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WORKERS' VOICES:

An Interim Report on Workers' Needs and Aspirations in Indonesia

**A three part report of the
Global Alliance for Workers and Communities**

**In partnership with Atma Jaya Catholic University
and
Nike Inc.**

Global Alliance for Workers and Communities

The Global Alliance was launched in April 1999 to provide workers around the world with opportunities to better develop their potential and fulfill their aspirations both inside and outside the workplace. The Global Alliance's mission is to improve the lives and future prospects of workers involved in global production and service supply chains, the majority of whom are young adults, and to promote collaboration among the private, non-profit, and public sectors in support of these efforts. The Alliance is an initiative of the International Youth Foundation, in partnership with Gap, Inc., Nike, Inc., The World Bank, and with support from the Pennsylvania State University, St. John's University, and private foundations.

CSDS of Atma Jaya Catholic University, Jakarta, Indonesia

Centre for Societal Development Studies of Atma Jaya Catholic University (CSDS) in Jakarta was established in 1972 to assist in the development of Indonesian society, particularly in urban areas, through societal development studies, training activities, and information services. The Centre has conducted numerous research projects in community health services, maternal and child survival, labor (especially women and children), land use and urban planning, teaching and learning processes in higher education, educational economics, and child rights. CSDS is currently staffed by 22 full-time researchers with Masters' and Doctoral degrees who have expertise in quantitative and qualitative research methodology. Special emphasis has been placed on research with "hard-to-reach" populations such as street children, those engaged in child labor, sexually exploited children, and those who live and work in dump-site areas.

CSDS believes in partnership and has worked with such national and international groups as: USAID, AusAID, UNFPA, ILO, CIDA, UNICEF, Forgart Foundation, Ford Foundation, Population Council, Nuffic and numerous local non-governmental organizations.

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Section One

Introductory Statement

by

The Global Alliance

Introductory Statement

This report, prepared by the Global Alliance for Workers and Communities, discusses aspirations and concerns of workers in nine Nike contract factories in Indonesia. It is organized in three sections. This Introduction discusses the Global Alliance's work, the chronology behind this report's development, the process for reviewing it and making its initial findings public. Section Two of this report details the "Needs Assessment Results" generated by the Centre for Societal Development Studies of Atma Jaya Catholic University (CSDS) in Jakarta, which the Global Alliance commissioned to conduct a comprehensive assessment process using surveys, in depth interviews and focus groups. Section Three of this report details Nike's Remediation Plan, its response to various issues that were raised in the assessment process.

Background

To achieve the Global Alliance's mission of improving the lives and future prospects of workers involved in global production and service supply chains, the majority of whom are young adults, and to promote collaboration among the private, non-profit, and public sectors in support of these efforts, it uses a variety of strategies. These strategies include:

- identifying and assessing the life aspirations and workplace concerns of workers involved in global production by directly and confidentially soliciting their ideas and feedback;
- designing and implementing personal development and training programs, based on best practices, that address the needs and aspirations identified by the workers themselves;
- carrying out management training programs on labor issues and workplace improvements for factory owners, managers and supervisors; and
- increasing awareness of the needs of workers, most of whom are young adults, through regular public reports demonstrating results by company and country.

This report relates directly to two of these strategies: identifying worker aspirations and increasing awareness about the needs of workers.

For this assessment process to work effectively requires Nike and its contract factories to provide unprecedented access and transparency so that the Global Alliance can conduct confidential conversations with large numbers of their workers and factory personnel. Throughout the GA's assessment process in Indonesia, both Nike and its contract factories have provided this kind of open, collaborative and transparent environment, resulting in our ability to learn a great deal about the aspirations and challenges of workers.

In the course of the Global Alliance's assessment process, workers are asked to identify their needs and hopes for the future, both at work and in their communities. The information from these workers' interviews and subsequent focus groups is used by the Global Alliance and Nike to develop services and programs that address the workplace issues and quality of life improvements identified by the workers. This assessment process is not designed to monitor these workplaces' compliance with company codes of

conduct or with national law. However, given the intensive, comprehensive, confidential, and participatory nature of the assessment process, workers' concerns about the workplace related to code of conduct compliance issues are inevitably discussed.

This report is the third in a series, following earlier reports commissioned by the Global Alliance in Thailand and Vietnam. The earlier reports involved five contract factories in Thailand and seven contract factories in Vietnam. With this Indonesian report, the Global Alliance has now assessed the aspirations and needs of workers in 21 of the more than 700 contract factories in Nike's supply network, although these factories involve approximately 20 percent of the workers engaged in making products for Nike. Later this year, we plan to publish a report on worker aspirations in China. For more information about where, with whom, and how the Global Alliance works please see our website, www.theglobalalliance.org.

Chronology

The Global Alliance activities were launched in Indonesia in February 2000 with an effort to identify a respected national research institution that had conducted research on a wide variety of development-related topics, with expertise using both quantitative and qualitative research methods, and experience working with foreign partners. That search led us to CSDS.

As the first step in the assessment process, in April 2000 the Global Alliance conducted a workshop with CSDS where the researchers from Thailand and Vietnam, who had worked on the earlier Global Alliance country reports, met with their Indonesian counterparts to adapt and refine the assessment tools and processes. Regarding questions about harassment, for example, the survey was modified to ask about four specific types of harassment, including whether it involved a supervisor or manager, and whether it occurred within the factory during the previous 12 months.

On a parallel track, the Global Alliance worked with Nike to identify its contract factories that were willing to participate in the Global Alliance, beginning with the assessment process. The factories and Nike voluntarily provided open and confidential access to their workers and factory premises because of their genuine concern in learning about the concerns and aspirations of their workers. The Global Alliance in Indonesia is now active in nine factories that produce footwear, apparel, and equipment for Nike, with a combined total of 53,810 workers.

Over the course of the next few months, CSDS translated the survey instruments and worked closely with Global Alliance to complete this adaptation, identify and train data collectors, field test the survey instrument, collect factory demographics, and conduct in-depth interviews with key factory personnel. Between August and October, the quantitative survey was conducted involving more than 4,000 workers participating in face-to-face interviews. Between December and February qualitative data was gathered from 450 works in 45 focus group discussions. Data from these focus groups are currently being analyzed.

After the quantitative survey was completed at the end of October 2000, it was clear that a number of compliance issues were raised. These included worker comments about deaths they believe occurred on factory premises, harassment, and trading sex for jobs or favorable treatment. At that time, the Global Alliance sought to verify the reliability of this information. This is very difficult to do given the confidential nature of the

assessment process and the fact that what is reported is workers' perceptions. After determining that this information was based on genuine worker perceptions, and consistent with the Global Alliance's policy related to learning directly about serious issues or alleged code violations, the Global Alliance reported this information to Nike's chief compliance officer. The Global Alliance conveyed this information to Nike at a meeting in Baltimore, Maryland in early-November.

At that time, Nike began to examine these reports about alleged violations, since the Global Alliance is not an investigative body and does not have the expertise or capability to do so. However, given the nature of these allegations, the Global Alliance's Chairperson traveled to Indonesia during the first week of December to meet personally with the researchers in order to better understand the nature of these reports and their implications for the Global Alliance's future work.

Following that trip, the Global Alliance and Nike made a decision to issue an interim country report, rather than awaiting a final country report that will likely not be ready until the end of April 2001. It was decided that given the nature of some of the allegations and the Global Alliance's and Nike's commitment to transparency that such an interim report should be released. In January and early February a number of focus groups were conducted to examine more closely some of the issues that the Global Alliance learned in the course of conducting the survey.

Needs Assessment Results

Section Two of this document contains the results of the assessment process conducted by CSDS, which worked closely with the Global Alliance. This assessment report covers multiple topics of interest and concern to workers, from workplace issues such as educational and job-related skills enhancement, to workers' aspirations for their future. The Needs Assessment Results are based on all the quantitative worker surveys in all nine factories—more than 4,000 in all, but includes only limited information from the focus groups. The final report will provide much more detailed analysis and all data collected through the focus groups, which were completed February 17th and the data which is currently being analyzed.

Regarding workers' aspirations, these included enhancing their formal education, as well as improving both their factory-related and non-factory related work skills, such as computer work, sewing, cooking, handicraft, and small-scale business. Since many of these workers only stay in these jobs for three years or so, workers were also very interested in developing a set of non-work related skills to improve the quality of their welfare and home life. These included how to provide adequate health care and education for children, and managing household finances. Workers also expressed an interest in volunteering on projects to improve their communities - from improving the environment and planting trees to supporting religious activities and assisting their poorest neighbors.

Regarding workplace issues, the report revealed a number of issues related to compliance with Nike's Code of Conduct, ranging from compensation, to overtime, various forms of harassment and abuse, and to reports of two deaths that allegedly occurred on factory premises in two different factories.

Nike Response

Consistent with Global Alliance's procedures, when compliance issues arise they are immediately brought to the attention of its corporate members, in this case Nike. After learning from the GA of possible compliance issues, Nike took extraordinary measures to examine these allegations. It commissioned and committed substantial resources to undertake a serious investigation using third party and local investigators to look into and probe the issues of alleged sexual favors and reported deaths. Based on this, Nike and its contract factories have developed a detailed Remediation Plan in response to the assessment, which is contained in Section Three of this report. This plan acknowledges that the Global Alliance assessment process has highlighted, along with other information, some areas of needed improvement in Nike's approach to its overall labor compliance efforts, and specifically in some Indonesian factories. Accordingly, the plan sets out a two-pronged strategy for remediation covering not only the particular factory circumstances but also a broader company-wide review of its overall approach in this area.

Global Alliance Response

An Operating Council provides operational oversight of the Global Alliance. To ensure that all parties are operating in good faith within the Global Alliance, it is the task of this Operating Council to assess the proposed remediation plan of a member company when compliance issues arise. Following consultations between Nike and the Operating Council in the development of the remediation plan, Nike submitted its final plan for review.

Upon due consideration, members of the Operating Council unanimously expressed their judgment that upon learning of the alleged violations surfaced through the Global Alliance assessment process, that Nike had acted in good faith, and developed a serious and reasonable remediation plan that is contained in Section Three of this document. Nike abstained from expressing a judgment due to concerns about conflict of interest.

The Operating Council is comprised of three categories of members: currently two affiliated with the International Youth Foundation (IYF) that administers the Global Alliance, two corporate members, and three joint appointees. The IYF members are Rick Little, its Founder and President and also Chair of the Council, and Victoria Bigio, an expert on youth development and private consultant (Venezuela); the Operating Council's corporate members are Maria Eitel, Vice President, Corporate Responsibility and Senior Adviser, Nike, Inc. and Anne Gust, Executive Vice President and Chief Administrative Officer, Gap Inc. the joint appointees are Nieves Confesor, Director, Human Resources Productivity, Asian Institute of Management (Philippines), Nemat Shafik, Vice President, Private Sector Development and Infrastructure, The World Bank (Egypt), and Simon Zadek, Chairman, Institute of Social and Ethical Accountability (United Kingdom).

Consistent with its commitment to transparency, the Global Alliance is releasing this interim report. In April, we expect to issue the final country report that will be based on completed focus groups at all nine of the Nike contract factories participating in the Global Alliance in Indonesia, as well as the quantitative reports already finished. We will also be sharing quarterly updates prepared by Nike on its progress related to the implementation of its remediation plans, as well as our own periodic Progress Reports and updates on the Global Alliance website, www.theglobalalliance.

Through our experience to date in Indonesia, and building on our earlier experiences in Thailand and Vietnam, the Global Alliance is convinced that its comprehensive, participatory assessment process offers new opportunities for workers to put forward their aspirations and concerns. The Global Alliance intends to use these experiences as one basis for an ongoing evaluation of our approach with a view towards continuous improvement. Towards that end, we welcome any of your comments and/or suggestions. Please send them to the Global Alliance's Executive Director, Kevin Quigley, at kffquigley@ifynet.org.

We sincerely hope that this report contributes to a greater understanding about workers in the global supply chain in Indonesia and elsewhere and brings us closer to our goal of improving their workplace experiences and opportunities.

The Global Alliance
22 February 2001

SECTION TWO:

WORKERS' VOICES:

An Interim Report of Workers' Needs and Aspirations in Nine Nike Contract Factories in Indonesia

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CHAPTER I: CONTEXTUAL OVERVIEW

The work of the Global Alliance takes place in the context of a country's larger social, political and economic picture. Indonesia, with its current population of about 207.4 million people, is the fourth most populous country in the world. It is also the world's largest Islamic country. From the 1980s to 1997, the Indonesian economy grew rapidly, experiencing rapid industrialization and growth in its manufacturing sector. Unemployment stayed relatively low, but there has been considerable concern about workers' wages. The Asian financial crisis of July 1997 caused serious economic stress, and helped to propel changes in Indonesia's political situation.

1.1 Macro Economic Situation

Indonesia has been experiencing rapid economic growth over the past few decades, with a dramatic drop in the number of people living in poverty, and steady gains in wages. But like so many of its neighbors, Indonesia is still struggling to recover from the Asian fiscal crisis of 1997, and many of the gains of past years have been lost.

It's interesting to note that the country's workforce is steadily becoming more educated, and while there is still a large gap, women are beginning to catch up with men in terms of education, jobs, and pay. Wages continue to be one of the most sensitive workplace issues, and a primary reason for worker unrest in the country.

The country experienced rapid economic growth from 1986 to 1996, with its GDP annual growth increasing rapidly from 3.21% in 1986 to 7.98% in 1996. As a result, the country was able to increase its GDP per capita from about US\$ 480 in 1986 to US\$1,076 in 1997. However, as a result of the monetary crisis that hit the country in late 1997 and developed into severe economic depression, Indonesia's economic development has been brought to its lowest level in 30 years, with the GDP per capita dropping back to 1986 levels. Recent statistics, however, indicate that the economy is recovering, driving economic growth once again in a positive direction.

From 1980-1996, the number of people living below the poverty line had dropped sharply from around 42 million (28.6%) to 22.5 million (11.3%). As the crisis hit the country in late 1997, however, the number of poor people increased dramatically -- from 22.5 million in 1996 to 49.5 million in 1998 -- or an increase of around 27 million over a two year period and a sharp increase in poverty since 1980. (Irawan et al., 2000)

1.2 Health Indicators

As in many developing countries, the health and well being of the general population in Indonesia suffers from lack of adequate, affordable health care, with those living in poverty most at risk. In 1993, it was reported that less than half, or 43% of the population, had access to health care. However, Indonesia is making significant progress, with many health indicators moving in the right direction. Life expectancy, for example, has gone from 42 years for men and 47 years for women in 1967 to 63 for women and 67 for men in 1997. Infant mortality has been more than cut in half since 1980 -- when 125 deaths per 1,000 births were reported -- compared to 60 per 1,000 in 1997. The maternal mortality rate is 390 deaths per 100,00 live births, a relatively high number within this region. Only a little more than half of Indonesian women (57%) have

access to contraception, yet fertility rates have dropped quite dramatically over the past 20 years – with the 1997 figure at 2.8 children.

Among the major diseases reported in general hospitals throughout Indonesia are dengue hemorrhagic fever, tuberculosis, and upper respiratory tract infections. Top causes for deaths in 1995 were circulatory system disease, respiratory system disease, and TB. There was an increase in mental disorders between 1990 and 95, but the percentage reporting such problems remain small – about 2% of the population. Many of the health indicators for children living in Indonesia – such as cases of diphtheria, acute respiratory infections, tetanus are improving, but 34% of those under the age of 5 still suffer from malnutrition.

Many factors contribute to the health status of Indonesia's citizens, with poverty and illiteracy ranked at the top of the list. About half the population lives on less than \$2 a day. In 1995, 38% of the population did not have access to safe water, and 49% were without access to basic sanitary facilities. The statistics for Indonesia on education and literacy, which are key factors in being able to have a healthy life style, show that 9% of the males, and 29% of the females above 15 years of age are illiterate (also see section 1.5 on educational attainment in Indonesia). (World Bank Reports)

1.3 Labor Force Participation

The size of the paid labor force in Indonesia has grown dramatically over the last 30 years, with the number of workers more than doubling from about 40 million in 1971 to around 95 million in 1999. The paid labor force participation rates over the period of 1986-1999 have been relatively constant, remaining at about 66% of the overall working-age population (15 years of age and older). The highest participation rate (around 77%) was found among the prime working ages of between 25 and 54 years old. Employment rates for young people, ages 15 to 24, were around 51% over the observed period, with older working aged people from 55 to 64 years of age at 67%, and 65 or older at 40% (ILO, 1999a).

In comparison with the other South-East Asian countries, the labor force participation rate in Indonesia is slightly higher than the rates in the Philippines, Singapore, and Malaysia, but lower than in Vietnam and Thailand (ILO, 1999b).

1.4 Sexual Harassment in the Workplace

In the last two decades, the participation of women in the workforce has grown substantially worldwide – a phenomenon that is particularly evident in the Asian and Pacific rim countries in which the Global Alliance is now engaged. As a result, women are gaining greater freedom and independence. Yet such changes have created tensions as well as opportunities in the workplace. Sexual harassment is one of the issues that has emerged in this context, and is now recognized, according the International Labor Organization, “as a problem of significant magnitude” worldwide. One of the first in depth studies aimed at measuring sexual harassment in American companies was initiated in the mid 1980s by Dr. Louise Fitzgerald, a psychologist at the University of Illinois. Among her findings: between 40% and 60% of women have experienced some form of harassing behavior. And while not all such experiences meet legal criteria for sexual harassment, they nevertheless lead to depression, anxiety and

stress-related physical problems. Such studies also point to evidence that most women avoid disclosing harassment for fear of losing their jobs.

Information about the extent of sexual harassment and abuse in workplace situations in Indonesia is difficult to find. And the situation can not be compared to Western cultures because the level of awareness about issues of sexual harassment and rights of female workers is much lower in Indonesia than America and Europe. In fact, terminology to describe sexual harassment has only recently made its way into Indonesian language. In certain local dialects it remains difficult to find appropriate terminology to describe the issues. However, some recent studies and publications help to illuminate the problem. A recent ILO report¹, for example, underscores the particularly harsh environment that women must face on a regular basis, particularly those in export processing zones (EPZ). The ILO report noted that between 60% and 90% of the zone workers are women, often young, and in their first jobs. Many bear the double burden of work and family responsibilities, and there is marked gender insensitivity on the part of employers to their situation. Sexual harassment and abuse is clearly an issue. The ILO report noted, for example, that women are sometimes asked to perform sexual favors in exchange for having their broken machines fixed by a male technician.

A 1998 Report of the Committee on the Elimination of Discrimination Against Women to the General Assembly of the United Nations also looked at the issue of violence against women in various countries, including Indonesia. That report notes that while the Indonesian constitution and state policies guarantee women's right to equality, "the de facto situation is that women remain unequal to men in terms of rights and opportunities because of a combination of traditional and cultural practices and certain laws that are contrary to the spirit, if not the letter, of the principles of equality." The report notes that discrimination exists against women in laws regarding family and marriage, economic rights, access to loans and credits, and in the labor force. The UN Committee underscores their concern about the lack of adequate laws in Indonesia to address violence against women, as well as the lack of systematic sex disaggregated data collection and documentation on the extent, forms, and prevalence of such violence.

1.5 Educational Attainment of Workers

During the last 15 years, both men and women in Indonesia's labor force have become better educated. The proportion of the labor force with no schooling has sharply declined from about 19.1% in 1986 to 8% in 1999. The number with less than a primary education has gradually fallen from about 28.7% in 1986 to 17% in 1999. These improvements are due primarily to the educational expansion at all levels brought about by both the government and private sector. In addition, there has been an increase in the educational aspirations of the younger generation over the past three decades.

A comparison between males and females shows different levels of acceleration of educational improvement during the observed period. The decline in the proportion of the labor force with no schooling has been much faster among females than males (15.9% as compared to 7.9 %). The increase in the share of the labor force with tertiary education has been slightly faster among the females, but the decline in the proportion of the labor force with less than primary education has been slightly faster among the

¹ Labour practices in the footwear, leather, textiles and clothing industries; ILO, Geneva, 2000 and "Gender! A Partnership of Equals: Export processing zones, gender neutral policies?" ILO website, 2001.

males than the females. The increase in the proportion of the labor force with secondary education, however, has been slightly faster among males than females (ILO, 1999a).

Progress for women has been more pronounced in the youth labor force of those ages 25 to 29. The increase in the share of the youth labor force with tertiary education has been much faster among females than males (8.2 in comparison to 4.1 percent). The young female labor force with tertiary education has sharply increased from 2.1% in 1986 to 10.3% in 1999. However, the increase in the proportion of the youth labor force with secondary education has been slightly faster among males than females.

1.6 Unemployment

While unemployment in Indonesia has been relatively low – around 2.7% from 1986 to 1993, it climbed up sharply as the economic crisis hit in the late 1990s. However, the rate among the youth labor force – aged 15 to 24, has remained relatively high – about three times higher than the overall rate of unemployment. In this age range, unemployment sharply increased in 1999 to about 19% for males and 21% for females. (ILO, 1999a).

Some observers argue that the relatively low rate of unemployment in Indonesia for all ages is due to the rigid definition of unemployment – which is defined as the proportion of the labor force that is unemployed and actively seeking work. A relaxed definition, suggested by the UNDP – that accommodates both criteria for seeking work and willingness to accept work – has provided a more realistic figure of unemployment in Indonesia. Using this refined definition, the unemployment rates recorded in 1997 and 1998 were about 12.4% and 14.2 respectively, which is almost three times higher than the official figures for those years (Irawan et al., 2000).

1.7 Employment Status

The National Labor Force Survey of the Central Bureau of Statistics for Indonesia (Sakernas-BPS) has classified the employment status of the economically active labor force in the following ways: (1) wage and salaried workers, (2) self-employed workers, and (3) unpaid family workers. The self-employed include those with paid employees and those without paid employees – called own-account workers.

The employment status in Indonesia between 1986 and 1999 was generally dominated by self-employed workers without paid employees, with the rate remaining relatively consistent at around 44%. The proportion of wage and salaried workers has gradually increased from about 26.4% in 1986 to about 33.1% in 1999, while the share of unpaid family workers has gradually declined from about 26.9% to about 18.3% over the observed period (ILO, 1999a). This evidence suggests that in spite of the increasing employment opportunities in the formal sector, the informal sector still contributes a high level of employment in the labor market.

A comparison based on gender reveals that male workers dominate the own-account market, while females tend to be unpaid family workers. That domination seemed to gradually decline for both groups over the 1986-1999 period, with the share of own-account workers among males gradually declining, and the female unpaid family workers dropping as well. This evidence suggests that during this period, women have tended to

leave the marginal rural economic activities, and became more involved in the informal and formal sectors. Over the observed period, the share of wage and salaried workers for both males and females has tended to increase, with females increasing at a faster rate than males.

1.8 Employment Sector

The ILO has classified employment sectors into three broad groups: agriculture, industry, and services -- which are closely associated with the indicator of employment status. Indonesia has experienced a decline in its employed labor force in the agricultural sector for both males and females over the 1986-1999 period. In contrast, the share of those employed in industry and services has tended to rise for both males and females. The share of agricultural employment has gradually declined for males from about 53.8% in 1986 to about 43.3% in 1999, and for females from 55.5% to 43.1% during the same period. A remarkable increase in the share of industrial employment was recorded amongst males -- from 7.5% in 1986 to 19.3% in 1999 -- although by 1998 it slightly declined as the economic crisis hit the country. The increase in the share of industrial employment among females seemed to be relatively slower, rising from 9.3% to 15.5% over the observed period, with a slight decline on the onset of the economic crisis in 1998 (ILO,1999a). It seems that the crisis has not dramatically affected the share of industrial employment for both males and females.

1.9 Wages in the Manufacturing Sector

Workers' wages have been the most sensitive labor issue over years, and the issue has played a major role in much of the industrial unrest in Indonesia. A formal report from the ILO indicates that about 63% of the reasons given for strikes in Indonesia related to workers' dissatisfaction with the wages they received from their employers. The dissatisfaction was due to (1) the low level of wages of many workers, (2) the failure of employers to pay wages in full and/or on time, (3) the unclear definition of wages and the complex system of composing total remuneration, and (4) poor enforcement by the authorities (ILO, 1997). Due to inflation and the economic situation in Indonesia there have been several government mandated wage increases since 1997 (see figure 1 below for nominal wages 1986-99).

