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Nike agrees \$1m overtime payment for Indonesian workers

Sportswear group Nike has agreed compensation in a dispute with workers in Indonesia over unpaid overtime. Its Indonesian subsidiary will pay \$1m (£650,000) to about 4,500 workers at a PT Nikomas plant in Serang, Banten.

The workers union that brought the case to Nike said in a statement that 593,468 hours of overtime went unpaid over the last two years. The union said it hopes this will set a precedent for factories across the country. "This has the potential to send shock waves through the Indonesian labour movement," said Bambang Wirahyoso, the national chairman of the Serikat Pekerja National (SPN) trade union. "The leadership at SPN is gearing up to take on the fight for any workers who have been subjected to forced overtime without pay. We have only just begun."

The settlement comes after 11 months of negotiations between Nike and the union. Nike said in a statement: "Nike commends the factory on their action plan and efforts to correct inadequacies in current policies designed to protect the rights of workers. Nike will continue to monitor and support their efforts to remediate the situation." The company also said it would offer training programs, and set up a task force to address grievances.

However, despite the settlement, the issue is likely to remain a contentious one between the two parties. SPN said that while it was pleased with the result, the workers were owed much more. "The practise of forcing workers to do overtime without pay was actually happening for 18 years at Nikomas, but Indonesian law only allows redress for the past two years," SPN said in a statement.

The BBC's Jakarta correspondent, Karishma Vaswani, said that while the money being paid was not substantial, "the symbolism of this compensation will go a long way towards making workers here feel like they have won a significant victory". She added that even though the case was settled out of court, it was likely to make other international companies operating in Indonesia take note. "The fact that Nike had opted to handover this million dollars and an apparent admission of some wrong doing at their Indonesia plant, may serve as a warning to other companies here be a bit more mindful of what happens at their Indonesia subsidiary," she told the BBC's Asia Business Report.

The unions have said they are planning to take action against other multinational firms such as Adidas and Puma.

In 2011, sportswear maker Nike saw its second-quarter income rise, helped by strong demand for its branded products. The world's biggest sports clothing maker earned \$469m (£300m; 359m euros), up from \$457m for the same quarter a year ago. Revenue at Nike rose 18% to \$5.7bn, while futures orders were up by 13% to \$8.9bn in the quarter. Higher product costs again dented profit margins, which fell by 2.6 percentage points to 42.7%.