



WORKER RIGHTS CONSORTIUM

**WRC ASSESSMENT  
re PT MULIA KNITTING (INDONESIA)**

**FINDINGS, RECOMMENDATIONS, AND STATUS REPORT  
SEPTEMBER 15, 2008**

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## Introduction

This report summarizes the WRC's findings concerning alleged labor rights violations at PT Mulia Knitting, an apparel factory located in Jakarta, Indonesia. Employing roughly 2,000 workers, the facility has produced university logo goods for Antigua Group and non-collegiate apparel for Tommy Hilfiger, Phillips Van Heusen (PVH), and Polo Ralph Lauren.

The WRC conducted an investigation in response to a worker complaint alleging serious violations of worker rights in the area of freedom of association. Specifically, the complaint alleged that the company illegally retaliated against a group of workers who had sought to press management to improve working conditions and had joined together in an independent labor union.

The WRC was able to gather substantial evidence concerning the dismissals through interviews with the facility's workers, a review of relevant documentation, and communications with factory management. Consistent with the allegations, the WRC's concluded that the company violated workers' associational rights and did so in a systematic and brazen fashion.

Overwhelming evidence supports this conclusion. On May 21, 2007 workers at PT Mulia Knitting submitted to management the registration documents of a newly formed trade union known as SBGTS-GSBI-Mulia Knitting Union. On the following day, the factory commenced a campaign to destroy the unionization effort by forcing all of its founding members to resign from the union or be removed from the factory. Over the next ten days, each of the nineteen founding members who did not resign were dismissed, suspended, or transferred to another factory located at such a great distance that a commute would be impossible. Management's actions effectively eliminated the union from the factory. These practices represent violations of workers' rights of association, as protected by Indonesian law and applicable codes of conduct.

On the basis of these findings, the WRC recommended to factory management that it reinstate, with back pay, each worker who had been removed unlawfully from the plant. To address the climate of fear caused by management's actions, the WRC also recommended that the factory issue a statement to the workforce pledging to respect the right of workers to join any organization of their choosing without fear of reprisal. Management denied that it had violated any law or applicable standard and declined to take any corrective action.

In light of the factory's response, the WRC sought to engage PT Mulia Knitting's buyers.<sup>1</sup> Unfortunately, the university licensee that had done business at the factory – Antigua Group – responded in December 2007 to the WRC's request for assistance that it

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<sup>1</sup> The Clean Clothes Campaign, a European labor rights NGO, also sought, at the request of the union, to persuade buyers to press the factory on these issues.

had in prior months ceased all production at the plant and was thus not in position to press the company to take corrective action. The facility had been producing university logo goods for Antigua Group at the time that the most serious violations took place. PVH – which is not a collegiate licensee but is a company with which the WRC has a strong working relationship – responded that it did have business at PT Mulia Knitting, albeit representing a relatively small proportion of the plant's overall production. PVH agreed to assist in efforts to achieve remediation and has actively pressed the company since December 2007 to take the actions recommended by the WRC; management has declined to do so. PVH also agreed to assist in seeking the engagement of the plant's other major buyers, Tommy Hilfiger and Polo Ralph Lauren, both companies with which the WRC does not have a strong relationship. However, to our knowledge, neither of these brands has taken action to compel remediation. The violations remain outstanding.

For a substantial period during the WRC's engagement on this case, PT Mulia Knitting justified its refusal to take corrective action by claiming that it was awaiting rulings from the Indonesian government concerning the legality of its actions.

In April 2008, Indonesia's official Human Rights Commission, known as Komnas HAM, released a report on the case, which corroborated the WRC's conclusions. The Commission found that PT Mulia Knitting had violated the associational rights of the nineteen workers in question. However, this finding did not move the factory to take corrective action.