Wage determination in Indonesia is generally characterized by a relatively high degree of government involvement, through the enforcement of the UMR, or the Regional Minimum Wage. This reality reflects weak wage negotiations between employers and workers. Although the government has set the UMRs for the 26 provinces, most of them were still below the KHM-- or the Regional Minimum Physical Need, (the minimum cost of living based on the needs of a single male), in the respective regions. Statistics in 1994 indicate that of the 27 provinces -- including Batam Island -- there were only 10 provinces that had UMRs higher than the KHM in their respective provinces.

Figure 1 below shows the nominal wage indices in manufacturing over the period 1986-1999 (1990=100). The figure confirms an increase in nominal manufacturing wages for both male and female production workers over the observed period. The increase for female production workers was much faster than male workers. This implies a substantial narrowing of the gap between men's and women's nominal manufacturing

wages. However, the gap to date is still relatively large. In 1999 male workers earned 1.59 times higher than female workers (ILO, 1999a).

The increase in real wages, however, is not quite dramatic as in nominal wages. Figure 2 shows the real wage indices in manufacturing deflated by consumer prices over the observed period. The real wages for both male and female workers seemed to be relatively constant over the 1987-1991 period, and slightly declined over the 1992-1993 period. A sharp increase was recorded over the period of 1995-1997. The figure steeply fell in 1998 as the economic crisis hit the country and remained constant over the 1998-1999 period (ILO, 1999a).

Figure 1

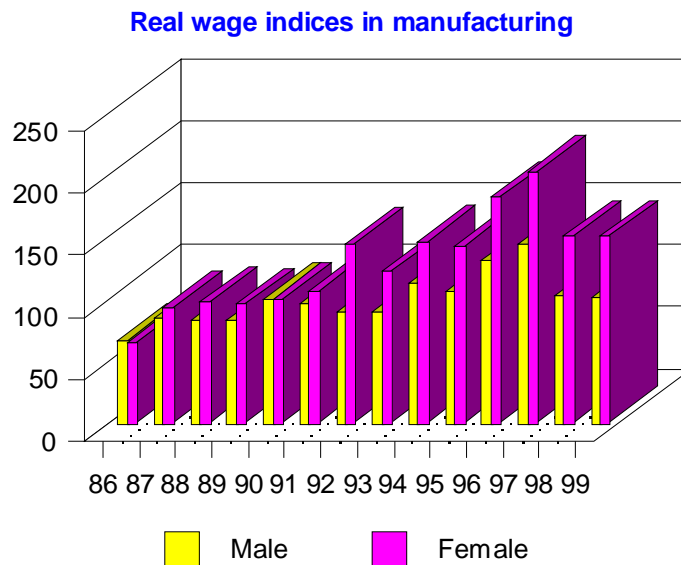
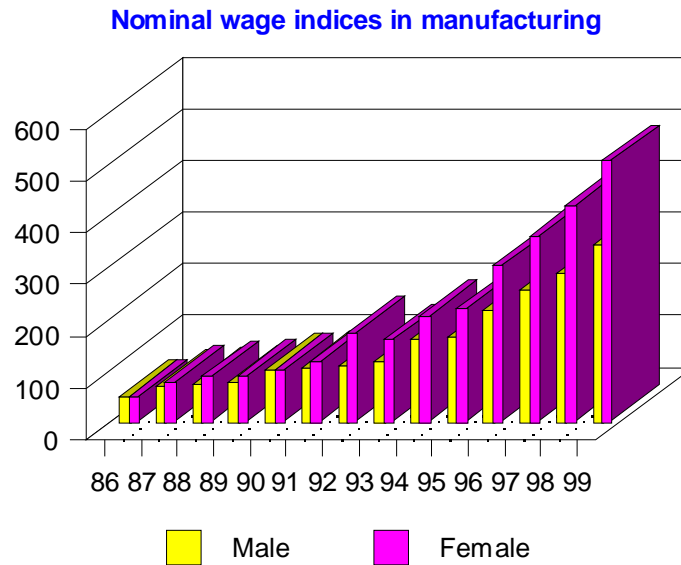


Figure 2



Available statistics show that the daily wage of production workers in 1999 was about Rp 10,419 (ILO, 1999a) or equivalent to US\$ 1.39. With a standard working hours applied in the larger enterprises of about 8 hours, the hourly wage of production workers in Indonesia in that year was about US\$ 0.17.

CHAPTER II: OBJECTIVES AND METHODOLOGY

2.1 Goals and Objectives of the Assessment

The Global Alliance for Workers and Communities is an assessment and development initiative that is intended to lead to greater job satisfaction and improved quality of life for factory workers, especially young adult and female workers. The first step in achieving this goal is to conduct a needs assessment process designed to elicit workers' views and suggestions in the areas of health and family life; education; work and life skills training needs; workplace environment; hopes for the future; and community involvement.

The Global Alliance is a tri-sector-based organization which works with corporate partners to improve job satisfaction for workers and guide corporate investments in development initiatives. Nike contract factories have volunteered to have the assessment done in the interest of improving the quality of life in their factories.

This assessment process is an integral part of the Global Alliance development initiative in Indonesia. The findings are used as base line data for the Global Alliance to identify possible strategic areas of intervention, and to select appropriate development and training programs that respond to identified workers' needs. The Global Alliance's mission is primarily aimed at helping workers gain the life skills, training, and education necessary to achieve their aspirations and contribute to their families and communities.

This tri-sector initiative is a partnership between the factories in Indonesia, Nike, and the Global Alliance, and participating factories who volunteered to be involved in part because factory management and Nike wanted to learn more about their workers' aspirations and concerns.

This chapter describes the main objectives and methodology of the GA's assessment and development process. This includes: a brief history of the Indonesia initiative, explanations of how the worker questionnaire was developed, how the project teams are formed and function, how interviews were conducted, and how respondents were chosen. Nine Nike contract factories participated, representing about 53,810 workers. Four thousand and four workers participated in one-on-one interviews and approximately 450 have participated in focus group discussions. At conservative estimates, Atma Jaya researchers have spent over 4,250 hours collecting data for this study.

2.2 The Assessment Process

The following is a brief history of how the assets and needs assessment for factory workers in nine participating Nike contract factories in Indonesia has been carried out over the past year.

1. **Initial meeting.** An initial meeting with the Global Alliance (GA), Nike's corporate responsibility representative, and the Center for Societal Development Studies of Atma Jaya Catholic University (CSDS), which is GA's Indonesian research partner, was held in early February, 2000. The meeting was an opportunity to share the GA's mission and experiences of the previous assessments in Thailand and Vietnam.
2. **Questionnaire development.** The worker survey instrument was adapted from the Vietnam and Thailand instruments, and CSDS was requested to make some changes to better suit the local context. The first draft of the adapted questionnaire was then reviewed in a meeting with the GA, CSDS, the Nike representative, and lead researchers of the two previous assessments in Thailand and Vietnam. A number of additional changes based on lessons learned in the two previous assessments were made. These improvements were intended to yield information which could more readily be translated into worker development priorities and corrective action. For example, more specific questions were added to ascertain the workers' level of interest in specific work related and non-work related skills. As mentioned in the Introduction, the questions about workplace conditions, such as harassment, were more specifically worded.

The questionnaire was further refined with new ideas from both the GA and Nike, with changes primarily made on questions relating to work place issues. A number of new questions were added, some were simplified, while others were reworded in an effort to eliminate biases from the respondents.

The final draft of the questionnaire was completed in early July and was piloted at a number of factories. The piloting resulted in further changes, as the length of the interviews were longer than anticipated. Along those lines, a number of questions were dropped to shorten the interview, particularly where questions appeared to overlap. The questionnaire was finalized in late August, 2000, and this final version was used in all 9 participating factories.

3. **Initial meeting with factory managers.** These meetings, which began after the questionnaire was completed, were to introduce the core team to the assessment process and to brief the managers about the standard procedures of the survey such as the random selection of the respondents, the administration of the interviews with the selected workers, and the voluntary and confidentiality principles of the interviews. The meetings were also used to brief factory managers on the GA's mission and overall objectives.

4. **Project team formation.** The project team (PT) was formed for the purpose of helping the GA and the research team to disseminate to the workers the goals and objectives of the assessment, the procedure of the survey, and ongoing input on the design and implementation of worker development programs. Each Project Team consists of 8 to 10 line operators from different divisions, one or two union representatives, and one manager. Since a large majority of factory workers are young females, attention was given to ensure a proportional share of women in each team. Participation on the Project Team is voluntary. The Projects Teams were selected through a variety of processes that were developed for the operating and communication structures specific to each participating factory. In all cases, the factory unions were consulted first about the best procedure to elect or select the PT members. In one factory, the entire worker population participated in an election selecting both worker and management representatives. In other cases, a hybrid approach was followed, involving union representatives to assist in the selection of workers while management assigned the appropriate staff from human resources or corporate responsibility.

5. **Project team orientation.** The orientation was provided by the GA and CSDS team in order to brief the project team members on the mission of the GA, the goals and objectives of the assessment, the assessment and survey procedure, and the expected role of the project team members in the assessment process. They were then requested to disseminate this information to the line operators.

6. **In-depth interviews with key factory personnel.** The objective of the in-depth interviews with key individuals was to provide valuable qualitative data and basic information about each participating factory. The Atma Jaya researchers requested voluntary and confidential interviews with someone from the management, human resource department, clinic, union, surrounding community, and any factory-run schools. The management identified the most suitable respondent for each of these categories with the following two exceptions: (1) due to local laws prohibiting community-based research without a permit, no community respondent was interviewed; and, (2) due to the uncertain labor situation at the time of the in-depth interviews, and to avoid confusion between the role of GA versus Nike's compliance staff, Nike requested union representatives not be included in the in-depth interview process. The topics covered in the in-depth interviews were (a) organizational structure of the factory, (b) communication channels in the factory, (c) existing benefits and facilities provided to the workers, and (d) health-related issues at the factory. The interviews were carried out by the CSDS team in confidential settings with no live recording devices.

7. **Data collectors recruitment.** A total of 26 data collectors were recruited from several private and state universities. As the second wave of the fieldwork began in mid September, four of them had to quit due to personal reasons. Most of the data collectors were university graduates in the social sciences, and some were final year university students. A two-day orientation and training was given by CSDS, the GA, and the Nike

representative to the data collectors. The purpose was to brief them on the mission of the GA, the goal and objectives of the assessment and to provide an overview of Nike's presence and corporate responsibility work in Indonesia. The training provided by CSDS was intended to further elaborate on the details of the survey instrument, and to explain some techniques for the face-to-face interviews using the structured questionnaires. It should be noted that the interviewers were primarily female, and the approximately same age as the workers.

8. **Survey at the factory.** The field survey was conducted after the random selection of the line operators who were to be interviewed. Face-to-face interviews took place at private locations inside the factory, and lasted about an hour. All of the interviews were conducted without the name or identity of the respondents, and on a voluntary basis. Interviewees reserved the right to refuse to answer any questions during the interview. The survey covered the following areas: (a) demographic data, (b) family life and health issues, (c) education and life skills upgrading, (d) needs and aspirations, (e) work place issues, (f) relationship with other workers, and (g) community involvement. Most of the questions were close-ended questions, but several included options for "other" or "please specify" and at the end of the survey workers were thanked and asked if they had any additional comments before the interview ended. The survey at the nine factories began in late August, 2000 and ended in early October, 2000.

9. **Focus Group Discussions (FGDs) at the factory.** The focus group discussions were completed 16 February 2001 and the data is currently being analyzed. They were designed to explore more deeply the major issues and findings that had been raised in the survey. Four FGDs in each factory (except one large factory where there were 13 FGDs) were conducted with the following 4 groups of workers: (a) single females, (b) married females, (c) single and married females, and (d) single and married males. In one factory where the number of male workers was very small, the last two groups were combined into one group. Each FGD consisted of 10 to 12 workers selected by stratified random sampling and asked to participate in the discussions on a voluntary basis. The criteria for stratification included: marital status, gender, age, education, factory division, and duration of service. At one smaller factory, which had a sample size of less than 100 respondents for the quantitative survey, the researchers added the criteria that FGD participants should not have participated in the survey. Half of the focus group discussions were conducted at private locations in the factory with no possibility of management or others eavesdropping or observing, and half were conducted at various facilities outside the factory. In accordance with GA policy, no FGDs were carried out with live recording devices. The FGDs at the nine factories began in early December, 2000, and were completed by 16 February, 2001.

10. **Country and factory reports.** There were two types of comprehensive reports submitted to the GA as the final outputs of the assessment, namely the country reports and the factory reports. The former consisted of the aggregate data obtained from the survey and the FGDs at the nine factories, while the latter described in greater detail the survey findings and the FGD outputs at each factory.

11. **Factory presentations.** The presentations of the survey findings and the FGD outputs will be made to management and PT members at the nine factories when the analysis is completed. The management and PT members will then be invited to comment on the findings of the survey and the FGD at their respective factories.

2.3 Population and Sample Sizes at Participating Factories

The nine Nike contract factories that volunteered to participate in the Global Alliance assessment process consist of seven footwear, one apparel, and one equipment and accessories producer -- with a combined total of 53,810 workers.

Approximately 4,000 workers (6.2% of the total number of workers) at the nine factories were selected randomly to participate in the assessment. To achieve a representative composition of the selected workers, this sample size was drawn in the following fashion:

1. The list of the total number of workers of each factory was randomly sorted out by gender. The outcome of this sorting was a list of female and male workers at each factory. The lists were further used as a sampling from which the number of workers to be interviewed at each factory were randomly selected. The quota for each factory was set at around 6.2% of the total number of workers at each factory.
2. The quotas for both females and males at each factory were made on the basis of their respective shares of the total number of workers at each factory. An over sampling of both females and males were reserved as substitutes to replace those who had been selected but were not available at the time of the interview due to sickness, being on leave, working on the night shift, or their inability to leave work during working hours. The number of substitutes at the respective factories range from 25 to 150 for females, and from 3 to 50 for males, depending upon their respective sample sizes. In the final sample, there was a slight under representation of males.
3. The selected number for females and males at each factory were further screened to identify their marital status and work divisions. This step was undertaken to make sure that the interviewees had been proportionally distributed amongst married and unmarried workers, and the existing divisions at each factory. Attention was also given to ensure proportional shares of workers with different educational backgrounds. Arrangements were made to ensure shift workers were included in the survey. The implementation of the field survey at the nine factories was begun in late August, and was completed in early October, 2000. The FGDs at the nine factories started to be held in early December, and were completed in mid February, 2001.

2.4 Limitations of the Study and Lessons Learned

The researchers have noted several limitations and weaknesses in the assessment process. Some of them are primarily due to the methodological problems, while others are due to the administration in the field.

1. This assessment was not designed or intended to look in-depth at code-compliance issues or to verify specific incidents reported by workers. The purpose of this assessment is to learn about the workers' perceptions and aspirations. When code-compliance issues did surface, the Global Alliance reported this information to the compliance staff at Nike. However, because of the importance of respondent

confidentiality and protection against possible retaliation, neither Nike nor the Global Alliance has the necessary detail to follow-up on specific reported incidents or to verify these reports. For example, based on the quantitative and qualitative information, it appears there may be a problem with sexual and verbal abuse in several of the factories, but without further study, it is difficult to fully determine the depth and scope of the problems raised in the following section. In order to protect the identity of respondents, focus group participants were selected by stratified random sample. This process is sufficient in obtaining information about the general worker population. However, it does not allow researchers to follow-up with respondents who may have reported an incident.

2. By comparing the results of the in-depth interviews with factory personal and survey data from workers, the researchers learned that workers sometimes have different interpretations of definitions. For example there were different interpretations of the definition of “job skills training”. Some of the workers, as represented in their responses, included informal “on-the-job” training received from co-workers and supervisors as job skills training, while the management defined job skills training as formal structured training. During the data processing and cleaning, the researchers eliminated these inconsistencies through data quality control.
3. In the quantitative survey, a series of eight items addressed the worker’s overall feelings and attitudes about job satisfaction and six items addressed personal development. The items were positively worded statements rated on a four point agree/disagree scale with no midpoint. During the data cleaning process, researchers discovered that workers had difficulty answering the question the way that it was worded. After consultation with Attitude Resources International, a specialist in attitudinal surveys, it was determined these questions should be dropped and re-designed in the next questionnaire.
4. In order to conduct 4,004 hour-long interviews without creating major production delays for the factories, the interview time was limited to approximately 60 minutes. This prohibited data collectors from probing responses or asking for follow-up clarification.
5. At the time of the survey, in order to conduct research in communities, it was necessary to apply for permission from local authorities, which can be a lengthy process. For this reason, the quantitative survey was conducted on-site at the factory in private, confidential settings. However, fifty percent of the focus groups were conducted off-site.

CHAPTER III: DETAILS OF WORKPLACE FINDINGS

Introduction

Over the last 20 years, Indonesia has experienced the rapid industrialization and growth of its formal manufacturing sector, which in 1999 employed about 17.8% of its workforce (ILO, 1999a). According to a study conducted by the International Labour Organization (ILO, 1995), these new jobs have brought with them better working conditions and improved quality of life for a limited number of Indonesian workers employed in the formal economy. This transition to a more modern and industrial economy, however, has also brought with it a new set of work place issues and challenges.

An ILO advisory mission report in 1995 noted that many factory workers in Indonesia face a range of problems and concerns relating to their working conditions. These problems include: lack of access to adequate and clean toilets, safe drinking water, food canteens, lockers and showers; long daily working hours with insufficient weekly rest or annual leave, and often without adequate compensation for overtime; and lack of protection against unfair termination of employment. Women workers experienced particular problems in their employment such as non-compliance with maternity provisions; problems associated with night work; compulsory overtime work, especially for those in manufacturing; sexual harassment; and health problems, particularly chronic disorders associated with excess noise, hazardous substances, poor nutrition, sanitation, and eye strain (ILO, 1997).

This needs assessment in Indonesia of 9 Nike contract factories, conducted by the Global Alliance over the past four months, did not examine workplace conditions in-depth, since its emphasis remains on identifying workers' aspirations and developmental needs. However, the study did include a number of important workplace-related questions. This chapter covers such issues as compensation and recognition; satisfaction with, and importance of, factory facilities and benefits, with a focus on health concerns; four types of harassment and abuse; and relationships with co-workers, line supervisors, management, and labor union representatives.

It's important to recognize that each participating factory is different, with its own assets, challenges, cultures, and set of circumstances. Chapters III and IV seek to provide the general views and perceptions of the more than 4,450 workers who participated in the assessment process from all nine factories, while also giving specific examples from the more in depth interviews and focus groups conducted to date, as a way to provide greater detail and more personal anecdotes. Some of the charts show information factory by factory, so that readers can see the range of views and issues in each one. Some information is also presented by gender and age, again to give a sense of the differences among various groups within the factories.

It should be noted that the CSDS researchers have found it difficult to measure both the depth and scale of some of the issues included in these two chapters, particularly reports of sexual harassment and workers' deaths. This study was not intended to be an in-depth investigative effort and, in order to assure respondent confidentiality and protection against any possible retribution, Nike and the Global Alliance are unable to identify respondents or perpetrators to verify or investigate specific allegations.

For the purpose of this report, data from workers is taken at face value and reported. For inclusion of qualitative comments, however, all of the following reporting criteria was met: (1) items were reported by two or more workers; (2) items were reported to two or more data collectors (in the case of focus group discussions, two or more researchers confirmed the reports); and, (3) different reports on the same incident or issue had a level of consistency in the way they were reported.

3.1 Worker Demographic Profiles

Gender, age, and educational attainment

The majority of workers at the nine Nike contract factories who participated in the GA assessment are young adult women who came to the factory with limited work skills and a junior or senior high school education. Most of them had traveled from their homes in search of employment. In the focus groups, workers reported three avenues to obtain employment: (a) a friend or relative introduces them to the factory; (b) the worker pays a fee to an organization specializing in recruitment; or (3) the factory Human Resources personnel recruits employees from the local Manpower office. On average, these workers had been employed at the factory for a little more than three years.

The figures and table below show the gender, age, and educational composition of the workers in the GA sample. The majority of the workers (83.2%) are young female workers with an average age of about 23. Most workers (57.6%) are between 20 and 24 years of age, and 26.3% are between 25 and 29 years old. Almost half (46.6%) have graduated from senior high school, while about 39.4% have only completed junior high school.

Figure 3

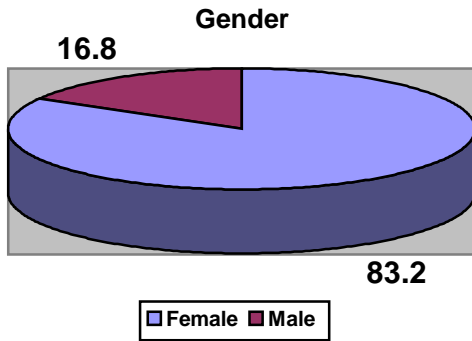


Figure 4

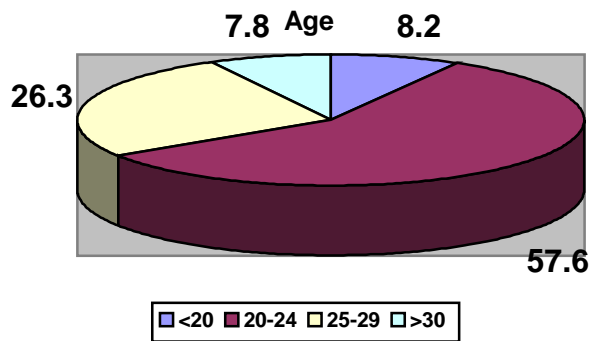


Table 1: Educational attainment

Education	%
No schooling	0.2
Did not complete PS	1.0
Primary school	11.0
Junior high school	39.4
Senior high school	46.6
University diploma/strata 1	1.6
Total	100.0

Compared with the educational attainment of the labor force in Indonesia, the educational level of most workers in the nine Nike plants is clearly higher than average. Statistics in 1999 indicate the majority (51.3%) of the work force in Indonesia were

workers with only a primary education, while the proportion of workers with secondary education was about 19.1%.

Marital status and children

The majority of workers (60.3%) in the sample are single, while about 37.8% are married and live with their spouses. There are very few workers who are divorced or widowed. Among those workers who are married or who have ever been married, about a quarter of them have no children, 56.1% have one child, and 14.9% have two children. Most workers (65%) plan to have about two children, while about 22% plan to have three. It appears that the ideal number of children (two) frequently promoted by family programs, has been internalized by the workers. The majority of workers' children are still relatively young. Nearly half (49.4%) are between one and five years of age, about 27.7% are in the 6 to 12 bracket, and 14.5% are less than a year old. Almost all the children who are of compulsory ages (7 to 15) are still enrolled in school. Most (71.5%) are in primary school, while about 11.1% are attending junior high school. (Since 1984, there's been a nine year compulsory education policy in Indonesia for 7 to 15 year olds to attend primary and junior secondary school. The participation rate in primary education has currently reached 100%, while the current rate for young people attending junior secondary school is 80%.)

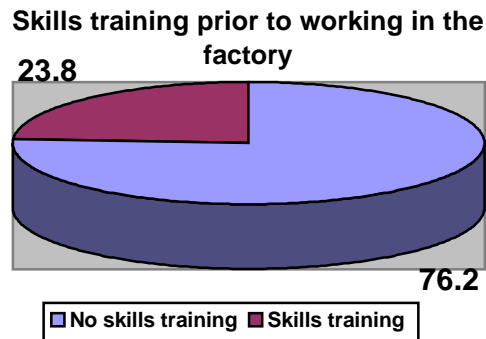
In the focus group discussions, when workers were asked why they sometimes feel sad, some young parents reported living separately from their small children. Those workers explained that due to the lack of affordable child care options and high cost of schools in the greater Jakarta area, they were forced to leave their children behind in their hometowns with extended family. For this reason, annual leave and long-distance communication is very important to young parents.

