



**BetterWork**

# **Annual Report 2018** **An Industry And** **Compliance Review**

Indonesia

REPORTING PERIOD  
**January 2017 - January 2018**



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Organization



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## Executive Summary

Better Work has been conducting assessments of working conditions in Indonesia's export-oriented garment factories since 2011. The current report draws on findings of assessments conducted between January 2017 and January 2018 by Better Work Indonesia in 172 factories.

The data analysed shows compliance with labour standards and working conditions based on the eight Better Work compliance clusters: Child Labour, Discrimination, Forced Labour, Freedom of Association and Collective Bargaining, Compensation, Contracts and Human Resources, Occupational Safety and Health, and Working Time.

This year's detailed findings (Section II) section focuses on the 20 issues with the highest non-compliance rates (i.e. above 40 percent). For each of these sections the report documents reasons for non-compliance, as well as highlights BWI efforts, notably those that go beyond core services, to reduce rates of non-compliance. For this report, BWI chose to focus on fewer issues and provide more in-depth analysis in order to draw attention to common reasons for non-compliance, and to demonstrate how BWI is using its findings to inform future initiatives, in particular with national stakeholders.

As in previous Annual Reports, the Executive Summary also includes a broad summary of non-compliance rates at the Compliance Point level. Also, comprehensive data tables are available for all non-compliance questions in the annex to serve as a reference.

### COMMON CHALLENGES TO COMPLIANCE

BWI finds common threads among the reasons cited for non-compliance. Understanding these common roadblocks to compliance is crucial for BWI to adapt

its interventions to the challenges of the industry, and to provide an up-to-date understanding of the industry to ensure that BWI services are relevant to the context of Indonesia's garment sector.

Some of the most frequently cited reasons for non-compliance include: misunderstanding of labour laws due to communication gaps or regulatory ambiguity; insufficient staff training to meet the regulatory/licensing needs; and lack of management systems for Occupational Safety and Health hazards. There are also "administrative" issues behind non-compliance (e.g., the absence of a local regulation on building safety in some districts). Additionally, sourcing pressures were cited as a key challenge to complying with overtime hours' limitations under national labour law, especially in light of Indonesia's comparatively lower weekly work hours, when compared to regional competitors.

### ILO CORE LABOUR STANDARDS

#### Child Labour

There were no findings of children under the age of 15 engaged in work in BWI registered factories. Sources of non-compliance in the Child Labour cluster include one instance (1 percent) of workers under 18 working in an environment which, as per the applicable regulation, is considered hazardous; one instance (1 percent) of improper documentation of workers under the age of 18; and two instances (1 percent) of factories that lacked a verification system.

#### Discrimination

Non-compliance in the Discrimination cluster was mostly due to failure to observe the national requirement on the hiring of people with disabilities.

81 percent of factories did not comply with the established quota of one person with a disability employed for every 100 workers. Despite the importance of such regulations for social inclusion, and even with Better Work and government initiatives to address the issue, factories face persistent challenges in encouraging people with disabilities to apply for jobs.

### Forced Labour

In this reporting period there was only one factory (1 percent) that was non-compliant in the Coercion compliance point. One factory was found to delay payment and deny worker access to their personal documents.

### Freedom of Association and Collective Bargaining

Non-compliance under the Freedom of Association and Collective Bargaining cluster was largely due to issues with Collective Bargaining, with 23 percent of factories non-compliant. There was a smaller percentage of factories non-compliant on issues related to Freedom to Associate (4 percent of factories), Interference and Discrimination (3 percent of factories), and Union Operations (2 percent of factories). This cluster together with some aspects of the Discrimination cluster, including issues such as sexual harassment, may be seriously under-reported due to the difficulty in obtaining sufficient proof of non-compliance, as required by Better Work assessments.

## WORKING CONDITIONS

### Compensation

The non-compliance rates in the Compensation cluster are concentrated in Social Security and Other Benefits (76 percent of factories non-compliant) and Overtime Wages (49 percent non-compliant factories). Non-compliance in the Compensation cluster was also observed in Wage Information,

Use and Deduction (28 percent of factories non-compliant); Minimum Wage/Piece Rate Wages (35 percent); and Paid Leave (19 percent).

### Contracts and Human Resources

The non-compliance rates in the Compensation Contracts and Human Resources Cluster are 72 percent for Contracting Procedures; 63 percent for employment contracts; 59 percent for Dialogue, Discipline, and Dispute and Employment Contracts; and 38 percent for Termination.

### Occupational Safety and Health

As in previous reports, the non-compliance rate in Occupational Safety and Health (OSH) continues to be persistently high. The highest non-compliance rates are concentrated in Health Services and First Aid (90 percent), OSH Management Systems (90 percent), Worker Protection (85 percent), Emergency Preparedness (85 percent) and Chemicals and Hazardous Substances (80 percent). Lack of proper managements systems was one of the most prominent reasons cited for lack of compliance, and Section II details BW's initiatives in advisory, training, and stakeholder engagement to try to remediate persistent OSH issues.

### Working Time

The vast majority of factories (66 percent) do not meet the daily and weekly overtime limits. Overtime issues are a persistent challenge for the garment industry, and Better Work's research provides evidence of the adverse consequences of sourcing pressures. Factory managers' concern with supply chain pressures such as uncertain orders, late delivery penalties, and changes in technical requirements, Indonesian customs requirements, can also translate into working hours violations.

More than 45 percent of factories were non-compliant with regular working time requirements. The primary issues included regular working time for

security guards and inaccurate attendance records, mostly due to overtime on Sundays or in excess of three hours. Finally, 35 percent of factories failed to provide workers with some types of statutory leave.

## SUMMARY OF PROGRAM REACH AND SERVICES DELIVERED DURING THE ASSESSMENT TIME PERIOD



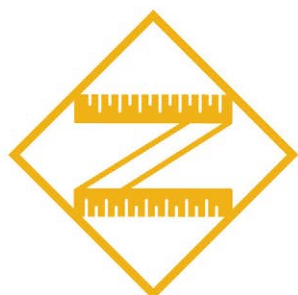
**203**  
Factories



**1748**  
Days of  
Training



**381, 856**  
Workers



**172**  
Assessment  
Visits



**1118**  
Advisory Visits



1332  
ERA CLASSIC  
100% COTTON

1384 lot 9128  
MADER

101

## Section I: Introduction

### INDUSTRY PROFILE

The garment industry, together with the textile industry, is an important contributor to Indonesia's economy. In 2017, the World Trade Organization reported that Indonesia ranked among the top 10 global clothing<sup>1</sup> exporters, with USD 7 billion worth of exports in 2016<sup>2</sup>.

The Government of The Republic of Indonesia has developed the *Main Plan of the National Industry Development for 2015 to 2035*<sup>3</sup> where textile and textile products<sup>4</sup> are one of the top 10 priority industries to be developed. The Ministry of Industry has projected that textile and textile products industries would grow an average of 11 percent per year. The Ministry's target for 2019 is that the export value of the Indonesian textile and textile's products industries will reach USD 15 billion and will create employment opportunities for 3, 11 million people<sup>5</sup>.

In 2016, according to the Indonesian Textile Association (API), the total export of Indonesian textile and textile products was USD 11.83 billion, with exports to the US accounting for 32.34 percent of the total, followed by the European market with 14.97 percent and Japan at 10.06 percent<sup>6</sup>.

There are 2,253 medium and large size garment manufacturers<sup>7</sup> in Indonesia, mainly producing shirts, cotton T-shirts, corsets, underwear, coats, sports shirts and trousers. In 2013 the industry employed about 2 million workers, of which 636,684 worked in large and medium-sized garment manufacturers<sup>8</sup>. Primary production areas for garment and textile products in Indonesia are DKI Jakarta, East, Central and West Java provinces. West Java province constitutes approximately 55 percent of the geographical distribution of the industry<sup>9</sup>. Despite the apparent

lethargic growth of the apparel industry in the past three years, the Ministry of Industry reported that investment flows in the sector remain at a steady pace with new factories opening in new industrial areas around West and Central Java<sup>10</sup>.

### BETTER WORK INDONESIA

Better Work is a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC) and collaborates with other key local and international stakeholders, including international brands sourcing from Indonesia. The programme was launched in 2008 at the request and with the support of the Government of Indonesia and social partners. The goal of the programme is to reduce poverty by expanding decent work opportunities in the garment sector. The programme also aims to improve the competitiveness of the industry by ensuring compliance with Indonesian Labour Law and the ILO's Core Labour Standards and by enhancing economic performance at the enterprise level.

BWI engages with participating factories by conducting independent assessments and offering advisory and training services (core services). In addition, the programme shares information with all stakeholders and uses its aggregate data to engage local stakeholders. The programme is advised by a tripartite Project Advisory Committee (PAC), comprising of representatives from the government, employer organizations and worker organizations<sup>11</sup>. The PAC has played an important role in building stakeholder support for the programme, identifying challenges and building tripartite consensus around proposed solutions. The PAC holds regular meetings where members discuss industry updates and brainstorm action points. The PAC is complemented

by an annual buyer's forum, which provides for broad stakeholder consultation.

### **KEY INITIATIVES WITH THE MINISTRY OF MANPOWER AND SOCIAL PARTNERS**

The long term objective of Better Work is to provide decent work in the garment and footwear sectors whilst driving business competitiveness and promote inclusive economic growth. This can only be achieved by continuing engagement at the factory level, while also encouraging supportive government policies and empowering workers and management to work in partnership.

During the reporting period for this annual report, BWI's partnership with the Indonesian government and notably with the Ministry of Manpower (MoM) has been maintained through, among others initiatives, the ad-hoc committee on law interpretation and enforcement (hereinafter referred to as ad hoc committee) – a key fora of discussion on law applicability. This partnership also included providing technical support for the Ministry of Manpower to strengthen the Indonesian Labour Inspection system. The Ministry, through the Directorate General of Labour Inspection and OSH, developed a policy paper in which its directorate general provides a brief portrait of the current situation of Indonesian labour inspection, and ideas and plans to improve it. The policy paper aims to get both political and financial support from other relevant Ministries and other Government institutions as well as from the Indonesian Parliament. The development of the policy paper will be followed with further technical support from the ILO through series of technical planning meetings with Indonesian labour inspectors in order to develop an improved labour inspection system in the framework of the ILO's Strategic Approach to Labour Inspection.

Another joint effort for strengthening Indonesia's labour inspection processes is the development

and the signing of Protocol for Handling of Zero-Tolerable Cases (Zero Tolerance Protocol/ZTP). The ZTP, which had been discussed intensively between the Directorate General of Labour Inspection and Occupational Safety and Health (OSH) of the Ministry of Manpower and BWI, was signed in Jakarta on 5 March 2018 by the Director General of Labour Inspection and OSH, Sugeng Priyanto, and ILO Country Director for Indonesia, Michiko Miyamoto. The ZTP stipulates key procedures and coordination mechanisms that should be taken by both Ministry of Manpower and the ILO through its Better Work Indonesia (BWI) programme in handling reported certain noncompliance findings considered to be zero tolerance in the areas of child labour, forced labour, discrimination at work, OSH and freedom of association in BWI's participating export-oriented garment factories.

Furthermore, as part of its collaboration with both the Directorate General of Labour Inspection and OSH and Directorate General of Industrial Relation and Social Security for Employment, Better Work Indonesia is developing a set of practical guidelines on the use of employment contracts of limited duration (non-permanent workers/PKWT) for workers who are directly hired by factories in export-oriented garment factories. The guidelines aim to address misunderstanding of labour laws or regulatory ambiguity on the issue so that more factories are in compliance and so that these types of contracts are used only in limited situations, as per the legal requirements. In 2017, half of the factories enrolled in BWI did not comply with legal limits on the use of non-permanent work agreements for PKWT. Factories that do not comply with limits on the use of non-permanent workers are more likely to also have non-compliances in overtime wages/hours, and payment of minimum wages for non-regular workers. The use of PKWTs can also lead to industrial relations tension and to other non-compliances or issues (e.g., pregnant workers seeing their contracts terminated). Excessive use of PKWTs is also deemed to be behind lack of investment in workers' skills. The Guidelines are being developed through a participatory and

consultative process that involves factories, workers and government at both national and local level. With this we hope to develop a product that addresses the real needs on the ground but that is also used by the relevant actors. The Guidelines are due to be published in the last quarter of 2018. The Guidelines do not aim at changing the law nor creating new requirements so, therefore, not all issues will be addressed but it is a first step into addressing wider issues relating to contracts. The tripartite consultative process that was adopted showed all of those involved that dialogue is possible and how much can be achieved together.

BWI is also seeking to implement specific programmes to support capacity and outreach of trade unions and employers' organizations in the sector. The trade union programmes aim at improving capacity of factory and branch level unions to prevent and solve disputes and advance rights, better support their members, and improve inter and intra-union collaboration. BWI is helping union representatives to join certified OSH training and plans to facilitate the training of union members by representatives.



