



WORKER RIGHTS CONSORTIUM

**WRC ASSESSMENT
re PT DADA INDONESIA**

**REMEDIATION PROGRESS REPORT
SEPTEMBER 29, 2002**

Introduction

This Remediation Progress Report reviews the numerous and extensive improvements in working conditions at the Korean-owned factory PT Dada in Purwakarta, Indonesia. PT Dada produces hats and stuffed toys that bear the names and logos of over twenty-five universities affiliated with the Worker Rights Consortium (WRC). In the remediation process, the WRC worked with three collegiate licensees who are buyers at PT Dada (adidas-Salomon, Top of the World and American Needle). This remediation report references the recommendations set forth in the WRC's Preliminary Report on PT Dada¹ as well as plans for remedial action agreed upon by adidas-Salomon, PT Dada management and the WRC in a meeting in Jakarta on April 20, 2002.

There have been very significant changes at PT Dada. The licensees, particularly adidas-Salomon and Top of the World, intervened aggressively and effectively and deserve much credit for their ongoing efforts. The WRC has been able to work with them constructively and efficiently, and we appreciate their cooperation.

Although some issues remain unresolved at PT Dada Indonesia, we believe that Dada management is committed to addressing these issues, evidenced in part by the fact that Dada management have already devoted considerable resources of time and money to implementing the WRC recommendations. While the positive changes at PT Dada are due in large part to the intervention of the licensees—and while it is essential that they remain engaged in this process—these improvements also reflect a real change in management attitudes. We expect that management will continue with the remediation based on the timeline they have provided to the WRC, that they will negotiate a contract in good faith with the unions as they have committed to doing, and that they will remain dedicated to the improvement of the facility over time.

Process of Assessment

The initial assessment was conducted by a six-person team that included experts in labor rights and occupational health and safety from Indonesia, Australia, South Korea and the United States. Between February 17 and February 21, 2002, the team interviewed over 150 workers, gathered documents and inspected the factory.² In April, an Accountability Team consisting of three Indonesian nationals (a professor of industrial relations, a human rights lawyer and a research/administrative assistant from a labor rights education NGO) began the process of long-term on-site monitoring, conducting ongoing worker interviews and visiting the factory on a regular basis. The WRC office in Washington DC continues to supervise the Accountability Team, discussing their findings with the buyers producing collegiate goods, with the management of PT Dada, and with PT Dada's parent company in Seoul.

¹ *WRC Assessment of PT Dada Indonesia: Preliminary Findings and Recommendations*, March 26 2002, available at http://www.workersrights.org/PTDada_Indonesia_3-26-02.pdf

² WRC, *Preliminary Findings and Recommendations*, pp. 15-6

Initial Allegations

The WRC Assessment Team reviewed allegations that PT Dada failed to comply with university code of conduct provisions (governing health and safety, sick leave, annual leave, homework, maximum hours, overtime pay, medical benefits, verbal and physical and sexual harassment, and retaliation against the exercise of rights of association) as well as with relevant domestic and international law. Based on the WRC's findings, recommendations were made for remediation, with licensees agreeing to support the primary recommendations. These proposals were later augmented based on discussions with PT Dada management, the management of PT Dada's parent corporation and adidas-Salomon. The degree of progress in each area is summarized and reviewed in detail below.

Scope of the Remediation Progress Report

The first section of the report discusses progress made in the five areas of highest priority identified in the Executive Summary of the WRC Preliminary Report.³ These areas were prioritized for immediate remediation because the WRC Assessment Team found substantial evidence of particularly severe and imminent harm to PT Dada employees. The second section references other recommendations listed in the WRC Preliminary Report, as well as elements of the remediation plan agreed upon through dialogue with adidas-Salomon and PT Dada management in April.

Future Developments

The Preliminary Report and Remediation Progress Report together set out many detailed recommendations for action by the company, working in cooperation with workers, unions, buyers and monitors. Much progress has been made: PT Dada Indonesia is now, in many areas, an exemplary factory in the Indonesian context. The licensees, along with Dada management and, of course, the workers themselves, deserve much credit. Adidas-Salomon, through its Asia region and Indonesia staff, has been heavily engaged in issue-by-issue remediation work, and the major improvements that have been achieved at PT Dada could not have happened without these efforts. There is, however, more to be achieved, and the licensees' positive role will only be meaningful if they remain engaged and continue to work for positive change and code compliance at PT Dada.