Several weeks later, the Indonesian Ministry of Labor, known as DISNAKER, issued its report on the case, finding that the dismissals and transfers were *not* unlawful – contradicting the WRC's conclusions and those of the Human Rights Commission. As the WRC has reported in previous cases, DISNAKER has a track record of siding with management in labor disputes, even when the facts clearly show unlawful management action. In this case, as discussed below, DISNAKER ignored voluminous evidence of unlawful management actions and framed its inquiry in such a way that the issue at the heart of the case – whether workers were subjected to retaliation for exercising their associational rights – was never meaningfully considered. Nevertheless, the effect of DISNAKER's findings has been to strengthen management's resolve to refuse corrective action.

In June of this year, the WRC received notice from the union that in the wake of the DISNAKER report, the workers had convened to discuss the case and decided to continue to press for reinstatement and back pay. In light of their decision, the WRC considers the case open and will continue to work toward a resolution. If such a resolution is to be achieved, action along the lines of that taken by PVH will need to be taken by the facility's primary current buyers, Polo Ralph Lauren and Tommy Hilfiger.

## Sources of Evidence

The WRC relied on the following sources of evidence in reaching conclusions in this case:

- Interviews with 25 current and former PT Mulia Knitting workers. The interviews were conducted offsite in locations chosen by the workers.
- Communications with PT Mulia Knitting's management.
- Communications with representatives of Antigua Group, Phillips Van Heusen, Tommy Hilfiger, and Polo Ralph Lauren.
- A review of key documentation, including worker dismissal and transfer notices, a report of the Indonesian Human Rights Commission (Komnas HAM), and a report of the Indonesian Ministry of Labor (DISNAKER).
- An analysis of Indonesian labor law, with guidance from experts in the field.

## Findings

Indonesian law and applicable codes of conduct protect workers' freedom of association, including the right to form unions without management inference. Indonesian law specifically establishes that the dismissal, suspension, transfer, demotion, or intimidation of workers because of their participation in a labor union is unlawful.<sup>2</sup>

### *Dismissal, Suspension, and Retaliatory Transfer of Union Members*

The WRC's investigation found overwhelming evidence that PT Mulia Knitting unlawfully retaliated against workers for forming a union at the plant. Over the course of the ten days following the union's submission to management of its founding documents, the company subjected the union's membership and leadership to a campaign of dismissal, suspension, involuntary transfer, and intimidation. By the end of this ten day period the union's entire membership had been eliminated.

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<sup>2</sup>Article 28 of President of Republic of Indonesia Act 21 of 2000 concerning trade unions states the following:

Everyone is prohibited from preventing or forcing a worker/ laborer from forming or not forming a trade union/labor union, becoming union official or not becoming union official, becoming union member or not becoming union member and or carrying out or not carrying out trade/labor union activities by:

- a. Terminating his employment, temporarily suspending his employment, demoting him, or transferring him to another post, another division or another location in order to discourage or prevent him from carrying out union activities or make such activities virtually impossible;
- b. Not paying or reducing the amount of the worker/ laborer's wage;
- c. Intimidating him or subjecting him to any other forms of intimidation;
- d. Campaigning against the establishment of trade unions/labor unions.

The following is a chronological summary of key facts identified through the WRC's inquiry:

- On May 21, 2007, workers at PT Mulia Knitting submitted to factory management the registration documents of their newly formed union. The union is known as SBGTS-GSBI Mulia Knitting Union. The factory's human resources administrator, Mr. Mulyadi Djaya, signed a document acknowledging receipt of the union's documents. Over the course of the following ten days, each of the workers listed on the documents was dismissed, suspended, or transferred to a far-away location, or resigned from the union under pressure from management. During this period, few if any other workers were dismissed, suspended, or transferred out of the factory.
- On the morning of May 22, factory management suspended the president of the union, Mr. Rukandi.<sup>3</sup> Management provided no explanation for the suspension. Mr. Rukandi had been called into the administration office, where he was questioned about the union by the facility's human resources director, Christine M.S. In that meeting, the human resources director told him that he was "a pain in the ass." He was suspended effectively immediately and later dismissed.
- On the same day, two other workers who served on the union's eight-member leadership committee, Mr. Hafifi and Mr. Abdul Gofor, were transferred to a facility owned by the same parent company located more than two hours away. The plant is known as PT Mulia Spindo Mills. Both workers were called into the human resources office, where, after refusing management's request that they resign from the SBGTS-GSBI union, they were informed that they were being transferred. No official explanation was given for the transfers, which the workers were told would take effect immediately. The distance and lack of adequate public transportation made a daily commute to the facility a practical impossibility. As in the case of other workers who were involuntarily transferred, when the workers did not appear for work at PT Mulia Spindo Mills in subsequent days, management declared they had resigned and removed them from the factory's payroll.<sup>4</sup>
- Also on the same day, the factory's human resources manager summoned leadership committee member Agus Rahmat and interrogated him about his involvement in the union. Several hours later, this worker was dismissed.
- On May 23, another leadership committee member named Ms. Dedi was called into the office of the human resources manager and questioned about her union activity. When the worker declined to provide information about the union, she was dismissed.