About 20.1% of the workers reported they are responsible for the financial and emotional care of individuals outside of their immediate family. About 46.8% of these workers have a responsibility to care for their cousins, while 16.8% care for their elderly relatives.

Skill levels of workers

The majority of workers in the sample (76.2%) had no job-related skills training prior to working in the factories. Most of the skills training acquired before joining the factory were from previous factory work experiences. At two non-footwear factories, however, a large number of the workers (35.6% and 59.1% respectively) obtained their previous skills training from vocational courses.

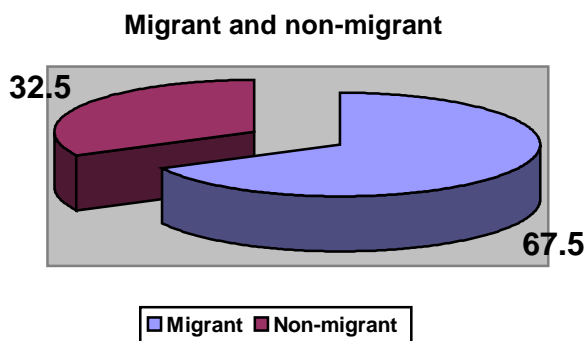
Figure 5



Where workers come from

The study reveals that the majority of the workers (67.5%) in the sample are migrants from West Java and Central Java. The rest were recruited from the areas surrounding the factories. Seven of the nine Nike contract factories are located in the regions of Tangerang, Serang, and Cileungsi, which are adjacent to Jakarta. The other two Nike contract factories are located in Jakarta and Bandung (West Java), which is about 300 km south of Jakarta.

Figure 6



The primary reason workers gave for why they relocated was to look for a job (47.4%). Other explanations included wanting to live near their work place (16.9%), and moving to be with their spouse (15%). In the FGDs, some workers also reported wanting the independence of living outside their parents' homes.

Where workers live

Almost a third of the workers (31%) stay in their own houses. About 21.5% rent a nearby row house (a long house partitioned into several small units with limited space), and 19.1% rent a room outside the factory. In one factory, dormitories are available free of charge to about 10,000 unmarried workers. Of the respondents, 30.5% live with their own family, while about 18.2% stay with their co-workers. Those who stay with their parents and relatives are about 17% respectively.

Length of service in the factory and rotation

On average, workers in the sample population reported that they have been working in their factory for a little over three years. Results from the key factory personnel interviews indicate that workers think that rotations are provided to only a few workers from certain divisions. The explanations for limiting rotations include: (a) each division requires specific skills to operate the equipment, (b) specific training is needed to obtain these skills, and (c) there are only a few workers with sufficient prerequisites that get the opportunity for further training. In focus group discussions workers reported the purpose of rotations is to place pregnant workers at divisions with lighter work, and to increase the production when there are changes in order levels from buyers. However, in some cases, rotation is perceived as a form of punishment.

3.2 Compensation and Recognition

Wage determination in Indonesia is generally characterized by a relatively high degree of government involvement through the enforcement of the UMR or the Regional Minimum Wage in each region. This minimum wage is determined on a basis of the needs of a single male with no dependents. The minimum wage in the regions of DKI Jakarta and West Java was increased from Rp 286,000 (US\$ 32.9²) to Rp 344,257 (US\$ 39.6) on September 1, 2000. In early January 2001 the regional government of DKI Jakarta re-increased the minimum wage for DKI Jakarta to Rp 426,250 (US\$ 49), which is effective as of February 1, 2001 (Kompas, January 13, 2001). It should be noted that the workers' minimum wages at the nine factories were recorded prior to the increase of UMR in September 1, 2000. With the minimum wage increase in September, minimum wage earners were earning 22.5% above the per capita GDP.

In the survey, respondents were asked two questions about their monthly wages. First they were asked what their base monthly salary is without fringe benefits, bonuses, or overtime; and then they were asked their total monthly salary including all benefits, bonuses, and overtime. It should be noted that workers reported on their perceptions. This research is not designed to make determinations about actual wages. In addition, it should be noted that the following figures may not account for legal payroll deductions.

The majority of surveyed workers, or 96.2%, reported their minimum wage salaries were at or above the official regional minimum wage of about Rp 286,000 (US\$32.9). The average base monthly salaries reported at the nine factories were between RP 294,140 (US\$33.8) and Rp 342,790 (US\$39.4). About 3.8% of the workers in all nine factories reported their base monthly salaries below the level of the previous regional minimum wages for the two respective regions. Those lower figures were found to be between Rp 200,000 (US\$23) to Rp 270,000 (US\$31), while the regional minimum wages were about Rp 286,000 (US\$32.9).

² Note that for the purpose of this study which was conducted from August to October, 2000, the exchange rate on September 10 was used US\$ 1 = Rp 8,700.

In addition to base monthly salaries, workers reported their total compensation includes fringe benefits (e.g. allowances for transportation, meals), bonuses (e.g. production, attendance, and length of service), and overtime. Workers report that the average total monthly salaries at the nine factories are recorded between Rp 471,550 (US\$54) to Rp 614,150 (US\$70.6). However, there was a wide range recorded, the highest Rp 1,700,000 and the lowest about Rp 271,000. With a standard weekly working days of about 6 days, the average total monthly salaries at the nine factories are about Rp 19,648 to Rp 25,590 per day, or equivalent to US\$ 2.26 – US\$ 2.94). Using a standard working hours applied in the larger enterprises of about 7 hours, the hourly wages at the nine factories are about US\$ 0.32 to US\$ 0.42. These hourly wages are much higher than the overall hourly pay of the production workers in Indonesia in 1999, which was recorded at US\$ 0.17. (Irawan et al., 2000).

In focus groups discussions in four factories conducted to date, it was reported that there was a lack of understanding about how payroll deductions are calculated, such as taxes and welfare allowances. In response to a question about why workers are satisfied with their jobs, in one factory respondents reported their wages are better than that of workers in other nearby factories. Although they reported their pay it was not sufficient to meet the growing cost of living, particularly after the economic crisis. Workers with families feel there should be allowances made for children and other dependents. There is also some dissatisfaction because respondents perceive certain groups of workers (males and workers in press division) are paid higher take home wages (includes bonuses and allowances). In fact, Hotpress workers are paid more because the job is more physically demanding and therefore the pay is higher.

Monthly salaries by factory

The table below shows the average monthly salary as reported by workers by factory: (measurement: 1,000 Rp)

Table 2: Unverified workers' perception of basic monthly salary without benefits, bonuses, overtime
(in 1,000 Rp.)

	F1	F2	F3	F4	F5	F6	F7	F8	F9	Total
Average basic monthly salary	322	323	321	326	343	342	308	323	294	324
Average total monthly salary	453	560	492	614	606	532	472	761	535	538

Following are the workers' unverified average monthly salary as they reported it by age group: (measurement 1,000Rp). The increased wages according to age may actually be related to length of service and/or position rather than age.

Table 3: Unverified workers' perception of average monthly salary including benefits, bonuses, and overtime as reported by age group (in 1,000 Rp.)

	Below 21	21-25	26-30	Above 30	Total

Average basic monthly salary	310	321	337	364	324
Average total monthly salary	520	530	555	633	538

The following are workers' unverified average monthly salaries as reported by them by gender, showing that female workers receive slightly lower monthly salaries than male workers. Some workers believe the difference in pay between males and females may be related to reduced tax for married males who are considered the "head of the household." In focus groups at four factories, it was reported that there were perceptions of wage discrimination against women. Although respondents believed women receive the same base pay for the same jobs, they perceive males receiving medical and other allowances and fringe benefits. Further analysis would need to be conducted to determine if this gap is due to different positions between gender. In all nine factories, male workers tend to dominate physically demanding positions such as press and rolling divisions, while female workers tend to dominate work in the sewing and assembling divisions.

Table 4: Unverified average monthly salaries reported by workers (in 1,000 Rp.)

	By gender	
	Male	Female
Average basic monthly salary	337 (US\$38.7)	321 (US\$37)
Average total monthly salary	555	534

About 17.5% of the respondents say they are the only source of income for the household, ranging from 10% to 26%, depending upon the factory, 82.5% of the workers say they are one of two or more income contributors to their household. There is no significant difference in average total monthly salary reported in terms of marital status and education level.

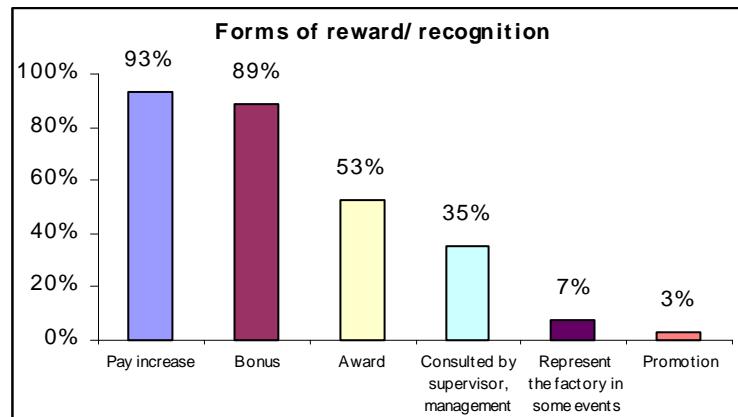
Popular forms of rewards and recognition

Compensation (including pay increases and bonuses) and recognition can have a significant impact on the level of workers' morale and commitment to the factory. This study indicates that the vast majority of the workers (about 95%) in all the nine factories have received pay or wage increases in the last twelve months. Percentages of those who received pay increases range from 81% to 98%, depending on the factory. Reported pay increases are consistent with increases in the regional minimum wages (UMR). Focus group respondents in several factories appreciate that they are paid more when compared to other factories. Yet, in these same focus groups workers suggested that their base wage is quite low and does not adequately meet the increased cost of living and other needs. It was suggested that the government wage increases lagged behind the cost of living increases.

In addition to pay increases, about 92% of the workers reported that they received attendance bonuses, and 47% were awarded production bonuses. Only about 2% of the workers reported that they obtained position bonus -- provided to the workers who secure supervisory positions at the factories. Focus groups in five factories reported that only line supervisors (not line operators) are eligible for production bonuses, except in the hot press division. In one factory, FGD respondents reported this situation creates incentives for line supervisors to start early, shorten break time, or stay late

without overtime pay until workers reach their targets. These workers in this focus group also reported production bonuses and/or production targets can be the source of stress and harassment from line supervisors.

Figure 7
Popular forms of reward/recognition are shown in the following chart:



3.3 Overtime and Annual Leave

The assessment indicates that about 39% of the workers say that they are dissatisfied with the overtime from the factories. The study does not elicit specifically workers reasons for dissatisfaction, although in several factories, focus group discussions explored this issue. Respondents in four focus groups at one factory reported that workers are not well informed about the standard formula to calculate their overtime pay. As they do not know how their overtime compensation is fixed, they may feel that the compensation is inappropriate. In addition, overtime work at this factory in peak seasons is extremely high, workers in all four FGDs conducted reported being periodically required to work overtime until 10 p.m and on some Sundays. Although overtime is voluntary, in practice, respondents in FGDs at all 9 factories reported that workers receive pressure from management to sign a statement agreeing to overtime. The workers perceive overtime work on Saturdays and Sundays to be obligatory. Workers in 7 factories focus groups reported that annual leave is often denied, cut, or compensated with money – leaving workers with no opportunities to take their leave.

Excessive or compulsory overtime has become a widespread issue across various industrial sectors since the release of the 1989 Manpower Ministerial Decree. The decree releases companies from the obligation to obtain a permit for regular overtime, and allows employment of workers for more than 9 hours a day and 54 hours a week. In practice, employers have tended to fix regular overtime in an unfair fashion, with no provision of a minimum of two days of weekly rest a month, two weeks annual leave, and adequate compensation as specified in the decree (ILO, 1997).

In focus groups at all nine factories, workers in some divisions, particularly sewing, are reported to have difficulties in obtaining sick leave, even if the workers are seriously ill and collapsed at work. If the workers collapse, they are asked to take rest at the factory, and asked to continue working when they wake-up. Sick leave is supposed to be given after the workers get a permit for leave from a doctor at the factory clinic. But according to FGD respondents in all 9 factories the procedures are complicated and workers are sometimes shy to request permission.

3.4 Workers’ Relationships with Co-workers, Line Supervisors, and Management

Workers were asked about the level of satisfaction they feel about their relationship with co-workers, direct supervisors, management, and labor unions. The study shows that the majority of workers (93.1%) are satisfied with their work relationship with co-workers. About 73.4% are satisfied with their work relationship with direct supervisors, 67.8% are satisfied with their relations with factory management, and 77% with the labor union. Over one-fourth (26.4%) of the workers reported dissatisfaction with their work relationship with direct supervisors, and about one-third (32.2%) are dissatisfied with their work relationship with factory management. About 23% are dissatisfied with their relationship with the labor union.

In further analysis of the findings on verbal abuse, an issue discussed in the next section, the data reveals that harassment does not always come from direct supervisors, but other supervisors, section heads and managers and expatriates as well. When an analysis was made of workers reporting having experienced harassment and their level of satisfaction with relationships with direct supervisors and managers, we found a correlation between those having experienced harassment and lower levels of satisfaction. In focus group discussion, workers reported that harsh words or verbal abuse are common in their factory environment and considered a normal part of these relationships. Therefore, even workers who report verbal abuse may be satisfied with these relationships.

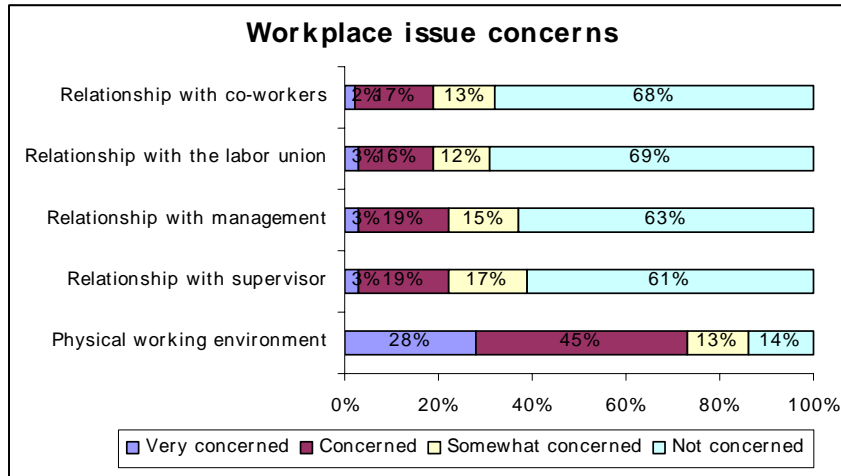
Table 5: Relationships with co-workers, line supervisors, and management

Relationship with	Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	Total
Co-workers	17.7	75.4	6.6	0.3	100
Direct supervisors	7.7	65.7	24.7	1.8	100
Management	5.3	62.5	30.1	2.1	100
Labor union	7.9	69.1	21.5	1.5	100

When workplace relationships are compared with the issue of physical work environment, the majority of workers (72.4%) are more concerned with the physical environment at the factories, such as dust, noise, heat, and hazardous work equipments.

This may be due, in part, to increased awareness and training about these issues from regular health and safety information provided by the factories' labor practice staff.

Figure 8: Workplace Issue concerns



Most workers (75.4%) still say they are comfortable sharing ideas or suggestions with their line supervisors. However, about 43.5% said that their line supervisors are only sometimes willing to listen to their ideas or suggestions.

Sexual harassment, physical and verbal abuse

Since literature has demonstrated consistent under-reporting of harassment by survey respondents (3), workers were asked two questions about whether, in the last year, they had either *observed* or *personally received* any of the following unwelcome treatment or attention from a line supervisor or manager while in this factory. The following five options were read to the respondent: unwelcome sexual comments, sexual touching, physical abuse, verbal abuse, and/or other (specify).

If respondents asked the data collector for more clarification on any of these terms, the following definitions were used for the purpose of this survey:

- General definition of harassment and abuse: treatment by a supervisor or manager at work which is considered by the respondent to be unwelcome, not acceptable, uncomfortable, unwanted, or hurtful.
- Unwelcome sexual comments: inappropriate words such as impolite notions that have sexual contents and/or intentions;
- Sexual touching: touching with sexual intention, such as touching a sensitive (private) part of the body which is unwelcome to respondent;
- Physical abuse: harsh physical treatment such as hitting, pushing, slapping, kicking, and/or throwing something; and,
- Verbal abuse: harsh remarks such as swearing, using abusive words, shouting and/or yelling.

Since this report is based on workers' perceptions, workers were asked in the FGDs how they define each of the four types of harassment. The workers in all of the FGD were embarrassed and shy about discussing the definition of sexual harassment, which is particularly shaming in a Muslim society. They described "unwelcome sexual comments" as inappropriate and dirty words related to sexual relations and/or private parts of a woman's body. These comments embarrass and humiliate the workers, and are considered extremely insulting by both men and women in this Islamic society. The respondents defined "unwelcome sexual touching" as any inappropriate and unwelcome physical contact to sensitive parts of a woman's body such as breast, buttock, and upper thighs. Verbal abuse was described by the workers as harsh or unkind words, angry shouts, and words that humiliate and cause shame such as names of animals and insults to the workers intelligence. Physical abuse is defined as harsh treatments that frighten and hurt workers, such as throwing something (materials, shoe parts, or molds)

³ Magley, V.J., Hulin, C.J., Fitzgerald, L.F. & DeNardo, M., (1999). Outcomes of Self-Labeling Sexual Harassment. *Journal of Applied Psychology*, 84, 390-402.

near or at workers, slapping, pinching, or denying access to the toilet for extended periods of time.

As the Table 6 illustrates below, reporting of the four types of harassment and abuse ranged from factory to factory. Overall the assessment process revealed reports of various forms of harassment and abuse, with verbal abuse being by far the most frequent type of abusive treatment, with 56.8% of the workers reporting that they have observed verbal abuse and 30.2% having reported personally experienced it. There were also reports of sexual abuse, including sexual touching (15.8% observed and 2.4% received) and sexual comments (25.7% observed and 7.8% received), as well as reported incidents by at least two workers in each of two different factories of sexual trade practices in the recruitment and promotion process. Reported incidence of physical abuse was 13.7% observed and 3.3% experienced.

Comparative information about the extent of sexual harassment and abuse in workplace situations in Indonesia is difficult to find. And the situation cannot be compared to Western cultures because the level of awareness about issues of sexual harassment and rights of female workers is much lower in Indonesia than America and Europe. In fact, terminology to describe sexual harassment has only recently made its way into Indonesian language. In certain local dialects it remains difficult to find appropriate terminology to describe the issue and in one factory located in a rural area, focus group respondents did not understand the term and could not define sexual harassment. However, some recent studies and publications help to illuminate the problem. A recent ILO report (see footnote 2, p. 11), for example, underscores the particularly harsh environment that women working in export processing zones must face on a regular basis (one of the nine Nike contract factories participating in this assessment are located in EPZ's). The ILO report noted that between 60% and 90% of the zone workers are women, often young, and in their first jobs. Many bear the double burden of work and family responsibilities, and there is marked gender insensitivity on the part of employers to their situation. Sexual harassment and abuse is clearly an issue in EPZ. The ILO report noted, for example, that in EPZ women are sometimes asked to perform sexual favors in exchange for having their broken machines fixed by a male technician.

As was noted earlier in the "limitations of study" section, this assessment was not designed or intended to look in depth at issues of harassment. Based on the quantitative and qualitative information, it appears there may be a problem with sexual and verbal abuse in several of the factories, but without further study, it is difficult to fully determine the depth and scope of the problems raised in the following section.

Table 6: Comparison among factories of reported unwelcome harassment and abuse observed or experienced

Factory	Sexual Comments		Sexual Touching		Physical Abuse		Verbal Abuse	
	Obser	Rec'd	Obser	Rec'd	Obser	Rec'd	Obser	Rec'd
F1	25.0	9.7	15.3	3.5	8.6	2.7	57.3	33.4
F2	18.3	6.2	22.8	6.9	5.2	1.0	38.4	24.1
F3	23.0	6.6	6.9	0.9	9.1	1.3	44.3	21.1
F4	28.2	8.2	19.7	0.8	8.5	1.4	51.8	29.3
F5	26.0	7.9	15.6	4.4	27.1	5.3	64.7	34.9
F6	11.9	0.7	9.6	1.6	9.6	1.2	50.7	18.0
F7	32.4	9.2	19.5	1.2	17.1	4.2	62.4	33.5
F8	34.0	13.3	13.7	2.3	9.4	5.5	69.4	42.2
F9	33.8	17.7	10.0	3.8	16.3	13.8	61.3	40.5
ALL	25.7	7.8	15.8	2.4	13.7	3.3	56.8	30.2

Figure 9 illustrates comparison of four types of unwelcome harassment and abuse reported observed in 9 factories:

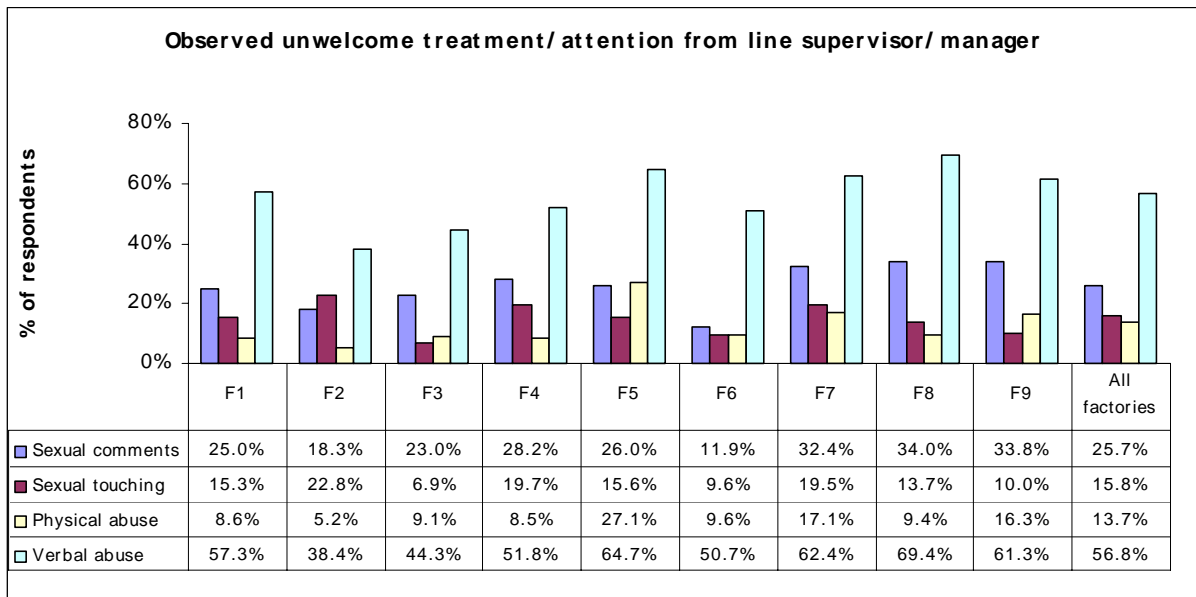
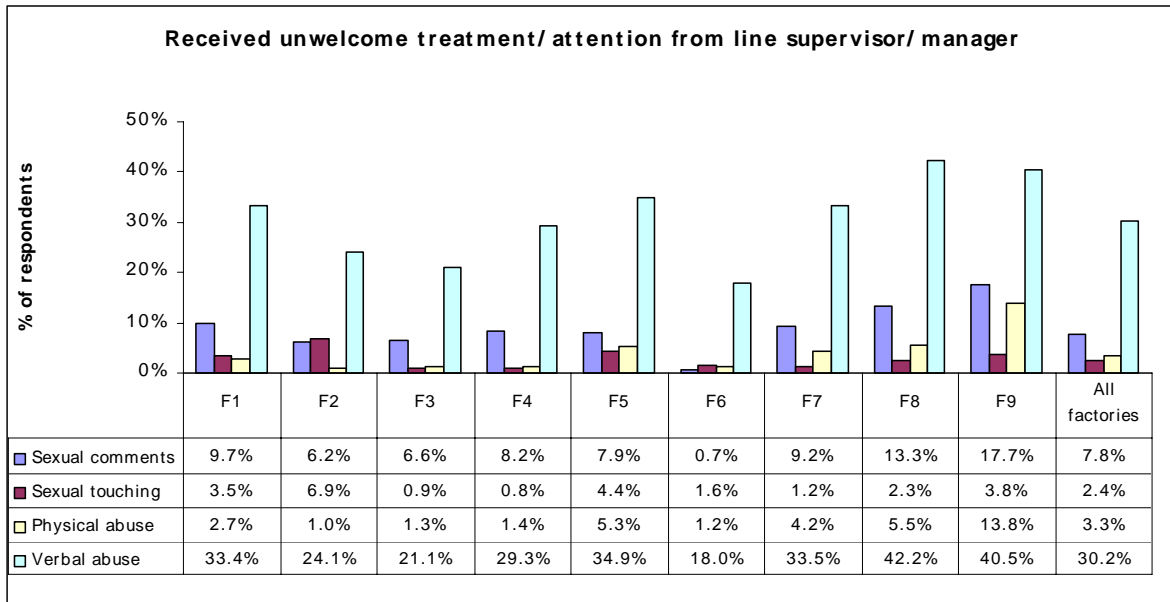


Figure 10 below shows the unwelcome treatment/attention that the workers reported they personally received from the line supervisor/manager within the last 12 months:



(FOR MORE INFORMATION ON NIKE’S INVESTIGATION OF THESE ISSUES, PLEASE SEE PAGE 16 OF THE COMPANY’S REMEDIAITON PLANS THAT FOLLOWS IN SECTION THREE.)