The WRC anticipates that the initial recommendations, chronicled in the Preliminary Report, will continue to be implemented along the lines described below. It must be noted that, in pointing to certain violations of the Code of Conduct—particularly in the general areas of leave, grievance procedure and dispute resolution—the WRC's Preliminary Report did not make detailed recommendations for remediation. As we noted then, the contours of such issues are complex and dependent on the particular dynamics of any given workplace. In this case, upcoming contract negotiations at PT Dada provide an excellent means to flesh out the complexities surrounding a number of the unresolved issues at the factory, and arrive at policies that are code compliant and acceptable to all parties – a better means than through imposition of solutions by external monitors who have less in-depth knowledge of quotidian realities than those who work at PT Dada every day.

³ WRC, *Preliminary Findings and Recommendations*, pp.5-10

However, we must note an important and disturbing development in Indonesian labor law that could significantly limit workers' rights at PT Dada and other Indonesian factories, and substantially affect the process of enforcing college and university Codes of Conduct. Two proposed laws, currently under debate in the country—the Industrial Dispute Settlement Act (RUU PPHI) and the Labour Protection and Development Act (RUU PPK)—would, for example, allow employers to stop paying workers during contract negotiation periods (RUU PPHI, Chapter 1), even when there is no work stoppage. They would also effectively eliminate the right to strike, by empowering employers to fire workers planning to go on strike, with complete impunity. Thus, these laws threaten to alter the basic parameters of labor relations that the international labor standards community generally relies on in making its recommendations. Among other implications, Indonesian workers could lose their ability to arrive at negotiated resolutions through collective bargaining, robbing workers and managers at factories like PT Dada of a key means of addressing disputes and finding mutually agreeable ways to bring factories into compliance with code of conduct obligations.

The vast majority of members of Indonesian civil society have opposed the draft laws. Indonesian President Megawati Sukarnoputri and Vice-President Hamzah Haz together with the People's Representative Assembly had planned to ratify the draft laws by the end of September, but the vote has been postponed until October 25, 2002.

The primary emphasis of this report is the progress of the remediation process at PT Dada; we merely touch on the draft legislation to highlight a few areas of concern where the implementation of recommendations or the amelioration of factory conditions through collective bargaining could be substantially affected. We will keep you informed on legal developments in Indonesia and their possible impact on the implementation of university codes of conduct at Indonesian factories, including PT Dada.

Summary of Progress at PT Dada Toward the Implementation of WRC and Licensee Recommendations for Remediation:

Areas Where Significant Progress Has Been Made:

Elimination of homework; improvement of water quality; elimination of structural hazards; provision of safety equipment; effective monitoring and reduction of the ambient temperature in the factory; improvement of toilet function and sanitation; enhancement of prayer room function and sanitation; development of a grievance process; termination of religious and ethnic discrimination; discontinuation of verbal, physical and sexual harassment; affirmation of the right to freedom of association and improvement of contract negotiations process; termination of the punishment and discouragement of sick leave; clarification of the process of, and easing access to, all forms of leave (sick, annual, maternity, menstrual).*

* The management has made a concerted effort to distribute information about terms of employment and benefits to workers as required by Indonesia law, but the WRC recognizes that some of the specific procedures for accessing benefits (such as taking different types of leave) remain vague at this time because

Areas Where Some Progress Has Been Made:

Expansion of factory clinic staffing and training; formation of a health and safety committee; proper distribution of JAMSOSTEK (social security) cards and explanation of medical benefits;* clarification of overtime procedures and amounts.

Areas Where Little to No Progress Has Been Made:

Provision of daily nutritional snacks; heat and smoke extraction in the hot-cutting room.

they will be discussed and defined with the active participation of the three unions through contract negotiations.

Preliminary Findings of Non-Compliance, Remediation Recommendations and Evaluation of Progress to Date

Part I: Areas of Primary Concern

1. Punishing and Discouraging Sick Leave:

Initial Findings:

The Assessment Team found evidence that supervisors punished workers who took sick leave and wrongfully discouraged workers from taking sick leave to which they were entitled.

Initial Recommendations:

The Assessment Team found sufficient credible evidence to warrant a recommendation that management take strong measures to ensure that supervisors did not inflict humiliating and physically injurious punishments on workers returning from sick leave. Furthermore, the Team recommended that PT Dada managers should publicly announce to all workers, verbally and in writing that managers and supervisors would refrain from engaging in any of the abusive practices detailed in the Preliminary Report.