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<sup>3</sup> As was the case for this worker, it is common in Indonesia for people to have only one name.

<sup>4</sup> Although the company's position is that the workers technically "resigned," given the circumstances, the workers were effectively dismissed.

- On May 24, the rest of the union's leadership committee was called one-by-one into the office of the human resources manager. The manager questioned them about their participation in the union and asked the workers to resign from the union. When they refused to do so, they were told they would be transferred to PT Mulia Spindo Mills. As in the case of other workers who were transferred, when the workers did not appear at the plant in subsequent days, they were dismissed.
- On the same day, factory management made an announcement to the workforce to the effect that workers were not allowed to talk or congregate during working hours. Workers interpreted the announcement to be a directive that the newly established labor union would not be tolerated.
- Between May 25 and May 31, the human resources manager called in the remaining founding union members listed in the registration papers and asked them one by one whether they would resign from the union. Each of the workers who refused to resign from the union was transferred to PT Mulia Spindo Mills. Each of these workers was removed from the payroll when they did not subsequently show up at the plant.
- In total during the ten-day period, of the nineteen workers who refused to resign from the union, fifteen were involuntarily transferred (and subsequently dismissed), three workers were dismissed outright,<sup>5</sup> and one was suspended (and subsequently dismissed). None of these workers were paid severance. Seven union members were able to avoid transfer and continue working at PT Mulia Knitting by resigning from the union.

These facts constitute overwhelming evidence that union leaders and members have been subjected to targeted, unlawful discrimination. Indeed, given that as a result of the management actions described above, within ten days of notifying the company of the union's formation, every single founding member of the union was removed from the factory or coerced into resigning from the union; that there was no large scale dismissal, suspension, or transfer of other workers during the same period; and that factory management told each of the workers in question that they were being transferred because of their participation in the union, the conclusion is unavoidable that the factory retaliated against workers for their participation in the union. The targeted dismissals, suspensions, and transfers in question therefore violated the workers' right to freedom of association, as protected by Indonesian law and applicable codes of conduct.

#### *Anti-Union Intimidation*

The WRC also found persuasive evidence that that management engaged in illegal acts of anti-union harassment. Many of these acts occurred subsequent to the dismissals and forced transfers described above.

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<sup>5</sup> In the case of two workers, Dedy and Badriyah, the precise dismissal date was not established. Both workers were dismissed after refusing to resign from the independent union.

PT Mulia managers and supervisors systematically harassed workers married to the union leaders who had been transferred to the other facility. One such worker testified that she was told by a supervisor, "I know how you feel about this. It is not nice to pay the rent yourself and have only one income. This is the price for joining the union. Now you have to do the work alone. That is why one shouldn't be active." Another worker, who is the wife of a transferred worker, reported that she was told, "Now you have the consequences for your husband's activities. The new union is not legal! Now you will have to share your holiday bonus instead of getting one each." In one instance in early June 2007, the wife of the transferred union president was called into the office of the human resources manager, where she was interrogated about the union and told, "If you ever become active, you will experience the same as your friends outside." Workers reported that comments along these lines were made by supervisors and managers on an almost daily basis during late May and June 2007.