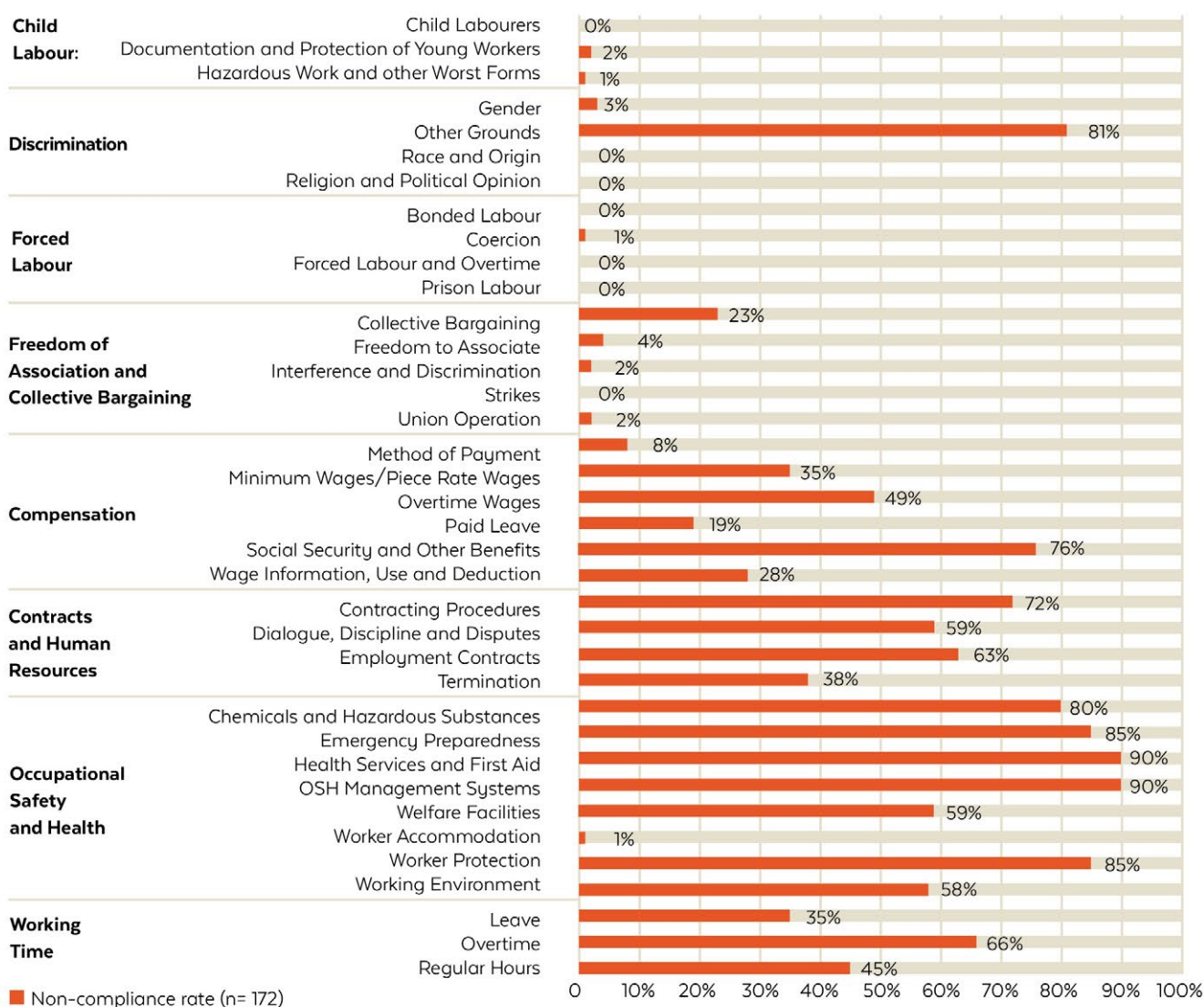
## Section II: Findings

### COMPLIANCE SITUATION

**Figure 1** summarizes the non-compliance rates for the 172 assessed factories in the reported period. Non-compliance rates along with the number of factories are reported for each cluster point under the eight Core Labour Standards and Working Conditions Clusters. Detailed individual discussions are presented in the following section.

**FIGURE 1. NON-COMPLIANCE RATE BY COMPLIANCE POINT**

#### Non-Compliance Rates by Compliance Point - January 2017 - January 2018



The Detailed Finding Section focuses on the 20 non-compliance questions with NC rates above 40 percent. The section will discuss the reasons for high non-compliance and elaborate on some initiatives aimed at reducing non-compliance rates. The programme seeks to continuously analyse the reasons behind non-compliance in order to develop initiatives to tackle persistent issues.

### 1. DISABLED WORKERS: (DOES THE EMPLOYER HIRE ONE DISABLED WORKER FOR EVERY 100 WORKERS?)

BWI found 81 percent of factories non-compliant during the evaluation period, making this the issue with the highest non-compliance rate for the 2018 Annual Report. BWI found that the causes for high non-compliance were complex, but one of the main challenges is the perception that finding disabled candidates requires significant amount of work, in by consequence, factory-level initiatives to seek out disabled workers are rare.

Factories do work with the Ministry of Social Affairs to seek out candidates, but there are limited resources to actively pursue, train, and retain disabled workers. BWI is encouraged by the Ministry of Social Affairs programs to promote vocational training for disabled workers, but insufficient resources are available for garment-sector specific training programmes.

Finally, the difficulty in employing disabled workers cannot be separated from the broader barriers facing these workers. Namely, issues of access related to transportation to and from factories, and other access issues are continuing impediments for people with disabilities in Indonesia.

#### BWI Initiatives related to hiring of Disabled Workers

BWI sees that factories do reach out to Disabled Person Organizations (DPO), while some BW brand partners maintain their own initiatives. Additionally, BWI provided capacity building to local Ministry of Man

power offices in previous occasions on this issue. In addition to training local MoM officers, BW has partnered with other parts of the ILO to provide Disability Equality Training (DET) to change the mind-sets about employing disabled workers. BWI has seen that some disabled workers have reached out to BWI to try and re-enter the garment industry after they had previously left the workforce due to personal reasons.

More needs to be done to address this issue and is Better Work Indonesia is maintaining active discussions with relevant national institutions including government and social partners.

### 2. LEGAL BUILDING REQUIREMENTS: (DOES THE EMPLOYER ENSURE THE BUILDING IS SAFE AND MAINTAIN LEGALLY REQUIRED PERMITS?)

The Building Safety Act #28 (2002) requires that building have the appropriate safety permit. The high non-compliance rate in this issue (72 percent of all factories) is related mostly to the inability of factories to obtain safety permits. The Building Safety Act requires that local governments issue safety permits, and in the absence of local government regulations or resources, factories should obtain third-party certifications. The local branches of the Public Works Department is responsible for issuing the safety certificate. Throughout the country there are some local governments that lack the local regulation, and the only option for factories is to use a third-party auditor, which are not always readily available. The lack of government and third-party certifying capacity, as well as regional differences causes confusion among factories. Some regional governments allow for statement of safety from factories, while other local governments do not accept a statement of safety.

#### BW Initiatives to Promote Compliance with Legal Building Requirements

BWI encourages all factories to engage third-party auditors and comply with the national law, but is also aware of the capacity constraints on both Government and third-party inspectors. Because of the varying degrees of resources and concentration of auditors throughout Indonesia, there are different levels of access to the appropriate certification entities. Some regions have local government capacity, some rely exclusively on third-party inspectors, and some have limited access to either.

The Public Works Department is responsible for administering certification. BWI has many partnerships with the Ministry of Man Power, and is starting to build an additional partnership with the Department of Public Works to try and locate more third-party inspectors that can fulfil the need for safety certification.

In advisory services, Better Work focuses on implementing internal monitoring by factories' own staff. This is part of the risk assessment process. But the capacity of the internal monitoring staff remains a challenge and internal monitoring cannot reasonably be expected to fully guarantee building safety but can be an important step in the right direction.

### **3. EMPLOYER CONTRIBUTION TO BPJS: DOES THE EMPLOYER PAY THE REQUIRED CONTRIBUTIONS FOR SOCIAL INSURANCE (BPJS KETENAGAKERJAAN) AND HEALTH CARE FUNDS (BPJS KESEHATAN) TO BPJS?<sup>12</sup>**

Non-compliance with contributions to Indonesia's social security schema is high, with 68 percent of factories non-compliant during the reporting period. The primary reasons for high non-compliance is the registration to Health Care Funds (BPJS Kesehatan). This is mostly due to: 1) Workers concern about changing status within the health care funds (BPJS Kesehatan) system and 2) Administrative challenges due inaccurate national identity numbers.

There are few non-compliances reported in the registration of employment social insurance (BPJS Ketenagakerjaan)

Indonesia has a progressively funded social security system, meaning that workers' contributions to the system increase in line with increases in a worker's income. In some districts, households below a certain income threshold received supplemental benefits such food vouchers, education subsidies, and subsidized health insurance. The system is organized into tiers, depending on household income. When garment workers enter into employment contracts, the income will necessitate a change in the tier of the income, and accordingly, the subsidies will decrease. The change in status should be done within the first six month. However, employee registration can take up to six months, and is considered quite onerous. Additionally, many garment workers are short-term, non-permanent workers, and neither the factories nor the worker is certain about the potential length of the employment situation. The result is that workers are hesitant to push for registration for fear of losing subsidies for a potentially short term job, and employers are averse to registering workers due to the onerous process. As a consequence there is a large amount of non-compliance in this issue.

### **BWI Initiatives to promote BPJS Compliance**

BWI has changed the compliance questions to focus on the payment into BPJS in respect of both Health Care Funds (BPJS Kesehatan) and employment social funds (BPJS Ketenagakerjaan). The changing of the question makes it clearer where the potential problem is: BPJS Kesehatan or BPJS Ketenagakerjaan. The new compliance question helps BWI focus on the healthcare funds where NC issues are greater. The clearer focus of the compliance question will allow EAs to incorporate the information into the factories' improvement plans. Additionally, there are ongoing discussions on a joint workshop with authorities from the MoM

and the BPJS. Better work has ongoing discussions with authorities aiming to simplify the registration process of the healthcare fund (BPJS Kesehatan).

#### 4. LIMITS ON OVERTIME: (IS OVERTIME LIMITED TO 3 HOURS PER DAY, 14 HOURS PER WEEK?)

Contributing factors for non-compliance in over time limits (63 percent of all factories) include: sourcing practices that required shorter lead times, and issues around planning and productivity.

The issue affects both production and non-production workers e.g. security guards and cleaners. The difference in work hours per week compared to neighbouring countries – Vietnam and Cambodia have 48 hour work weeks compared to Indonesia’s 40 – is seen adversely influencing factories work schedules. Factories may plan based on production models that are similar to those in

neighbouring countries in order to make up for a perceived weakness in competition.

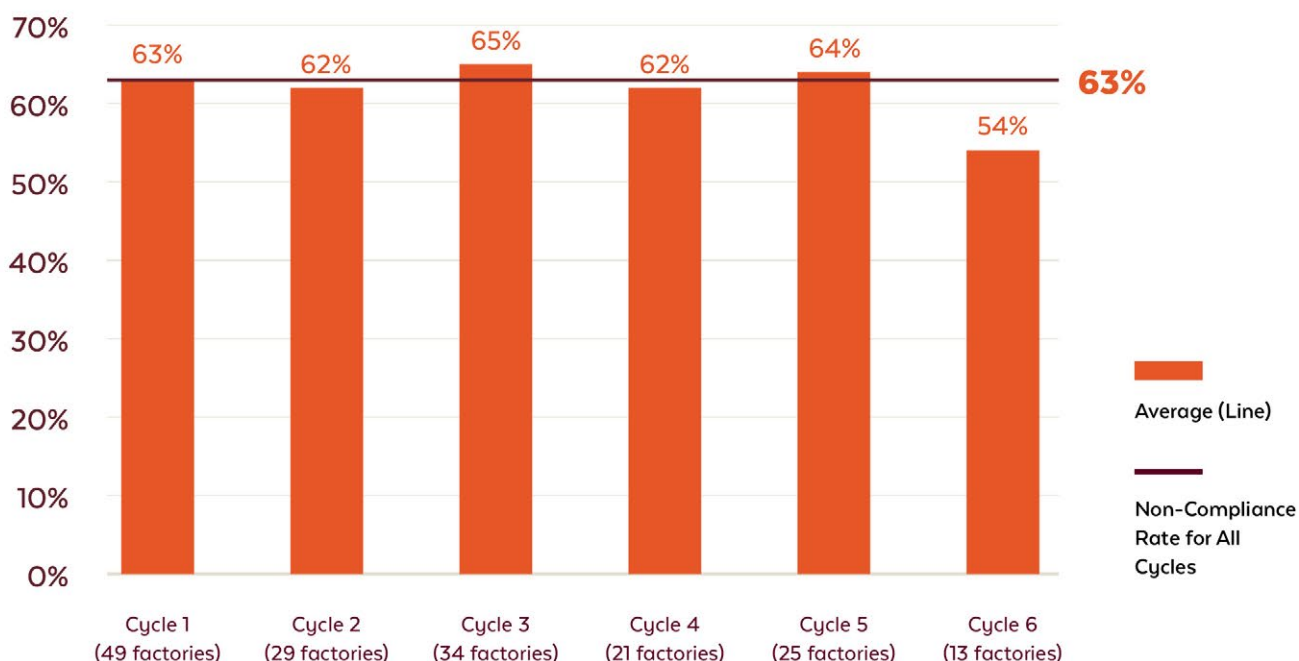
#### BWI Initiatives to reduce non-compliance in Limits on Overtime

BW is continuing efforts to work with buyers to highlight how business decisions impact the lives of workers, especially in the area of overtime. Among others, short lead times and notice of changes can have a ripple effect on the hours that workers are asked to work in a given week.