Remediation Progress:

- According to worker interviews conducted by the Accountability Team, all punishment of workers in the context of sick leave has ceased as of April 2002.
- The management has informed all employees and supervisors of the current sick leave policy via posters in the production and canteen areas.
- In July the management started a process of giving employees in-depth instruction and explanation on the use of sick leave (as well as other types of leave) and other employee rights and benefits.
- The management of PT Dada has communicated its commitment to consider further adjustments in sick leave policy on the basis of consultation with all three unions as part of upcoming contract negotiations.

2. Danger of Severe Heat Stress:

Initial Findings:

There was substantial evidence that several elements of the working environment posed significant health risks, in terms of heat-related disorders including dehydration, exhaustion, fainting, heat cramps, salt deficiency, heat exhaustion and heat stroke.

Since the factory is located in a tropical region, extended periods of severe heat and intense humidity are inevitable. However, the factory had no air-conditioning and only a few small fans (some malfunctioning) in its very large production areas, and even the factory clinic, where many workers sought to recuperate from heat-related infirmity during the workday, had no air-conditioning.

Moreover, PT Dada workers would take their drinking water from large plastic bins containing warm water that was frequently discolored, malodorous and distasteful. Taken together, these conditions created high risks of severe heat stress and heat-related disorders.

Initial Recommendations:

Heat stress and heat-related disorders are potential causes of illness and fatality. Hence, the Assessment Team recommended that immediate action be taken to reduce the interior temperature and humidity before the oppressively hot “dry season” set in, and urged factory supervisors to act quickly if workers showed signs of heat stress.

The Team further recommended that the company should continually monitor internal climate in all sections of the facility, and that it take all feasible measures to reduce heat loads in areas where the temperature exceeded 91°F (33°C).

It was also recommended that the company take steps to increase air circulation in the production area and secure air conditioning for the factory clinic. It was also deemed imperative that the company insulate, renovate and install vents in the factory roof. The Team also recommended that the company make clean and chilled drinking water readily available and encourage workers to drink as often as possible. All episodes of fainting or delirium, the Team noted, had to be treated under the assumption that excessive heat was a contributing factor. Furthermore, since pregnant workers are more susceptible to heat, and sustained heat stress poses a significant health hazard to them, the Team recommended that they be given frequent rest breaks and removed from hot work areas without diminution of wages and benefits.

Remediation Progress:

PT Dada management and workers have confirmed that:

- Air-conditioning has been installed in the factory clinic.
- Filtered and cooled water is available from dispensers that workers can access whenever they wish.
- Management has been continually monitoring the ambient temperature inside the various factory rooms; where temperatures still exceed 35°C they have installed fans or rearranged the factory layout so that the hotter production processes are closer to doors and windows. Fifteen new fans have been installed in the embroidery department alone, to counteract the effects of the heat-generating machinery used in the room.
- The management is also in the process of changing the roof to a material and design that provides more heat relief.
- Supervisors, workers and clinic staff have yet to be trained in recognizing dehydration, exhaustion, fainting, heat cramps, salt deficiency, heat exhaustion and heat stroke as heat disorders. Management has agreed to take this step in the immediate future.

3. Homework:

Initial Findings:

The Assessment Team found substantial evidence that PT Dada supervisors often required workers to continue their work at home, after the completion of their regular and overtime hours in the factory. The wage for homework was calculated by piece-rates far too low to enable workers to earn the statutory minimum wage or to earn PT Dada's hourly wage rates for regular work, let alone for overtime work. Record keeping was found to be inadequate, such that the company often paid for homework through transactions that did not appear on pay stubs.

Initial Recommendations:

The Assessment Team recommended that the company ensure that no supervisors or managers required workers to do homework against their will. If workers voluntarily chose to do homework, they were to be paid at the same overtime rates that would have applied to such work inside the factory, and their labor had to be recorded and listed on pay stubs as regular overtime.

Remediation Progress:

- PT Dada management and workers have confirmed that the practice of requiring homework was completely discontinued in April.

4. Freedom of Association:

Initial Findings:

The Assessment Team found substantial evidence that PT Dada had engaged in acts of interference, intimidation and retaliation against workers seeking to organize within unions not favored by managers. (The disfavored unions were SPBDI and SBSI, while the union historically favored by management was SPSI.) These acts included interrogation, demotion, suspension, threats of criminal prosecution, and threats of job loss and plant closing.