### *Legal Harassment*

PT Mulia Knitting has also brought baseless legal complaints as a means of harassing union members and ridding the factory of the union.

On May 21, 2007, the day management received the union's registration documents, the company immediately filed a complaint against the union with the local police, known as POLRES. The complaint alleged that the union had violated the law by using the address of the company in their registration documents without obtaining prior permission. Prior to submitting this criminal complaint, the company made no effort to communicate with the union about the issue.

It is commonplace in Indonesia for factory-level unions to use the address of the worksite as the union's address in such documents (this is not surprising, as factory-level unions typically do not have an office outside of the factory, and management frequently refuses to provide one in the workplace). Indeed, another union at the same factory, known as SPSI, listed the address of PT Mulia Knitting in its own registration documents. This union has had a relationship with the factory for over than twenty years and is widely regarded by worker informants and labor experts as management-friendly. The federation to which the new independent factory-level union is affiliated reported that it has never before received a complaint of this kind before.

In response to the complaint, the local police informed workers that they were "suspects" in an open case and held a series of meetings with the union over the course of the next six months. According to worker representatives, the police cited a law from Indonesia's colonial era prohibiting employees from "displeasing" their employer. Workers interpreted the police's "investigation" of the company's complaint as a means of pressuring the workers to drop the legal complaint they filed with DISNAKER concerning the dismissals and transfers; the police brought up this complaint repeatedly

during their meetings with the worker leaders. However, the police never filed charges or took any other formal action against the independent union.

The union reported that two months later, on around July 16, the factory filed a complaint against the union with DISNAKER. According to the union, the complaint was filed on the basis of the same claim – that the workers had unlawfully listed the factory’s address as the union’s address in the registration documents.<sup>6</sup> The factory sought the cancelation of the union’s registration. As in the first instance, the complaint led to meetings between DISNAKER and the union, but did not lead to formal government action against the union (as described below, DISNAKER did ultimately issue findings and recommendations on issue of the transfers and dismissals).

While neither complaint has resulted in formal government action, the complaints have successfully caused workers and their union to expend significant time and extraneous legal expenses. It also bears noting that the company achieved the ends explicitly sought by these complaints – ridding the union from the facility – through the dismissal, suspension, transfer, and coerced resignation from the union of the union’s founding membership, as described in the previous section.

## **Recommendations**

On the basis of the evidence outlined above, the WRC recommended to PT Mulia Knitting management that it take the following corrective measures. These measures were outlined in a letter to the company sent on October 25, 2007:

- Offer immediate reinstatement to each of the nineteen workers, with back pay since the date of their dismissal or transfer. The workers should be reemployed at their previous positions in the factory with no loss of seniority and no reduction in salary. The reinstatement of these workers is critical not only to undo the harm done to the illegally fired workers, but also to reduce the chilling effect on the exercise of associational rights among the workforce at large that results from targeted illegal firings of this kind.
- Retract the baseless complaints against the union filed by the factory with the local police and the local office of DISNAKER.
- Issue a statement to the workforce, verbally and in writing, stating that the factory will respect the rights of workers to join any organization of their choosing, be it an NGO or a labor union, and that no worker will be fired, demoted, transferred, or subjected to retaliation of any other kind for the decision that he or she makes. Such a statement is necessary to address the climate of fear and chilling effect on the exercise

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<sup>6</sup> The WRC was not able to obtain a copy of the actual complaint; this information is reported by the union on the basis of its communications with DISNAKER.

of associational rights resulting from the management actions described above. The statement should clarify that the company recognizes the SBGTS-GSBI-Mulia Knitting union as a legitimate representative of workers at the plant.

### **Factory Response**

In response to the findings and recommendations outlined above, PT Mulia Knitting has maintained the position that it has done nothing wrong and violated no Indonesian laws or applicable codes of conduct.

