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14 October 2010

Re: Supporting the Re-employment of unfairly dismissed union leaders

Dear Mr Anderson and Mr Nurmansyah,

Thank you for your letter of the 16th of July 2010. Oxfam Australia and the Clean Clothes Campaign are pleased to note that adidas has taken on board a number of our suggestions aimed at ensuring more transparent and fair recruitment procedures, particularly at adidas' Ching Luh supplier in Indonesia. At the same time, we are disappointed that adidas remains unwilling to fulfill earlier commitments to support the re-employment of the dismissed Panarub and Spotec union leaders. Over the past four months 3869 people from around the world have written to adidas to express concern about the treatment of the dismissed union leaders. These petitions have been delivered to the adidas Group CEO, Herbert Hainer along with a letter from Oxfam Australia's Executive Director, Andrew Hewett. The petitions comprise a strong message from the international community that adidas must act now to resolve these outstanding issues.

1. Former Panarub union leaders

With regards to securing employment for these former union leaders, we understand that adidas' present approach is to (1) inform the former union leaders of available positions within adidas supplier factories, (2) monitor the progress of their applications and (3) follow up on behalf of the union leaders if they can prove that discrimination has occurred. There are several reasons why this approach falls short of adidas' previous commitments. These reasons have been discussed in our previous correspondence over the past four years, but to summarise:

- Adidas has made several statements promising to actively support the employment prospects of these former union leaders and request that existing supplier factories consider the individuals for employment.¹ To date adidas has not followed through with this commitment.
- While tackling discrimination is essential, placing the onus on these workers to prove that they have encountered discrimination does not support their future employment prospects.
- Several factors make it difficult for these former workers to compete successfully for work without some additional support. Their age and the length of time since undertaking schooling or vocational

¹ See, e.g., William Anderson, Head of Social & Environmental Affairs, Asia Pacific, *Adidas letter to Oxfam Australia* (June 22 2007).

training, puts them at disadvantaged when applying to new positions. Factories generally preference younger applicants/recent graduates who are better equipped to pass written examinations.²

- The union leaders have now been out of work for almost 5 years. It is unreasonable that these individuals and their families should have to wait for such an extended period after having applied for many positions unsuccessfully.
- The former union workers believe they face discrimination due to their age, lack of local political connections and their past union activities. Adidas is unable to prove that this is not the case.

We understand from Mr Nurmansyah that adidas is hesitant to put forward the names of former Panarub leaders because it might compromise the regular “blind” recruitment process. In regards to this concern, we wish to point out the following:

- a) Adidas’ assertion that recruitment processes are “blind” is inaccurate. Applications require details of past work experience, including past work places and relevant dates. We do not believe it would be difficult to surmise the identity of the former union leaders given that their employment at Panarub ended at the same time the entire leadership of the Perbupas union was fired.
- b) Union leaders themselves have requested that adidas put forward their applications to its suppliers.
- c) In the past adidas also committed to put forward union leaders applications to its suppliers.
- d) Adidas has expressed some concern that factory recruitment staff might discriminate against applicants if they know they are former union leaders. This presents a *stronger* case for adidas to openly insist and ensure proper consideration of the former Panarub leaders’ applications.

We have been writing to adidas about these issues for more than four years and we have seen little progress in the cases of these former union leaders. But it is not too late for adidas to improve its record. Ideally, adidas should secure the re-employment of those former union leaders as soon as possible. As a minimum, we urge adidas to notify supplier factories when the former Panarub workers put in applications and explain to these suppliers the commitments that adidas has made to support their re-employment. A positive recommendation from adidas would also mitigate the chance of discrimination. We do not believe that this is beyond the scope of adidas’ influence.

In addition to the above points, we note that adidas has indicated an upswing in job prospects within its Indonesian suppliers. Given the availability of new openings at adidas suppliers it should not be difficult for adidas to support the employment of these three former Panarub workers into one of adidas’ supplier factories.