Initial Recommendations:

The Assessment Team found that such interference in associational activity posed a risk of irreparable harm, since there was imminent danger of lawful efforts to expand the membership of the two disfavored unions being fatally undermined. The Team recommended that the company cease all such interference. Given the severity and number of past threats and acts, the company's highest officers were advised to make verbal and written communications to all workers guaranteeing that it would not engage in such activity in the future.

In light of extensive evidence that managers and supervisors had required workers to sign SPSI membership forms, the Team recommended that the company discontinue the practice of deducting union dues based on its current list of SPSI membership. It was noted that SPSI should be required to solicit signatures anew from workers who wished to become SPSI members. SPSI, like SBSI and SBPDI, was to sign up members without

intimidation, without assistance from the company and without the use of the company's supervisory or managerial infrastructure.

The Team also recommended that the company cease all other forms of favoritism toward SPSI and, instead, act neutrally among the three unions in the factory. Thus, if the company allowed any solicitation activities by one union, it was to grant other unions equal access and time for identical activity.

Indonesian law (UU 21, 2000) states that all legally registered trade unions, including unions that have a minority membership in a workplace, have the right to negotiate a contract. In congruence with this law, PT Dada was asked to ensure that all three unions were given the opportunity to bargain collectively.

The Team advised PT Dada not to file criminal complaints against workers asserting routine workplace grievances, regardless of whether or not the grievance statement was conveyed to government agencies or any other party. After the WRC Assessment Team's on-site visit, PT Dada laudably agreed to withdraw its criminal complaint against a worker who filed an SPBDI statement to the effect that the company was violating workers' rights.

Remediation Progress:

Several significant changes regarding freedom of association have taken place at PT Dada:

- A former leader of SPBDI, who was allegedly held in solitary confinement over a two-week period in late 2001, was accepted back to work.
- Criminal complaints against SPBDI union leaders were dropped and the employees have been able to return to work without facing sanctions and have received back pay for the days they were suspended from work.
- An announcement stating the factory's commitment to respect freedom of association was posted in the factory, given to each of the unions and made available to workers attending the weekly discussions with management.
- Workers have expressed that there has been real and meaningful progress in eliminating coercion and favoritism concerning workers' choice of union affiliation. Furthermore, the management has communicated to all supervisors, verbally and through posted announcements, that any form of intimidation or retaliation against workers for joining the union of their choice is unacceptable.
- The management recognizes the legitimacy of all three unions, and there has been a significant increase in the amount of dialogue between the management and SBSI and SPBDI.
- Management supported and participated in a training by the International Labour Organization on collective bargaining, as requested by adidas-Salomon and the unions, and supported by the WRC. Representatives from all the unions also participated.
- Although all SBSI and SPBDI members were able to stop the deduction of SPSI union dues from their paychecks, SPSI dues are still deducted from the paychecks of some workers who are not active members of any union and have not authorized such

deductions. PT Dada management should stop automatic dues deductions until all three unions agree upon a just process of authorization.

- ***Contract Negotiations:*** As an essential element of freedom of association, the WRC recognizes the collective bargaining process as a key opportunity to address outstanding issues at PT Dada and to ensure that the improvements in working conditions and Code compliance that have been made thus far are sustained. The fairness and success of this process is important for the future of the factory and its relationships to its buyers. After a difficult start that entailed favoritism on the part of the management to one union and the attempted exclusion of another union from the contract negotiations process altogether, the WRC is pleased to have witnessed several significant and positive developments in contract negotiation preparations over the past few months. PT Dada's efforts to negotiate jointly and fairly with all three unions have set a precedent for other Indonesian workplaces with multiple unions, providing for the full representation of all groups of workers in a pluralist system of labor relations. The changes in the contract negotiations process the WRC has noted to date include:

- Management has demonstrated a commitment to meeting with union leaders to discuss the terms of negotiations, as well as to seeking out additional management staff to assist in personnel and contract matters.
- Management has proven flexible and patient in terms of giving the unions as much time as they need to prepare a draft contract and negotiation team.
- All three unions have been given equal access to office facilities in the factory, such as the meeting room, photocopy and fax machines.
- All three unions have been provided equal space to communicate with workers and to post announcements and information on factory premises.
- The management has agreed to negotiate with whomever the unions decide should be the negotiation team.

The unions are now in the final stages of preparing their draft contract and formulating their negotiations teams, and expect to be ready to begin negotiations in early October.