On the central issue of the worker transfers, the company's initial response, provided in a letter dated October 29, 2007, asserted that the actions of management were by definition lawful, because, it claimed, the factory has the "universally recognized" right to transfer any worker at will.

The WRC responded to this claim by providing management with a quotation of Article 28 of Indonesia's Presidential Act 21 of 2000. This law specifically prohibits employers from "terminating [a worker's] employment, temporarily suspending his employment, demoting him, or transferring him to another post, another division or another place in order to discourage or prevent him from carrying out union activities or make such activities virtually impossible." The law is quoted at a greater length in footnote 1. The WRC asked again that the company act on the recommended actions above.

The WRC did not receive another substantive reply from the company until January 18, 2008 (as discussed below, during the intervening period the WRC sought the intervention of the company's clients). In the letter sent on this date, management again asserted that it had done nothing wrong and violated no law. In defending its actions, the company again claimed that workers had not been dismissed, but had been transferred to another facility and such action was within the company's power. Notably, the company acknowledged that the transfers were punitive and reported that it chose to transfer the workers – all of them founding members of the union – "as the way to educate them to improve their discipline." As discussed above, the forced transfers amounted to dismissal, because it was a practical impossibility for workers to commute the distance to the other factory.

Management has since maintained the position that its actions were entirely lawful. The company did not reply to the WRC's last communication in May 2008.

## **Brand Response**

In view of the intransigent position of factory management, the WRC sought the intervention of the factory's key buyers, university licensee Antigua Group, Phillips Van Heusen, Tommy Hilfiger, and Polo Ralph Lauren. The WRC sent an initial communication to these companies on December 18, 2007.

Antigua Group responded by asserting that, while it had maintained production at the plant throughout 2006 and the first half of 2007, it received its last purchase order from the company on June 26, 2007. The company stated that because it had ceased its business relationship with the factory, it was not in a position to seek remediation from PT Mulia Knitting. In support of this claim, Antigua Group provided purchase order data for the period in question. The response was a significant setback in this case, as the company's departure from the factory eliminated the primary form of accountability for university licensors over labor standards compliance at the plant.

This development highlights the severe problems that the standard licensee practice of frequently changing suppliers poses for code of conduct enforcement. As in many cases, the violations identified through the WRC's inquiry took place while university logo goods were being produced for Antigua at the PT Mulia Knitting plant. But by the time the WRC received a complaint concerning these violations, the licensee had already left the facility and the associated leverage to compel remediation was lost.

In response to the WRC communications, Tommy Hilfiger commissioned its agent Li & Fung to carry out an inquiry. Li & Fung, based in Hong Kong, is one of the world's largest apparel sourcing agents, managing the supply chains of many of the world's best known brands. As the company has grown, it has taken over all aspects of the sourcing process – including social compliance auditing. However, in this case, the company's expertise in supply chain management has not been matched by a capacity for credible labor rights investigation. The Li & Fung investigator did not interview any of the dismissed workers concerning their experiences. All worker interviews were conducted inside the factory. Worker representatives reported that factory management was actually present during worker interviews. On the basis of this flawed inquiry, Li & Fung concluded that PT Mulia Knitting had not violated workers' rights in any way. Citing Li & Fung's report, Tommy Hilfiger declined to press PT Mulia Knitting to remediate the violations identified in this report.

Polo Ralph Lauren has similarly declined to take action to compel remediation. The company has not responded to any of the WRC's repeated efforts to seek its assistance in this case during the course of the past nine months.

There has been one very positive response from a buyer of goods from PT Mulia Knitting. Phillips Van Heusen responded on the same day as the WRC's initial communication and immediately agreed to work to address the situation. Since that time, PVH has remained in regular contact with the WRC and the Clean Clothes Campaign

concerning the case. The company accepted the WRC's findings that management engaged in illegal retaliatory actions and has pressed the company to address these violations. Among other actions, PVH sent a representative of its Hong Kong-based sourcing agent to the factory to discuss the issue, meeting as well with the leadership of the union. Importantly, PVH has maintained production at the plant as a means of maintaining leverage to compel corrective action.