Sexual Comments and Sexual Touching

As noted above, the figures on harassment and abuse vary widely from factory to factory. For example, while 7.8% of the workers overall said that they have personally received unwelcome sexual comments from a line supervisor or manager, in one factory 17.7% of the workers reported personally receiving unwelcome sexual comments. In the same light, while about 2.4% of all workers reported that they have received unwelcome sexual touching from a line supervisor or manager, one factory reported that figure was 6.9%. Additional comments and focus group respondents in five factories indicate that the sexual harassment comes from the expatriates or non-Indonesian managers, local line supervisors, mechanics, and in one factory security guards. Reports of sexual touching such as squeezing breasts and buttocks was reportedly not limited to male perpetrators -- but included female to female. Cases of sexual touching by mechanics who workers rely on to fix broken sewing machines so that they can meet their targets were also reported in focus group discussions in four factories. These type of cases were also reported in an ILO study cited in section 1.4.

In one factory, during the survey it was reported by a small number of workers that they have heard about and seen hidden sexual trade practices involving expatriates in the worker recruitment process. Female workers were reportedly invited to “date” expatriates. If they “welcomed” the invitation, they would get the job right away, while if they rejected the invitation, they would not get the job. It was also reported that these hiring practices are common knowledge in the communities from which workers are recruited. However, during the focus groups discussions at this factory, these

allegations of systematic sexual harassment as part of the recruitment process were not confirmed. Respondents in all of the focus groups at this factory reported that female workers who are attractive are more frequently promoted to office positions where dating between expatriate managers and workers occurs outside the factory and on weekends. But they do not consider it sexual harassment. At this same factory, a number of workers reported that they have never observed anyone at work receiving unwelcome sexual touching from a line supervisor or manager. Other workers reported an incident three years ago when an expatriate was found to have a sexual relationship with a worker at the factory and was deported by the management. In another factory, in all four focus groups, workers reported a manager in the personnel department that for three years sexually harassed candidates during the recruitment process and workers requesting sick leave. This individual was reported to the factory by a job applicant and after an investigation by the factory was fired.

In five factories focus group respondents reported unwelcome practices by expatriates and line supervisors, including the touching and squeezing of the upper and lower parts of workers' bodies. Respondents in two factories said they do not report these violations either for fear that senior managers condone the same practice or that they would lose their jobs. In another factory, it was reported by a small number of workers that one's job welfare is sometimes secured in exchange for sexual favors. In the focus group discussions, respondents shared a variety of isolated cases of sexual harassment in all 9 factories, but did not report any systematic or institutionalized cases of such abuse. The perpetrators were reported to be supervisors, managers (local and expatriate), mechanics, clinic staff, and co-workers. In two cases involving clinic staff in two separate factories, FGD respondents reported that the worker reported the case and the factory management took appropriate corrective measures (suspension and firing).

(FOR MORE INFORMATION ON NIKE'S INVESTIGATION OF THESE ISSUES, PLEASE SEE PAGE 16 OF THE COMPANY'S REMEDIATION PLAN THAT FOLLOWS IN SECTION THREE.)

Physical abuse

Nearly 14% of the workers in the sample reported that they have observed some form of physical abuse from a line supervisor or manager, such as throwing objects, hitting, pushing, shoving. The reported incidence of physical abuse actually received by workers range from a relatively small percentage (1%) in one factory to 13.8% in another. Further study is necessary to determine the exact nature of these abuses, and in particular, the factories in which a higher incidence has been reported compared to the other factories in this study should prompt further investigation and study. Results from the Focus Group Discussions at three factories affirmed that verbal and physical abuse observed by respondents often comes from a number of expatriates and line supervisors. Workers reported observing an expatriate who slapped a young worker, and another who threw a book at a worker when she was slow to bring the materials to the sewing division.

In more than one focus group at one factory, workers reported a line supervisor going to the dormitory to bring a sick worker back to work. FDG respondents in one factory reported in a certain division punishment is given to late workers by exposing them to the sun for about two hours, requiring them to clean the toilets or run around the factory

grounds. The focus group respondents reported that physical abuse comes from supervisors or managers, and a number of expatriates. Kinds of abuse most commonly reported in focus groups at three factories include throwing outsoles at workers or hitting them. Other physical punishment includes denying use of the toilet. The workers report cases of physical abuse escalates when supervisors and managers are under pressure to meet target, orders are late, or materials do not arrive on time.

Verbal abuse

The incidence of verbal abuse among workers is strongly marked, with 56.8% reporting they have observed it, and 30.2% of the workers reporting they were the objects of verbal abuse from a line supervisor or manager. At one factory the figure reaches 42.2%. Another question in the survey asked workers if their direct supervisor uses harsh/unkind words when speaking to them and if so the frequency of these comments (always, sometimes, rarely, never). The following chart illustrates the wide range of frequency from one factory to another:

Table 7: Frequency of Harsh Words From Direct Supervisor

Frequency	F1	F2	F3	F4	F5	F6	F7	F8	F9
Always	37.8%	4.1	3.1	2.2	2.6	0.2	2.5	25.0	19.0
Sometimes	41.8	12.8	10.7	14.2	16.3	10.0	20.6	47.3	38
Rarely	11.9	4.8	6.0	15.9	8.1	5.7	10.6	11.7	12.7
Never	8.2	78.3	80.2	67.7	72.8	84.2	66.1	16	30.4

If the respondent answered in the affirmative that their direct supervisor uses harsh/unkind words, they were asked to specify with an example. Common examples reported in all factories included insults about workers' intelligence, calling workers insulting animals, using angry and harsh tones. Workers in all of the factory FGDs reported that verbal abuse is common and happens several times through out the day, particularly in the sewing department. The yelling and shouting make them nervous and worried, causing them to make mistakes or be less efficient. In three factories FGDs, respondents reported becoming accustomed to hearing these unkind words, and report becoming use to it. Less common forms of verbal abuse reported in all 9 of the factories FGDs include angry and shouting tones and statements telling workers to go ahead and die, or wait until you pass out first, in response to requests to use the health services or take sick leave.

In all of the factories, focus group discussions, workers said they believe verbal and physical abuse can be the result of cascading pressures when top management reprimands middle management, middle management reprimands line supervisors, and the workers are verbally or physically punished by the line supervisor. Focus group respondents in all factories reported verbal punishment is often the result of not reaching targeted outputs, sewing machines breaking down, products that are rejected, workers who can't keep up with the line, or workers requesting annual leave.

Possible effects of abusive treatment on psychological well-being

A recent ILO publication noted in general some of the consequences of sexual harassment at the workplace. For the employees, in addition to the damaging physical and psychological effects of such treatment, the victim may lose her/his job or job-related experiences such as training. Sexual harassment can lead to frustration, loss of self-esteem, absenteeism and decreased productivity. In addition to affecting the quality of life and welfare of workers, the study revealed indications that abusive treatment also has an effect on workers' morale and commitment to the factory. For the company or factory, sexual harassment can be the cause behind valuable employees quitting or losing their jobs when they have otherwise demonstrated good performance. Allowing a climate of tolerance of sexual harassment leaves the enterprise with a poor image, and with a growing number of countries where court action may successfully result in damages and fines, financial risks are increasing. 4

Focus group respondents in the majority of factories reported that verbal, physical and sexual harassment make them very nervous and fearful at the factory and often times they bring these concerns home and worry in the evening and when they are trying to sleep. Respondents report that such harassment has a negative impact on their ability to produce efficient and high quality goods.

The following two tables provide some limited analysis about the relationship between a worker observing or receiving sexual comments (Table 8) and verbal abuse (Table 9) with that worker also reporting feelings of stress. Table 8 indicates that reports of feeling stressed are more likely found among the workers observing or receiving sexual comments. Table 9 shows that reports of feeling stressed are more likely found among workers receiving verbal abuse. It should be noted, however, that emotional symptoms such as stress are complex psychological phenomena with ample contributing factors. Work environment is one of the numerous factors affecting the symptoms. Other factors like family-related problems may have some significant impacts on emotional symptoms. Since a one-to-one association test does not allow us to incorporate other contributing factors, we do not know whether abusive treatment at work plays a dominant role in affecting emotional symptoms of the workers in this case.

Table 8: Relation between sexual comments and stress

	N	Reported Feeling Stressed	
		Never	One or More Times
Never Observed Sexual Comments	2947	73%	27%
Observed but did not receive sexual Comments	739	58%	42%
Received Sexual Comments	312	44%	56%

⁴ Source: ILO Report, "Gender!A Partnership of Equals: Sexual Harrassment: A question of Power Relations (ILO webpage, 2001):

Table 9: Relation between verbal abuse and stress

	N	<u>Reported Feeling Stressed</u>			
		Never	1-2 Times	3-5 Times	5+ Times
Never Observed Verbal Abuse	1640	79.0%	15.1%	3.5%	2.4%
Observed but Did Not Receive Verbal Abuse	1152	66.1%	22.7%	5.9%	5.3%
Received Verbal Abuse	1206	54.8%	24.8%	9.4%	11.0%

3.5 How the Workers Solve the Problems at Work

Workers were asked who they would go to in the factory to solve or deal with specific problems. The following is an analysis of how comfortable workers are in asking various people in the factory for assistance when there are problems relating to their direct supervisor, their co-workers, or issues related to working conditions.

Problems with direct supervisor. Approximately two thirds of the workers (66.2%) say they would feel comfortable asking for assistance from a friend at work if they were having a problem with a line supervisor. About 67.4% would also feel comfortable addressing the problem through the suggestion box. About 61.7% would go to a factory union representative and 43.9% would go to a labor practices representative in the plant for assistance to deal with the problem. About a third would go to factory management or to other union representatives outside of the factory for assistance.

Problems with co-workers. About 65.2% of the respondents reported they would feel comfortable asking for assistance from a friend at work if they were having a problem with a co-worker. Over half (61.3%) would also feel comfortable addressing the problem to somebody through the suggestion box. A little more than half of the workers would go to a line supervisor and factory union representative for assistance to overcome the problem. About 38.8% would feel comfortable asking for assistance from the labor practices or corporate responsibility representative in the plant. Almost one-third (30.4%) would feel comfortable asking factory management and 27.7% said they would go to union representatives outside of the factory for assistance.

Despite the fact that a large number of workers report feeling satisfied with their working relationship with management, they don't consider management a good place to request assistance if they were having a problem with a line supervisor or a co-worker.

Problems with unhealthy work conditions. The majority of workers (72.2%) reported they would feel comfortable asking a line supervisor for assistance if they were having a problem with unhealthy work conditions. About 67.9% of workers would also feel comfortable addressing the problem through the suggestion box. About 63.1% would go to a factory union representative and 60.1% to factory clinic staff for assistance to overcome the problem. About 55.6% would ask for assistance from labor practices representative in the plant and 45.7% from the management at the factory.

Problems with unfair treatment at work. The majority of workers (62.1%) say they would feel comfortable asking for assistance from their factory union representative if they were having a problem with unfair treatment at work. About 63.9% would also feel comfortable addressing the problem to somebody through the suggestion box. About 61.4% would go to a line supervisor and 42.9% to a labor practices representative in the plant for assistance, while only 39.1% who would feel comfortable asking the management at the factory for help.

3.6 Workers' Perception of Factory Facilities and Resources

Workers were asked to identify which workplace facilities they considered important, how often they used those facilities, and what level of satisfaction they felt regarding each one.

The assessment shows most of the workers consider the following facilities are important: the food canteen, clinic, rest room, praying place, place for break, family planning services for married couples, the bank, uniform clothing, and overtime compensation. The availability of non-formal education programs and job skills training at the factories was also viewed as important to workers. In addition, the majority of workers consider the factory's transportation to and from the work place, the factory dormitory, and child care were all important to the quality of their lives. There was a relatively high worker dissatisfaction with the canteen, the health clinic and the factory uniforms.

It should be noted again that the factories are different. Not all of the above mentioned facilities, for example, are available at all nine factories. Day care for children, for example, is not available at every factory. A factory dormitory for line operators is provided free of charge by only one factory. At a few other factories, the dormitory is provided to a small number of staff and expatriates. Banks and transportation are provided at a few factories.

A majority of the workers use the following on-site facilities on a daily basis: food canteen (67.5%), rest rooms (96.8%), praying place (91%), and place for break (63.3%). Most workers (83.5%) go to the clinic 1 to 2 times a month for health care. However, only about 6.5% of the workers make use of the family planning services. This may be because most of them are still unmarried, and feel the services are not necessary for their current status.

In spite of the large number of workers (92%) who feel the availability of a non-formal education program is quite important, most of them (88.6%) have never participated in such a program. Interviews of key factory personnel at one factory suggest that the non-formal education at the factory provides only the C program -- which is equal to senior secondary education, and requires three years to graduate. As this is an intensive course which is provided almost every day for three hours in the afternoon, the participants have almost no opportunities to do overtime work, and thus lose the chance to make additional income. Married workers especially feel that the class consumes much of the time they reserve for household chores, so they must decide which trade-off to make.

Non-formal education consists of government recognized out-of-school programs that provide education to people who have dropped out of formal education prior to

completion, or to people who would like to resume education to a higher level. The programs provide three packages. The A package is equal to primary education, B is equal to junior secondary education, while C is equal to senior secondary education. The lessons are provided in modules, and given by trained tutors. Final exams are made at the end of the course by the Ministry of Education.

At some other factories, the non-formal education provides those three packages. However, the capacities of these classes, which are held in the evening, are quite limited, and can only accommodate around 100 to 300 participants each year.

Table 10: Level of importance of facilities

Facilities	Very Important	Important	Somewhat Important	Not Important	Total
Canteen	50.4	45.0	3.4	1.2	100
Clinic	60.4	37.9	1.4	0.3	100
Rest room	67.2	32.5	0.3	0.0	100
Praying place	75.9	24.0	0.0	0.1	100
Place for break	47.4	50.4	1.6	0.6	100
Family planning Services	26.9	56.3	9.7	7.0	100
Day care for children	14.9	40.0	15.3	29.8	100
Non-formal education	40.6	51.4	5.2	2.8	100
Job skills training	37.5	57.2	4.0	1.2	100
Recreation	21.9	58.9	15.6	3.6	100
Factory dormitory	26.5	52.2	10.8	10.5	100
Transportation	56.2	38.8	2.7	2.4	100
Bank	21.0	60.9	11.4	6.7	100
Uniform clothing	56.7	38.5	3.1	1.7	100
Overtime pay	69.7	29.6	0.7	0.0	100

The following table shows the workers' level of satisfaction with the facilities provided by the nine factories. Except for the food canteen, clinic services and uniform clothing, most workers are generally satisfied with all the facilities available at the nine factories. The table notes a large number of the workers are not satisfied with the services of the food canteens (54.9%), factory clinics (42.9%), and uniform clothing (42.8%).

Regarding the food canteen, workers in all of the factories that have canteens reported dissatisfaction with limited food choices and daily menu. It should be noted that these meals are generally provided free of charge. Respondents would like the factories to provide workers with meal allowances. At two factories several FGD respondents reported the canteen is dirty and smelly and cramped; the food is not hygienic, and

meals served for the night shift workers are leftovers from lunch. Not all factories provide meals for night shift workers or overtime. Workers from three of those factories that do, report the bread is not fresh. At two factories workers in FGDs reported being happy with the canteen and liked the fact that they could choose among 2 or 3 options.

Table 11: Worker satisfaction with facilities available at the factories

Facilities	Very Satisfied	Satisfied	Not satisfied	Total
Canteen	3.9	41.3	54.9	100
Clinic	4.4	52.7	42.9	100
Rest room	7.8	68.5	23.6	100
Praying place	12.8	73.0	14.3	100
Place for break	6.2	68.6	25.2	100
Family planning Services	6.2	81.9	12.0	100
Non-formal education	28.2	62.1	9.7	100
Job skills training	3.9	78.5	17.6	100
Recreation	4.5	69.5	26.0	100
Factory dormitory	7.9	54.5	37.7	100
Transportation	8.3	58.7	33.0	100
Bank	6.1	75.4	18.4	100
Uniform clothing	5.1	52.0	42.8	100
Overtime pay	3.8	57.2	39.0	100

CHAPTER IV: FINDINGS ABOUT WORKERS' QUALITY OF LIFE CONCERNS, NEEDS AND ASPIRATIONS

One of the cornerstones of the assessment process is to gain insight into the needs and aspirations of workers. What are their concerns about their own health, and the health and well being of their families? What kinds of training and education programs do they think would improve their own prospects, both in their current positions and when they leave the factory? What are their aspirations for their children? What skills do they think they need to be good workers, parents, and citizens? This section examines some of the answers to these questions, organized under health concerns, educational aspirations, work related and non work related skills enhancement, workers' hopes for their children, and community involvement and development projects.

4.1 Workers' Health concerns

As in many developing countries, the health and well being of the general population in Indonesia suffers from lack of adequate, affordable health care, with those living in poverty most at risk. In 1993, it was reported that less than half, or 43% of the population, had access to health care. However, Indonesia is making significant progress, with many health indicators moving in the right direction. Life expectancy, for example, has gone from 42 years for men and 47 years for women in 1967 to 63 for women and 67 for men in 1997. Infant mortality has been more than cut in half since 1980 – when 125 deaths per 1,000 births were reported – compared to 60 per 1,000 in 1997. The maternal mortality rate is 390 deaths per 100,00 live births, a relatively high number within this region. Only a little more than half of Indonesian women (57%) have access to contraception, yet fertility rates have dropped quite dramatically over the past 20 years – with the 1997 figure at 2.8 children.

In this assessment, over 90% of all worker in all factories are concerned about their health and the health and well being of their families. When asked about their major health problems over the previous three months, workers mentioned being tired and having headaches, backaches, stomachaches, colds, and heartburn. The problems most frequently mentioned by workers were feeling fatigued and having headaches. Most workers also suffered from several kinds of psychological distress such as sadness, homesickness, boredom, and worry. This report does not compare the frequency of such physical and psychological symptoms with the general population in Indonesia, nor is it possible to determine from this data if these symptoms are caused by occupational conditions or personal (outside work) issues.

This assessment finds that workers tend to suffer the following physical and emotional symptoms (which occur at least once within three months):

Table 12: Major health complaints reported in the last three months

Health symptoms	Never	1-2 times	3-5 times	>5 times	Total
Tired/fatigued	13.9	37.0	21.7	27.4	100
Headache	17.1	35.9	18.7	28.3	100
Backache	49.1	21.3	12.2	17.5	100
Lower backache	44.3	27.5	13.2	15.0	100
Stomachache	35.7	39.2	14.7	10.4	100
Cold	25.2	47.5	15.7	11.7	100
Heart burn	49.1	32.9	9.2	8.9	100
Emotional symptoms					
Sadness	27.0	38.8	14.2	20.0	100
Homesickness	42.1	30.9	11.1	15.9	100

Boredom	41.4	31.6	12.0	15.1	100
Afraid	39.5	33.4	12.7	14.4	100

The table below notes the workers' major health problems, which occurred at least once over the previous three months, by gender and age group. Female workers are more likely to get headaches and stomachaches than male workers, while younger workers are more likely to get tired and have headaches than older workers.

Table 13: Workers' health problems by gender and age group

	By Gender		By age group				Total
	Male	Female	Below 21	21-25	26-30	Above 30	
Weakness	84.4%	86.4%	88.8%	86.8%	83.5%	76.7%	86.1%
Headache	<u>73.9%</u>	<u>84.8%*</u>	84.2%	83.8%	80.7%	77.8%	82.9%
Cold	78.2%	74.2%	72%	76.2%	74.9%	73.7%	74.8%
Stomachache	<u>58.3%</u>	<u>65.5%*</u>	69.2%	66%	58.5%	48.9%	64.3%
Lower backache	59.1%	55%	51.4%	57.4%	56.1%	54.5%	55.7%

The following table shows workers' emotional symptoms by gender and age group. Homesickness tends to be more commonly found in women than in men, and younger workers are more apt to get homesick than older workers. Female workers are more likely to feel sad than male workers. In focus groups in five factories, when female were asked why they experience sadness, some workers with young children reported that their children live in their hometown with their extended family, and they are sad to be separated from them.

Table 14: Workers emotional symptoms by gender and age group

	By Gender		By age group				Total
	Male	Female	Below 21	21-25	26-30	Above 30	
Sadness	<u>68.1%</u>	<u>73.9%*</u>	<u>88.8%</u>	<u>86.8%</u>	<u>83.5%</u>	<u>76.7%*</u>	73%
Afraid (fear)	65%	66.9%	60.1%	60.5%	62.5%	52.6%	60.5%
Boredom	58.5%	58.7%	59.9%	60.9%	54.3%	47.4%	58.6%
Homesickness	<u>53.2%</u>	<u>58.8%*</u>	<u>58.7%</u>	<u>61.8%</u>	<u>51.6%</u>	<u>39.2%*</u>	57.9%
Stressed	34.2%	31.6%	31.3%	34.2%	28.5%	26.3%	32%

Results from the more in-depth interviews with key factory personnel at several factories indicate that common health problems among workers include chronic respiratory inflammations, digestive disorders, skin irritations, and seasonal illness such as colds.

Workers' concerns about personal health

The study finds that about 43.3% of the workers say they are concerned or very concerned with their personal health. Further analysis indicates that female workers tend to be more conscious than male workers in caring for their own health. There is an indication, although not strongly marked, that younger workers tend to be more concerned with their personal health than older workers. Among the married workers, females tend to be more conscious than males in caring for the health of their family members.

Table 15: Workers' concerns about their personal health

	Gender		Age group			
	Male	Female	Below 21	21-25	26-30	Above 30
Personal health	37.5%	44.5%	47.7%	42.2%	42.5%	38.5%

	Gender	
	Male	Female
Health of family members of the married workers	50%	56.9%

Womens' reproductive health concerns

More than two thirds of the respondents reported significant interest in learning more about family planning and pre/post natal care. In the focus groups, it was reported that workers did not know the difference between ulcers and pregnancy and did not have reliable information about birth control. In the focus group discussions, workers in one factory reported two cases of new born infants found dead in the dormitory toilets over the course of two separate years. The participants knew the mothers but were not sure the cause of death. In another factory focus group discussion it was reported that a newborn infant was found dead in a dumpster outside the factory gates. That evening, a female worker was discovered with blood on her clothes. After an investigation, the worker was reported to have been sent to prison for infanticide. Cases of infanticide are not uncommon in Indonesia and not limited to the factory setting. In an unpublished research paper, the author interviewed women incarcerated for infanticide and infant abandonment and found the three most common causes were: (1) lack of family support and fear they can not take care of the child on their own; (2) fear of losing their jobs and not being able to provide for themselves and their child economically; and (3) negative societal stigma for unwed pregnancies and the unavailability of safe and legal abortions. In more than two factories, FGDs respondents reported that pregnant women often try to hide their pregnancy or lie about their due date to avoid receiving less bonuses and/or overtime pay. Women receive 3 months of paid maternity leave according to Indonesian law, but the basic salary they receive may be only 60% of their usual total salary, including bonuses and overtime. In another factory, a pregnant worker was reported in key informant interviews to have given birth in the factory because she lied to management about the actual due date. The factory transported the mother and newborn to the hospital and the infant survived.