Note: The draft legislation pending before the People's Representative Assembly of Indonesia could have a significant impact on this process, since it weakens the ability of minority unions to negotiate employment contracts (RUU PPHI, Chapter 1). Notwithstanding the prospect of change in the legal framework, the WRC expects that PT Dada will deal in good faith with all three unions at the upcoming contract negotiations, consistent with its obligations under college and university Codes of Conduct.

5. Structural Hazards:

Initial Findings:

There was substantial evidence of two structural hazards that placed workers at risk of serious injury, in the opinion of Assessment Team members trained in occupational safety and health. First, the Team found that the factory roof was badly damaged, such that there was a significant danger of partial collapse. Second, the factory's cable lift was subject to possible metal fatigue or mechanical failure. There was no sensor to monitor

the functioning of the lift's automatic gate, and there was also risk of cable failure, such that workers underneath could be crushed.

Initial Recommendations:

The Team recommended that PT Dada management immediately repair the parts of the roof at risk of falling and, pending repairs, install a false ceiling below the roof to trap any falling materials. The roof appeared to be made of asbestos cement sheet and if, upon examination, the company found that this was indeed the case, the Team noted that the company should take all necessary steps to ensure that workers were not exposed to the hazards of asbestos dust, as outlined in the Preliminary Report. PT Dada disclosed that they had already planned to phase out the existing cable-operated goods lift; the Team recommended that this process be expedited.

Remediation Progress:

- PT Dada began replacing the asbestos factory roof on June 8th and plans to be finished shortly. The asbestos still needs to be properly disposed of; currently it is lying in the open area behind the factory.
- PT Dada has started replacing the lift. Safety switches and automated sensors will be installed to prevent overloading and to ensure that the door is closed before the elevator can be operated.

Part II: Additional Recommendations for Remediation

In addition to the five areas targeted for urgent remediation in the Executive Summary of the WRC's Preliminary Report, reviewed above, the WRC identified other pressing, though less urgent, concerns and made additional recommendations for remediation.

Furthermore, in a subsequent meeting among the WRC, adidas-Salomon and PT Dada management in Jakarta on April 20, 2002, additional issues were identified and a detailed plan and timeline for further remediation was discussed and agreed to.

Progress made with respect to additional recommendations for remediation, from the WRC report and from the April 20 meeting, is assessed below.

6. JAMSOSTEK Cards and Training:

Initial Findings & Recommendations:

PT Dada confirmed that all workers are registered for social security (health care) benefits through a public system called JAMSOSTEK, but a small number were still awaiting cards. The Assessment Team urged PT Dada management to assist workers in obtaining the necessary JAMSOSTEK cards and benefits information,⁴ and this proposal was agreed to by management in their meeting with the WRC and adidas-Salomon on April 20, 2002.

⁴ WRC, *Preliminary Findings and Recommendations*, Recommendation 16, p. 33

Remediation Progress:

- Most workers who had not previously received JAMSOSTEK cards have now received them. However, a few still have not. PT Dada management should address this issue immediately, such that all workers in the factory are covered, and should continue to train all employees in terms of the relevant procedures and policies governing access to benefits.

7. Factory Clinic:***Initial Findings & Recommendations:***

The Assessment Team recommended that PT Dada employ professionals with expertise in occupational health and train existing clinic staff in occupational health issues also.⁵ At the April meeting, PT Dada agreed to arrange for an outside doctor to visit the factory at least two times a week, and asserted that the factory nurse would receive training in occupational health and safety, with particular emphasis on the diagnosis and treatment of heat stress.

Remediation Progress:

- An outside doctor will start visiting the factory clinic twice a week, beginning this October.
- The company was initially unable to locate a health education facility providing training in the diagnosis and treatment of heat stress. In early September, the WRC assisted them in researching options, and proposed several potential trainers; we are waiting for management to respond to these suggestions.

8. Menstrual & Other Forms of Leave:***Initial Findings & Recommendations:***

Many workers testified to the Assessment Team that supervisors and management often discouraged workers from taking leave. The Assessment Team also found that PT Dada would not grant two days of menstrual leave to women who opt for it, as required by Indonesian law, but instead provided a monthly menstrual allowance of 16,000 rupiah, an amount equivalent to the base wage for one full day of work. Based on interviews with workers, who described the importance of menstrual leave in their working lives in the context of limited access to toilets and labor involving long hours of standing, the Assessment Team recommended that PT Dada implement a menstrual leave policy in accordance with law.⁶ Management agreed in principle with this recommendation during their meeting with the WRC and adidas-Salomon on April 20.