Unfortunately, to date, the pressure applied on the factory by PVH has not been sufficient to persuade the company to change course. To achieve such a result, similar action by the factory's other key clients – Tommy Hilfiger and Polo Ralph Lauren – is necessary. We understand that PVH has reached out to the other companies to encourage them to press PT Mulia Knitting to remediate, but we are not aware of any action taken by these brands in response. Thus far, the developments in this case reflect well on the social compliance program of PVH, but poorly on that of Tommy Hilfiger and Polo Ralph Lauren.

### **Government Response and Further Developments**

Shortly after the dismissal, suspension, and transfers described above, the SBGTS-GSBI-Mulia Knitting Union submitted complaints to two Indonesian government bodies: the Indonesian Human Rights Commission, known as Komnas HAM, and the West Jakarta office of the Indonesian Ministry of Labor, known as DISNAKER. Under Indonesian law, both institutions are obligated to seek a mediated settlement to disputes and, should that process fail, to issue non-binding reports laying out their findings and recommendations. In the case that the complainant takes the case to the Industrial Court, these reports will then be considered as evidence. The findings of Komnas HAM, a national body, are generally considered with greater weight by the court than the findings of local offices of DISNAKER.

As part of its standard protocol for resolving disputes, Komnas HAM facilitated a series of mediation sessions between worker representatives and management. The first meeting was held on January 31, 2008; the second meeting was held on February 6. Neither session produced substantive progress. Rather than sending a senior manager in a decision-making role to the mediations, the company sent only the facility's human resources manager, an individual who had personally carried out many of the violations documented in this report. Through this human resources manager, PT Mulia Knitting maintained the position that it would not reinstate any of the workers in question.

Given the lack of a mediated settlement, Komnas HAM issued its findings on April 7, 2008. It found in favor of the union. The key provisions of the report read as follows: "The complaint brought forward by the union SBGTS of PT MKF to Komnas HAM on the 5<sup>th</sup> of June 2008 is that the company has taken actions to impede/obstruct workers' freedom of association at PT MKF... Regarding the complaint mentioned above, Komnas HAM concludes that the allegation of violations of freedom of association did take place

with regard to 19 employees of PT MKF and members of SBGTS...<sup>7</sup> The report then lists the names of the nineteen workers whom it found were the subject of illegal retaliatory action by management. Although at least one of the brands involved, Tommy Hilfiger, has suggested that the finding did not corroborate the complaint, an accurate translation of the report leaves no doubt that the agency concluded that the company had violated workers' rights as alleged.

The WRC hoped that the corroboration by Komnas HAM of the WRC's findings concerning illegal action by PT Mulia Knitting would have the effect of moving the company to address the violations. Unfortunately, this was not the case. The WRC wrote to factory management shortly after the report was issued to make sure management was aware of it and to prevail again upon the company to take positive action. The WRC received no response.

Roughly six weeks later, on May 26, the prospects of corrective action were diminished further with the release of DISNAKER's non-binding report. This report was issued after a series of mediation sessions that produced no agreement. Directly contradicting the findings of the WRC and Komnas HAM, the West Jakarta office of the DISNAKER concluded that management *had not* violated workers' rights.

The report is not a credible basis for failing to undertake remedial action. In reaching its conclusions, DISNAKER essentially ignored the question at the heart of the case: whether or not the company retaliated against workers for exercising their associational rights. Instead, it focused on a different question that is only tangentially relevant to the alleged violations: whether or not the company *in general* had the right to transfer workers to other worksites for business reasons. The report reaches the conclusion that the company does have the right to transfer the workers and, therefore, the company's actions were lawful.<sup>8</sup> The framing of the issue ignores applicable Indonesian law. While it is true the law allows employers discretion concerning employee assignment, this is hardly without qualification. Indeed, the law is crystal clear that it is unlawful for an employer to "transfer [a worker] to another post, another division or another location in order to discourage or prevent him from carrying out union activities or make such activities virtually impossible."<sup>9</sup> The DISNAKER officers who authored the report proceeded as if this prohibition concerning freedom of association simply did not exist and ignored any issues relevant to it.