Worker reports about deaths

As mentioned, the purpose of the assessment is to record worker perceptions of factory life and aspirations. These perceptions provide a basis for developing programs to respond to worker needs. The information gathered from workers was included in this report without verification.

In the course of this research, there were two reports of workers' deaths, one each in two different factories in which six different workers reported they believed denied sick leave and medical attention were contributing factors. Four workers at one factory

reported that a female worker who suffered from chronic typhoid was absent for several days before she died. When she returned to the work, she was still reportedly seriously sick, and asked her supervisor for permission to leave work and visit the clinic. However, the supervisor reportedly denied her request. According to these worker reports, she eventually collapsed and died in the plant. The management reportedly instructed the workers to tell anyone who asked that she had died after leaving the factory. The respondents said that if it was discovered she died in the factory, it may invite a legal claim from her family and unrest from the workers. Some workers in all four of the focus groups discussions at this factory also confirmed that they had heard about this reported death. They heard a female worker in sewing division died, but they did not know exactly how and where she died. Some workers in the discussions, however, reported that the worker collapsed in the plant and died outside of the factory. They do not know whether she died on the way to the hospital or at home. In all four focus groups, respondents believed that the circumstances of the death were aggravated by denial of medical attention.

There are also allegations regarding another female worker collapsing and dying in another factory. It appears she had visited the factory clinic six times in the four previous months, and as recently as three weeks before her death. Management reported that she died in the hospital, not in the factory.

The circumstances surrounding these two incidents are not clear. Workers reported these cases as extreme examples of problems related to procedures to obtain medical care and to take sick leave.

(FOR MORE INFORMATION ON NIKE’S INVESTIGATION INTO THIS ISSUE, PLEASE SEE PAGE 25 OF THE COMPANY’S REMEDIATION PLAN THAT FOLLOWS IN SECTION THREE.)

Where workers go to address health-related concerns

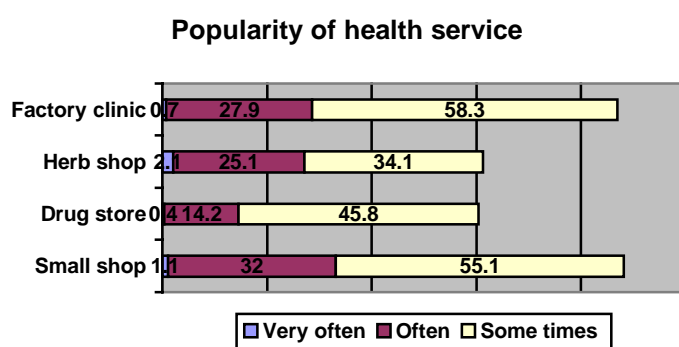
When workers are experiencing health-related problems, more than half of them visit facilities other than the factory clinic to meet their health needs. Almost a third, for example, go to a “small shop” (a kiosk or booth), and a quarter visit the herb shop. About 27% go to the factory clinic on a frequent basis, but 58% go there only occasionally. Very few workers go to the public health clinic, the hospital, or to visit traditional healers. The herb and small shops are widely scattered around the workers’ living areas, and are therefore more convenient places for workers to get medicines and to deal with minor health problems.

Table 16: Health resources visited

Health facilities	Never	Some Times	Often	Very Often	Total
Traditional healer	89.5	9.1	1.4	0.0	100
Small shop	11.8	55.1	32.0	1.1	100
Drug store	39.6	45.8	14.2	0.4	100

Herb shop	38.6	34.1	25.1	2.1	100
Public health clinic	86.8	9.6	3.5	0.1	100
Public health center	55.0	36.3	8.5	0.2	100
Factory clinic	13.2	58.3	27.9	0.7	100
Hospital	72.2	24.4	3.3	0.1	100
General practitioner	50.1	39.8	9.8	0.3	100

Figure 11



Workers' satisfaction with health-related services

Most of the workers (85.1%) are satisfied with the services they received from drug stores, 86.5% from herb shops, and 68.8% from small shops. Over half (54.5%) report satisfaction with the factory clinic and 45.5% are dissatisfied with its services. A more in depth discussion of workers' dissatisfaction with the factory clinic is given in the following section.

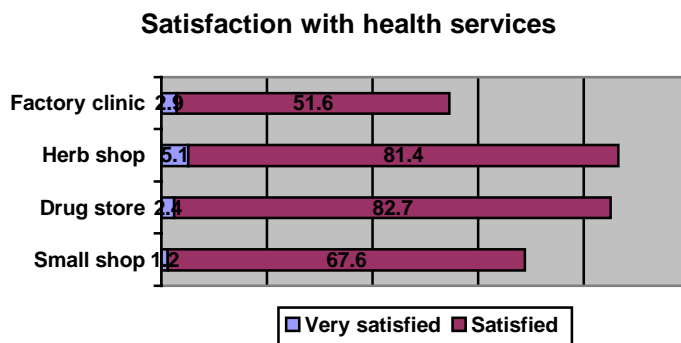
Table 17: The workers' reported level of satisfaction with the services of the health facilities

Health facilities	Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied	Total
Traditional healer	4.1	66.4	28.1	1.4	100
Small shop	1.2	67.6	30.6	0.6	100
Drug store	2.4	82.7	14.4	0.5	100
Herb shop	5.1	81.4	13.1	0.4	100
Public health clinic	5.0	71.8	22.7	0.6	100

Public health center	3.1	68.0	27.7	1.1	100
Factory clinic	2.9	51.6	40.7	4.8	100
Hospital	6.4	81.5	11.1	1.0	100
General practitioner	6.7	85.3	7.7	0.3	100

Satisfaction of the workers with these health care providers are moderate, and the highest satisfaction is with the small shops (*warung*). Satisfaction with the health care providers is shown in the following figure:

Figure 12



Factory health services

Workers report that clinics and health services are very important to them, yet over 40% express dissatisfaction with those services. During the interviews, and in every focus group in all 9 factories 60% to 90% of the respondents shared concerns related to access to health facilities and sick leave, as well as dissatisfaction with the quality of care. In all 9 factories, workers reported that their dissatisfaction is due to three main categories: (1) procedures to access medical care for self and family and to obtain sick leave; (2) quality of medicine; (3) and quality of care and service.

Procedures

In addition, 60-90% of focus group respondents in all 9 factories reported that the procedures to obtain permission for sick leave and/or access to medical care is very difficult, and that often permission was not obtained unless a worker collapses and is severely ill. The procedures vary from factory to factory, but workers in all of the factories reported that they have difficulty navigating the system and are often too sick or too timid to following all of the required steps. Workers in one factory focus group reported that they are required to obtain signatures from five different individuals before they can take sick leave. In some instances, the section head must find a substitute before a worker can leave the line. In several factories focus groups, workers said that

even when they receive permission from the factory clinic to take time off or seek hospital care, line-supervisors still pressure them to stay and complete their targets. Workers in at least three of the factories focus groups reported that the factory has a hospital to which they can be referred. The procedures to obtain reimbursement for out-of-pocket expenses is difficult for FGD respondents and some times the workers can not afford the portion they may be required to pay. It was reported that female head-of-households would like the procedures to obtain coverage for their children and unemployed spouse to be easier. At present, they must provide proof to the community authority that they are the head of household which can embarrass their husband and be intimidating. Also, reimbursement for medicine is not always 100% and this can create a financial burden. Due to the difficulty of accessing medical attention and sick leave, workers in more than 3 factory FGD and in surveys reported serious illness due to lack of timely and quality treatment.

Quality of Medicines

In all of the factories, more than half of the FGD respondents reported that the quality of medicines is very poor. The factory clinics stock only the cheapest generic medicines and tend to distribute the same drug regardless of the illness. The clinic also runs out of medicines frequently.

Quality of Service and Care

In each of the factory FGD respondents reported that the quality of service and care at the factory clinics is not satisfactory. They reported that clinic staff are rude and/or do not believe the worker is sick. Often times they must wait for a long time to see the clinic staff, and if a supervisor or manager comes to the clinic they will receive preferential treatment. When the workers are seen by the doctor or nurse, they often do not explain what the diagnoses or treatment is. Instructions are not provided for home care or prevention. In addition, workers in every factory reported that the factory clinics tended to distribute the same medicines to cure different health problems. Several workers in the majority of FGDs reported that medicines at the clinic are often unavailable, and the doctors are not professional in handling patients and are often not available. In several factories, the clinic services in night working hours were only available for emergency cases. In addition, workers in all of the factories report they are often suspected of pretending to be sick when in fact they are seriously ill.

In the section above titled “Women’s Reproductive Health” FGD respondents in three factories reported the need for more information and education about pregnancy and prevention. At one factory, the focus group respondents dissatisfaction with the factory’s clinic has risen because of: (1) unfriendly behavior of the clinic staff; (2) poor treatments by the doctors (clinical examinations are carried out without physical examination); (3) inadequate medicines for different health problems; (4) no reimbursement of medical expenses for health care outside of the factory; and (5) lack of access to a sick leave. Similar conditions are also reported by workers in the focus groups discussions at all of the other factories. Over half of the respondents reported issues such as: insufficient medicines for different health problems, poor treatment by the doctor, difficulties in obtaining reimbursement of medical expenses above Rp 40,000 (US\$ 4.6), lack of access to sick and menstrual leave, short hours of doctor’s practices (doctor is available from 9.00 to 10.00 a.m.), and limited health allowance for family members (Rp 250,000 or US\$ 28.7 a year for married workers).

4.2 Workers' Aspirations for Enhanced Education and Training

Improving opportunities for education and skills training is a very important element in developing human capital. These two factors are also viewed as having a significant impact on workers' productivity. Research strongly suggests that workers who are well educated and have higher skills are more productive than those with limited education and fewer skills.

One of the major objectives of the Global Alliance's assessment and development initiative is to provide workers with the necessary levels of education and skills to improve their futures and to contribute more fully to their family and community. This survey has therefore been designed to elicit workers' views on education and skills upgrading, which are classified into the following categories: (1) formal schooling, reading and writing skills, (2) skills related to factory work, (3) work skills not related to factory work, and (4) life skills or skills not related to work.

Educational enhancement

Almost half the workers (45.7%) are interested in resuming their formal education, with about 21.2% expressing very keen interest in such schooling opportunities. As previously reported, most workers have either attained a senior secondary education (46.6%) or a junior secondary education (37%), and thus would like to upgrade that education, including at the university level. Currently, Nike offers non-formal education packages, from primary to senior secondary, at several factories. The costs have been shared by the factory and Nike, and the workers have been freed from paying school fees and expenses for learning materials. Some factories also provide participants with meal allowances. The capacities for these classes, however, are limited, especially for senior secondary classes. Also, there are no scholarships available for the line operators who want to resume their education at the tertiary level.

The following table describes the levels of interest among workers in enhancing their education. Results of the survey show that about two-thirds of the respondents are interested in resuming their basic education and improving their reading and writing skills:

Table 18: Formal education and scholastic skills

Education/scholastic skills	Very interested	Interested
Resume formal education	21.2	45.7
Improve reading and writing skills	14.9	50.1

The table below shows that the younger the workers, the more interested they are in resuming their formal education and improving reading and writing skills. The table also

notes that females tend to be slightly more interested than men in improving their reading and writing skills.

Table 19: Enhancing formal education and scholastic skills by gender and age group.

	By Gender		By age group				Total
	Male	Female	Below 21	21-25	26-30	Above 30	
Resume formal schooling	68.9%	66.6%	75.5%	68.2%	57.7%	54.7%	66.9%
Improve reading and writing skills	60.8%	65.9%	71.3%	65.8%	58.9%	55.8%	65%

Factory-related work skills

The survey found that most workers are interested in learning all five categories of factory-related work skills. However, skills related to work safety and effective communication appear to be of particular interest. Despite the fact that the factories have provided occupational health and safety training to all workers, a high number are interested in learning more. About 85% of workers are interested or very interested in learning how to communicate more effectively. In focus group discussions at two factories, respondents reported training in work safety is necessary to prevent work accidents and occupational health problems.

Table 20: Skills related to factory work

Skills related to factory work	Very interested	Interested
Skills to be promoted	15.8	42.3
New factory technology	19.4	62.7
Effective communication	24.1	60.9
Leadership/management	14.2	47.3
Work safety	46.8	49.4

The table below shows workers' level of interest in improving the following skills related to factory work by gender and age group:

Table 21: Learning Factory related work skills by gender and age group

	By Gender		By age group				Total
	Male	Female	Below 21	21-25	26-30	Above 30	
Work safety	95.8%	96.3%	97.9%	95.7%	95.9%	93.7%	96.2%
Effective communication	<u>89.5%</u>	<u>84.2%*</u>	85.4%	85.7%	84%	82.6%	85%
New factory technology	<u>89.6%</u>	<u>80.5%*</u>	81%	82.5%	82.6%	79.5%	82.1%
Leadership, management	<u>74.8%</u>	<u>58.8%*</u>	61.1%	60.2%	65.3%	60%	61.5%
Skills to be promoted	<u>71.7%</u>	<u>55.4%*</u>	60.2%	57.8%	57.4%	55.2%	58.1%

Non-factory related work skills

When asked about their interest in gaining work skills not related to their factory work, most workers expressed an interest in the work skills listed below. Workers expressed the most interest in skills related to sewing, cooking, handicraft production, small-scale business development, and computers. There has been an effort at one factory to provide the line operators with an English language course.

Table 22: Work skills not related to factory work

Work skills	Very interested	Interested
Computer	25.5	47.4
Electronic	9.6	31.6
Driving	7.7	26.5
Hair dressing	14.8	45.6
Sewing	22.0	46.8
Cooking	33.5	49.3
Planting	13.0	43.4
Handicraft	16.4	54.4
Small-scale business	23.2	52.7
Typing	11.3	48.1

The table below shows the workers' interest in learning other types of work skills, by both gender and age. There is a significant difference between male and female workers in learning these types of work skills. Males are significantly more interested than females in learning small-scale business development, planting, electronics and driving, while females are more interested than males in learning cooking, handicraft production, sewing, hairdressing and typing skills. The younger the workers, the more interested they are in learning cooking, computer, hairdressing and typing. On the other hand, the older the workers, the more interested they are in learning how to manage a small-scale business.

Table 23 Learning non-factory related work skills by gender and age group

	By Gender		Age group				Total
	Male	Female	Below 21	21-25	26-30	Above 30	
Cooking	28%	94%*	88.9%	84.3%	76.9%	66.3%*	82.8%
Small scale business	82.3%	74.6%*	69.2%	75.8%	81.9%	82.1%*	75.9%
Computer	71.8%	73.1%	77.4%	74.4%	68.3%	55.8%	72.9%
Handicraft	57.7%	73.4%*	71.2%	70.9%	71%	65.2%	70.8%
Sewing	24.6%	77.7%*	70.8%	68.9%	69.1%	57.4%	68.8%
Hairdressing	25%	67.5%*	63.8%	60.8%	58.9%	47.9%*	60.4%
Typing	52.7%	60.7%*	65.9%	60.1%	55.2%	39.5%*	59.4%
Planting	60%	55.7%*	53.3%	56.2%	58.9%	61%	56.4%
Electronics	73.3%	34.9%*	38.4%	41.2%	44.4%	41.1%	41.2%

Driving	70.3%	26.9%*	31.9%	33.6%	37.9%	33.6%	34.2%
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When these interests were further explored in FGDs, about two-third of the respondents in all of the factories reported the greatest interest in small-business skills, cooking ranked second and computers third.

Those who are interested in learning small-scale business development said the skills are necessary to obtain additional income outside of the factory, to create employment when they resign from the factory or have their jobs terminated, or to teach unemployed spouses. Female workers believe that running a small business will give them more flexibility to get married and care for their children and family. Female respondents are most interested in dress making, small neighborhood shops or mini-markets, food stalls, and cottage industries. Males are interested in repair shops for appliances and motor bikes, farming, and animal husbandry.

Those workers interested in cooking skills are interested in starting a small catering business or setting up food stalls. In several FGDs workers said they want to vend food to factory workers.

The respondents interested in computers reported these skills are necessary for administrative work. They feel that by mastering computers, they can be promoted to a position in the office, or change from a blue to a white color job.

Life skills

There was high interest among almost all workers in gaining the life skills mentioned. However, workers expressed particular interest in gaining skills needed to be good parents, to plan for the future, to choose healthy foods, to provide health care to their children, and to live in a clean place. These kinds of life skills are not being provided to line operators.

Table 24: Life skills

Life skills	Very interested	Interested
How to be a good parent	59.5	38.9
Pre and post natal health	46.1	45.2
How to choose healthy foods	51.6	46.2
Hygiene	54.3	44.5
Health care for children	57.8	39.7
Problem solving	39.2	52.4
How to get along with people	40.4	51.7
Managing personal finance	42.0	50.1
How to set plan for the future	59.1	38.3

Family planning	38.8	52.1
How to care for the elderly	37.8	50.6

The table below shows the interest levels of workers concerning life skills training. Among other things, research shows that male workers are more interested than females in learning interpersonal skills, while female workers are more interested in learning about family planning.

Table 25 Learning life skills by gender and age group

	By Gender		By age group				Total
	Male	Female	Below 21	21-25	26-30	Above 30	
Parenting skill	97.4%	98.6%	98.7%	98.3%	98.6%	97.4%	98.4%
How to set plan for future	98.1%	97.3%	97.5%	97.1%	97.8%	98.5%	97.4%
How to get along with people	<u>95.2%</u>	<u>91.4%*</u>	91.5%	92.6%	89.9%	83.3%	92.1%
Managing personal finance	92.7%	92%	92.8%	91.6%	92.2%	94.7%	92.1%
Problem solving	92.8%	91.4%	90.4%	92.8%	91%	87.9%	91.6%
Family planning	<u>86.5%</u>	<u>91.9%*</u>	91.5%	91.2%	91.3%	84.2%	90.9%
How to care for the elderly	86.8%	88.7%	87.3%	88.5%	89.3%	89%	88.4%

In focus groups at 5 factories, respondents were asked to prioritize the life skills they were most interested in. Respondents reported that skills to plan for the future is their top priority because they feel that encompasses all necessary skills to improve their future opportunities. Managing personal finances ranked second. Workers believed that by learning to manage their personal finances better they could save for future goals such as children's education, their education, a house, small-business, or occasion such as marriage or funeral. Single workers would like to send more savings home to help their families. Parenting skills ranked third. Workers would like to be good parents, educate their children, know how to care for them, and set a good example. Respondents also said they would like to share the parenting skills with the person caring for their children while they work.

4.3 Workers' Aspirations for their children

Workers have high hopes for their children, expressing great interest in their future attainments in education and employment. Although the majority of workers have never attended a university, most of them (86.7%) would like their children to obtain a university education. Workers hope that if their children are better educated they will be able to get better jobs. About 47.5% of the workers would like their children to be professionals and 30.2% would like them to have their own business. Workers also expressed an interest in their children becoming civil servants, joining the armed forces, securing white collar jobs, and becoming teachers. Only 2.6% of the workers mentioned factory work as an occupational aspiration for their children.

Figure 13

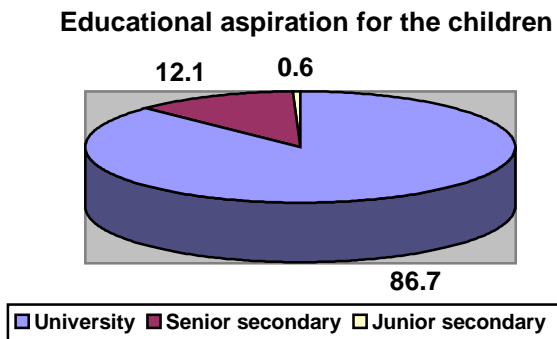
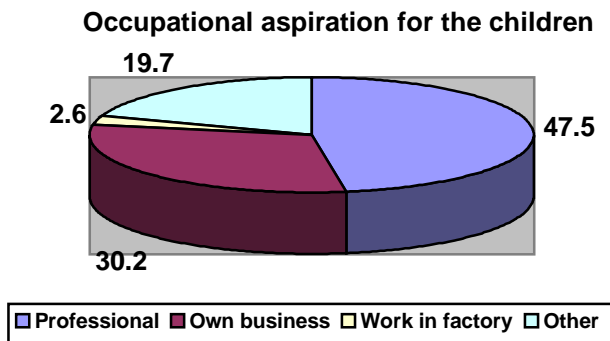


Figure 14



4.4 Family Concerns

Workers are primarily concerned about their current financial condition, personal health, adequate housing, and their ability to care for elderly parents. Married workers are mostly concerned about being able to provide health care for their family members, caring for their children while they are at the factory, educating their children, and ensuring the physical safety of their family members. More than half of the workers (55%) consider day care for children an important issue. However, this facility was not provided at any of the participating factories. Female respondents in some FGDs at all 9 factories reported that family members and children often have no access to the factory’s health clinics, particularly if they are the only employed head of household. It should be noted that seeking data about these aspects of workers’ lives is a new undertaking.

Table 26: Workers’ family related concerns

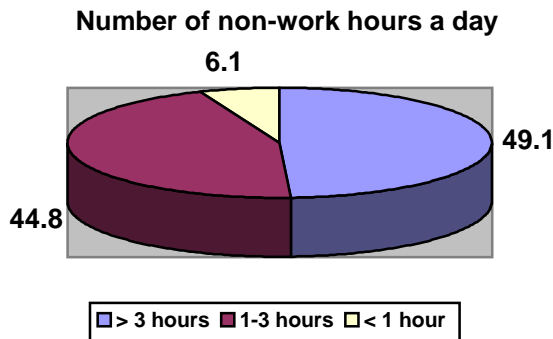
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Family related issues	Very Concerned	Concerned
Current financial condition	15.7	36.6
Having a stable job	7.0	30.2
Finding a better job	9.7	27.4
Personal health	11.1	32.2
Health of my family members*	15.8	39.7
Care for my children while I work*	16.6	40.6
Educating my children*	19.3	45.8
Having adequate housing	13.8	35.0
Physical safety of my family*	19.3	47.6
Caring for elderly parents	20.7	44.0

* for married workers only.

The following chart shows how much free time the workers have on a typical work day. Nearly half of the workers have more than three hours a day, while about 45% have one to three hours a day. Almost 45% of the workers spend their free time for watching television or listening to music.

Figure 15



4.5 Workers' Hopes for the future

When workers were asked about their future life aspirations, 31.3% expressed interest in having their own business. About 17.3% would like to be promoted within the factory, 13.1% would like to stay at their present position, and 23% would like to have children and raise a family. Those who would like to remain at the factory wish to be promoted to a higher position. Few workers (5.8%) plan to quit their jobs to find work outside the factory. Job aspirations of the workers in the next three years are shown in the following table, by gender and marital status.

Table 27: Workers' aspirations by gender and marital status

	By gender		By marital status			Total
	Male	Female	Single	Married	Divorced/ widowed	
Own or start my own business	38.6%	29.8%*	28.3%	36.3%	10.4%*	31.3%
Have children, raise the family	0.7%	28.6%*	26.5%	19.7%	16.9%	23.9%
Be promoted to a higher position	33.8%	14%*	16%	19.5%	15.6%	17.3%
Stay at the present position	9.4%	13.9%	9.6%	18.2%	24.7%*	13.1%
Find new work outside of the factory	8.2%	5.4%	8.5%	2%	26%	5.8%

About 30.4% of the workers are planning to stay at their factories for the next three years. Males tend to aspire more than females in wanting to start their own businesses, being promoted to a higher position in the factory. Married workers tend to aspire to starting their own businesses more than single and divorced/widowed workers. The assessment also shows that migrant workers tend to aspire more than local workers to starting their own businesses in the next three years, while local workers are apt to stay at their current positions in the factory. In terms of age group, the older workers are more aggressive in wanting to start their own business or being promoted.