Overtime non-compliance is persistent, regardless of how long factories have been with BW, indicating that the sourcing practices present a very difficult challenge. The figure below illustrates the persistent non-compliance rates for factories in the sampling period.

**FIGURE 2. DISAGGREGATED NON-COMPLIANCE RATES BY CYCLE FOR OVERTIME LIMITS**

**Cycle-Level NC Rates for “Is Overtime Limited to 3 Hours per Day, 14 Hours per Week?”**



BWI is disaggregating non-production and production worker information to be able to gain visibility over issues pertaining to non-production workers. Non-production workers concerns are less commonly documented than production workers, so BWI's data gathering is essential to understanding the situation throughout the industry and shaping additional initiatives to reduce non-compliance. BWI began this crucial process in 2017 and is continuing throughout this year.

#### **5. CHEMICAL SAFETY SHEETS: DOES THE EMPLOYER HAVE CHEMICAL SAFETY DATA SHEETS FOR THE HAZARDOUS CHEMICALS USED IN THE WORKPLACE, AND ARE THE CHEMICALS PROPERLY LABELLED?**

Sixty-two percent of factories were non-compliant during the reporting period. The majority of the non-compliances on chemical safety sheets are rooted in a lack of training of the chemical officers responsible for chemical labelling. Chemical officers should be trained inside the factory, and should follow a government-proscribed, five-day curriculum. Unfortunately the training is not always sufficient, and there are instance where factories have shortened the training to a few hours.

In chemical safety, as in other OSH-related non-compliances, the lack of OSH management systems is a large barrier to systematic improvement. Many factories do not implement effective management systems for the chemicals, and most factory-level remediation is on an ad-hoc basis. For example, in response to findings on illegible labels, factories will often improve the labels, but they may not impose training for the operators, allowing old behaviour to return. Another cause of non-compliance is that the chemical officers are not implementing a management systems for chemical labelling. Unlike footwear, garments have limited daily chemical usage so factory management often overlooks chemical labelling in their OSH management.

#### **BWI Initiatives to improve NC in Chemical**

#### **Safety Sheets**

BWI is focused on promoting sound management systems for long-term sustainable change, ensuring that the factories train the appropriate individuals, and bolster the training curriculum of chemical officers.

BWI believes that sustainable behavioural change will take place when factories have a management system in place to ensure that well-trained chemical officers are following the appropriate procedures. BWI has observed, however, that the training curriculum of chemical officers is sometimes insufficient and is taking a more critical look to suggest changes to the curricula that chemical safety officers are engaging with. Industry seminars are one of BWI's tools to ensure that factories are aware of the appropriate training approaches and that factories know what resources are available to improve the capacity of chemical officers.

Finally, industry seminar attendance is often limited to factory managers that don't have direct responsibility of chemical safety sheets. Often a generalist, such as a compliance officer will attend the seminar, but not the worker who is responsible for chemical safety sheets. Often chemical officers also have mission-critical roles in factories such as mechanics, and managers do not want them to take time off from work. BWI is working with factories to ensure that chemical safety officers are attending the seminars so that they are aware of the best practices and also aware of their responsibilities from a training perspective.

#### **6. FIRST AID OFFICERS: DOES THE WORKPLACE HAVE ADEQUATE TRAINED FIRST AID OFFICERS?**

Sixty-two percent of factories did not have an adequate number of trained first aid officers. The high non-compliance rate is due to challenges in

obtaining the appropriate certificate, difficulty of maintaining the appropriate ratio of first officers to workers, and the lack of resources to train first aid officers.

Prior to 2017, BWI accepted certificates from the Red Cross and other curriculums were considered sufficient to meet the compliance standards, with the knowledge of the first aid officer being the primary criteria for determining compliance. Upon the advice of the Ministry of Man Power, BWI decided to only accept certificates based on the curriculum set out by the Ministry of Man Power. Consequently, factories that have certificates using different curriculum are considered non-compliant, even if the first aid officers have the knowledge, as is often the case with non-compliant factories.

In addition, factories have difficulty maintaining the ratio of 1 training officer for every 250 workers. Training a first aid officer takes 3 days, so for factories that have several thousand workers, a

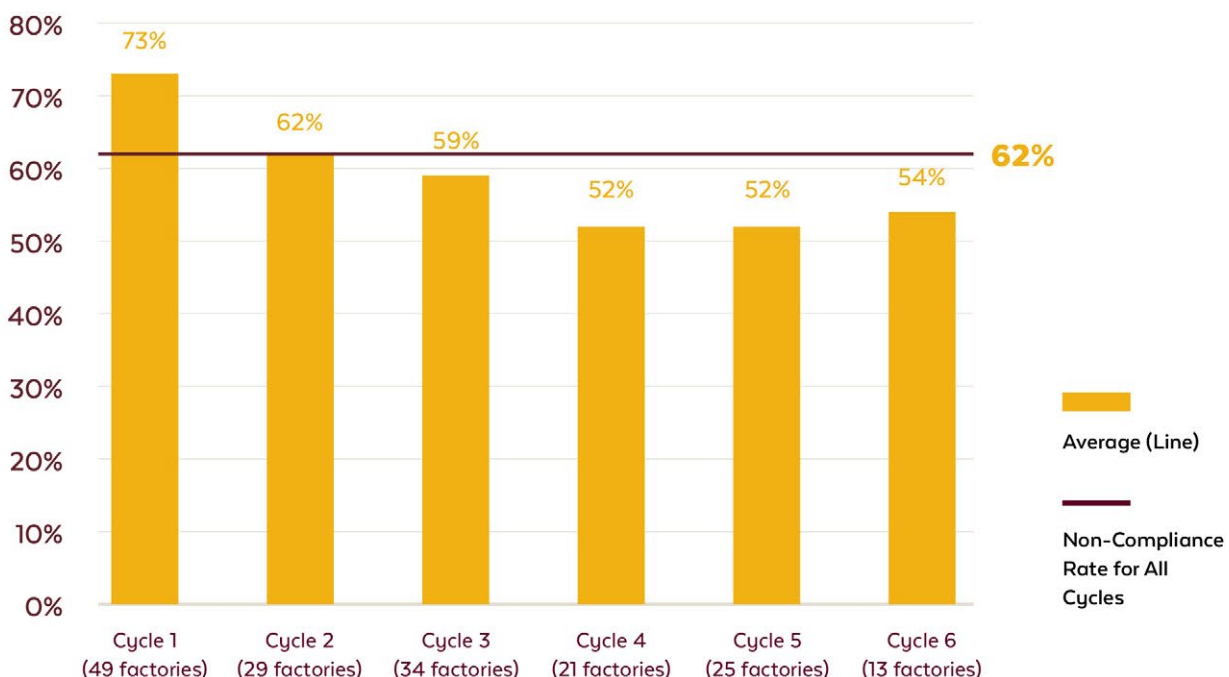
significant number of work days are needed to train the first aid officers, who are almost always production workers. On average certified training costs USD 250 per first aid officer. Factories are concerned about the time and resources needed to comply with the law.

#### BWI Initiatives to improve non-compliance in first aid officers

BW provides training for first aid officers with a government approved training provider so that factories can obtain ministry of manpower-approved certificates for their first aid officers. Factories are taking this training as part of BWI's 15 participant training day's bundle in the service delivery model. Disaggregating non-compliance by cycle also shows that continuous exposure to BW will help factories improve their non-compliance.

**FIGURE 3. DISAGGREGATED NON-COMPLIANCE RATES BY CYCLE FOR FIRST AID OFFICERS**

#### Cycle-Level NC Rates for "Does The Workplace Have Adequate Trained First Aid Officer?"



## 7. REQUIRE MEDICAL CHECKS: DOES THE EMPLOYER PROVIDE WORKERS WITH PRE-ASSIGNMENT, ANNUAL AND SPECIAL MEDICAL CHECKS WHEN REQUIRED?

Employers are required to provide workers with medical check-ups prior to their work assignment, on an annual basis, and special medical check-ups for workers over 40 or workers with high risk working conditions, such as those working with chemicals. Sixty percent of factories were non-compliant on this issue, with the majority failing to provide the pre-assignment medical check. The majority of factories provide annual check-ups and check-ups for workers of a certain age or potentially suffering from high risk working conditions, but there is a persistent issue within the industry that employers expect workers to

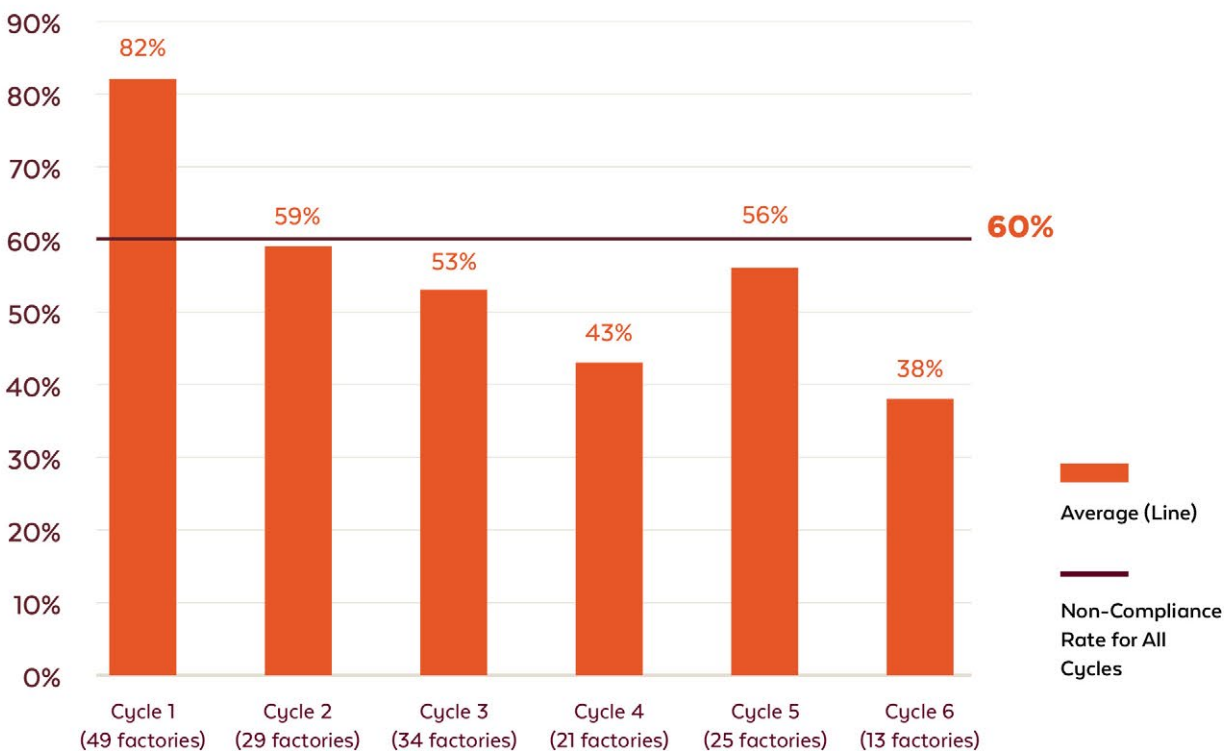
do their own pre- employment medical checks.

### BWI Initiatives to promote compliance with required medical checks

BWI will work with the Ad Hoc Committee to hold a workshop that will provide practical guidance to factories on how to meet their legal obligations with respect to all of the medical check-ups. The guidelines will ideally provide practical examples of how factories can fulfil this important requirement. The data also demonstrates that factories that have been exposed to BW longer usually have lower noncompliance rates, as shown the figure below:

**FIGURE 4. DISAGGREGATED NON-COMPLIANCE RATES BY CYCLE FOR MEDICAL CHECKS**

**Cycle-Level NC Rates for “Does The Employer Provide Workers With Pree-Assignment, Anual and Special Medical Checks When Required? ”**



#### 8. WORKPLACE CLIMATE: IS THE WORKPLACE CLIMATE MEASURED BY THE EMPLOYER, AND IN LINE WITH APPLICABLE STANDARDS?

Just over half (55 percent) of factories are non-compliant in measuring the temperature in factories according to the standards. Most factories use room thermometers (dry measurement), when the regulations request that factories use the wet bulb temperature. Wet bulb temperature measurements must be done by certified labs that are approved by the Ministry of Man Power in a twice-annual basis. Factories were non-compliant due to not obtaining the wet-bulb test – or using third-party labs that don't have the equipment to perform the appropriate temperature test – as well as factories that return adverse results due to excessive temperature.

