In positive news for the 2,800 workers of PT Kizone, the collegiate factory in Indonesia that closed without paying legally mandated compensation, Nike has announced that, along with its supply chain partners, it will provide the workers with \$521,000 dollars in financial assistance (see the text of Nike's announcement at the end of this message). As you know, the WRC has urged the university licensees that sourced from the factory – Nike, adidas and the Dallas Cowboys – to take steps to ensure that the violations are corrected and that the workers receive all of the money they legally earned (you can read the WRC's reports on PT Kizone [here](#) and [here](#)). One million dollars was paid at the time of closure by Green Textile, a buying agent that placed orders at the factory for Nike and other customers; now, with Nike's direct contribution, the workers will have received roughly half of what they are owed.

Nike also announced assistance in the amount \$650,000 to workers at another collegiate factory in Indonesia, PT Dong One. We have not yet reported to you on the PT Dong One case, but it is very similar to the situation at PT Kizone. The owner of PT Dong One fled the country and failed to pay any of the legally mandated terminal compensation owed to the factory's nearly 1,000 workers. Nike's contribution represents half of the amount due to workers.

Unfortunately, the violations at PT Kizone and PT Dong One are still not fully remediated. While Nike has now put funds on the table, the Cowboys (which sourced from Kizone) and adidas (which sourced from both facilities) have failed to take any responsibility, leaving \$1.8 million still owed to the workers at Kizone and \$650,000 to the workers at Dong One. As we have previously reported, these cases of *de facto* wage theft have devastating economic consequences for workers and their families.

Nike has stated that its financial contributions are proportional to its share of each factory's business. On its face, a brand paying in proportion to its share of a factory's business seems reasonable. At the same time, it is important to bear in mind that the idea of partial responsibility for correcting violations is one that has not been accepted in the context of university labor rights monitoring. For example, in a case where a factory had illegally fired ten workers, we would not accept a licensee's claim that because it represented 40% of the factory's sales, it was only responsible for securing the reinstatement of four of the ten workers. We will consult further with worker representatives in Indonesia on the appropriateness of proportional responsibility as a legitimate metric for assessing whether licensees have fulfilled their obligations to workers in this case.

Nike's commitment of funds is, in any event, a positive step. Importantly, in the wake of Nike's financial commitment last summer in two high profile severance cases, this latest action reinforces the principle of brand responsibility. PT Kizone workers have told us they welcome Nike's decision, though they will of course continue to press all buyers vigorously for payment of the remaining money owed. It will also be necessary to verify the accuracy of Nike's self-reporting concerning its share of the factories' business, since this is the basis Nike is using to determine its financial contribution, and we will be asking for Nike's cooperation in gaining access to relevant production data.

The greatest problem at this stage is the failure of the Dallas Cowboys and adidas to act

responsibly – and to contribute to ensure that the workers who made their clothing are paid the money they legally earned. To date, neither the Cowboys nor adidas have indicated a willingness to take any meaningful steps concerning the non-payment of legally mandated compensation by PT Kizone (adidas has proposed unspecified aid to the former workers in their search for employment, but this does not address the central issue of the money legally owed them). Indeed, both companies have denied responsibility for correcting the violations. The Cowboys have made public statements seeking to diminish their responsibility to the workers and have stopped responding to WRC communications. We hope that both companies will reconsider their positions.

We will keep you posted as work on these cases continues.

Scott Nova
 Worker Rights Consortium
 5 Thomas Circle NW
 Washington DC 20005
 ph 202 387 4884
 fax 202 387 3292
nova@workersrights.org
www.workersrights.org

NIKE COLLEGE BUSINESS UPDATE

July 2011

NIKE SUPPLY CHAIN UPDATES

PT Kizone and Dong One

We wanted to update you on two contract factories in Indonesia, PT Kizone and PT Dong One. NIKE, Inc. has agreed to work with others in our supply chain to facilitate the establishment of a worker's relief fund for each factory.

PT Kizone

Earlier this year, Nike was made aware that the owners of a contract factory in Indonesia called PT Kizone abandoned the factory. Nike was notified that an agreement had been reached between the Trade Union, which is comprised of elected workers at the PT Kizone factory and the sourcing agent Green Textile to account for a negotiated severance payment to workers.

Nike products were one of many brands' products produced at PT Kizone. The Nike product produced throughout 2010 was a combination of licensed swimwear and collegiate apparel. The total amount of severance owed to workers by PT Kizone is \$3.3 million. The Trade Union made an agreement with the sourcing agent Green Textile to support the workers with a payment of \$1 million. On August 2nd an auction is planned to take place of the PT Kizone factory and assets. However, due to the high debt associated with the factory, it is unlikely that this will result in workers receiving more compensation.

Therefore, in the absence of additional compensation from the auction process, and recognizing the ongoing hardship that workers face in this situation, Nike will facilitate our supply chain partners' establishment of a worker relief fund with funding equivalent to the volume of Nike product orders. In the year leading up to the factory closure, the volume of Nike products made in the factory was 35.5% of total production. With the additional monies that this relief fund presents, workers will receive a total of \$1.17 million from Nike supply chain partners. Taking into account the above Trade Union agreement, the total amount workers will have received is 1.52 million.

Nike will hire an independent third party to oversee the payments starting August 2011.

PT Dong One

Nike was made aware that the owners of a contract factory in Indonesia called PT Dong One abandoned the factory. The factory union assumed management responsibility. We know that Nike product, some of which was collegiate, was being sourced at PT Dong One through a licensing agent. Nike products are one of several brands' products produced at PT Dong One. Nike's volume in the factory was 50% of total production in the year prior to closure.

The total amount of severance owed to workers by PT Dong One is \$1.3 million. In the absence of severance payments by the factory owner and recognizing the ongoing hardship that workers face in this situation, Nike has agreed to work with our supply chain partners to facilitate the establishment of a worker relief fund with funding equivalent to the volume of Nike products made there. With this fund, workers will receive a total of \$650,000 in compensation from Nike supply chain partners.

Nike will hire an independent third party to oversee the payments starting August 2011.