4.6 Community Involvement

A significant goal of the GA assessment is to find out what kinds of activities and opportunities workers believe could improve their lives not only in the workplace but also in their communities. Workers were thus asked to identify a number of activities that would enhance their quality of life.

The assessment reveals that the majority of workers (58.4%) are interested in getting involved in activities that would improve their living conditions, with 34.2% saying they are very interested in this issue. The activities most frequently mentioned are: 1) improving the environment and planting more trees, grass and shrubs in the areas where they live, (2) cleaning up the living compound, and (3) volunteering in the community.

The table below shows workers' views on a number of quality of life improvements. While most of them expressed that all seven activities mentioned would help enhance their lives and communities, workers were particularly interested in pursuing the following areas: (1) improving the environment; (2) providing life skills training to people in the community; (3) supporting religious activities; and, (4) providing financial assistance to poor members of the community.

Table 28: Quality of life improvements considered important

Quality of life improvements	Very Important	Important
Environmental improvement	55.4	43.3
Provide work skill training	30.4	61.6

Provide life skill training	43.0	52.0
Support religious activities	55.4	42.6
Provide non-formal education	26.1	63.5
Provide social workers for Community development	28.7	61.1
Provide funds to help poor Members of the community	52.6	45.1

Specific activities in which workers would like to get involved are shown in the following table:

Table 29: Community improvement activities workers would like to participate in

	By Gender		Total
	Female	Male	
Greening the living places	33%	36.8%	36.1%
Cleaning the living compound	24.7%	32.4%*	31.1%
Voluntary work	33.3%	27.7%*	28.6%
Improving the drainage system	32.1%	24.2%*	25.5%
Improving the living places	11.9%	20.3%*	18.8%
Improving the road	19.8%	15.3%*	16.1%
Improving the public toilets	8.1%	6.8%	7%
Improving the garbage spots	6.7%	5.4%	5.6%

Biographical Information of Atma Jaya Research Team

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Born in Madiun, East Java, Indonesia, on February 11, 1951. After leaving high school he spent some years of his services at the printing office of Faculty of Economics, State University of Indonesia. He obtained his first degree in 1975 from Faculty of Law, Atma Jaya Catholic University. He obtained his MA degree in Sociology from University of Santo Tomas, Manila, Philippines, in 1982. His Ph.D degree in Population Studies was obtained in 1996 from University of Adelaide, Australia. His expertise is in studies related to sociology and law, population mobility, and aging.

Senior researcher of the Center for Societal Development Studies, and lecturer in law sociology and social research methodology of Faculty of Law, Atma Jaya Catholic University. Following are some of his previous research undertakings at the center: (1) Child Domestic Workers in Jakarta, 1995; (2) Children in Hazardous Works in the

Informal Sector in Indonesia, 1995; (3) The Impact of International Labor Migration in Indonesia, 1996; (4) Study on Communal Land Right in Indonesia, 1996-1998.

Drs. Sutrisno R. Pardoen – Educational Economist, Lead Statistician and Lead Quantitative Survey and Writer

Drs. Pardoen is a senior research associate of the Center for Societal Development Studies, Atma Jaya Catholic University. During his service at the center he has been assigned to conduct numerous research projects sponsored by international and local funding agencies. Most of the researches he was actively involved were policy and action oriented studies in several sectors, and quantitative in nature. Following are his previous research undertakings in which he was assigned as a principle investigator, co-leader, or a team member: (1) Health Needs and Demand of the Population in North-West Jakarta, sponsored by IDRC, Canada; (2) Feasibility Study of the Development of Tarakanita Academy for Home Economics and Family Welfare in Yogyakarta, sponsored by Misserior, Germany; (3) Evaluation of the Netherlands Fellowship Program for Indonesia, sponsored by Nuffic, the Netherlands; (4) Tracer Study of Indonesian University Graduates, sponsored by World Bank; (5) Tracer Study of Catholic University Graduates, sponsored by APTIK; (6) Child Labor in Three Metropolitan Cities: Jakarta, Surabaya, Medan, sponsored by UNICEF; (7) Children in Hazardous Works in the Informal Sector in Indonesia, sponsored by ILO; (8) Breastfeeding Practices of Working Women, sponsored by UNICEF; (9) Assessment of Investment in Private Higher Education in Indonesia, sponsored by AJ Foundation; (10) Survey of the Willingness to Do Postgraduate Study in the Netherlands, sponsored by Leiden University, the Netherlands; (11) Planning and Evaluating Programs for Street Children Project: TA No. 3043-INO, sponsored by ADB; (12) Higher Education Sector Project: TA No. 2899-INO, sponsored by ADB.

He obtained his Drs. degree in Economics from Atma Jaya Catholic University in 1975. In 1977 he followed a one-year training in Educational Planning at University of Santo Tomas and De La Salle University, Manila, Philippines. In 1989 he was assigned as a visiting researcher at Center for the Study of Education in Developing Countries, the Hague, the Netherlands. His expertise is in Economics of Education with special attention to assessment of investment in higher education.

Ir. Susy Y.R. Sanie, MSc – Specialist in Regional and Rural Development, Lead Qualitative Data Collector

Born in Palembang, South Sumatera, Indonesia, on June 5, 1962. She obtained her first degree in 1985 from Institute of Agriculture Bogor. Her master degree in Regional and Rural Development Studies was obtained from the institute in 1994. Her expertise and interest is in regional planning and development, econometric; studies related to primary health care, family planning, child and maternal health, women, and child workers.

Senior researcher of the Center for Societal Development Studies, and lecturer in research methodology of Faculty of Economics, Atma Jaya Catholic University. Following are some of her previous research undertakings at the center: (1) Baseline Survey of Primary Health Care Development, 1989; (2) Study on Family Planning and Urban Factory Workers, 1990; (3) Evaluation Study on Primary Health Care Management and Development, 1991; (4) Study on urban working children in slum areas, 1996; (5) Study for the National Development Planning Bureau evaluating the

National Poverty Elimination Program, 1997; (6) A mapping survey conducted for UNICEF on vulnerable children, 1997 ; (7) UNICEF Situational Analysis for Mother and Children, 1998; (8) Planning and evaluating programs for street children with Asian Development Bank, 1999; and, (9) Evaluation on social safety-net; 1999.

Ir. Heru Prasadja, MSc – Statistician

Born in Semarang, Central Java, Indonesia, on August 31, 1961. He obtained his first degree in statistics from Institute of Agriculture Bogor in 1985. His master degree in Applied Statistics was obtained from the institute in 1994. His expertise and interest is in statistics, and studies related to child workers and street children.

Senior researcher of the Center for Societal Development Studies, and lecturer in applied statistics and research methodology of Faculty of Corporate Administration, Atma Jaya Catholic University. Following are some of his previous research undertakings at the center: (1) Study on Voluntary Drop-outs of Atma Jaya Students, 1993; (2) Juvenile Delinquency in Jakarta, 1994; (3) Children in Hazardous Works in the Informal Sector in Indonesia, 1995; (4) Management and development of child labour protection activities with AUSAID, 1996; (5) Health training program for working children; (6) Juvenile Delinquency, 1998; (7) Mother and Children Situational Analysis for UNICEF, 1998; and, (8) Planning and Evaluating Programs for Street Children Project, 1999.

Other Field Supervisors:

Ir. Herry Pramono, MSc, statistician

Dra. Titing Marthini, sociologist

Drs. Sahat Sitohang, MS, public health specialist

Dra. Maria da Cunha, MA, sociologist

SECTION THREE

NIKE REMEDIATION PLAN

RESPONSE TO THE GLOBAL ALLIANCE'S REPORT

Workers' Voices:

An Interim Report of the Assets and Needs

Of Nike Vendor Factory Workers in Indonesia

February 22, 2001

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Introduction

Our goal with this remediation plan is to address the issues that have been raised through the Global Alliance (GA) assessment process in Indonesia. Many of the issues raised in the report were ones Nike was aware of and addressing through our normal compliance procedures. Others were serious issues we were not aware of or we were not aware of their scale or scope.

While the attached remediation plan is an action plan to address specific issues of concern, it is insufficient if it can not be verified, if the voice of workers cannot be consistently and safely heard as a standard practice in our factories and if we do not commit to changes across Indonesia and our whole system versus the factories that were involved in this assessment. Hence, the assessment results and our own knowledge of problems in our compliance system have led us to a more systemic response to the results.

There has been much criticism of Nike over recent years around global manufacturing issues. Many of the criticisms are similar in nature to some of the findings in the GA assessment. One of the key differences is that normally such information has been brought to Nike in an adversarial manner, making dialogue and progress difficult for us. In contrast, the goal of the GA is to bring such information forward, in a scientifically valid and professional approach, and then to work with us collaboratively alongside NGOs, experts, universities and our factories in finding solutions and making progress for our workers. We have learned through the GA process how tough messages, conveyed in spirit of collaboration can engender real progress.

Nike began a business and oversight system review shortly after the first meeting with the Global Alliance where we were presented the initial findings of the GA Indonesia assessment. The goal of this review is to get to the problems behind the problems in our compliance system and to understand the fundamental business dynamics that lead to non-compliance. We are addressing how industry pressures on margin, price, timelines and business practices drive non-compliance. We are looking at our resource allocation and governance structures and analyzing their effectiveness. We are considering the effectiveness of our policies, procedures and programs and analyzing the effectiveness of our internal and external auditing systems, including our PricewaterhouseCoopers monitoring.

We are committed to independent monitoring through the Fair Labor Association and the learnings it will bring us. We are looking at the worker-management relationship and how communication, collaboration and improvements can be fostered effectively through various means, including trade unions. We will be identifying and implementing with the help of various experts different approaches to an effective and safe grievance system for workers to bring issues to management. We will be consulting with our factory base and external resources to address weaknesses in our compliance systems and improve the effectiveness of our work. We will report on our review to the GA operating council and externally.

We hope this outline of our review process gives the reader context for our response to the issues raised in the GA assessment detailed in the comments and tables in sections 4 and 5 of this plan. Each issue is addressed in the plan in text and in charts to assist the reader in comparing actions for each issue area. We have also conducted independent investigations into some specific issues in greater detail such as the worker comments around sexual favors for jobs and reported deaths of factory workers. The results of those initial investigations show different views than those expressed by the workers.

Finally, while the GA was not designed to identify compliance issues, the findings in Indonesia have challenged the GA and raise questions about the role of the GA in the future that we look forward to exploring to the benefit of workers.

It is our goal and the policy of the GA to be transparent about our findings and our process. We remain committed to transparency, appreciative of the excellent work of the GA and the Atma Jaya team in country and focused on addressing the issues identified effectively, expeditiously and comprehensively. This plan is in process and will evolve as we act and learn from addressing the issues.

The Global Alliance assessment in Indonesia of nine Nike contract factories' worker opinions and aspirations produced a broad range of information on which Nike, and Nike with the Global Alliance, can act. We will apply the lessons learned from this information to all of our contract factories in Indonesia, and, where applicable, to our global contract factory supply chain as well as to China, the country in which the GA will conduct its next assessment.

The information, gathered by research teams from the Centre for Societal Development Studies of Atma Jaya University Social Research Institute, is broadly divided into two categories: (a) information on what workers think about their jobs, their workplaces, their lives and the things that would bring improvements, and (b) information about factory compliance with Indonesia's labor law and the Nike Code of Conduct.

The information from the first category, worker opinions and aspirations, will provide the basis on which the Global Alliance and Nike can act to invest in programs to better the lives of workers and their families.

Information from the second category, compliance issues, is in some cases troubling, and it is in reaction to this information that this remediation plan has been written and is now being acted upon by Nike and, where appropriate, other partners in Indonesia.

We will adjust our compliance oversight and monitoring processes to make them better. These changes will include: (a) new efforts to incorporate better social monitoring into the process, using local organizations with specific expertise in women's issues; (b) grievance procedures in which workers can pass along information in a secure manner; and (c) independent verification of the steps taken against specific compliance issues by a monitor certified by the Fair Labor Association. (Please see Appendix V.) In addition, Nike will report back to the GA on a quarterly basis on the progress against this plan and has asked the Global Alliance to engage in a second assessment within 12 months to gauge whether steps taken as outlined in the following sections have had impact on worker perceptions of the workplace.

There are two other related issues in which we intend to invest our resources. First, workers clearly do not have confidence in the health and safety aspects of the workplace. These include the food, the sanitation, the manner in which illnesses are dealt with by supervisors, and the manner in which health care is provided by the factory-based clinics. Nike and 11 footwear factories already have invested in health and safety profiling and action plans by International SOS, a respected medical service provider. We will continue to invest in this work and track

carefully the progress made against ISOS/factory action plans, and ensure these issues and the steps being taken are transparent to workers.

In addition, we also will work with our contract factories to ensure that the process of remediation, to the maximum extent possible, involves trade unions and seeks to build the capacity of trade unions to more effectively build their capacity to represent workers' interests to management.

A summary of key compliance issues and planned remedies follows:

Compliance Issue

Nike Responses

Compensation

Information. The GA data suggests that some workers may have been unpaid. It is also clear that not all workers understand how their wages are calculated. The report also indicates that 95 percent of the workers have received pay increases in the last year, consistent with government minimum wage increases and with small exceptions the base wages in these factories are above the region's minimum wage.

Action. Through an independent monitoring certified by the FLA, Nike will conduct a re-audit of factory accounting records. We also will ensure the factories have a clear communication process in place to educate workers on their compensation structure and calculation.

Terms of Work

Information. The GA assessment indicated worker concerns with illegal forms of overtime; refusal to allow proper forms of sick leave, menstrual leave and annual leave; and underpayment of wages.

Action. Through Nike compliance teams and independent monitors certified by the Fair Labor Association, Nike will focus the monitoring on these issues in the near term, in combination with training for both management and workers on the rights and obligations enshrined in the Indonesian law and the Nike Code of Conduct.

Harassment

Information. Quantitative and qualitative results indicated high levels of verbal abuse in some factories, and lower but still troubling levels of sexual and physical abuse or harassment in other factories. Reports varied widely by factory and patterns varied irrespective of whether the factory is owned and operated by Indonesian or foreign nationals. There were also reports of isolated incidents of sexual favors to obtain employment.

Action. Outside counsel investigated these reports, and received no information to support the allegation of sexual favors being asked in exchange for employment. To address the issues of verbal abuse and harassment, Nike has initiated renewed training with factory management and Nike's own personnel, to raise awareness of the issues of all forms of harassment. In the coming weeks Nike will seek out, with Global Alliance assistance, local organizations that can provide advice, counseling and secure channels for workers to bring harassment issues to factory management and/or Nike for action.

Conditions of Work

Information. The GA assessment indicated high levels of worker concern for the workplace environment, including specific concern about the physical environment in the factory; the quality of services and benefits provided such as food, health care and transportation.

Action. Through Nike's compliance team, and working with external partners such as International SOS, a health care organization, Nike has already done health and safety surveys of all footwear factories, and those factories individually are working to develop plans of action to begin to improve conditions and services identified by the surveys or the GA assessment. Nike will track that progress, be involved in aspects of it related specifically to workplace safety, and share the learning to factories not involved in either the GA or ISOS assessments.

Reporting Worker Deaths

Information. Over the past four months, Nike compliance personnel in Indonesia and investigators retained by the company have looked into the reports generated by the assessment to determine the facts leading to the deaths of two workers. That investigation determined that the death, where Nike had enough information to launch an investigation, did not occur on the factory premises and that the worker did have access to the health clinic consistent with standard factory practice.

Action. As a result of this process, Nike now has adopted a standard operating procedure that requires all factories to report to us the death of any worker, regardless of the cause or location of that death. This procedure also guides how Nike will follow up to determine any facts or issues in dispute.

Details of Workplace Findings: Compliance Issues

One of the challenges of applying the lessons from aspirational research undertaken by the GA to compliance issues is that the research methodology and practices do not provide sufficient detail to allow for effective follow-up on issues of fact. Research methodology aimed at learning about aspirations and attitudes asks, essentially, "what is your opinion?" Compliance oversight and monitoring seeks to determine how standards are being met. Both are valid. Both approaches therefore, have limitations when applying the information generated from one to the information sought for the other.

As a result, where aspirational research indicates potential non-compliance with the law or the Nike Code of Conduct, the information is too generally reported to allow specific investigation of that issue. For example, a small percentage of workers indicate they are paid less than minimum wage. The research methodology is to collect opinions through interviews and focus groups, but not to verify those statements by looking at records. Compliance methodology takes the opposite tack: it reviews pay records and pay stubs, and asks workers to verify the accuracy of the printed information. In addition, in order to elicit the best possible opinion research, assessment organizations guarantee confidentiality to the research subjects, including those who may have been victims of a compliance infraction.

This limitation imposes hurdles for Nike compliance teams seeking to follow up. This is especially difficult with respect to serious compliance issues such as harassment, concerns about the denial of health benefits, overtime violations and pay violations.

Without question, the results that indicate a general area of concern help focus the compliance work, and we will therefore be focusing on such issues as harassment, compensation, health benefits and the means by which factories deal with worker illnesses and the nature of overtime.

The following sections address issues in the same basic sequence as the GA Report, which we hope makes it relatively easy to refer from one document to the other.

➤ **Compensation**

The adequacy of wages is a contentious issue in Indonesia and in virtually every manufacturing community around the world. At Nike, we are committed to ensuring that workers receive a fair wage and one that meets the government's minimum wage standards or the industry standard, whichever is higher. Over the past 24 months the minimum wage in Indonesia has increased by about 90%, and Nike's footwear contractors have increased their wages consistently ahead of government mandates to do so.

According to the data compiled through the GA study, it is possible that some workers may have been under-paid, and it is clear that not all workers understand how their wages are calculated. That 3.8 percent of workers surveyed by the GA indicated they are paid less than the minimum at the very least indicates a gap in understanding how wages are calculated. Because the GA's mission is to gather opinion, not to verify comments, the research methodology does not allow for identification of individuals who believe they may have been under-compensated. Therefore, Nike's only option is to reaffirm through more standard research whether such practices exist, and, if they are found, to correct them.

Our standards are clear: if a worker is underpaid, the factory must make good on under-payment, and put sustainable corrective measures in place. The monitoring reports provided us by PricewaterhouseCoopers look specifically at pay records and individual worker's pay stubs. Those records checks also are supplemented by randomly selected worker interviews to reaffirm that the records reflect what the individual knows he or she has been paid. Current PwC audits do not indicate that there is any systematic or significant miscalculation or mis-payment of wages.

To respond to these issues raised by the GA assessment, over the course of the next several months we will, through independent monitoring, conduct a re-audit of factory accounting records to ensure this has not occurred. This work will be carried out by a monitor certified by the Fair Labor Association. As well, we will work with the factories to see that they have a clear communication program in place to not only educate incoming workers regarding their compensation structure and calculation methods, but also one to educate existing workers. This, too, will be reported on by the independent monitor.

Compensation

Law	Code and/or policy	Findings	Remedies	Timeline	Verified by	Applied to	Penalties
Minimum wage varies by region and is adjusted at least yearly. Current minimum wage was adjusted effective 1/1/01.	Factory provides each employee at least the minimum wage or the prevailing industry wage, whichever is higher.	<p>Previous PWC findings reflect that wages are being properly paid, with few exceptions.</p> <p>GA results reflect that some workers thought they might not be receiving the full minimum wage. It is possible that those figures cited by workers may not account for legal deductions.</p>	<p>1. Verify through independent audits that all Nike Indonesia factories have fully implemented the new minimum wage effective Jan 1 or Feb. 1 for each respective province (factory location).</p> <p>2. Conduct PwC book audits of at least 50% of the fty base to ensure that factories are paying the required wage.</p> <p>3. Ensure that wage calculation and compensation structure is clearly communicated to and understood by workers.</p>	<p>1. March-May</p> <p>2. By June 2001</p> <p>3. Fty plan in place by March, communication conducted by May</p>	<p>1. Independent monitoring teams based in Indonesia</p> <p>2. Independent monitoring teams based in Indonesia</p> <p>3. Independent monitoring team based in Indonesia</p>	<p>1. Indonesia factory base</p> <p>2. Indonesia factory base</p> <p>3. Indonesia factory base</p>	<p>Any factory that underpays any worker must make good on the back pay.</p> <p>Any manager knowingly responsible for such practice will be disciplined, up to and including dismissal.</p>

Overtime

Overtime is one of the major issues facing the light manufacturing industry worldwide, especially the apparel and footwear industries. There are many forces driving this. Manufacturing countries (such as Indonesia) are generally restricted by apparel and textile quotas imposed by the market countries (such as the United States), which leads to seasonal pushes for production to use all available quota before the end of the quota year. Seasonal demands for both footwear and apparel also provide artificial deadline pressure that sometimes leads to periods during which factories work long hours to ensure goods are shipped on time. Competition to be close to the market has led to ever-decreasing production lead times, further exacerbating deadline pressures. In addition, when several buyers place demands on a factory's production capacity, one buyer's ability to place limits on total hours worked is directly linked to the level of orders a factory accepts from its other buyers.

Overtime issues should be easier to control in footwear and equipment manufacturing, where there are no quotas. Where Nike is the sole buyer, we also have greater control on overtime. If overtime is excessive in a footwear factory where Nike is the sole buyer, we and factory management are wholly responsible.

Over time, Nike has learned that workers themselves also are of many minds on whether overtime is desirable or not. Our experience has shown us that many workers plan to only work for 2-3 years, with the desire to earn and save as much as possible before returning home. Many of these workers often desire additional overtime in order to earn more money. It is certainly true some workers seek more hours to earn more income to support families or for other obligations. Other workers are at the start of a longer career, and have families, and so try to balance income earned against family obligations. Indeed, there are cases where some workers with one set of goals pressure other workers to remain at a line to earn overtime and additional compensation. As a result of all of these elements, and many more, a broad range of factors determine how much overtime is worked in any factory, how Nike can influence that practice, and how individual workers feel about it.

Excessive overtime is an ongoing concern. It is identified as an issue repeatedly in PricewaterhouseCoopers monitoring, and now is cited by the GA research.

This is both a Nike compliance problem as well as a structural problem within the apparel industry, worldwide. We have no ready answers for how to effectively monitor and reduce overtime violations. It is both an issue of capacity and leverage. To monitor overtime limits effectively requires virtually a daily on-site presence, since overtime hours are limited in some systems not only on a total hours per month basis, but also maximum hours per day, and even maximum hours based on age, gender and child-bearing status.

While, we have no ready answers for these or a number of other issues related to overtime, we recognize there are at least three issues on which we must do a better job, through our compliance system, and with our own production management and factory management teams.

The first issue is the absolute number of hours worked. No worker should be required to work hours that violate the labor law, which in Indonesia are capped at 54 hours per week, or, for factories that have an exemption, up to a maximum of 72 hours per week.

The second issue is the nature of overtime. The GA assessment indicates that some workers may be forced to work overtime. The Nike Code of Conduct standard is that any hours worked above 60 per week must be voluntary. We will not only ensure that factories have clear communication and training plans in place so that workers understand their rights, but will also see that management and supervisors do not foster an environment that leaves workers feeling under pressure to work excessive hours of overtime. To address this situation, Nike in September 2000 implemented a revised overtime policy, which requires factories to notify workers in advance when overtime is required, and also requires that factories have signatures from workers indicating their voluntary agreement to work those overtime hours.

The third overtime issue is the payment of proper wages for overtime hours. In any case where there is a verified miscalculation of overtime wages, the factory will recalculate those hours and ensure that those

wages are repaid to the respective workers, as outlined in the section on compensation and wages, immediately above, and that recalculation will be verified by Nike or its independent monitors.

Nike compliance will monitor grievance processes for complaints about overtime violations, and will instruct our independent, FLA-certified monitors to look at these potential violations with greater care.