##### BWI Initiatives to improve non-compliance in climate measurement

BWI is working to use improved data collection to drive discussion about future change, as well as socializing the legal regulations. BWI is gathering increasingly accurate information in factories that are using the appropriate test. Because the wet-bulb test is more accurate, BWI is able to advise on the steps for long-term improvement of the issues related to workplace climate. For those factories that are not yet using the wet-bulb test, BWI is working to familiarise them with the legal standard so that factories understand the benefits of using the more advanced test. Finally, BWI is providing a list of third-party certifying firms that can perform wet bulb test so that factories can begin to obtain the necessary tests.

#### 9. NON-PRODUCTION WORKERS: HAVE YOU FOUND NON-COMPLIANCE WITH LEGAL REQUIREMENTS FOR COMPENSATION, CONTRACTS, OSH, AND/OR WORKING TIME PERTAINING TO NON-PRODUCTION

#### WORKERS WHO ARE DIRECTLY EMPLOYED BY THE FACTORY?

Fifty-three percent of factories<sup>13</sup> were non compliant in fulfilling the legal requirements with respect to the contracting procedures for non-production workers. BWI believes that non-production workers have been inadvertently overlooked by existing monitoring systems. In general, non-production workers are smaller in number, less visible, include a diverse set of job types, and are spread out throughout a factory. There have not been as many initiatives within the industry to deal with the problems facing cleaners, security guards, and other non-production workers, and these workers have lacked the necessary visibility and advocacy. BWI is actively seeking to understand the situation of non-production workers in order to advise factories more effectively on how to improve working conditions for these workers.

##### BWI Initiatives to improve contracting procedures for non-production workers

In the latest version of the Compliance Assessment Tool (CAT), BWI included specific questions to disaggregate non-compliance with respect to the working conditions of non-production workers. BWI is now gathering data that will help shape interventions to promote decent working conditions for this overlooked group of workers. Better Work believes that having additional, specific data will allow factories to include non-production workers into their improvement plan. Without specific data, it was not easy to include issues of non-production workers throughout the advisory visits through a cycle of BWI. This topic is now visible, and will be included in improvement plans of factories, which are also seen by Buyer Partners. Buyer Partners will be crucial to communicating with factories on this issue and reinforcing BWI messages on how to improve compliance in subsequent cycles.



#### 10. FIRST AID SUPPLIES: HAS THE EMPLOYER ENSURED THAT THERE ARE A SUFFICIENT NUMBER OF READILY ACCESSIBLE FIRST AID BOXES/ SUPPLIES IN THE WORKPLACE?

Fifty-two percent of factories did not have the required number of first aid boxes and/or the supplies in the boxes were incomplete. BWI has observed improvements in the number of first aid boxes throughout factories, but there remains persistent issues related to the supplies in the first aid boxes. Often supplies are not fully replenished due to the lack of a system to track whether supplies are complete.

##### BWI Initiatives to reduce non-compliance with respect to first aid boxes/supplies

For the last few years, BWI has been collaborating with the MoM on a risk-focused approach to first-aid regulation. BWI believes that the best way to ensure that factories have complete first aid boxes is if they have sound systems to track the usage. BWI is trying to address non-compliance with first aid boxes/supplies in advisory meetings, specifically by promoting of a sound OSH Management system.

#### 11. FIRE DETECTION AND ALARM SYSTEM: DOES THE WORKPLACE HAVE A FIRE DETECTION AND ALARM SYSTEM?

Forty-seven percent of factories did not have adequate fire detection and alarm systems. Non-compliance was largely related to inadequate fire detection in the different warehouses and the coverage of fire detectors throughout the factory. Factories will often have permanent fire detectors in permanent warehouses but will lack fire detectors in temporary storage. Also, factories are not always aware of the coverage of fire detectors and therefore place an inadequate number of fire detectors for large spaces that may require more than managers think is necessary.

##### BWI Initiative to reduce non-compliance in fire detection and alarm systems

Better Work is promoting standards to ensure the appropriate number of fire detectors are installed per square meter, as per the best practices promoted by the Ministry of Man power. BW is making this a point of emphasis in factories' improvement plans so that continuing discussions occur during the advisory process on how to comply with MoM guidance.

#### 12. CHEMICAL STORAGE: ARE CHEMICALS AND HAZARDOUS SUBSTANCES PROPERLY STORED?

Forty-six percent of factories are non-compliant with the standards for chemical storage. Similar to factories with non-compliance with chemical labelling, the majority of the non-compliances on chemical storage is due to lack of training of the chemical officers, and the absence of effective OSH management systems.

##### BWI Initiatives to reduce non-compliance on chemical storage

Like the initiatives to improve non-compliance in chemical labelling BWI will use using industrial seminars to communicate to factories the type of training the chemical officers need; continue to push for chemical officers, not compliance officers, to attend seminars; and continue to promote effective OSH management systems during the advisory process.

#### 13. ERGONOMIC REQUIREMENTS: DOES THE EMPLOYER COMPLY WITH ERGONOMIC REQUIREMENTS?

Forty-six percent of factories are non-compliant with ergonomic requirements. The primary reason for non-compliance is that some factories do not have sufficient chairs for workers that stand throughout

the day. There is often no system to ensure that standing workers have a chair readily available. Chairs are often used for alternative purposes such as temporary storage or to place garments during overflow production. Additionally, some factories provide inadequate chairs. Chairs must have a back rest for support and cannot be a stool.

#### **BWI Initiatives to improve non-compliance rates in ergonomic requirements**

BWI is promoting OSH management system to monitor the placement of chairs for standing workers. BWI is emphasising the importance of having chairs for workers during the OSH training. Standing workers need to understand the importance and of taking occasional sitting breaks, and the health benefits of changing positions. BWI is also communicating the value of compliance with ergonomic requirements to managers during advisory visits.

#### **14. CHEMICAL WASHING FACILITIES: DOES THE EMPLOYER PROVIDE ADEQUATE WASHING FACILITIES AND CLEANSING MATERIALS IN THE EVENT OF EXPOSURE TO HAZARDOUS CHEMICALS?**

Forty-five percent are non-compliant in washing facilities in the event of hazardous chemicals. A factory's material data safety sheet (MSDS) will indicate if a chemical is a potential eye irritant and will need a washing facility. Factories are often non-compliant due to having washing facilities too far from where the chemicals are being used or they lack the facilities all together. Factories' focus on placing eye washes in chemical ware houses and spot cleaning areas, but other areas like mechanical workshop, boiler rooms, which also use chemicals, may lack them or they are too far. Some factories are not critically assessing the MSDS with respect to the placement of the eye wash.

#### **BWI Initiatives to improve non-compliance in**

#### **washing facilities for chemicals**

Industry seminars on chemical handling are conducted in each region of Indonesia and delivered by EA and OSH focal points, targeting the factories' OSH and Chemical officers. Training team and EAs are working together to ensure that factories' chemical officers attend these seminars, as not the compliance officers.

#### **15. OSH LICENSES: DO THE OPERATORS/ TECHNICIANS/ OFFICERS RESPONSIBLE FOR MACHINERY/ EQUIPMENT/ INSTALLATIONS/ LIFTING EQUIPMENT HAVE THE REQUIRED LICENSE?**

Forty-five percent of factories were non-compliant with obtaining the required licenses for various machine and equipment operators throughout the factory. The primary source of non-compliance are factories that do not have the required generator operator license and/or the boiler license.

In 2015 a new rule law came into force requiring that any generator with a 200 kilovolt capacity should be operated by a certified electrical expert. The certification would be done by the MoM. In order to be trained and certified as an electrical expert able to run the generator, the worker needs to have a diploma in electrical engineering. Work experience cannot be a substitute for the educational requirements. The educational requirements limits the number of workers that could potentially be eligible to obtain the electric generation operations certification.

In addition to the electrical generator certificate, many factories have difficulty being compliant with ensuring that the factories have a licensed boiler operator. Sometimes assistant operators will operate the boiler without the supervision of the licensed operator, which is not allowed by the regulation. Other factories are not sufficiently diligent about renewing the license once it has expired. Finally, boiler operator licenses are factory specific, meaning that knowledgeable boiler operator need to reregister his credentials with the Ministry of

Manpower if they begin to work in another factory.

#### **BWI initiative to reduce non-compliance with operational licenses**

BWI is emphasizing the training and education requirements required of electrical safety experts that work with electric generators. The 2015 regulations place a higher burden on factories, so BWI is making sure to discuss the implications with factories during advisory visits so that factories understand the legal requirements. At the same time the Training team has begun coordinating third part party trainings for factories to train Certified Electricity Experts with MoM-recognized certificates. BWI started arranging this training as part of the service package in order to address a particular need of factories.

#### **16. MARKED EMERGENCY EXITS: ARE EMERGENCY EXITS AND ESCAPE ROUTES CLEARLY MARKED AND POSTED IN THE WORKPLACE?**

Forty-four percent of factories are non-compliant with respect to clearly marked exits and escape routes. The reasons for the high non-compliance rate are due to fading markers that have not been touched up and/or outdated building layout diagrams. The latter occurs when factories go through an expansion or reorganization, and they fail to document the changes.

#### **BWI initiatives to improve non-compliance in marked emergency exits**

BWI has several initiatives to train factories in implementing systems that will allow them to comply with this important aspect of OSH. Beginning in 2017 BWI held industry seminars focused on this issue, and will continue these seminars throughout 2018. In 2017, BWI also began offering a hazard identification seminar and a seminar on the

best practices for having an OSH Committee, which is an essential component of long-term behavioural change. Additionally, BWI is launching new industry seminars on emergency preparedness and accident investigation in 2018, which will reinforce and supplement the learnings from the seminars launched in 2017.

#### **17. ACCURACY OF ATTENDANCE RECORDS: DO THE ATTENDANCE RECORDS REFLECT THE HOURS ACTUALLY WORKED?**

Forty-four percent of factories are non-compliant with an attendance record that reflects the hours actually worked for workers. Keeping multiple books or records is non-compliant practice that can indicate factories' unwillingness to be transparent. The concern for factories, seems to be, possible penalties from brands when limits on working hours are not respected. Aside from this, some factories also face challenges when adopting more electronic systems of time keeping. For example, new workers will enter data manually if they are not yet registered in the system, and these additional entries may lead to inaccurate attendance records.

BWI also understands that the use of daily/casual workers can lead to the poor recording of working hours. BWI is gathering more information about casual workers, in order to understand their working conditions.

#### **BWI initiatives to improve accuracy of attendance records**

The existence of double books or attendance records is not acceptable and BWI uses it assessment, advisory and training services to counter this practice and encourage factories to keep one set of accurate books.

Because accurate attendance records are linked to excessive overtime, BWI emphasized excessive overtime (and the consequent non-compliance in attendance records) during

discussions with Buyer during the 2017 Buyers forum.

BWI is trying to raise the visibility of excessive working hours for PKWT workers. The programme is contributing to the Ministry of Manpower's guidance on the use of PKWT in factories, and the legal ramifications of using a high number of PKWT workers. BWI is contributing to a chapter on the legal responsibilities when using PKWT contracts. The aim is to reduce the abuse of casual workers, which is facilitated by keeping inaccurate records.

#### **18. BIPARTITE COMMITTEE: DOES THE FACTORY HAVE A FUNCTIONING BIPARTITE COOPERATION INSTITUTION?**

Forty-five percent of factories do not have a functioning bipartite committee (LKSB), which is the committee composed of worker and management representatives. To be declared functioning a bipartite committee must fulfil the following conditions:

1. Registration of the committee and bi-annual reporting of Committee activities to the local ministry of manpower office.
2. The composition of the Committee – there should be equal composition between management and worker representatives.
3. For factories that are unionized, all unions should have representation and non-unionized workers must be elected democratically.
4. Regular monthly meetings must be conducted.

The composition of the committee can be a source of non-compliance for two major reasons. First, if factories experience committee turnover, there is an imbalance in the committee if worker or management representatives aren't quickly replaced. Worker representatives must also reflect the union membership in the factory, ensuring that all unions have a voice. In factories with multiple

unions, competition can lead to a union abstaining, or preventing representatives from other unions from being active. Finally, in some factories the worker representatives are chosen by management, which undermines the purpose of their representation.

Once a factory is able to comply with the composition requirements, the factory still must conduct and document monthly meetings for the Ministry of Manpower.

#### **BWI Initiatives to improve non-compliance in effective bipartite committees**

Part of BWI's factory advisory work focuses on improving the composition, quality and functioning of the LKSB (bipartite committee). The LKSB is the main vehicle of change in the factory and the responsible body for improvement at all levels. LKSBs are essential for factories to take ownership of the issues affecting them and to address these issues in a permanent and effective manner.

In addition to the support provided by core services, BWI is working with the Ministry of Manpower to train factories on how to create and maintain a functioning LKSB. BWI held training sessions in all regions on how to have an effective LKSB, inviting the Ministry of Manpower officials. The goal of the training was to help factories understand the law and the practical approaches to maintaining productive social dialogue through the processes and procedures of the LKSB.

BWI also works together with buyers to provide additional training to management and the LKSB members of their suppliers. The training focuses on activities that improve communication between LKSB members.