Remediation Progress:

- Workers have reported much greater ease in accessing annual leave, as well as leave for union activities or educational purposes.
- PT Dada management agreed to provide two days of paid menstrual leave as required by Indonesian law and has been doing so. The amount of overtime payment for

⁵ WRC, *Preliminary Findings and Recommendations*, Recommendation 14, p.32

⁶ WRC, *Preliminary Findings and Recommendations*, Recommendations 12 and 13, pp. 29-31

workers who do not take leave will be discussed in the upcoming contract negotiations. It must be noted that management has complained of the difficulty of determining which employees are entitled to menstrual leave without violating workers' privacy. The WRC is also concerned about this question: in factories in Indonesia where there is access to menstrual leave, a request for such leave frequently results in women workers being exposed to the humiliation of having to prove to factory clinic staff that they are indeed menstruating. The WRC hopes that the contract negotiations process will resolve the issue of access to menstrual leave and ensure protection for workers' privacy.

- The management has made a concerted effort to explain to workers the different types of leave available (annual, marriage, maternity, training/work related, sick, etc.) and the applicable procedures, through posted announcements and charts as well as through the weekly discussion groups.

Note: The proposed changes to Indonesian labor law would eliminate the right to menstrual leave, and possibly to other forms of leave, by merging paid leave with sick leave and requiring a doctor's certificate for any excused absence other than government and employer-guaranteed holidays. (RUU PPK, Act 91). The WRC is concerned that the proposed law will exacerbate our existing concerns about the privacy rights of women workers seeking menstrual leave under the existing framework. Under the proposed law, women workers applying for sick leave on the basis of menstruation-related symptoms would be exposed to the humiliation and expense of seeking a monthly doctor's certificate.

9. Health and Safety Equipment:

Initial Findings & Recommendations:

The WRC Assessment Team found that PT Dada failed to provide workers with adequate personal protective equipment to safeguard against shock and other bodily injury, dust inhalation and noise, and advised the management to correct this.⁷

Remediation Progress:

- Workers, who previously were not allowed to have footwear inside the factory, have been provided with sandals to wear during the workday. Workers have reported that this has contributed appreciably to the prevention of leg cramps and electrical shocks.
- Ear plugs, masks and gloves are now provided to workers as necessary; however, many do not avail themselves of protective gear due to the heat and discomfort produced by wearing these items.

10. Workplace Environment:

Initial Findings & Recommendations:

The Assessment Team found that PT Dada failed to provide either potable water or water for washing in quantities sufficient to meet workers' needs. Indonesian law requires that company-provided lavatories be cleaned three times each day, and requires further that

⁷ WRC, *Preliminary Findings and Recommendations*, Recommendation 6, pp. 23-5

they be in fact clean, odorless, ventilated and sufficient in number (Regulation of the Minister of Labour, No. 7 of 1964, Article 3). There was credible testimony that factory toilets were dirty, that many did not function and that workers were forced to queue for long periods of time in order to use them. The Assessment Team confirmed these allegations through independent observation during their visit to the factory and urged management to remedy the situation.⁸

Remediation Progress:

- All of the toilets have been repaired and new stalls have been added to both the cap and toy-making divisions of the factory.
- The water supply is still irregular, but management is currently installing another water tower. Investigations have indicated that there is an abundant aquifer under the grounds.
- Ventilation in the toy-making division's bathroom is still poor. In a communication dated August 26, 2002, management agreed to add extra vents, or alternatively, to replace the vents already installed with more effective ones.

11. Overtime Amount & Procedure:

Initial Findings & Recommendations:

The Assessment Team found that PT Dada workers were forced to work excessive overtime hours at the factory, without break time and food allowances, and without accurate record keeping and pay for the overtime hours. Workers also reported that they sometimes had to start work approximately half an hour before being officially clocked in, and had to return from their lunch break up to half an hour early to finish targets (also off the clock), thus in essence working almost a full overtime hour each day without compensation. Faced with this evidence, the Assessment Team recommended transparency in PT Dada's calculation and payment of overtime, and compliance with Indonesian law on maximum working hours per day.⁹

Remediation Progress:

- PT Dada management has almost completed the installation of an automatic time card machine that will facilitate record keeping of all workers' hours and provide workers with detailed documentation of regular and overtime hours worked every week.
- Workers report that they are now rarely required to start half an hour earlier in the morning, and that if they are, they are paid for this time. With the installation of the time card machine, workers will be able to clock themselves in from their lunch break and have their time counted if they work for part of the break.
- PT Dada has created a "voluntary overtime form" through which workers can indicate if they want to work overtime on a given day. However, management only uses this form for overtime in excess of two hours because, they claim, workers themselves decided that there would be too much paper work if they had to fill out the form for small quantities of overtime. Workers did not attest to having said this, but they did

⁸ WRC, *Preliminary Findings and Recommendations*, Recommendation 3, p.21

⁹ WRC, *Preliminary Findings and Recommendations*, Recommendations 18 and 19, pp. 34-6

say that in general they want to work at least a few hours of overtime everyday because they need the additional income.

12. Harassment & Discrimination:

Initial Findings & Recommendations:

The Assessment Team gathered substantial evidence that some PT Dada managers had engaged in physical, verbal and sexual harassment of workers. Furthermore, they found that PT Dada had a long-standing practice of discriminating against workers on the basis of race, nationality and/or religion. The Team recommended that such practices cease immediately, and that management implement meaningful mechanisms for the filing of grievances and for dispute resolution.¹⁰

Remediation Progress:

- According to workers, there have been no incidences of physical, verbal and/or sexual harassment since March 2002.
- As agreed during the discussion among the WRC, PT Dada management and adidas-Salomon on April 20, management transmitted a strong message to all supervisors that they would not tolerate any intimidation of, or retaliation against, workers sharing information with monitors assigned to prevent harassment and abuse.
- An official no-harassment policy was developed by the PT Dada management and prominently posted in the factory.
- Muslim workers are no longer obstructed from participating in the religious practice of praying five times a day. The mushola—small mosques or prayer rooms—in both the toy-making and cap divisions have been renovated and enlarged, with better ventilation and fresh paint. The supply of water available for pre-prayer washing has also been increased.
- PT Dada management has posted statements explaining to non-Muslim workers the proper etiquette to observe in the mushola, such as not wearing shoes inside the space.

13. Grievance Mechanism & Dispute Resolution:

Initial Findings & Recommendations:

The Assessment Team found that the only grievance or complaint mechanism available to PT Dada workers was a “suggestion box.” They also discovered that PT Dada had no formal dispute resolution procedure. The Team recommended the implementation of mechanisms such as training and monitoring, while recognizing that these issues would ideally be addressed conclusively and in detail through the collective bargaining process.¹¹

Remediation Progress:

- The suggestion box still remains the primary means for workers to file grievances, but the production manager, Mr. Yoon and union leaders have worked in collaboration to

¹⁰ WRC, *Preliminary Findings and Recommendations*, Recommendations 20 and 21, pp. 36-8

¹¹ WRC, *Preliminary Findings and Recommendations*, Recommendation 23, p.28

improve the security and effectiveness of this mechanism. Complaints used to be read by both supervisors and management, and it was generally unclear who would take responsibility for following up. As a result, supervisors were often the first to read such complaints as were filed against them, and thus were able to prevent these complaints from reaching the attention of management. At present, Mr. Yoon collects the grievances, reads them and deals with them personally, calling on additional staff when necessary.

- The WRC continues to recommend a more dynamic mechanism for filing grievances, protecting workers against retaliation for filing grievances, resolving disputes, and remedying violations of company policy, collective bargaining provisions, codes of conduct and law. Again, we expect that the development and implementation of such a mechanism will take place during the imminent negotiations between PT Dada and its unions, since collective bargaining processes are the most appropriate means of achieving this goal.

14. Body Searches:

Initial Findings & Recommendations:

At a meeting among PT Dada, adidas-Salomon and a representative of the WRC on August 28, 2002, concerns were raised about the practice of body searches at the factory. A visit to the facility some days prior to the meeting had indicated that workers were routinely subjected to pat-down searches before leaving for lunch and at the end of the workday. Both adidas-Salomon and the WRC advocated for a swift end to such practices.

Remediation Progress:

- The management took immediate action by ending the body search procedure the same day that the issue had been raised and discussed. Workers testified as recently as September 23 that the practice had been halted.

