

case 1-429-403  
October 31, 2014

## PT Kizone: Adidas Battles Allegations of Shirking Responsibility to Workers (B)

In April of 2012, Sioban Harlow, chairwoman of the University of Michigan President's Advisory Committee on Labor Standards and Human Rights (PACLSHR), sent U-M President Mary Sue Coleman a status update on the committee's findings regarding the university's \$60-million contract with adidas and the committee's recommendations. The PACLSHR report focused on the abrupt closing of PT Kizone, a factory in Indonesia that had made products for adidas and other companies. The committee had found that adidas had taken the position that 1) it bore no responsibility for payment of severance or any other legal benefit owed to factory employees, and 2) its responsibility was limited to informing the supplier factory of the code of conduct requirements and monitoring factory compliance. The committee was not satisfied with adidas' response and recommended the following actions:

1. Request that adidas provide substantial cash or food assistance to former PT Kizone workers.
2. Seek counsel from Michael Posner, U.S. Assistant Secretary of State for Democracy, Human Rights, and Labor, as to how U-M could leverage the situation to generate appropriate remediation and sustained improvement in labor conditions in Indonesia.
3. Request that adidas provide the university with monthly updates on progress toward resolution of the complaint, including the status of diplomatic efforts to hold licensees accountable for efforts to ensure that workers received their legally owed severance, and of re-employment of the affected workers.
4. Consider the responsibility of the university as a business partner that stood to benefit from the work of the employees, and make a contribution to the severance pool.

Harlow concluded the message to Coleman with:

"Given the recurring problem of unpaid wages and benefits following factory closures, we recommend that the University actively and strongly support efforts by the FLA [Fair Labor Association] and other monitoring bodies to develop an insurance system to be paid for by



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