#### **19. COMPANY REGULATIONS COMPLYING WITH LEGAL REQUIREMENT IN THE LABOUR LAW: DO THE COMPANY REGULATIONS COMPLY WITH LEGAL REQUIREMENTS AS STIPULATED IN THE LABOUR LAW**

**AND REGULATIONS?**

Forty-two percent of factories have company regulations that are not consistent with the latest labour laws and regulations. Factories are non-compliant in this issue due to two primary reasons:

1. Delays in incorporating standards from new regulations: Factories are not always up-to-date on the latest labour law and regulations.
2. Maintaining obsolete regulation: When there are revisions to existing regulations, some company policies need to be modified or invalidated. There is a delay in the modification or purging of antiquated regulations that are no longer applicable.

While many non-compliances relate to the written company regulation, BW also finds factories non-compliant with their own policy or company regulation. If the practice or policy is not in line with

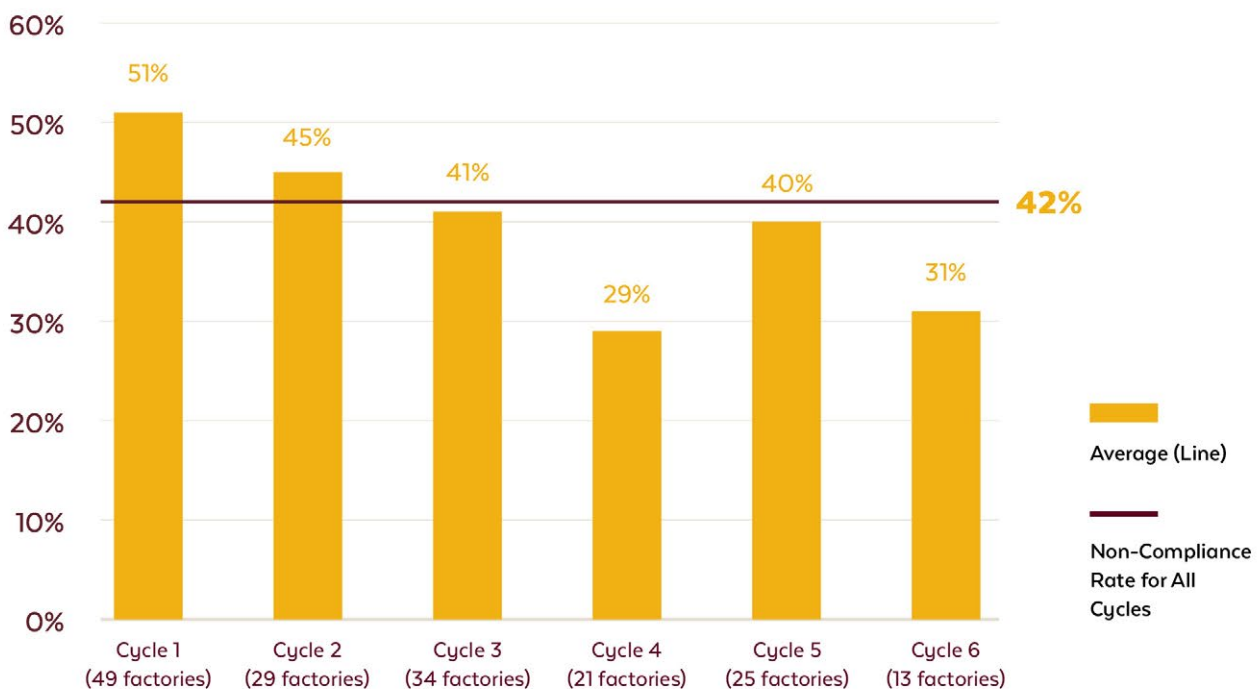
the company regulations, that is recorded under the relevant issue.

**BWI initiatives to reduce non-compliance in factory regulation**

BWI provides guidance on legal updates on the BWI web page. In addition to informing factories about change in labour laws and regulation, BWI is trying to educate factories about changes in the law via the advisory visits. Normally, EAs focus on discussing implementation of new regulations early in the three month grace period that the Government gives factories to comply with legal updates. Although challenges remain, there is evidence that time with Better Work will help factories eventually comply with the national laws.

**FIGURE 5. DISAGGREGATED NON-COMPLIANCE RATES BY CYCLE FOR COMPANY REGULATIONS COMPLYING WITH LEGAL REQUIREMENTS**

**Cycle-Level NC Rates for “Do The Company Regulations Comply With Legal Requirements as Stipulated in The Labour Law and Regulations?”**



**20. LIMITS ON THE EMPLOYMENT OF NON-PERMANENT WORKERS: DOES THE EMPLOYER COMPLY WITH LIMITS ON THE USE OF WORK AGREEMENTS FOR A SPECIFIED PERIOD OF TIME (I.E., LIMITS ON THE EMPLOYMENT OF NON-PERMANENT WORKERS)?**

Forty-one percent of factories are non-compliant on the use of non-permanent workers. Employers may hire workers under a non-permanent work agreement (PKWT) for additional jobs to fulfil orders or additional tasks. The law stipulates that non-permanent work agreements can only be used for a maximum of two years and can be extended once for maximum of one year. After the extension, the factory needs to provide the worker with a permanent work agreement (PKWTT) if they wish to retain the worker. For this type of work agreement, the regulations do not allow for renewal of contracts for a non-permanent worker after a grace period.

Unfortunately, there are a significant number of factories that continuously provide non-permanent worker contracts. Enterprise Advisors became aware of this practice through extensive worker interviews. There have been instance of workers working in factories years but the factory only keep the non-permanent work agreement for the last few months.

**BWI initiatives to reduce non-compliance on the employment of non-permanent workers**

BWI has elicited feedback from Unions, Buyers, and the employer association (APINDO) to develop guidelines for the legal use of PKWTs. In partnership with MoM, BWI is now developing guidance for best-practices on the employment of PKWTs. BWI plans to distribute the upcoming guidelines to local MoM inspectors and will incorporate the guidance into our advisory curriculum.





## Section III: Conclusions

This Annual Report focuses on compliance points in garment factories with the highest levels of non-compliance; as well as the collaborative initiatives that BWI is putting in place to remedy them - through factory level work and in collaboration with partners such as the Ministry of Manpower. As in past years, comprehensive data on all Compliance Points and Compliance questions is also included in the document for reference purposes.

One of the key lessons from previous years has been the necessity for further disaggregation of data. This is exemplified by the analysis of non-compliance for non-production workers, which helps to show the unique challenges facing this often overlooked group of workers. Moreover, additional data disaggregation helped BWI to understand the specific challenges to workers participating in health care funds. This information gathering is consistent with Better Work's attempts to understand the complex factors that shape the working conditions in Indonesia's garment factories. There are additional areas identified that will need to be explored in the sector, including additional research into the impact of sourcing practices on non-compliance issues.

BWI has committed resources for research purposes, as well as partnering with local and international researchers to delve further into the underlying reasons for non-compliance. An example of such an initiative is BWI's joint research with the ILO Global Supply Chain project to explore the impact of Collective Bargaining Agreements on working conditions, specifically in areas related to working hours and overtime. In the coming quarters, BWI hopes that those sources of knowledge will provide additional insights.

importance of collaboration with stakeholders for long-term, sustainable change in working conditions. The initiatives highlighted in the subsection on MoM collaboration are a list of specific examples of BWI engagement with government stakeholders, but important examples of collaboration exists with Buyer, trade unions, and industry groups. Engagement with other stakeholders is also a significant part of BWI's strategic engagements and could serve as a useful thematic emphasis in coming Annual Reports or separate publications.

The authors of this report wish to emphasize the



## Annexes

### ANNEX A: FACTORIES COVERED IN THIS REPORT

| FACTORY NAME                                       | CYCLE |                                           |   |
|----------------------------------------------------|-------|-------------------------------------------|---|
| PT Andalan Mandiri Busana (Solo 1)                 | 1     | PT Mingala                                | 1 |
| PT Andalan Mandiri Busana (Solo 2)                 | 1     | PT Nesia Pan Pacific Clothing             | 1 |
| PT Anggun Kreasi Garmen                            | 1     | PT Nirwana Alabare Garment                | 1 |
| PT Arindo Garmentama (Purwogoso)                   | 1     | PT Pantjatunggal Knitting Mill (Simongan) | 1 |
| PT Berkah Indo Garment (Demak)                     | 1     | PT Prima Success Pro                      | 1 |
| PT Berkah Indo Garment (Ungaran)                   | 1     | PT Purnama Asih Sur                       | 1 |
| PT Big Golden Bell                                 | 1     | PT Sahabat Unggul International           | 1 |
| PT Buana Samudra Lestari                           | 1     | PT Sansan Saudaratex Jaya (Semarang)      | 1 |
| PT Dasan Pan Pacific Indonesia                     | 1     | PT SC Enterprises                         | 1 |
| PT Dodo Activewear                                 | 1     | PT Sejin Global Indonesia                 | 1 |
| PT Eagle Nice Indonesia                            | 1     | PT Simone Accessary Collection            | 1 |
| PT Eins Trend                                      | 1     | PT Star Fashion Ungaran                   | 1 |
| PT Fasic Indonesia                                 | 1     | PT Sukwang Indonesia                      | 1 |
| PT Gaya Indah Kharisma                             | 1     | PT Sung Won Indonesia                     | 1 |
| PT Harapan Global Apparel                          | 1     | PT Sunwoo Garment Indonesia               | 1 |
| PT IEMOTO                                          | 1     | PT Tiara Utama Laundry                    | 1 |
| PT Java Gloves Perdana                             | 1     | PT Tun Hong Garment Indonesia             | 1 |
| PT Jaya Perkasa Textile                            | 1     | PT Tuntex Garment Indonesia (Cikupa II)   | 1 |
| PT Jiale Indonesia Textile (Jepara - Garment Unit) | 1     | PT Tuntex Garment Indonesia (Tangerang)   | 1 |
| PT Jin Myoung Industrial                           | 1     | PT Visionland Global Apparel              | 1 |
| PT Kanindo Makmur Jaya                             | 1     | PT Yakjin Jaya Indonesia                  | 1 |
| PT Kwanglim Indonesia                              | 1     | PT Young Won Indonesia                    | 1 |
| PT L&B Indonesia                                   | 1     | PT Younghyun Star                         | 1 |
| PT Manito World                                    | 1     | PT Yutu Leports Jaya                      | 1 |
| PT Melady Garment International                    | 1     | PT Anugerah Abadi Bersama                 | 2 |
|                                                    |       | PT Busana Indah Global                    | 2 |
|                                                    |       | PT CCH Indonesia                          | 2 |

|                                         |   |                                                 |   |
|-----------------------------------------|---|-------------------------------------------------|---|
| PT Dayup Indo                           | 2 | PT Dewhirst Menswear                            | 3 |
| PT Dragon Forever                       | 2 | PT G-Texpia International                       | 3 |
| PT Fotexco Busana International (Bogor) | 2 | PT GA Indonesia                                 | 3 |
| PT Great Apparel Indonesia              | 2 | PT Ganada Makmur Jaya                           | 3 |
| PT Handsome                             | 2 | PT Gistex Garmen Indonesia (Bandung)            | 3 |
| PT Hansae Indonesia Utama (5,6,6A)      | 2 | PT Gistex Garmen Indonesia (Majalengka)         | 3 |
| PT Hyun Dong Indonesia                  | 2 | PT Globalindo Intimates                         | 3 |
| PT Inko Prima Idaman Apparel            | 2 | PT Golden Flower                                | 3 |
| PT Jiale Indonesia Garment (Bandung)    | 2 | PT Greentex Indonesia Utama (Bandung)           | 3 |
| PT Kwanglim YH Indah                    | 2 | PT Istana Garmino Jaya                          | 3 |
| PT Leaders World                        | 2 | PT Laxmirani Mitra Garmino                      | 3 |
| PT Liebra Permana (Wonogiri)            | 2 | PT Marel Sukses Pratama                         | 3 |
| PT Minu Garment Sukses                  | 2 | PT Morich Indo Fashion (Unit 2)                 | 3 |
| PT Mod Indo                             | 2 | PT Muara Griya Lestari                          | 3 |
| PT Nesia Pan Pacific Knit               | 2 | PT Mulia Cemerlang Abadi (Sukabumi)             | 3 |
| PT Pan Brothers 9 Tbk. (Boyolali)       | 2 | PT Notos                                        | 3 |
| PT PPF Indonesia                        | 2 | PT Pan Rama Vista Garment                       | 3 |
| PT SAI Garments Industries              | 2 | PT Sam Kyung Jaya Garments                      | 3 |
| PT Sam Kyung Jaya Busana                | 2 | PT Sandang Mutiara Cemerlang                    | 3 |
| PT Samwon Busana Indonesia (Jepara)     | 2 | PT Sari Warna Asli Textile Industry (Surakarta) | 3 |
| PT Seyang Activewear                    | 2 | PT Shinwon Indonesia                            | 3 |
| PT Seyang Indonesia                     | 2 | PT SJ Mode Indonesia                            | 3 |
| PT SNG Garmino                          | 2 | PT Solo Kawistara Garmino                       | 3 |
| PT Starcam Apparel Indonesia            | 2 | PT Solve it                                     | 3 |
| PT Trigoldenstar Wisesa                 | 2 | PT Sri Rejeki Isman Tbk                         | 3 |
| PT Woori Sukses Apparel                 | 2 | PT Sumber Bintang Rejeki (Semarang)             | 3 |
| PT Buma Apparel Industry                | 3 | PT Tainan Enterprises Indonesia                 | 3 |
| PT Busanaremaja Agracipta (Klodran)     | 3 | PT Tupai Adyamas Indonesia                      | 3 |
| PT Busanaremaja Agracipta (Singosaren)  | 3 | PT YB Apparel Jaya                              | 3 |
| PT Crevis Tex Jaya                      | 3 | PT Ameya Livingstyle Indonesia                  | 4 |
| PT Dada Indonesia                       | 3 |                                                 |   |