15. Formation of Health & Safety Committee:

Initial Findings & Recommendations:

PT Dada was originally found to be in violation of Indonesian laws requiring the establishment of health and safety committees. Indonesia's Safety Act of 1970 defines obligations in the realm of occupational safety, and Article 10 specifically requires that enterprises employing over 100 workers should, with assistance from the Ministry of Manpower, form a health and safety committee, with worker participation in planning and coordination. The Assessment Team recommended changes to bring the factory in compliance with this law.¹²

Remediation Progress:

- A health and safety committee has not yet been formed.
- The company has divulged information about their corporate safety policy, and some general discussion of occupational health and safety is incorporated into the weekly

¹² WRC, *Preliminary Findings and Recommendations*, Recommendation 10, p.28

discussions with management, but this is not a sufficiently rapid means of training the entire workforce.

- Workers and managers confirmed that trainings on fire and other emergencies, as well as general evacuation procedure, are held four times per year, in accordance with the Act of 1970.

16. Ergonomic Hazards:

Initial Findings & Recommendations:

The Assessment Team found that PT Dada had no ergonomics program, although cap-making factories—both in general and in this particular instance—tend to yield very high rates of injury due to repetitive stress. Workers were also at risk of developing musculo-skeletal injuries from unnecessarily inefficient methods of material handling and from the high-impact nature of the work. The Assessment Team found that workers in both the cap and toy-making divisions of PT Dada had to sit or stand for long periods at a stretch, inducing considerable fatigue. Those sitting were perched on wooden stools without any back support or padding, and workers reported having to bring in their own cushions to alleviate the discomfort.

Indonesian law requires that all seated workers be provided with backrests, and that all standing workers be provided with seating facilities for periodic relief of muscle strain (Regulation of the Minister of Labour, No. 7 of 1964, Article 9). The Assessment Team recommended compliance with this law and, given workers' widespread complaints of back pain and high levels of fatigue, also recommended that management take action that included installing conveyor belts, implementing job rotation and developing ergonomics training programs for workers.¹³

Remediation Progress:

- PT Dada has not yet implemented an ergonomic program.
- PT has not yet added backrests to factory chairs.
- This remains an unresolved issue on which the WRC will place strong emphasis during the ongoing monitoring process.

17. Nutritional Supplements:

Initial Findings & Recommendations:

Many of the workers at PT Dada interviewed by the Assessment Team described feeling hungry and weak by mid-afternoon, and many report gastrointestinal complaints. The majority said that they ate only twice per day, and some only once. Many said that they were too tired to eat when they got home and would go straight to bed without eating. The food they can afford to buy is not sufficient to sustain them through a full day of hard work.

In 1990, the Jakarta Office of the International Labour Organization collaborated with several factories in the greater Jakarta area to investigate the relationship between

¹³ WRC, *Preliminary Findings and Recommendations*, Recommendation 7, pp. 25-6

nutrition and productivity. The factories experimented not only with food but with iron supplements, in recognition of the fact that many women workers in Indonesia suffer some degree of iron-deficiency anemia, resulting in them succumbing to fatigue more rapidly. The ILO concluded that by giving workers morning and afternoon snacks—even simply a sweet biscuit or piece of fruit in addition to the iron supplements—productivity improved by over 20% on average. The Assessment Team suggested to the company, therefore, that unwillingness to provide modest food supplements was probably false economy.¹⁴

Remediation Progress:

- PT Dada is considering the provision of nutritional supplements to its workers or, alternatively, reducing the hours of work, with the final approach yet to be finalized. At the April 20 meeting both adidas-Salomon and the WRC expressed opposition to a reduction of work hours, if it would result in a loss of income for workers. Management has not yet produced a concrete proposal.

18. Accountability Team Access to Factory:

Initial Findings & Recommendations:

In the Preliminary Report, the Assessment Team had recommended the formation of an Accountability Team that would undertake long-term monitoring at the factory, gauging the pace of change there and obtaining feedback from the workforce.¹⁵ At the meeting with PT Dada and adidas-Salomon on April 20, the WRC reiterated the need for the Accountability Team to have access to the factory for on-site monitoring. Both adidas-Salomon and PT Dada agreed that the Accountability Team would be admitted into the factory once every two weeks, for one full day.

Remediation Progress:

- The Accountability Team has not experienced any difficulty gaining access to the factory or to PT Dada workers since April 20, 2002.

¹⁴ WRC, *Preliminary Findings and Recommendations*, Recommendation 2, pp. 19-20

¹⁵ WRC, *Preliminary Findings and Recommendations*, Recommendation 26, p.50