Indeed, the report simply ignores or dismisses without explanation voluminous evidence demonstrating that the dismissals, suspensions, and transfers were carried out in violation

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<sup>7</sup> WRC Translation of original Indonesian.

<sup>8</sup> While a conclusion on this narrow question is not relevant to the alleged violations of associational rights, it bears noting that the finding itself is dubious. It is based in part on a collective bargaining agreement purportedly signed on April 2, 2007 between management and a rival union known as SPSI; the existence of this agreement was not known to workers who held leadership positions of the union that purportedly signed it when it was purportedly signed.

<sup>9</sup> Article 28 of President of Republic of Indonesia Act 21 of 2000, quoted in full in footnote 1 of this report.

of workers' associational rights. The report does not provide any explanation, for example, for the fact that the company commenced the transfer of workers immediately after the new union notified management of its formation. It does not consider the fact that almost all of the workers whom were transferred were founding union members. The scope of the report rendered these issues immaterial. It is clear that the local DISNAKER officers were aware of the union's allegations concerning freedom of association, as they are listed briefly in the report, yet they are dismissed without any explanation.

While ignoring the union's allegations without note, DISNAKER issued a series of "findings" comprised of a nearly verbatim restatement of the company's claims, as outlined earlier in the same report. DISNAKER accepts at face value, for example, a series of claims made by management concerning alleged infractions by the workers which were made only months after the fact and which on their face are not credible. All management assertions are accepted without any demonstration of consideration of the underlying facts.

Given that DISNAKER ruled out *a priori* any consideration of the central issue of freedom of association, ignored powerful evidence demonstrating violations of freedom of association, and accepted management assertions without with reference to any examination of the underlying facts, the report cannot be considered a legitimate basis for delaying corrective action.

It bears noting that it is not uncommon in Indonesia for the Human Rights Commission (Komnas HAM) and offices of the Labor Ministry (DISNAKER) to issue conflicting findings concerning the same event. In the WRC's experience, Komnas HAM is by far the more credible of the two organizations. In a recent case at a facility known as PT Panarub, in which the WRC conducted an inquiry and found overwhelming evidence of violations of workers' associational rights, Komnas HAM issued an investigative report finding the same violations, while DISNAKER found no violations whatsoever.<sup>10</sup> This incident has followed others where DISNAKER has failed to identify clear cut cases of labor rights abuses. Indeed, it is in strong part because of criticism of the credibility of DISNAKER's enforcement program that Komnas HAM has a program for labor rights investigation.

Notwithstanding the problems with DISNAKER's findings, the release of the agency's report has had the effect of emboldening PT Mulia Knitting management to maintain the position that it will not take any action to remediate the violations described in this report. As of the time of the report, the company has ceased any direct communications with the WRC and the union on the issue and instead contracted a law firm known as Adnan Buyung Nasution & Partners to represent the company's position to outside groups (including its own clients).

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<sup>10</sup> See Worker Rights Consortium Update on Code of Conduct Violations at PT Panarub (Indonesia), July 3, 2006; and Komnas HAM report No. 257/Rek/Ekosob/V/06.

At this point in this case, it is clear that positive action by the brands Tommy Hilfiger and Polo Ralph Lauren along the lines already taken by Phillips Van Heusen will be necessary if the factory is going to be compelled to remedy the violations documented in these pages. At this point, there are no indications that either brand intends to take such action.

As noted above, this case highlights the difficulties of achieving code of conduct compliance under the current supply chain practices of university licensees. The practice of licensees of constantly shifting production means that factories that violate workers' rights in the production of university logo apparel often cannot be held accountable in a meaningful way by universities. As occurred in this case with Antigua Group, by the time the violations are uncovered, licensees all too often have moved on to other suppliers. This reality, which the WRC faces on a frequent basis, points to the need for a retooling of university licensee-supplier relationships.