|                                        |   |                                                                                                     |   |
|----------------------------------------|---|-----------------------------------------------------------------------------------------------------|---|
| PT Cartini Lingerie Indonesia          | 4 | PT Poong In Indonesia                                                                               | 5 |
| PT Daese Garmin                        | 4 | PT SAI Apparel Industries                                                                           | 5 |
| PT Doosan Dunia Busana                 | 4 | PT Samwon Busana Indonesia (Semarang)                                                               | 5 |
| PT Fajar Tunggal Nasional              | 4 | PT Semarang Garment                                                                                 | 5 |
| PT Gunung Salak Sukabumi               | 4 | PT TA Global Indonesia                                                                              | 5 |
| PT Hari Mau Indah                      | 4 | PT Tiga Gunung Internasional                                                                        | 5 |
| PT Holi Karya Sakti                    | 4 | PT Tiga Kyung Seung Garmen                                                                          | 5 |
| PT Hop Lun Indonesia                   | 4 | PT Ungaran Sari Garments (Congol)                                                                   | 5 |
| PT Jaya Asri Garmindo                  | 4 | PT Ungaran Sari Garments (Diponegoro)                                                               | 5 |
| PT JS Jakarta                          | 4 | PT Ungaran Sari Garments (Pringapus)                                                                | 5 |
| PT Kahatex                             | 4 | PT Victory Apparel Semarang                                                                         | 5 |
| PT Leading Garment Industries          | 4 | PT Vision Land Semarang                                                                             | 5 |
| PT Masterindo Jaya Abadi               | 4 | PT Willbes Global                                                                                   | 5 |
| PT Pan Asia Jaya Abadi                 | 4 | PT Yongjin Javasuka Garment I                                                                       | 5 |
| PT Pan Pacific Jakarta Cabang Semarang | 4 | Avery Dennison Group (Paxar Indonesia, Pacific Label Indonesia, Avery Dennison Packaging Indonesia) | 6 |
| PT Pertiwi Indo Mas                    | 4 | PT Citra Abadi Sejati (Bogor)                                                                       | 6 |
| PT Sgwicus Indonesia                   | 4 | PT Citra Abadi Sejati (Cileungsi)                                                                   | 6 |
| PT Shinwon Ebenezer                    | 4 | PT Dream Sentosa Indonesia                                                                          | 6 |
| PT Yongjin Javasuka Garment II         | 4 | PT Dream Wear                                                                                       | 6 |
| PT Youtex                              | 4 | PT Hansae Indonesia Utama (1,3)                                                                     | 6 |
| PT C-Site Texpia                       | 5 | PT Kahoindah Citragarment                                                                           | 6 |
| PT Cipta Dwi Busana                    | 5 | PT Kukdong International                                                                            | 6 |
| PT Daehan Global (Cibinong)            | 5 | PT Mitra Garindo Perkasa                                                                            | 6 |
| PT Daehan Global (Sukabumi)            | 5 | PT Mulia Cemerlang Abadi (Tangerang)                                                                | 6 |
| PT Dong-A Decal                        | 5 | PT Pan Pacific Nesia                                                                                | 6 |
| PT Doosan Jaya Sukabumi                | 5 | PT Sandrafine Garment                                                                               | 6 |
| PT HS Apparel                          | 5 | PT Taitat Putra Rejeki                                                                              | 6 |
| PT ING International                   | 5 | PT Greentex Indonesia Utama (Jakarta)                                                               | 7 |
| PT Inkosindo Sukses                    | 5 |                                                                                                     |   |
| PT Koin Baju Global                    | 5 |                                                                                                     |   |
| PT Leetex Garment Indonesia            | 5 |                                                                                                     |   |

## ANNEX B: LIST OF PARTICIPATING BUYERS

|                                    |                                        |
|------------------------------------|----------------------------------------|
| Abercrombie & Fitch                | Li & Fung                              |
| American Eagle Outfitters, Inc.    | Marks & Spencer                        |
| Ascena                             | New Balance Athletic Shoe, Inc. (NBAS) |
| Asics                              | NIKE, Inc.                             |
| Asos                               | Nordstrom Inc.                         |
| Debenhams                          | Patagonia, Inc.                        |
| Dick's Sporting Goods Ltd          | Pentland Brands Limited                |
| Disney.                            | Primark Stores Ltd.                    |
| Esprit                             | Puma SE                                |
| Fast Retailing Co., Ltd (BWI Only) | PVH / Phillips-Van Heusen Corporation  |
| Gap Inc.                           | Ralph Lauren                           |
| Global Brands Group                | Recreational Equipment Inc. (REI)      |
| H & M Hennes & Mauritz AB          | Ryohin Keikaku Co.,Ltd. (Muji)         |
| Inditex                            | Talbots, Inc.                          |
| J.Crew                             | Target Corporation (US)                |
| John Lewis PLC                     | Target Australia                       |
| Kate Spade & Company               | The Children's Place                   |
| Kmart Australia                    | zLabels                                |
| Levi Strauss & Co.                 |                                        |

## ANNEX C: METHODOLOGY AND LIMITATIONS

### FACTORY ASSESMENTS

Better Work conducts factory assessments to monitor compliance with core International Labour Standards and the national labour law. Assessment reports highlight non-compliance findings, which are then used to help factories identify areas in need of improvement. Collecting and reporting these data over time help factories demonstrate their commitment to improving working conditions.

Better Work organizes reporting into eight clusters. The first four clusters comprise the core labour standards – Child Labour, Discrimination, Forced Labour, and Freedom of Association and

Collective Bargaining. These standards protect the fundamental rights at work under the ILO's 8 Core International Labour Conventions, and International Labour Standards are used as a baseline for compliance in these four clusters. The remaining clusters – Compensation, Contracts and Human Resources, Occupational Safety and Health, and Working Time – fall under Working Conditions. The compliance points for these areas incorporate differences in national legislation depending on the country of operation. Better Work establishes a benchmark based on international standards and good practices in areas where national laws do not cover or sufficiently address an issue regarding

working conditions. The eight clusters are then divided into cluster points (CP), and each CP includes a number of questions, which may vary by country.

### BETTER WORK ASSESSMENT CLUSTERS AND COMPLIANCE POINTS.

|                       |   | COMPLIANCE CLUSTERS                              | COMPLIANCE POINTS                             |
|-----------------------|---|--------------------------------------------------|-----------------------------------------------|
| CORE LABOUR STANDARDS | 1 | Child Labour                                     | Child Labourers                               |
|                       |   |                                                  | Documentation and Protection of Young Workers |
|                       |   |                                                  | Hazardous Work and Other Worst Forms          |
|                       | 2 | Discrimination                                   | Gender                                        |
|                       |   |                                                  | Other Grounds                                 |
|                       |   |                                                  | Race and Origin                               |
|                       |   |                                                  | Religion and Political Opinion                |
|                       | 3 | Forced Labour                                    | Bonded Labour                                 |
|                       |   |                                                  | Coercion                                      |
|                       |   |                                                  | Forced Labour and Overtime                    |
|                       |   |                                                  | Prison Labour                                 |
|                       | 4 | Freedom of Association and Collective Bargaining | Collective Bargaining                         |
|                       |   |                                                  | Freedom to Associate                          |
|                       |   |                                                  | Interference and Discrimination               |
|                       |   |                                                  | Strikes                                       |
|                       |   |                                                  | Union Operations                              |
| WORKING CONDITIONS    | 5 | Compensation                                     | Method of Payment                             |
|                       |   |                                                  | Minimum Wages/Piece Rate Wages                |
|                       |   |                                                  | Overtime Wages                                |
|                       |   |                                                  | Paid Leave                                    |
|                       |   |                                                  | Social Security and Other Benefits            |
|                       |   |                                                  | Wage Information, Use and Deduction           |
|                       |   |                                                  |                                               |
|                       | 6 | Contracts and Human Resources                    | Contracting Procedures                        |
|                       |   |                                                  | Dialogue, Discipline & Disputes               |
|                       |   |                                                  | Employment Contracts                          |
|                       |   |                                                  | Termination                                   |
|                       | 7 | Occupational Safety and Health                   | Chemicals and Hazardous Substances            |
|                       |   |                                                  | Emergency Preparedness                        |
|                       |   |                                                  | Health Services and First Aid                 |
|                       |   |                                                  | OSH Management Systems                        |
|                       |   |                                                  | Welfare Facilities                            |
|                       |   |                                                  | Worker Accommodations                         |
|                       |   |                                                  | Worker Protection                             |
|                       |   |                                                  | Worker Environment                            |
|                       | 8 | Working Time                                     | Leave                                         |
|                       |   |                                                  | Overtime                                      |
|                       |   |                                                  | Regular Hours                                 |

## CALCULATING NON-COMPLIANCE

Better Work calculates non-compliance rates for each factory and reports them in individual factory reports. The non-compliance rate is reported for each compliance point (CP), and a CP is reported as non-compliant if one or more of its questions show evidence of non-compliance. In annual reports, Better Work uses the average compliance rates across all participating factories within the reporting period. For instance, an average non-compliance rate of 100 percent under a question indicates that all participating factories had violations in that area.

## LIMITATIONS

### LIMITATIONS OF BETTER WORK ASSESSMENT

Detailed factory assessment reports are based solely on what is observed, investigated and analysed during assessment visits. Before the reports become official, factories are given five working days to provide feedback and clarifications, which in some cases impact the language in the final report. Certain issues remain difficult to assess and verify independently. For instance, sexual harassment is difficult to identify during a factory assessment visit. It is generally considered a sensitive issue and is likely to be underreported. The low literacy level of a large percentage of workers can also affect the integrity of documentation related to workers' consent for overtime work, storing personal documents, disciplinary procedures and employment rights. To overcome such limitations to some extent, information provided by workers and management are crosschecked through representative interview samples and various documents maintained at the factory.

### LIMITATIONS OF CALCULATING NON-COMPLIANCE

The binary 'yes or no' structure of the answers to compliance limits the ability of Better Work to numerically present the severity of non-compliance,

and is not conducive to capturing the 'levels of non-compliance'. For example, a factory may significantly improve in a particular area but may still not qualify as compliant. While an aggregate and strict indicator, the non-compliance rate is useful for Better Work to compare data across countries and have a general idea of areas of non-compliance in the industry. It is often beyond the capacity of such numbers to fully capture the specific issues observed during factory assessments.

Accordingly, it is important to examine the Clusters and CPs in further details to create a more comprehensive understanding of the industry and the overall non-compliance rates. For this reason, the following section presents both the average non-compliance rates and the non-compliance findings for each CP.



## ANNEX D: COMPREHENSIVE TABLE OF NON-COMPLIANCE

## CHILD LABOUR

TABLE 1: CHILD LABOUR

| COMPLIANCE QUESTION                             | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-------------------------------------------------|-------------------------|---------------------|
| Have you found any workers under the age of 15? | 0                       | 0%                  |

TABLE 2: DOCUMENTATION AND PROTECTION OF YOUNG WORKERS

| COMPLIANCE QUESTION                                                                                                                | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer have a verification system in place to ensure they do not hire child labour in accordance with the National Law? | 2                       | 1%                  |
| Does the employer comply with documentation requirements for workers under age of 18?                                              | 1                       | 1%                  |

TABLE 3: HAZARDOUS WORK AND OTHER WORT FORMS

| COMPLIANCE QUESTION                                                                                                           | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Do workers who are under age 18 perform work that is hazardous by nature, or do they work in a hazardous working environment? | 1                       | 1%                  |
| Do workers who are under age 18 work overtime or work at night?                                                               | 0                       | 0%                  |
| Does the employer subject any workers under age 18 to the unconditional worst forms of child labour?                          | 0                       | 0%                  |

## DISCRIMINATION

TABLE 4: GENDER

| COMPLIANCE QUESTION                                                                                                       | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Is an applicant's gender a factor in recruitment or hiring?                                                               | 5                       | 3%                  |
| Does the employer terminate workers who are pregnant or on maternity leave or force them to resign?                       | 1                       | 1%                  |
| Does the employer change the employment status, position, wages, benefits or seniority of workers during maternity leave? | 0                       | 0%                  |
| Does the employer require pregnancy tests or the use of contraceptives as a condition of employment?                      | 0                       | 0%                  |
| Is gender a factor in decisions regarding conditions of work?                                                             | 0                       | 0%                  |
| Is gender a factor in decisions regarding opportunities for promotion or access to training?                              | 0                       | 0%                  |
| Is gender a factor in decisions regarding pay?                                                                            | 0                       | 0%                  |
| Is gender a factor in the employer's decisions regarding termination or retirement of workers?                            | 0                       | 0%                  |
| Is maternity leave excluded from workers' period of continuous service?                                                   | 0                       | 0%                  |
| Is there sexual harassment of workers in the workplace?                                                                   | 0                       | 0%                  |