Overtime

Law	Code and/or policy	Findings	Remedies	Timeline	Verified by	Applied to	Penalties
<p>Regular and overtime limited at 54 hours per week. With permission from the Ministry of Manpower, a factory can work up to 72 hours per week.</p>	<p>Current Code: 60 hours per week, regular and overtime, with voluntary levels higher so long as they do not exceed 25% of the time. Worker signature required for overtime above 60 hours per week .</p>	<p>PwC audits uncover periodic non-compliance. Global Alliance comments reconfirmed.</p>	<p>1. Ensure that the factory (Nike) overtime policy has been clearly communicated to workers. 2. Review overtime records during independent monitoring. 3. If factories are currently asking or intend to ask their workers to work more than 54 hours / week, ensure that the proper government permission is on file.</p>	<p>1. Ongoing 2. Mar - June 01 3. Ongoing</p>	<p>1. Nike Compliance team 2. Independent monitoring teams 3. Independent monitoring teams</p>	<p>1. Global sourcing base. Already communicated to all factories in Indonesia. 2. Indonesia factory base 3. Indonesia factory base</p>	<p>Any factory that violates the overtime policy may be fined, and repeated or egregious violations can result in loss of Nike business. Any manager responsible for forcing workers to accept overtime limits that violate local law of the Nike Code of Conduct limits can be disciplined, up to and including dismissal.</p>

➤ **Leave Issues**

The proper granting of annual, sick, and menstrual leave are issues that we have been addressing on an ongoing basis and will continue to do so. Beginning in March, we will have factories communicate these policies in factory newspaper and magazine articles, posters, and through ongoing training of workers and management to ensure that everyone is aware of their legal rights, factory policies and Nike expectations.

- **Annual Leave:** The government mandate is for 12 days of annual leave after one year of service. All workers take leave during the Lebaran holiday for 6 to 8 days, depending on the factory, but the remaining 4-6 days are rarely taken. We will ensure that the factory explains the right to 12 days of annual leave and the procedure to request the additional leave outside of the Lebaran holiday. The worker level of understanding of this benefit will be tested by an independent monitor.
- **Menstrual Leave:** Indonesian law states that female workers shall not be obliged to work on the 1st and 2nd days of their menstrual cycle. If a worker requests this leave once a month it should be granted. We are once again reviewing factory policies and procedures to ensure that they are in compliance with the law, have fair procedures in place and have communicated these procedures with all employees. The worker level of understanding of this benefit will be tested by an independent monitor. In addition, we will analyze feedback through grievance and ombudsmen processes to see to what extent the practice of not granting this leave, or requiring humiliating proof of the need for leave, is eliminated.
- **Sick Leave:** While the actual procedures for approving sick leave vary from factory to factory, workers who are ill have the right to receive medical care and take leave when necessary. We are currently reviewing factory procedures for a worker to take sick leave and get appropriate medical assistance and will ensure that this procedure is fair and clearly communicated to all employees. Factory clinics, where they exist, will be closely reviewed to ensure that they are properly staffed and appropriately handling the health care needs of the workforce. Denial of sick leave will be dealt with seriously, up to and including dismissal of the manager responsible, when warranted. Worker understanding of the right to sick leave, when needed, will be tested by an independent monitor. In addition, we will analyze feedback through grievance and ombudsmen processes to see to what extent managers and supervisors are following proper practices in the granting of sick leave.

Leave Issues

Law	Code and/or policy	Findings	Remedies	Timeline	Verified by	Applied to	Penalties
Annual Leave: Workers shall receive 12 days of leave each year after one year of service.	Code: Contractors are required to provide annual leave as a part of an employee's compensation and benefits package. Employees should be encouraged to take annual leave and not to accept the practice of additional work for additional bonus pay	GA reports that several respondents claim that annual leave is often denied, or compensated with money to encourage them to not take the leave.	<ol style="list-style-type: none"> 1. Ensure factories have a clear written procedure concerning requests for annual leave. 2. Factory management and CR staff to clearly communicate this procedure to the general affairs department, the personnel department, and all managers and supervisors. 3. Procedures must be clearly communicated to the workers through the company magazine, newsletters, supervisor briefings, union reps, and by posting the procedure throughout the factory 4. Factories will institute discipline practices that can result in dismissal of managers who fail to follow the leave policies. 	<ol style="list-style-type: none"> 1. Under review 2. To begin Feb. 1 3. To begin March 1 4. To begin March 1 	<ol style="list-style-type: none"> 1. Nike Compliance team, and Independent monitor during compliance review 2. Nike Compliance team, and independent monitor during compliance review 3. Nike Compliance team, and independent monitor during compliance review 4. Nike Compliance team, and independent monitors during compliance review 	1. Indonesia factory base and global supply chain	<p>Managers who violate leave policies can be disciplined up to and including dismissal.</p> <p>Factories who systematically violate the law or established leave policies can be fined.</p>

Law	Code and/or policy	Findings	Remedies	Timeline	Verified by	Applied to	Penalties
Menstrual Leave: Indonesian law states that workers are not obliged to work on the 1st and 2nd days of their menstrual cycle.	Nike policy: Workers are entitled to receive this benefit and should not be discouraged from taking this leave. Code: Factories will exhibit management practices that recognize the dignity of the individual	GA reports that numerous workers claimed to have been denied menstrual leave.	1. Ensure factories have a clear written procedure in place for a worker to take her menstrual leave. 2. Factory staff to provide training on this procedure to supervisors, the personnel department and the clinic staff 3. Factory management to clearly communicate this procedure to the workers through the company magazine, newsletters, supervisor briefings, union representatives, and by posting the procedure throughout the factory.	1. Done 2. Began Feb. 1 3. To begin March 1	1. Nike Compliance team, verified by local independent monitors 2. Nike Compliance team, verified by local independent monitors 3. Nike Compliance team, verified by local independent monitors	1. Indonesia factory base 2. Indonesia factory base 3. Indonesia factory base	Managers or staff who violate the law or the policy can be subject to immediate dismissal. Factories that do not embrace and follow through on training, systems and discipline to eliminate violations of menstrual leave issues can lose Nike supply contracts.

➤ **Sexual Harassment, Physical and Verbal Abuse**

The worker in a Nike contract factory in Indonesia is typically young, female and potentially vulnerable. The management culture of the same factory is predominately older and male, often foreign, and from a culture where power comes from age, rank and/or gender. In this setting, the potential for abuse is high, and abuse sometimes does occur. The GA assessment for the first time tells us, factory by factory, where levels of abuse are high or low, and where different patterns of abuse occur. By far the most frequent form of abuse is verbal. That is troubling. It can be reduced, but probably never eliminated, through a combination of training and discipline. We have started that process.

The assessment process also identified specific harassment issues by factory that workers said were most concerning. Because the researchers could not reveal the identities of possible victims, or those responsible for harassment, Nike compliance was unable to effectively investigate those allegations.

There were also reports of isolated incidents of sexual favors to obtain employment. Nike deployed the same investigative team that investigated the circumstances of the reported worker deaths. The interviewers were Indonesian women working for an Indonesian investigator. They interviewed 39 workers who had recently left the factory. Specifically, they inquired into an allegation about sexual favors to obtain employment.

The investigators received no information to support the allegation of sexual favors being asked in exchange for employment. The investigation did uncover observations of these workers about offensive patterns of behavior specific to a manager and a supervisor and suggested follow-up to address these specific issues. The investigators also learned of two incidents of inappropriate behavior (throwing a shoe at a worker and a line manager kissing a worker) where action by the factory was prompt and directed at the offending manager in each case.

A consistent observation of the interviews was that workers possibly confused verbal abuse and sexual harassment. For example, a supervisor yelling at a worker was regularly given as an example of sexual harassment. This was true even when the words spoken by the supervisor were non-sexual.

Based on the GA assessment, it is clear that physical and sexual abuse are also problems of great concern, although the levels of this abuse and their patterns vary widely by factory. These forms of abuse are equally troubling, because even though the level of incidence is relatively lower, the impact of either form of harassment or abuse on a young, female worker can last a lifetime. Our goal is to ensure that every worker is treated with dignity and respect, and is allowed to work in an atmosphere free of harassment and abuse. It is probably unattainable. But we and factory management have an obligation to adopt management practices and put channels into place which hopefully reduce the potential for such forms of abuse to happen, make it possible for cases to be reported with the confidence that abusers will be punished and victims protected, and to make penalties so severe as to discourage such behavior on the part of any manager.

This requires clear and comprehensive training; visible deterrents to unacceptable behavior; and swift, public and severe discipline. Through training we want workers to know that they have the right to file a grievance against anyone at the factory who exhibits this behavior, and be confident that in doing so they will not face any form of retribution or subsequent disadvantage in job mobility or opportunity.

Once we learn of incidents of harassment or abuse, we will investigate and work with the factory, where appropriate, to remediate the situation. Among steps we have taken in the past

are to impose fines on the factory, and to mandate that the factory follow through with demotions, reductions of pay and dismissal and deportation of managers responsible for abuse and harassment. To lessen the likelihood that such practices will continue, we have conducted harassment and abuse awareness training with the senior management and corporate responsibility teams of all of our contractor factories in

Indonesia, as well as with our own Nike manufacturing managers and quality inspectors. Our intention is to take this training down through all levels of factory management and supervisors, and ultimately to every worker as well.

Of all issues, this is the one with which we are least equipped to effectively intervene. Therefore, we have asked the Global Alliance to assist us in identifying one or more Indonesian organizations to help us with training and counseling, and to assist in establishing confidential channels through which these most vulnerable of workers can take their grievances. Through a combination of the right partners, factory management commitment and our resources, we will do whatever we can to reduce all forms of harassment to the lowest levels possible.

Harassment

Law	Code and/or policy	Findings	Remedies	Timeline	Verified by	Applied to	Penalties
(To be detailed shortly)	Code: Management practices that recognize the dignity of the individual, and the right to a workplace free of harassment, abuse or corporal punishment	<p>Global Alliance: (9 Factory Averages:)</p> <p><u>Observed:</u> Verbal abuse - 57% Physical abuse - 14% Sexual Touching - 16% Sexual Comments - 26%</p> <p><u>Received:</u> Verbal Abuse - 31% Physical Abuse - 4% Sexual Touching - 3% Sexual Comments - 9%</p> <p>Findings</p>	<p>1. Immediate action- Short term: Training for factory management (Human Resource and Compliance staff), and Nike Indo staff on verbal, physical, psychological and sexual harassment and abuse. This training is designed to heighten awareness of the issue and signal the seriousness with which breaches of acceptable behavior should be treated. This training will also include communicating Nike's Harassment and Abuse Policy and disciplinary guidelines</p> <p>2. Longer Term: Seek a credible local external resource to design intervention and training for management and supervisors on how to deal with and lessen issues of harassment and abuse. Include cross-cultural communication and conflict resolution. Provide training for workers so that they</p> <p>Remedies</p>	<p>1. Week of Jan 22-26</p> <p>2. First meetings week of Jan 22; select partner by mid-late February</p> <p>Timeline</p>	<p>1. Nike Compliance team</p> <p>2. Nike Compliance team with assistance from Global Alliance</p> <p>Verified by</p>	<p>Indonesia factory and global supply chain</p> <p>Applied to</p>	<p>Any employee who engages in harassment or abuse is subject to severe discipline, up to and including dismissal.</p> <p>Any factory that fails to correct such practices faces cancellation of the Nike supply agreement.</p> <p>Penalties</p>
Law	Code and/or policy	Findings	Remedies	Timeline	Verified by	Applied to	Penalties

					Verified by		Penalties
			<p>understand what abuse is and what options are available to them if they experience abuse or harassment in the workplace.</p> <p>3. Create a series of pilot projects inside and outside factory to provide secure channels for workers to discuss harassment and abuse and seek assistance, including in-house counselors.</p>	3. Target mid-April to begin pilot projects	3. Nike Compliance team, perhaps with assistance from Global Alliance		

[See appendix for Nike Harassment and Abuse Policy and Procedure]

➤ **Worker Relationships with Co-Workers, Supervisors and Management**

The Global Alliance reported that the majority of workers are "satisfied" or "very satisfied" with their relationships with their co-workers, supervisors or managers. More than 93% reported they are satisfied or very satisfied with co-worker relations; 73% with direct supervisors; 67% with management; and 77% with their labor union. This feedback is helpful. We hope that the final report can help us square these results with reports of relatively high levels of harassment workers observed or experienced.

For those who the relationship with supervisors, managers and the trade unions is not satisfactory, however, the factory has a clear obligation to provide outlets for expressing that dissatisfaction in a manner that is free from recrimination of fear. No simple policy can deal with relationships in every situation. However, factories are much more likely to effectively deal with dissatisfaction when they have clear policies and practices outlined; training programs to raise the awareness of management, supervisors and workers; and mechanisms in place to receive worker feedback and grievances.

The greatest long-term potential for improvements in this areas lies with the gradual opening of the country's manufacturing sector to free trade unions that have the capacity to represent workers interests effectively. Nike already has sponsored training on core labor rights of freedom of association and collective bargaining by the International Labor Organization with trade union representatives from each of the contract factories, including representatives of both trade unions in factories where two unions have affiliated workers. This will be a long-term shared goal among the unions themselves, buyers such as Nike, the Indonesian government, and international organizations.

While this sector develops we intend to work with factory management, workers representatives, international and national organizations to establish additional means of facilitating worker feedback and discussion of grievances in a manner that protects the worker's status while involving management in effective follow-up and remedies. Among the processes we will investigate and test are on-going focus groups off-site with workers by an independent body reporting its results directly to Nike, similar in concept to the CESAIS focus group model that has operated successfully in Vietnam for three years; management-appointed independent counselors available to workers on-site to provide a channel for feedback outside the immediate supervisor and management system; and an ombudsman program, to which workers could bring concerns and receive counseling, operated by a local body independent of Nike or factory management. Nike will test this ombudsman concept, and use feedback from workers to build with factories an improved feedback process. When warranted, we would expect investigations to delve deeply into issues raised by workers that cannot be dealt with on the spot.

Worker-Factory Relationships

Law	Code and/or policy	Findings	Remedies	Timeline	Verified by	Applied to	Penalties
	<p>Nike policy: Factories must have mechanisms in place to receive worker feedback and grievances</p> <p>Workers have the right to voice grievances to supervisors and factory management, which will be responded to expeditiously and without retribution or disadvantage</p>	<p>Global Alliance (9 factory averages)</p> <p><u>Satisfied or very satisfied with relationships with:</u></p> <p>Co-workers - 93% Direct Supervisor - 73% Management - 68% Labor Union - 77%</p> <p><u>Workplace issues with:</u></p> <p>Co-workers: 32% Direct supervisor: 39% Management: 37% Labor union: 31% Physical Environment: 73%</p> <p><u>Recognition or Reward:</u></p> <p>Pay increase - 93% Bonus - 89% Award - 53% Consulted - 35% Represent factory - 7% Promotion - 3%</p>	<p>1. Nike will review each factory's grievance system and require adjustments to those that do not meet the standards of security, fairness and follow-up. Factories will conduct training to ensure that workers understand what the system is and how to use it.</p> <p>2. Select factories and Nike will pilot external ombudsman system with independent organization (see box on harassment.)</p> <p>3. Nike will develop independent party to conduct ongoing focus groups with workers both on-site and off-site.</p>	<p>1. Review Jan-Feb.</p> <p>2. Each factory has a system that meets standards by May.</p> <p>3. Worker training on the system - April - June.</p>	<p>1. Nike Compliance team with verification that workers are educated in this system through the local monitoring of FLA-certified monitors.</p> <p>2. Nike Compliance team</p> <p>3. Nike Compliance team, PwC and other independent monitor</p>	<p>Indonesia factory base and global supply chain</p>	<p>Factories that do not develop secure and effective channels for workers to voice grievances can face fines and repeated failure to establish such a system can lead to termination of the Nike Supply Agreement.</p>

➤ **Worker Perception of Factory Facilities and Services**

The factory is both a place of work and a point where a worker's personal health and well being can be dramatically impacted for the better or the worse. The complexities of the manufacturing environment challenge us with equally complex issues of health and safety on the job. Machine safety, solvents, noise, heat, dust are all aspects of the work spaces that, if not properly monitored and controlled, can have a negative impact on the worker's health.

In June 2000, Nike began to systematically study these issues in footwear manufacturing with International SOS, a respected health provider in Indonesia and throughout much of the developing world. The Global Alliance assessment reinforced what ISOS has found -- that practices need to get better; that factory management of injury and illness issues is often haphazard and not based on a developed system; that clinic services need a higher level of standards, training, staffing and facilities; that food service should provide better, more nutritious meals, served by handlers trained in sanitation and checked on a regular basis for infectious disease and other health problems.

The ISOS work product is a factory-by-factory mapping of occupational and personal health and safety issues. Each factory has already had a full review of the findings, and each will follow up with ISOS on specific plans of action to address areas of weakness, taking the areas of greatest concern first. Nike will monitor the program to ensure that action plans are accomplished and remedies are sustained. We also intend to extend the learning of the ISOS program to non-footwear facilities, and to take the work into other major countries where our products are manufactured.

Workers participating in the GA assessment place a high value on the facilities that factories do provide -- usually free of charge and not mandated by law -- but place an equally high value on those services being of decent quality, whether they are dormitories, clinics, prayer rooms, break areas or canteens. Among the findings, the highest levels of dissatisfaction are with the canteens, the health clinics and the concerns with the general factory environment. We are committed to ensuring these workplaces have the highest standards in Indonesia, and meet many international standards. Through actions identified and monitored by ISOS and, eventually through sharing this learning with other of our factories in Indonesia, we believe across-the-board improvements that bring higher levels of health are possible.

Workers and Facilities/Services

Law	Code and/or policy	Findings	Remedies	Timelines	Verified by	Applied to	Penalties
	<u>Food Services:</u> Nike Health standards require clean food facilities including proper cleanliness and training for food handlers.	Global Alliance findings: 54.9% of factory workers are not satisfied with the services at the canteens	1. Under the guidance of ISOS, and the data provided in the individual ISOS assessment surveys, follow up to ensure that the factories are addressing areas of hygiene in the canteen, the proper health needs of food handlers and the nutritional value of the meals provided by the factory	1. Review action plans for each factory and progress each quarter. Update as required.	1. ISOS and Nike Compliance team	Indo factory base As appropriate these standards and learning will be applied across the global factory base.	Factories that fail to meet proper standards for food service can be disciplined, including fines.
	<u>Occupational Health:</u> Factories must have written health and safety guidelines - factories must comply with locally mandated and Nike mandated health and safety standards	Workers indicated concern about work-place safety and health. Though not specified, more than 70% of workers cited concern with the physical environment.	2. Prioritize the areas identified in the ISOS individual factory surveys conducted in 2000; assist the factories to address those issues systematically. Work with ISOS to implement occupational health system framework covering: --Health Risk Assessment; Health Surveillance; Instruction and Training; First Aid and Medical Emergency Response; Address Occupational Diseases; Record Keeping; Health Promotion. Take learning's from this work and apply to apparel factory base where possible.	As above	As above	Priorities and action plans established in early February. Ongoing project - 2001	Factories that fail to meet proper standards for safety can be disciplined, including fines.
Law	Code and/or policy	Findings	Remedies	Timelines	Verified by	Applied to	Penalties
	<u>Clinic issues:</u>	More than 50% of the	As experienced health	As above	As above	As above	Factories that fail to

	Factories with more than 1,000 workers will provide an onsite clinic. For every 1,000 workers they will provide 1 bed and for every 5,000 there will be 2 nurses and 1 doctor onsite.	workers were satisfied with the clinic facility and just under 50% satisfied with the services provided by the clinic.	care professionals, ISOS will provide particular support in this area to ensure that the footwear factory clinics are functioning properly and meeting acceptable standards.				meet standards for health care can be disciplined, including fines. Managers that through negligence contribute to serious worker illness, injury or death can be disciplined, up to and including dismissal.
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➤ **Reporting of Worker Deaths**

There is no more serious issue to face than the issue of a worker having died, either in the factory, in a hospital, at home or elsewhere. Even if there is no specific or identifiable factory connection, Nike and its factories are determined to do all we can to limit the potential that any source of injury or illness resulting from the denial or inadequacy of treatment, or other practice might play any role in a worker's death.

Nike had no information on these deaths. According to factory policy, only onsite and work-related deaths were being reported to Nike and factory records did not indicate that these two deaths occurred in factory or were work related. Because of the apparently inconsistent information on these deaths and because Global Alliance had no ability to investigate such reports, Nike offered to conduct an investigation. Nike retained the services of an outside lawyer to plan and coordinate the investigation. Local investigators, interpreters and lawyers were engaged to conduct interviews and review documents. More than 30 line workers, supervisors, factory executives, clinic staff and care providers were separately interviewed along with various family members, many off site and without the knowledge that Nike was conducting the investigation. Medical facility treatment records and work attendance records and government documents were gathered and reviewed.

The lawyer's conclusion in the report was that these two reported deaths did not occur on the factory premises but at treatment locations selected by the worker or her family. It was also concluded that these workers did have access to health clinics consistent with standard factory practice.

Prior to the Global Alliance study, we did not require factories to report deaths that occurred off factory premises. From questions raised by the study and the thorough investigation that we commissioned, we have learned that there is value in having reports on all worker deaths, on or off the premises. We have developed a procedure for defining a factory's responsibility in the case of death or serious injury. With information developed through this protocol, we believe that we can better assure ourselves and workers that health and safety conditions and benefits are provided consistent with local law and our Code.

The protocol developed for improved reporting on deaths and serious injuries is as follows:

1. Nike now requires all factories to report all serious injuries or death, using a standardized reporting form and within specified time frames.
2. All factories are required to investigate and report on the cause and the nature of these occurrences, also within a specified time frame.
3. Nike compliance will follow up to investigate where necessary, with interviews and document reviews to confirm or further develop facts regarding the cause and location of the reported injury or death.
4. Factories will be required to follow these procedures or face penalties consistent with those for failure to comply with Code provisions.
5. Through the ISOS program, Nike will help factories implement new processes for handling serious injury and death tracking and reporting.
6. Factory key management including clinic staff will be trained in these standards and procedures. That process already has begun.

We also recognize that a worker's death from any cause can create the opportunity for well-intentioned but inaccurate accounts of that event to create concern and tension in a factory environment, and will review with factory management how to lessen the chances that that might occur.

Details of Workplace Findings: Worker Suggestions

In addition to specific measurements of worker attitudes that relate to compliance, the Global Alliance assessment in Indonesia included a grouping of worker comments by topic. Some of these are aspirational, and some relate to workplace practices. Those comments, and Nike response, are as follows:

➤ **Re-evaluate basic wages each year on prevailing cost of living in the respective regions.**

The Nike footwear contract factory presidents meet at least monthly to review business issues including the questions of worker welfare. Wages have been at the top of the agenda for several years, and they have responded with increases not mandated by government on a number of occasions over the past two years. The current wages and benefits packages are targeted to meet or exceed local measurements of need, but this is a moving target as local jurisdictions readjust their need indices. Factories will be evaluating these questions going forward.

➤ **Provision of adequate weekly rest and annual leave – and ensuring leave is not substituted for with pay.**

See page 12.

➤ **Fair granting of sick leave and menstrual leave to workers.**

See page 12.

➤ **Reduce excessive overtime**

See page 9.

➤ **Increase overtime compensation for night shift work and Sundays**

The law and the Code also are very clear about premiums for overtime, and work on holidays and Sundays. Where those standards are not complied with, they are a violation of law and the Code, and will be treated as such.

➤ **Provide day care for children of married workers**

The benefits each factory provides to its workers vary widely, and in some cases in some countries childcare is a benefit that is provided. While there are excellent reasons to provide this benefit, the individual factory management team has to decide among a host of factors which of the additional benefits to invest in and offer its workers – free meals, transportation allowances, health care facilities, dormitory facilities, child care provisions, sports and recreation programs, education programs, life skills training, medical care for communities and families, and many others.