2. Former union officials of PT Spotec

As we have communicated in the past, the discrimination against the former union officials of PT Spotec applying for work at CLI is unacceptable. Both adidas and the management of Ching Luh have acknowledged that two of the former union officials from Spotec experienced discrimination when they were interviewed at the factory. In adidas’ July 16 letter, adidas recommended that the former union officials, representatives from a group of petitioners and the CLI factory management meet to discuss an alleged petition against the former union officials. We do not feel confident that a meeting between those officials and their petitioners is likely to be fruitful exercise. While we remain hopeful that CLI can employ these

² This observation is supported by findings in a recent report: The World Bank, *Indonesia Jobs Report* (June 2010) p 66.

individuals according to regular and objective processes, it would be appropriate for adidas to put forward the applications of the individuals to other adidas supplier factories in the area. Mr Agus Santoso, Mr Kurniawan, Mr Syaiful and Mr Suhardi have also indicated that they would be happy to gain re-employment at an alternate supplier factory.

With regards to the application of Ms Ari, we will make sure she is aware that she is able to re-apply to CLI and hope that as a prioritized applicant she will be given work as soon as possible.

3. Public Notification regarding job vacancies

We are glad to hear that adidas will encourage suppliers to advertise positions online as this will contribute to a more transparent and accessible recruitment processes. We would welcome if adidas could share with us which suppliers take up this online advertising. To clarify our position, we believe that internet postings should occur *in addition* to the traditional approach of posting job openings at the gates. As we wrote in our 12 February 2010 correspondence, we urge adidas to encourage suppliers to use a specified website to advertise positions or that adidas create a page with links to all online job listings. We are pleased to hear that adidas has asked suppliers to ensure that notice board postings are placed in secure locations to prevent notices from being torn down.

4. Recruitment Process at CLI

We understand that there has been some progress in improving recruitment processes at CLI, including an abolition of the discriminatory gender quota. We also understand that steps have been taken to eradicate the use of middle-men in the hiring process by requiring that applications are submitted directly to factory recruitment staff. We welcome these reforms and expect that adidas will continue to monitor the situation to ensure that these changes are properly implemented. At the same time, we re-iterate our concern that preferential treatment of locally based applicants may result in corruption. We have heard reports of local middlemen who “guarantee” priority recruitment in return for payments and also that local identity cards can be arranged via a black market. Thus we suggest that adidas supports CLI to continue to make reforms towards a transparent and merit-based recruitment system which prioritizes skills, competence and experience according to adidas’ own codes of conduct.

5. Allegation of bribery at PT Nikomas

Adidas’ 16 July 2010 letter stated that the SEA team would be contacting Mr Wangkay to arrange a meeting with Ms Neneng so that she can provide further information on alleged bribery at PT Nikomas. To date Mr Wangkay has not been contacted with regards to this issue. Given that the alleged incident took place in February 2008 we urge adidas to follow up on this issue and undertake proper investigations as soon as possible.

6. Adidas’ Compliance Team

We welcome the news that Ms Adelina Simanjuntak is re-joining adidas’ Social & Environmental Affairs team in Indonesia. We hope that the increased capacity of this team will assist a more rapid resolution of outstanding issues raised in this correspondence.

7. Violence against workers at Panarub

As per our letter of 1 October 2010, we are very concerned about the reports of violence against workers during a recent peaceful protest at adidas' Panarub supplier. We expect that adidas will work closely with Panarub management to ensure that violence is not used in dealing with any future industrial disputes. To ensure good industrial relations at the factory, we urge adidas to encourage Panarub to negotiate with the unions in good faith and give union representatives full access to their members.

8. FOA Protocol Negotiations

We appreciate the ongoing role that adidas has played in the Freedom of Association Protocol negotiations in Jakarta. We hope that a progressive and useful protocol will result from this dialogue process. We encourage adidas to continue these negotiations and to help ensure that an agreement can be met in the future.

Yours sincerely,



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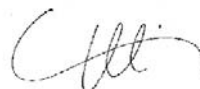
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