TABLE 5: DISCRIMINATION ON OTHER GROUNDS

| COMPLIANCE QUESTION                                                                                                        | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer hire one disabled worker for every 100 workers?                                                          | 140                     | 81%                 |
| Has the employer taken steps to accommodate disabled workers in accordance with the type and extent of their disabilities? | 0                       | 0%                  |
| Is disability a factor in decisions regarding conditions of work, access to training, promotion and pay?                   | 0                       | 0%                  |
| Is disability a factor in the employer's decisions regarding termination and retirement?                                   | 0                       | 0%                  |
| Is there harassment of workers on the basis of disability?                                                                 | 0                       | 0%                  |

**TABLE 6: RACE AND ORIGIN**

| COMPLIANCE QUESTION                                                                                                 | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|---------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Is applicant's race, colour or origin a factor in recruitment or hiring?                                            | 0                       | 0%                  |
| Is race, colour or origin a factor in decisions regarding conditions of work, access to training, promotion or pay? | 0                       | 0%                  |
| Is race, colour or origin a factor in the employer's decisions regarding termination or retirement of workers?      | 0                       | 0%                  |
| Is there harassment of workers on the basis of race, colour or origin?                                              | 0                       | 0%                  |

**TABLE 7: RELIGION AND POLITICAL OPINION**

| COMPLIANCE QUESTION                                                                                                         | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Is applicant's religion or political opinion a factor in recruitment and hiring?                                            | 0                       | 0%                  |
| Is religion or political opinion a factor in decisions regarding conditions of work, access to training, promotion and pay? | 0                       | 0%                  |
| Is religion or political opinion a factor in the employer's decisions regarding termination and retirement of workers?      | 0                       | 0%                  |
| Is there harassment of workers on the basis of religion and political opinion?                                              | 0                       | 0%                  |

**FORCED LABOUR****TABLE 8: BONDED LABOUR**

| COMPLIANCE QUESTION                                                                     | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-----------------------------------------------------------------------------------------|-------------------------|---------------------|
| Can workers who owe debts to the employer and/or a third party freely leave their jobs? | 0                       | 0%                  |

**TABLE 9: COERCION**

| COMPLIANCE QUESTION                                                                                                                                       | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer delay or withhold wage payments in order to coerce workers to work?                                                                     | 1                       | 1%                  |
| Does the employer deny workers access to their personal documents (such as birth certificates, passports, work permits and ID cards) when they need them? | 1                       | 1%                  |
| Are workers free to terminate their employment with reasonable notice and to leave their jobs when their contracts end?                                   | 0                       | 0%                  |
| Does the employer restrict workers from leaving the workplace?                                                                                            | 0                       | 0%                  |
| Does the employer force workers to work to discipline them or as punishment for participation in a strike?                                                | 0                       | 0%                  |
| Does the employer restrict workers' freedom to come and go from the dormitories and/or the industrial park or zone in which the factory is located?       | 0                       | 0%                  |
| Does the employer use any other coercive tactics to overwhelm workers' ability to make decisions in their own interest?                                   | 0                       | 0%                  |
| Does the employer use threats such as deportation, cancellation of visas or reporting to the authorities in order to force workers to stay at the job?    | 0                       | 0%                  |
| Does the employer use violence or the threat of violence to intimidate workers?                                                                           | 0                       | 0%                  |

**TABLE 10: FORCED LABOUR AND OVERTIME**

| COMPLIANCE QUESTION                                          | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|--------------------------------------------------------------|-------------------------|---------------------|
| Are workers forced to work overtime under threat of penalty? | 0                       | 0%                  |

**TABLE 11: PRISON LABOUR**

| COMPLIANCE QUESTION                                                                                                | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|--------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| If prison labour is used, do the prisoners receive similar treatment to non-prison workers working in the factory? | 0                       | 0%                  |
| If prison labour is used, have the prisoners freely consented to do the work?                                      | 0                       | 0%                  |
| If prison labour is used, is the work carried out under the supervision and control of a public authority?         | 0                       | 0%                  |

## FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

TABLE 12: COLLECTIVE BARGAINING

| COMPLIANCE QUESTION                                                                                                                                              | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| If there is a collective bargaining agreement, are the provisions at least as favourable for workers as the law?                                                 | 28                      | 16%                 |
| Does the employer inform workers about the contents of the collective bargaining agreement, and provide workers the text of the agreement?                       | 20                      | 12%                 |
| Has the employer failed to implement any of the provisions of the collective bargaining agreement in force?                                                      | 13                      | 8%                  |
| Did the employer consult with workers/ unions when legally required?                                                                                             | 2                       | 1%                  |
| Does the employer refuse to bargain collectively or refuse to bargain in good faith with the union, worker representatives, union federations or confederations? | 0                       | 0%                  |

TABLE 13: FREEDOM TO ASSOCIATE

| COMPLIANCE QUESTION                                                                   | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|---------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer require workers to join a union?                                    | 5                       | 3%                  |
| Can workers freely form and join the union of their choice?                           | 2                       | 1%                  |
| Can the union(s) freely form and join federations and confederations of their choice? | 0                       | 0%                  |

**TABLE 14: INTERFERENCE AND DISCRIMINATION**

| COMPLIANCE QUESTION                                                                                                   | # OF<br>FACTORIES<br>FOUND NC | NC<br>RATE BY<br>QUESTION |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------|
| Has the employer tried to interfere with, manipulate, or control the union(s)?                                        | 4                             | 2%                        |
| Has the employer terminated workers or not renewed their contract due to the worker's union membership or activities? | 1                             | 1%                        |
| Are workers free to meet without management present?                                                                  | 0                             | 0%                        |
| Does the employer provide incentives to workers to keep them from joining a union or engaging in union activities?    | 0                             | 0%                        |
| Does the employer punish workers for joining a union or engaging in union activities?                                 | 0                             | 0%                        |
| Does the employer threaten, intimidate, or harass workers who join a union or engage in union activities?             | 0                             | 0%                        |
| Has the employer terminated a union official in a way that did not comply with the law?                               | 0                             | 0%                        |
| If there is more than one union, does the employer treat them as stipulated by national law?                          | 0                             | 0%                        |
| Is a job applicant's union membership or union activities a factor during hiring decisions?                           | 0                             | 0%                        |

**TABLE 15: STRIKES**

| COMPLIANCE QUESTION                                                                                                               | # OF<br>FACTORIES<br>FOUND NC | NC<br>RATE BY<br>QUESTION |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------|
| Has the employer hired new workers to replace striking workers during a strike?                                                   | 0                             | 0%                        |
| Has the employer punished any workers for participating in a strike?                                                              | 0                             | 0%                        |
| Has the employer tried to prevent any workers from participating in a strike?                                                     | 0                             | 0%                        |
| Were security guards, the police or armed forces called by the employer to break up a peaceful strike or arrest striking workers? | 0                             | 0%                        |

TABLE 16: UNION OPERATIONS

| COMPLIANCE QUESTION                                                                                                                              | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer deduct union dues from wages when union and workers request this, or allow unions to collect dues directly from their members? | 3                       | 2%                  |
| Does the employer allow workers to carry out trade union activities during working hours as agreed by both parties?                              | 1                       | 1%                  |
| Do union representatives have access to the workers in the workplace?                                                                            | 0                       | 0%                  |

## COMPENSATION

TABLE 17: METHOD OF PAYMENT

| COMPLIANCE QUESTION     | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-------------------------|-------------------------|---------------------|
| Are wages paid on time? | 14                      | 8%                  |

TABLE 18: MINIMUM WAGES/PIECE RATE WAGES

| COMPLIANCE QUESTION                                                                                                                                                            | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer establish a wage structure and wage scale, announce it to all workers, and submit it to the Local Manpower Office? <sup>14</sup>                             | 21                      | 26%                 |
| Does the employer pay the correct district minimum wage for ordinary hours of work to non-permanent workers (PKWT) and probationary workers?                                   | 25                      | 15%                 |
| Does the employer pay higher than district minimum wage for ordinary hours of work to permanent (PKWTT) and non-permanent workers (PKWT) who have worked for more than 1 year? | 24                      | 14%                 |
| Does the employer pay the correct district minimum wage for ordinary hours of work to permanent full time workers (PKWTT)?                                                     | 12                      | 7%                  |
| Does the employer pay piece rate workers correctly for ordinary hours of work?                                                                                                 | 2                       | 1%                  |

TABLE 19: OVERTIME WAGES

| COMPLIANCE QUESTION                                                                                                    | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer pay workers correctly for all overtime hours worked on regular working days?                         | 67                      | 39%                 |
| Does the employer provide meals and drinks of at least 1,400 calories to workers working overtime for 3 hours or more? | 41                      | 24%                 |
| Does the employer pay workers correctly for all overtime hours worked on public holidays and weekly rest days?         | 38                      | 22%                 |

TABLE 20: PAID LEAVE

| COMPLIANCE QUESTION                                                                                                                                      | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer pay workers correctly during work stoppages?                                                                                           | 16                      | 9%                  |
| Does the employer pay workers correctly during sick leave?                                                                                               | 13                      | 8%                  |
| Does the employer pay workers correctly when they take time off for personal/ family matters, as required by national law?                               | 5                       | 3%                  |
| Does the employer pay workers correctly during the rest time before and after childbirth?                                                                | 3                       | 2%                  |
| Does the employer pay workers correctly during annual leave?                                                                                             | 1                       | 1%                  |
| Does the employer pay workers correctly during breastfeeding breaks, as required under the work agreements, company regulations or collective agreement? | 1                       | 1%                  |
| Does the employer pay workers correctly for paid public holidays?                                                                                        | 0                       | 0%                  |
| Does the employer pay workers correctly when they feel pain during the first two days of menstruation and they notify the employer?                      | 0                       | 0%                  |

**TABLE 21: SOCIAL SECURITY AND OTHER BENEFITS**

| COMPLIANCE QUESTION                                                                                                                                                                                                                           | # OF<br>FACTORIES<br>FOUND NC | NC<br>RATE BY<br>QUESTION |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------|
| Does the employer comply with all requirements related to National healthcare funds (BPJS kesehatan), including registering workers, paying employer contributions, and collecting and forwarding workers contribution? <sup>15</sup>         | 55                            | 69%                       |
| Does the employer pay the required contributions for social insurance (BPJS Ketenagakerjaan) and health care funds (BPJS Kesehatan) to BPJS? <sup>16</sup>                                                                                    | 62                            | 67%                       |
| Does the employer comply with all requirements related to national social insurance (BPJS Ketenagakerjaan), including registering workers, paying employer contributions, and collecting and forwarding workers' contributions? <sup>17</sup> | 30                            | 38%                       |
| Does the employer collect and forward all workers' contributions for social insurance (BPJS Ketenagakerjaan) and health care funds (BPJS Kesehatan)? <sup>18</sup>                                                                            | 20                            | 22%                       |
| Does the employer pay workers the religious holiday allowance?                                                                                                                                                                                | 23                            | 13%                       |
| Does the employer provide nutritious food and drinks to female workers who work between 11 p.m. and 7 a.m.?                                                                                                                                   | 19                            | 11%                       |
| Does the employer provide round trip transport for female workers who work between 11 p.m. and 5 a.m.?                                                                                                                                        | 17                            | 10%                       |

**TABLE 22: WAGE INFORMATION, USE AND DEDUCTION**

| COMPLIANCE QUESTION                                            | # OF<br>FACTORIES<br>FOUND NC | NC<br>RATE BY<br>QUESTION |
|----------------------------------------------------------------|-------------------------------|---------------------------|
| Does the employer keep only one accurate payroll record/ book? | 36                            | 21%                       |
| Has the employer made any unauthorized deductions from wages?  | 14                            | 8%                        |

## CONTRACTS AND HUMAN RESOURCES

**TABLE 23: CONTRACTING PROCEDURES**

| COMPLIANCE QUESTION                                                                                                                                                                                      | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Have you found non-compliance with legal requirements for compensation, contracts, OSH, and/or working time pertaining to non-production workers who are directly employed by the factory? <sup>19</sup> | 42                      | 53%                 |
| Does the employer comply with limits on the use of work agreements for a specified period of time (i.e., limits on the employment of non-permanent workers)?                                             | 71                      | 41%                 |
| Does the employer comply with legal requirements relating to outsourced workers? <sup>20</sup>                                                                                                           | 21                      | 26%                 |
| Does the employer comply with legal requirements when subcontracting part of its work to another enterprise? <sup>21</sup>                                                                               | 14                      | 18%                 |
| Does the employer comply with legal requirements the practice of apprentices in the workplace? <sup>22</sup>                                                                                             | 5                       | 6%                  |
| Is the probationary period applied only to permanent workers (PKWTT) and for no longer than 3 months?                                                                                                    | 2                       | 1%                  |
| Do workers pay any recruitment fees?                                                                                                                                                                     | 0                       | 0%                  |