➤ **Improve factory clinic services and make available to nightshift workers and families of workers**

Workers at any time of the day or night should have clinic services available in factories where those are provided. Nike will review the on-site health care coverage to ensure each factory has adequate provisions available for immediate care. Some factories extend some health care benefits and services to families, and some do not. Each system depends on the specific benefits package the factory has, and depends as well on the balance the factory has made between community-based health care and its own facilities. Nike will review this issue as well, to see where coverage is available and ensure it is at least consistent with requirements, and extended more broadly where possible.

➤ **Improve factory food and canteen hygiene**

The ISOS program addresses general health care. The process of systematically working through the food service area will be addressed. As with health care facilities, the provision of food offers a tremendous opportunity to effect positive impacts, both in the quality of the food that is delivered, and the impact that food can have on basic health.

➤ **Improve rest rooms; provision of more flexibility for use of rest rooms**

Nike will conduct systematic review of facilities -- quality and number -- under the ISOS program. The goal will be to develop best practice procedures with factory management. The harassment policy has been modified to include the withholding of reasonable requests to use rest rooms as a form of physical harassment, subject to discipline.

➤ **Improve physical environment of workplace; reduction of noise, heat and air pollution**

See page 21.

➤ **Provide workers with better protective equipment**

Every effort is made to ensure workers have proper breathing protection, gloves, aprons, hearing and vision protection and related equipment. It sounds simple, but the reality is far more complex. Some workers insist on wearing Personal Protective Equipment (PPE) they do not need (such as cotton masks for protection against solvent vapors), and others refuse to wear PPE they do need (for example, ear plugs in the mold shop.) And some supervisors simply fail to enforce proper PPE usage. The Nike Code includes a standard that factories provide PPE free of charge, that its use be mandated by all who work in the applicable section (including managers), and that workers be trained in its proper use. But the enforcement of that standard is difficult, requiring constant vigilance, training, education on new hazards and the various kinds of new PPE, and re-training. As we do a review of the health and safety procedures, worker input will be sought to ensure all specific PPE issues are being addressed.

➤ **Provide workers with better transport**

Transport provided to workers is a benefit that varies widely by factory, location, worker living arrangements and related circumstances. In some cases the benefit includes factory owned or contracted bus service, in others workers receive a monthly cash stipend for transportation, in others none is provided. We will review comments to try to pinpoint the areas where there is greatest identified need, and then work with factory management to see if adjustments to the existing transportation policies can be made.

➤ **Provide workers with better factory uniforms**

As with transport, uniforms are a factory-paid benefit the provision for which varies widely. We will review the comments to understand what deficiencies are pinpointed at which factories, and then address those issues with factory management.

➤ **Eliminate abusive treatment entirely**

See page 14.

➤ **Improve working relationship between workers, management and supervisors.**

There are a number of paths we can take to make sure worker-supervisor-management relationships are at the highest level. Training is one major avenue, and it has already begun. Public notification of rights and obligations is another path, and we will work with factories to redouble efforts in this area. A confidential worker outlet for complaints is another, and we will explore a number of ideas. An effective and professional trade union can be exceedingly helpful, and Indonesia generally is grappling with new relationships built through an independent trade union movement. Ultimately, no one answer will satisfy the need for better relationships, but a whole series of steps will.

Conclusion



Nike remains an enthusiastic participant in the Global Alliance. We look forward to beginning this work in China, and continuing the work begun in Thailand, Vietnam and Indonesia.

We encourage other companies with global supply chains to join efforts like this that combine the resources and talents of private and non-profit organizations to effect positive impacts in the global economy.

We also hope that other companies will not shy away from transparency. Ultimately we learn from open processes like this a great deal about workplace conditions and worker attitudes, and having that information makes it all the more likely that we can change those lives and our businesses for the better.



Nike in Indonesia

Nike has been a buyer of products in Indonesia since 1988. When we first began sourcing in Indonesia, the country was nominally a republican form of government, but in effect controlled by the political party led by Suharto. Ten years later, that government was removed in favor of the first democratically elected government in more than four decades.

In the past 13 years, Nike's presence has grown from sourcing in one footwear factory with a few thousand workers to 11 footwear factories and 22 apparel and equipment factories with a combined workforce of more than 115,000 people. The average footwear factory has about 7,000 workers. Equipment and apparel factories have on average of about 1,200 workers.

Nike is the largest buyer of athletic shoes and apparel from Indonesia. Annual purchases for exports account for upwards of \$1 billion. While we are committed to continue to do business in Indonesia, a complex mix of factors including the political and economic stability of the country, its currency fluctuations, the demand for our products and especially those in which Indonesia will have a comparative advantage all will determine the extent of our future business.



Nike and the Global Alliance

Nike became a founding partner in the Global Alliance in April of 1999. The Alliance was founded with two expressed purposes: to provide the resources for the improvement of workers' lives in the global supply chain, and to do so through a partnership of foundations, global brands, supply chain manufacturers, trade unions, and educational/research institutions. Additional goals including strengthening the factory management-worker relationship, building local assessment and development capacity, and helping through this initiative to build sustainable national partnerships aimed at improving workers' lives across the government, business, labor, social research and non-governmental communities. We hoped to bring a new approach to the challenges of global manufacturing. Our goals were to:

- Improve the work and life conditions for workers
- Conduct an inside/out versus outside/in process where the voices of workers and the people who run the factories could be heard and responded to. We realized that if workplaces are truly to change we had to change the way workers and management see their roles.
- We wanted to participate in cooperative partnerships to expand and bring greater quality to our work. We realized that trying to address issues on our own was not as effective as working with others who brought new and different expertise to the table.
- We wanted to build and complement our compliance system. We knew we needed to make continuous improvement in the effectiveness of our current oversight process. We knew the difficulty in getting at certain issues, particularly social auditing issues, and that we needed to try a different though complementary approach to identifying and addressing issues of concern to workers.

It was important to us that the Global Alliance initiative that would be independent and objective, and would have the checks and balances to make it so, embodied in three operating principles:

- Nike placed our Global Alliance funds into an irrevocable blind trust, with an investment of \$7.8 million to account for operations, assessment and worker investment over 5 years.
- The Operating Council is composed of nine people, in three classes of membership: three people each appointed by the International Youth Foundation; three by the corporate members; and three jointly by the IYF and the corporate members.
- The Global Alliance and its member companies have made the commitment to transparency and reporting to the external world, irrespective of the outcome of assessment.

In developing its role within the Global Alliance structure, Nike sought to assist the GA staff as it developed its frameworks for operations in Thailand, Vietnam, Indonesia and China, while remaining at arm's length from issues where independence might be threatened. That role developed as follows:

- Country Launch. In each country, Nike corporate responsibility managers and GA managers jointly briefed factories on the outlines of the program, its objectives, and its timelines and expectations.
- Assessment Partners. In each country GA staff made decisions on which assessment partner to retain. In Thailand, Nike staff recommended the assessment organization (Chulalongkorn University Social Research Institute) as one to consider based on conversations with a respected local NGO. In Vietnam, Nike had had worker focus group research done previously by CESAIS, the organization ultimately chosen by the GA. In Indonesia and China, both Nike and GA did research from a relatively clean slate. GA staff chose Atma Jaya in Indonesia and CPIRC for the upcoming work in China.

- Familiarization. Nike staff and factory management provided factory visits so that GA staff and assessment partners could see the manufacturing environment prior to developing assessment tools, and to help orient GA and assessment staff to worker issues specific to each environment.
- Assessment Tools. Nike and the GA staff initially put together concepts for assessment tools, and each assessment organization used the previous work as well as its own research tools to design and refine its own tool. Nike compliance staff in each country offered suggestions to GA staff and assessment organizations on specific issues of concern or interest. The final assessment tool in each case was a joint decision made by the assessment organization and the GA. The same has held true for factory-specific assessment tools used for each step of the process (questionnaires; interview topics; focus group discussion guides). For Indonesia, teams of researchers from Vietnam and Thailand also met with Atma Jaya researchers to compare notes and offer suggestions based on the earlier assessments, so that the tools could be stronger than assessment that has gone before.
- Country and Factory Reports. The country report is presented to the GA from the assessment organization in draft form. GA staff then offers Nike staff the opportunity to review that draft and provide feedback on content and facts. Factory management also has been provided the opportunity to comment on draft factory reports. The assessment organization has final say on the content of the final reports in each case, country or factory.



Nike Factory Partners

The Global Alliance assessment in Indonesia was conducted in nine factories, including seven footwear factories and one each apparel and equipment factory. These businesses are owned and operated by Indonesians, Taiwanese, Chinese and Koreans. The program is strictly voluntary. Each factory committed to a full assessment process; offered management time and assistance to complete this work; opened its facilities for assessment teams to operate; provided time for workers and managers to participate in project team work; allowed workers to be interviewed in confidential settings; provided for focus groups to be conducted confidentially both on-site and off-site; and committed to working with Nike to act upon the results of the assessment, including all compliance issues as well as to assist in the investment for work/life issues identified by their workers.

All of this has come at a time when business issues have been extremely difficult, when political and social turmoil have been at historic levels, and when the mere day-to-day operation of a business has been challenged by soaring interest rates and uncertain currency fluctuations. Each factory has provided its best managers, from president and general manager on down, to assist in this project, for which Nike is extremely grateful. We believe the result of all of this work will be to produce a marked and positive impact on their workers and their businesses.

Nike's Compliance System

We know that our current compliance system is not perfect. We are continuously seeking to challenge ourselves and our partners to strengthen our compliance system. At present, we are performing a review of our overall compliance system.

Compliance itself is a daunting task. Worldwide there are more than 550,000 workers producing Nike products. This is the equivalent of the population of Portland, Oregon, but spread across six continents and more than 50 countries, with more than 750 factories. Like communities, the factories that make Nike products are imperfect places. And like communities, improvement comes from a combination of policing and partnership, from sanctions as well as through education, investment, heightened awareness and structural change. It is in that spirit that we do the work of labor and environmental compliance, and it is in the same spirit that we joined the Global Alliance in 1999. The goal of both is to ensure better workplaces and better lives for the people who make our products.

Nike oversees compliance of our Code with basically four layers of oversight:

Production department people who are in the footwear factories daily, or less frequently in apparel and equipment factories, are tasked to report potential issues to the compliance department, as well as executing a SHAPE (Safety, Health, Attitude, People, Environment) inspection each quarter. The improvement areas noted in that section are then to be acted upon by the factory.

Our Indonesia-based compliance department is fully focused on labor, health, safety and environmental issues, and is led by a Bahasa Indonesia-speaking expatriate. She leads a team of five Indonesians whose expertise is in environment, health and safety and labor law. Their jobs are collectively to monitor and help guide the progress factories are making toward meeting compliance standards, to train factory staff on compliance, and to coordinate the use of outside resources where the team itself does not have specific expertise or time resources to do that work.

Labor compliance monitors, which in Indonesia have included PricewaterhouseCoopers local teams, are tasked with executing a labor practices monitoring visit with each factory, on a rotating basis. That visit includes a bench audit (age, wage, overtime, benefits, etc.); worker interviews to verify those bench audit findings and seek additional information on management practices, family demographics and related information; and a basic factory walk-through to report on general health and safety issues. That report is provided to Nike and the factory, and compliance issues are addressed through an action plan.

Outside experts in environment, health and safety work specifically with Nike and the factories on areas that require a high level of professional expertise required, including ensuring compliance with indoor air quality, medical services for the workers, nutritional issues and the like. Some of this work focuses on compliance and some on worker benefits not required by the law or the Nike Code.

Compliance and the Global Alliance

Compliance is the task of the Nike department that bears that name. Compliance issues are not the focus of the Global Alliance assessment work. But many times such issues do surface through the interview process about the work-life conditions of workers. When compliance issues surface either through direct questioning, or indirectly, they are brought to the attention of Nike's chief compliance officer. The company addresses those issues and reports back to the GA on its progress, which then makes a judgment regarding the appropriateness and timeliness of that response -- which it then makes public.

This report is exactly that, a reporting back to the GA on compliance work that addresses issues raised in the GA report in Indonesia.

Our compliance work is designed to identify code violations and provide our labor practices team and factory partners information to address compliance violations such environmental issues, health and safety, wages and overtime. The work of the GA is to go beyond the book audit of wage, age and overtime and address the workers' needs, aspirations and experience in the factory. It is not designed to identify compliance issues or to verify compliance issues, as that would be the work of an independent monitor. However the GA assessment process, because of its comprehensive, intensive and participatory nature, will surface compliance issues by the very fact it is asking workers about their work/life experience. That is what we hoped for and that is what we learned.

As we identify compliance issues, we learn where we need to strengthen our compliance systems, and where we can, proactively, support the improvement of working conditions. In parallel to this ongoing work, Nike is in the process of reviewing our global system of compliance. Our goals for this review are to ensure our standards are right; that our system of overseeing compliance with those standards, internally and externally, effectively discovers issues of non-compliance; that our remediation programs do effect the change we seek; and that our business objectives and the objectives of workplace standards are aligned. We expect that review to be completed, and any adjustments begun, by the end of our fiscal year, May 31st.

Despite the sometimes-disturbing nature of some of the GA findings in Indonesia, we welcome the information because it enables us to deepen and strengthen our existing compliance systems, and to take steps to improve working conditions and opportunities for the workers. Some of the findings were tough news for us. But we are grateful they have been identified and that we have the opportunity to address them in a systematic and collaborative manner.

Learnings: Adjustments to Compliance System

The Global Alliance assessment process has taught us valuable lessons. First, it is the only systematic review of worker attitudes across a broad population that we have had done in Indonesia. As such, the information GA has gathered offers a baseline from which to measure and move forward.

The GA assessment process has helped us to adjust our thinking on monitoring and compliance work. Specific issues about our contract factories raised by the assessment will now be acted upon with a greater degree of confidence.

We also gained a greater understanding of the strengths and weaknesses of our current oversight system. Effective monitoring has to involve a careful audit of records, comprehensive health and safety evaluations, and social research to understand more complex issues involving the interactions between human beings. We believe there is relative strength in the audits of records, although improvements can and will be made there. We believe there is developing strength in health and safety monitoring, but a great deal of remediation to be done there. We believe our monitoring is weak in the social research aspects, and we intend to make significant changes there.

The records check is the strength of a traditional auditor, properly trained in labor records, and PricewaterhouseCoopers has been our global partner in this work. Local PwC teams are asked to perform a bench audit of documents related to worker age, wage, hours of work, benefits and related legally required standards. We will continue to use these kinds of resources for the bench audit portion of our monitoring system and move to improve their effectiveness. We will continue to use other, independent experts in health and safety to audit factory practices and provide training and related counsel. But we will redouble our efforts to incorporate the highest level of social auditing, including worker interviews and focus groups, into our system. The goal will be to develop three mutually supporting and mutually exclusive legs on which monitoring must stand. Such levels of monitoring are already envisioned under the protocols of the Fair Labor Association, of which Nike is a founding member with an approved monitoring plan.

Nike will continue forward with the next round Global Alliance work slated to take place in Nike partner factories in China, and we will ask Global Alliance to do a re-assessment in Indonesia within the next 12 months. That re-assessment will also be made public by the Global Alliance.

Changes to monitoring processes alone will not suffice. Our intention is to work with factory management to develop paths through which workers can safely and confidentially identify compliance issues of greatest concern, such as harassment, which young, female workers are least likely to raise through the standard management system.

Our intention is to seek out local Indonesian organizations with expertise in issues related to women, and to partner with them to provide confidential settings away from factory grounds, where workers can provide information about workplace practices that violate both the letter and the spirit of the Nike Code of Conduct. Conversations with organizations already have begun. We hope to begin pilot projects by the end of April. While under no illusion that such projects will solve problems overnight, our goal is to use this in combination with other forms of monitoring to address both individual and legitimate grievances as well as systematic practices.

As we review the information presented by the Global Alliance assessment in Indonesia, we recognize that the results differ in some significant respects from results obtained by earlier assessments in Thailand and Vietnam. We believe this is so in part because each country has different sets of social and political environments; each country has different means by which workers express their opinions; each survey built upon the previous one; each addressed issues somewhat differently; and each assessing organization was different.

As well, there was remarkable similarity in many responses across all factories in all three countries: workers generally want higher wages and better food; workers generally express satisfaction with their managers and supervisors; workers find high value in the relationships they have developed with each other; workers look to the future and want better things through this job for their children; and workers want to have higher levels of access to information that will provide for better health, education, jobs skills and life skills.

The major difference in results would seem to have been generated by a combination of a more open and politically-charged atmosphere in Indonesia that follows 40 years of autocratic rule, coupled with the assessment technique of asking open-ended questions to which any manner of comments might be made. This resulted in a number of issues workers identified that had not been addressed by the formal survey. With that said, we are confident that the results in Thailand and Vietnam gave Nike and our factory partners a clear and accurate picture of the needs and aspirations of factory workers in those countries. We and the GA have been working closely with our factory partners and local NGOs to implement an action plan that addresses those needs.

Partner Programs in Indonesia

Nike has engaged a number of partners in corporate responsibility work in Indonesia. These include:

- Program for Appropriate Technology in Health (PATH), a Seattle-based NGO focused on health services and technology for under-developed countries, which has managed a peer education program for workers in two Nike contract factories focused on reproductive health and other life skills issues;
- Health services/clinics: International SOS, a medical services provider and education organization, has done all Nike contract footwear factory health and safety reviews and is now recommending courses of action for correction of deficiencies.
- Education programs: Through the Indonesian government, Nike and all Indonesian-based footwear factories have co-funded an after-hours education program for workers. These are academically based and provide education equivalencies for workers who attain certain levels of performance.
- Water based solvents program: All Nike footwear factories have largely converted their processes from petroleum solvents to water- and detergent-based solvents, using a variety of outside vendors including chemical suppliers Nan Pao and Dong Song. Almost 90% of the process is now based on these new, safer and more environmentally friendly solutions.
- Air quality programs: In combination with the reduction in the use of solvents, Nike has worked with its contract factories to measure the indoor air quality and determine safe operating levels, and the two programs in concert have, we believe, dramatically reduced the health risks for workers. The indoor air has been tested with the goal of effecting corrections to bring the factory within the U.S. Occupational Safety and Health Administration (OSHA)-prescribed limits using Reliance Insurance, a risk management specialist, and other vendors including laboratories in the United States.
- Community Investment: With Opportunity International and Diman, a local NGO, Nike has provided capital that has to date established more than 1,000 small businesses, and under a five-year micro-credit program will ultimately many times that number. In January the U.S. Agency for International Development awarded the program a grant of more than \$900,000 to expand the program even more widely. The program is targeted specifically at the Tangerang area, a West Java community where many factories are located, and where the economic crisis has created severe levels of unemployment.

Independent Monitors and Research in Indonesia

In addition to their work, we have had the following external and/or independent auditors and groups visiting vendor factories:

Group	Dates	Task & Comments
Amos Tuck School, Dartmouth College	August 1998 August 1999	Studied the adequacy of wages. Outcomes stimulated actions on wages for Nike footwear workers.
Garrett Brown/Dara O'Rourke NGO Health & Safety Monitoring Training	June 2000	Nike contract factory offered to be the host work site for training local Indonesian NGOs on health and safety capacity building and monitoring.
PricewaterhouseCoopers	March 1997 -- ongoing	Local teams have performed independent monitoring services for Nike.
Ernst & Young	October 1994 – January 1997	Local teams have performed independent monitoring services for Nike.
Environmental Resource Management & The Gauntlett Group	November 1998 – June 2000	Executed ongoing workshops and testing on the Nike MESH (Management, Environment, Safety & Health) CR management system for footwear factories, to ensure all factories have ISO 14001-level systems in place to manage all CR issues.

Harassment & Abuse Standards

Every employee at Nike contractor facilities must be treated with respect and human dignity. This document provides specific requirements for Nike contractors to deal with harassment – what it is, how to prevent it, what to do when you find it, how to discipline, and how to report it. Every contractor will also be required to follow the local law where applicable.

Definition

Physical:

- Use or threat of physical discipline.

Verbal:

- Screaming, threatening, or use of demeaning words toward employees

Psychological:

- Use of words or actions that attempt to diminish employee's self-esteem.

Sexual:

- *Offering preferential work assignments or other preferential treatment of any kind in actual or implied exchange for a sexual relationship.*
- *Subjecting employees to prejudicial treatment of any kind in retaliation for refused sexual advances.*
- *Unwelcome sexual comments, observations or advances, or physical conduct of a sexual nature.*
- Gender-insensitive security practices

Other:

- Withholding reasonable breaks, access to water, toilets, health care, or other basic human necessities.
- *Unreasonably restricting employee's movement during non-work hours.*

1. Establish written policy

All contractors must have a written Harassment and Abuse Policy that is endorsed by the most senior manager at the facility. The written policy must outline the scope of the policy, definition of harassment/abuse, responsibility of individuals to carry out the policy, confidential grievance method, and appropriate disciplinary sanction for each type of violation against the policy. The contractor must utilize a progressive, written discipline policy. Such discipline must state, as appropriate, that the offensive behavior may lead to termination of employment or prosecution by legal authorities. The policy must specifically state that no employee will be punished for reporting in good faith such behavior to the management. No employee of the contractor is exempt from the policy and it applies to vendors, customers, or others who enter the contractor's workplace.

2. Provide confidential grievance procedures

It is essential that the contractor provide confidential grievance procedure for employees to report such abusive behavior. Normal complaint method such as through direct supervisor is not adequate for reporting abusive behavior. Established procedure should include one or more of, but is not limited to, the following:

- a. Secured confidential grievance box installed in private area (such as bathrooms or dorms) that is only accessed by the top management.
- b. Neutral grievance contact such as union representative or guidance counselors
- c. Telephone "hotline" number or Post Office Box address through which employees can report their grievance

3. Create informed workplace

In order for employees to adhere to the written policy, the contractor must progressively inform the employees of the policy and how to communicate such abusive behavior to the management. The policy must be communicated through the following methods at minimum:

- a. New Hire Orientation training (all employees without exception)
- b. Supervisor and/or Management Training at least annually
- c. Employee group meetings at least annually
- d. Posting of the policy in major work areas including employee lounges

4. Investigation

If such grievance is received, the contractor must immediately investigate the allegation without fail. The investigation must be conducted discreetly by qualified individual.

5. Documentation

Every grievance, investigation, and discipline must be documented properly with the following elements:

- a. Date(s) the incident reported
- b. Date(s) the incident occurred
- c. The exact nature of the complaint
- d. Employee(s): both alleged perpetrator and victim, if available
- e. Date(s) of investigation and name(s) of investigators
- f. Methods used in investigation
- g. Findings
- h. Date of decision and name(s) of decision maker
- i. Date and nature of any discipline imposed
- j. Date the claimant is notified of the decision*
- k. Adjustments or plan of adjustments, if any, to existing contractor policies, procedures, and practices

*The contractor must also document that the employee who brought the complaint (claimant) is notified of the result of the investigation and the decision(s) made. Such document must be signed by the claimant.

Contractor must maintain all documentation, and make them available upon request to Nike or designated auditors. Upon closure of each abuse and harassment incident, the contractor must make necessary changes to existing policy, procedures, or practices in order to eliminate such unfortunate incident from recurring.

6. Discipline

Individuals found to be in violation of the contractor's written policy must be subject to immediate sanctions. The discipline for all harassment or abuse, must include the following elements:

- a. Depending on the situation and circumstances, harassment/abuse may result in immediate dismissal, immediate probation and/or demotion.
- b. If resulting in immediate probation and/or demotion, the person in question is required to sign a statement acknowledging that they understand the situation and that any recurrences during the following 60 days will result in immediate termination.
- c. Person in question must apologize to the employee(s) in question.
- d. Person in question must undergo appropriate training to help correct this attitude or action – cross cultural training, conflict resolution training, etc...
- e. Person in question may be transferred to a different department in order to ensure no further intimidation occurs.
- f. *If required by law, person in question is reported and turned over to local authorities.*

7. Reporting to Nike

Each contractor must keep the above documentation on file and provide access to the files to Nike or its designated auditors. Contractors must report to incidents resulting in termination of employee(s) to the attention of Nike Corporate Responsibility Compliance Manager. Failure to adhere to the above may lead to consequences including and up to termination of relationship with Nike.