**TABLE 24: DIALOGUE, DISCIPLINE AND DISPUTES**

| COMPLIANCE QUESTION                                                                     | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-----------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the factory have a functioning bipartite cooperation institution?                  | 77                      | 45%                 |
| Do the disciplinary measures comply with legal requirements?                            | 53                      | 31%                 |
| Have any workers been bullied, harassed, or subjected to humiliating treatment?         | 8                       | 5%                  |
| Did the employer resolve grievances and disputes in compliance with legal requirements? | 0                       | 0%                  |

**TABLE 25: EMPLOYMENT CONTRACTS**

| COMPLIANCE QUESTION                                                                                                           | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Do the company regulations comply with legal requirements as stipulated in the labour law and regulations?                    | 72                      | 42%                 |
| Do the work agreements specify the terms and conditions of employment?                                                        | 41                      | 24%                 |
| Do the work agreements comply with company regulations, the collective labour agreement, and prevailing laws and regulations? | 36                      | 21%                 |
| Do all persons who perform work for the factory, both on the premises and offsite, have a work agreement?                     | 33                      | 19%                 |
| Does the employer give a copy of the work agreement in Bahasa to workers?                                                     | 27                      | 16%                 |

**TABLE 26: TERMINATION**

| COMPLIANCE QUESTION                                                                                                            | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer compensate workers for unused paid annual leave and other legally required termination/resignation benefits? | 45                      | 26%                 |
| Does the employer only terminate workers for valid reasons?                                                                    | 22                      | 13%                 |
| Does the employer comply with requirements regarding severance pay and reward for service?                                     | 16                      | 9%                  |
| Are workers given the opportunities required under law to defend themselves before they are terminated?                        | 1                       | 1%                  |

## OCCUPATIONAL SAFETY AND HAZARD

TABLE 27: CHEMICAL SAFETY

| COMPLIANCE QUESTION                                                                                                                            | # OF<br>FACTORIES<br>FOUND NC | NC<br>RATE BY<br>QUESTION |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------|
| Does the employer have chemical safety data sheets for the hazardous chemicals used in the workplace, and are the chemicals properly labelled? | 107                           | 62%                       |
| Are chemicals and hazardous substances properly stored?                                                                                        | 79                            | 46%                       |
| Does the employer provide adequate washing facilities and cleansing materials in the event of exposure to hazardous chemicals?                 | 78                            | 45%                       |
| Does the employer keep an inventory of chemicals and hazardous substances used in the workplace?                                               | 68                            | 40%                       |
| Has the employer appointed a Chemical Officer?                                                                                                 | 49                            | 28%                       |
| Has the employer trained all workers who work with chemicals and hazardous substances?                                                         | 19                            | 11%                       |

TABLE 28: EMERGENCY PREPAREDNESS

| COMPLIANCE QUESTION                                                                                     | # OF<br>FACTORIES<br>FOUND NC | NC<br>RATE BY<br>QUESTION |
|---------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------|
| Does the workplace have a fire detection and alarm system?                                              | 81                            | 47%                       |
| Are emergency exits and escape routes clearly marked and posted in the workplace?                       | 75                            | 44%                       |
| Has the employer appointed and trained a fire management team?                                          | 67                            | 39%                       |
| Are the emergency exits accessible, unobstructed and unlocked during working hours, including overtime? | 58                            | 34%                       |
| Does the workplace have adequate fire-fighting equipment?                                               | 53                            | 31%                       |
| Are flammable materials safely stored?                                                                  | 44                            | 26%                       |
| Are possible sources of ignition appropriately safeguarded?                                             | 21                            | 12%                       |
| Are there enough emergency exits?                                                                       | 9                             | 5%                        |
| Does the employer conduct periodic emergency drills?                                                    | 6                             | 3%                        |
| Does the employer comply with emergency requirements?                                                   | 1                             | 1%                        |

**TABLE 29: HEALTH SERVICES AND FIRST AID**

| COMPLIANCE QUESTION                                                                                                           | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the workplace have adequate trained first aid officers?                                                                  | 106                     | 62%                 |
| Does the employer provide workers with pre-assignment, annual and special medical checks when required?                       | 103                     | 60%                 |
| Has the employer ensured that there are a sufficient number of readily accessible first aid boxes/ supplies in the workplace? | 89                      | 52%                 |
| Does the employer provide required occupational health services?                                                              | 66                      | 38%                 |
| Does the employer provide adequate first-aid facilities?                                                                      | 30                      | 17%                 |
| Does the employer comply with requirements on HIV/AIDS?                                                                       | 19                      | 11%                 |
| Does the employer address safety and health risks to female workers, including to pregnant or nursing workers?                | 7                       | 4%                  |

**TABLE 30: OSH MANAGEMENT SYSTEMS**

| COMPLIANCE QUESTION                                                                                                                            | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer ensure the building is safe and maintain legally required permits?                                                           | 124                     | 72%                 |
| Has the employer performed initial and regular reviews of occupational safety and health issues in the factory?                                | 66                      | 38%                 |
| Does the factory have an OSH Committee?                                                                                                        | 48                      | 28%                 |
| Does the employer record and report work-related accidents and diseases to the Local Manpower Office?                                          | 28                      | 16%                 |
| Does the employer have the required certificates for the installation/ operation of electrical installations and other machines and equipment? | 22                      | 13%                 |
| Does the factory have a written OSH policy?                                                                                                    | 14                      | 8%                  |

TABLE 31: WELFARE FACILITIES

| COMPLIANCE QUESTION                                                                        | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|--------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the workplace have an adequate eating area?                                           | 59                      | 34%                 |
| Does the workplace have adequate hand washing facilities and adequate soap?                | 39                      | 23%                 |
| Does the employer provide adequate lockers for workers to store their personal belongings? | 30                      | 17%                 |
| Does the employer provide workers enough free safe drinking water?                         | 15                      | 9%                  |
| Does the workplace have adequate accessible toilets (separated by sex)?                    | 14                      | 8%                  |

TABLE 32: WORKER ACCOMMODATION

| COMPLIANCE QUESTION                                                                                            | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|----------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Is the accommodation separate from the workplace (even though it may be in the same compound/industrial park)? | 1                       | 1%                  |
| Does the accommodation comply with minimum space requirements?                                                 | 0                       | 0%                  |
| Does the accommodation have adequate cooking and storage facilities?                                           | 0                       | 0%                  |
| Does the accommodation have adequate toilets, showers, sewage and garbage disposal systems?                    | 0                       | 0%                  |
| Does the accommodation have enough safe water?                                                                 | 0                       | 0%                  |
| Does the accommodation offer workers adequate privacy?                                                         | 0                       | 0%                  |
| Has the employer adequately prepared for emergencies in the accommodation?                                     | 0                       | 0%                  |
| Is the accommodation adequately lit?                                                                           | 0                       | 0%                  |
| Is the accommodation adequately protected against heat, cold, and dampness?                                    | 0                       | 0%                  |
| Is the accommodation adequately ventilated?                                                                    | 0                       | 0%                  |
| Is the accommodation protected against disease carrying animals or insects?                                    | 0                       | 0%                  |
| Is the accommodation protected against fire?                                                                   | 0                       | 0%                  |
| Is the accommodation protected against noise?                                                                  | 0                       | 0%                  |

**TABLE 33: WORKER PROTECTION**

| COMPLIANCE QUESTION                                                                                                                             | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer comply with ergonomic requirements?                                                                                           | 79                      | 46%                 |
| Do the operators/ technicians/ officers responsible for machinery/ equipment/ installations/ lifting equipment have the required license?       | 77                      | 45%                 |
| Are all workers trained and obliged to use the personal protective equipment that is provided?                                                  | 59                      | 34%                 |
| Does the employer provide workers with all necessary personal protective clothing and equipment?                                                | 52                      | 30%                 |
| Are proper guards installed and maintained on all dangerous moving parts of machines and equipment?                                             | 35                      | 20%                 |
| Are all workers trained and obligated to use machines and equipment safely?                                                                     | 31                      | 18%                 |
| Are workers protected against falls from heights?                                                                                               | 12                      | 15%                 |
| Are electrical wires, switches and plugs properly installed, grounded, and maintained?                                                          | 23                      | 13%                 |
| Are appropriate safety warnings posted in the workplace?                                                                                        | 16                      | 9%                  |
| Are workers punished if they remove themselves from work situations that they believe present an imminent and serious danger to life or health? | 0                       | 0%                  |

**TABLE 34: WORKING ENVIRONMENT**

| COMPLIANCE QUESTION                                                                       | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Is the workplace climate measured by the employer, and in line with applicable standards? | 95                      | 55%                 |
| Is the workplace clean and tidy? <sup>23</sup>                                            | 6                       | 8%                  |
| Are noise levels measured by the employer and in line with applicable standard?           | 10                      | 6%                  |
| Is the workplace adequately lit?                                                          | 5                       | 3%                  |

## WORKING TIME

**TABLE 35: LEAVE**

| COMPLIANCE QUESTION                                                                                                          | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Does the employer allow workers to take time off for paternity/ personal or family matters as required by national law?      | 22                      | 13%                 |
| Does the employer provide opportunities for breastfeeding breaks?                                                            | 20                      | 12%                 |
| Does the employer provide the correct amount of time off for maternity rest, including in cases of miscarriage?              | 18                      | 10%                 |
| Can female workers take time off when they feel pain during the first two days of menstruation and they notify the employer? | 16                      | 9%                  |
| Does the employer provide 12 days of annual leave per year?                                                                  | 15                      | 9%                  |
| Does the employer allow workers to take time off when they are sick?                                                         | 2                       | 1%                  |

**TABLE 36: OVERTIME**

| COMPLIANCE QUESTION                                         | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|-------------------------------------------------------------|-------------------------|---------------------|
| Is overtime limited to 3 hours per day, 14 hours per week?  | 108                     | 63%                 |
| Does the employer prepare written instructions on overtime? | 24                      | 14%                 |
| Is overtime voluntary?                                      | 0                       | 0%                  |

**TABLE 37: REGULAR HOURS**

| COMPLIANCE QUESTION                                                                                                                                | # OF FACTORIES FOUND NC | NC RATE BY QUESTION |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Do the attendance records reflect the hours actually worked?                                                                                       | 75                      | 44%                 |
| Do regular daily and weekly working hours exceed legal limits (40 hours per week; 7 hours a day, 6 days a week or 8 hours per day, 5 days a week)? | 11                      | 6%                  |

## END NOTES

1. Referring to Standard International Trade Classification, Revision 4, "clothing" is listed under Division 84: Apparel and Clothing accessories: Men's or boys' coats, jackets, suits, blazers, trousers, shorts, shirts, underwear etc., among others.
2. Source: WTO World Trade Statistical Report 2017, Table A23.
3. Regulation of the Government of the Republic of Indonesia, Number 14/2015 regarding Main Plan of the National Industry Development for 2015 to 2035
4. Textile, leather, footwear, etc.
5. Official Press release of the Ministry of Industry of the Republic of Indonesia, in conjunction to the official remarks of Minister Airlangga Hartarto at the Annual Conference International Textile Manufacturers Federation (ITMF) 2017, Nusa Dua, Bali, Friday (15/9/2017), as uploaded on official website of the Ministry of Industry of the Republic of Indonesia: <http://www.kemenperin.go.id/artikel/18144/Kemenperin-Bidik-Ekspor-TPT-Capai-USD15-Miliar-Tahun-2019>, last visited on Wednesday, June 20, 2018.
6. Source: Indonesia Textile, Fact Sheets of Indonesia Textile Association, update March, 27, 2017.
7. Source: BPS (2015) National accounts, Badan Pusat Statistik, Jakarta.
8. Source: BPS (2014) National accounts, Badan Pusat Statistik, Jakarta.
9. Source: Emerging Market Direct, Indonesia's Textile and Garment Industry Profile (2015).
10. Source: Ministry of Industry 2016.
11. Better Work Indonesia PAC is composed by: Ministry of Manpower and other key Ministries such as Industry and Trade, the Indonesian Employers' Association and Textile Association (APINDO/ API) and the 4 most representative federations in the sector (FSPTSK-KSPSI, SPN-KSPI, GARTEKS-KSBSI)
12. Previously, this compliance question was listed as "Does the employer comply with all requirements related to National healthcare funds (BPJS kesehatan), including registering workers, paying employer contributions, and collecting and forwarding workers' contribution?"
13. This is a new non-compliance question that was only asked of 97 of the 172 factories in the sample size.
14. This non-compliance question was introduced in the middle of the assessment period and was only asked to 80 factories.
15. Due to Changes in the Indonesian Compliance Assessment tool this question was asked of 80 factories.
16. Due to Changes in the Indonesian Compliance Assessment tool this question was asked of 92 factories.
17. Due to Changes in the Indonesian Compliance Assessment tool this question was asked of 80 factories.
18. Due to Changes in the Indonesian Compliance Assessment tool this question was asked of 92 factories.
19. This is a new question for the Indonesian Compliance Assessment Tool and was only asked of 80 factories.
20. This is a new question for the Indonesian CAT and was only asked of 80 factories.
21. This is a new question for the Indonesian CAT and was only asked of 80 factories.
22. This is a new question for the Indonesian CAT and was only asked of 80 factories.
23. "Is the workplace clean and tidy" is a new compliance question and was only asked of 80 factories.





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