

Better Work Indonesia: Garment Industry 2nd Compliance Synthesis Report

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Table of Contents

Section I: Introduction and Methodology	6
Introduction.....	6
Institutional Context.....	6
Better Work Methodology	7
Calculating Non-compliance.....	8
Note on the factories represented in this report.....	9
Limitations in the assessment process.....	9
Section II: Findings.....	10
Average Non-compliance Rates	10
Detailed Findings	12
1. Core Labour Standards.....	12
2. Working Conditions.....	13
Section III: Conclusion	19
Conclusions and Next Steps	19
Annexes	19
Annex A: Factories Covered in this Report.....	21
Annex B: Buyers Participating in Better Work Indonesia.....	22

List of Tables

In Focus 1: Gender	12
In Focus 2: Collective Bargaining.....	13
In Focus 3: Overtime Wages	14
In Focus 4: Social Security and Other Benefits.....	14
In Focus 5: Employment Contracts	15
In Focus 6: Dialogue, Discipline and Disputes	15
In Focus 7: OSH Management Systems.....	16
In Focus 8: Worker Protection	16
In Focus 9: Emergency Preparedness.....	17
In Focus 10: Chemicals and Hazardous Substances.....	17
In Focus 11: Overtime.....	18

Executive Summary

The Better Work Indonesia programme, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC), aims to enhance enterprise-level performance and promote competitiveness of the garment industry by advancing compliance with Indonesian labour law and ILO core labour standards in garment factories. Better Work Indonesia began conducting independent assessments of working conditions in apparel factories in Indonesia in July 2011.

Each assessment consists of four on-site person days and includes management interviews, union and worker interviews, document reviews, and factory observation. The goal of these assessments is to establish a baseline of performance against which participating factories can collaborate and cooperate with Better Work Indonesia and participating buyers to make improvements.

Better Work produces public synthesis reports of factory assessments for each country programme twice a year. These reports provide transparent information for all programme stakeholders regarding working conditions in the participating factories. Independent research commissioned by Better Work Indonesia provides evidence that public reporting significantly contributes to continuous improvement in factory compliance levels.

This second synthesis report illustrates findings of assessments that the programme carried out between October 2011 and October 2012 in 35 factories in the Greater Jakarta Area (JABODETABEK). Seventeen of the factories included in this report were included in the first synthesis report. These factories employ a total of 40,562 workers out of a total of an estimated 500,000 workers in the export apparel industry.

This sample is characterized by factories employing between 708 and 8,253 workers. The data collected illustrate non-compliance with labour standards according to eight clusters: four based on ILO core labour standards regarding child labour, forced labour, discrimination, and freedom of association (FoA) and collective bargaining. The other four clusters are based on national laws pertaining to working conditions: compensation, contracts and human resources, occupational safety and health (OSH), and working time.

Initial assessment results highlighted the following:

In the areas of core labour standards:

There were three findings under the child labour cluster related to employers not having a system in place to verify the age of workers prior to hiring. With respect to discrimination, most factories (92%) are non-compliant in this cluster due to not recruiting at least 1% of their workers being people with disabilities. No factory was non-compliant with respect to forced labour. The main non-compliance findings with respect to collective bargaining (26%) was that workers were not informed about the contents of the agreements, employers do not implement the agreement and/or the agreement had conditions that were less favourable than the law.

In the areas of working conditions (national law):

Incorrect overtime paid (60%) and inappropriate social security benefits (46%) were the main areas of non-compliance with respect to remuneration. Subcontractors and workers not receiving contracts (86%) and weak bipartite committees (89%) are reflected by poor contracting procedures and the lack of commitment to engage in social dialogue. Of significant concern was that in eight

factories, workers raised concerns about harassment, sexual harassment and bullying in the workplace. Most factories continue to be noncompliant with respect to OSH, with all factories not being fully prepared for an emergency. Excessive overtime continues to be a major area of non-compliance in all factories. As a follow-up, the factory management will prepare a policy/regulation to address harassment in the workplace

Section I: Introduction and Methodology

Introduction

The garment sector in Indonesia is among the largest in the world, and is growing over 8% per year, as enterprises move from China to Indonesia. This sector is expected to continue to be a major contributor to Indonesia's economic future, considering Indonesia's comparative advantages for labor-intensive industries and a sizable domestic market of 240 million people. Due to the global economic downturn in 2008, there was a reduction in the number of factories, production, and exports in the garment sector. However, this trend has been gradually reversing since 2011. Indonesia is currently ranked 12th in the world in textile exports.

The Better Work Indonesia programme, a partnership between the International Labour Organization and the International Finance Corporation, aims to enhance enterprise-level performance and promote competitiveness of the garment industry by improving compliance with Indonesian labour law and ILO core labour standards in garment factories.

The programme engages with participating factories by conducting independent assessments and offering advisory and training services. As part of its mandate of sharing information with all programme stakeholders and encouraging continuous improvement, Better Work Indonesia will use aggregate factory assessment data to produce two public synthesis reports per year that review the performance of all participating factories in the reporting period. This second synthesis report provides an overview of the working conditions of 35 factories assessed during the period October 2011–October 2012.

Institutional Context

To establish a sustainable service, Better Work Indonesia works with international buyers sourcing from Indonesia, as well as with key stakeholders including the Indonesian Ministry of Manpower and Transmigration (MoMT), the Indonesian Employers' Association (APINDO), the Indonesian Textile Association (API), the Korean Garment Association (KOGA) and the four main union federations of the garment industry: Garteks, TSK Kalibata, TSK Pasar Minggu, and SPN.

The Better Work Indonesia programme is in line with key Government of Indonesia economic development policies, which a focus on reducing poverty and improving people's welfare. The current National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional – RPJMN) 2010–2014 recognized the need to increase the competitiveness of the manufacturing industry, following Presidential Decree No. 28 of 2008 on the National Industrial Policy, which recommended that employment-intensive industries (textile and textile products) become a priority industrial cluster to support the Indonesian economy. Furthermore, the RPJMN also stated that to improve export performance, the Indonesian trade policy in 2010–2014 should focus on industries with high value-added products with high global demand, which includes the garment industry.

From a legal standpoint, Indonesia is unique among ASEAN nations because it was the first country to ratify all eight ILO core conventions. In addition, strong domestic law in the form of the Trade Union Act (No. 21 of 2000) and the Manpower Act (No. 13 of 2003) provides a solid national framework for decent work. Indonesia, therefore, enjoys a favourable legal backdrop for good

labour practices. The Trade Union Act gives workers the right to organize into “free, open, independent, democratic and responsible” trade unions, federations and confederations of trade unions. Meanwhile, the Manpower Act, which was envisioned under the 1998 Labour Law Reform Programme of Indonesia, outlines regulations regarding equal opportunity, workplace relations, worker protection and wages, labour inspection, criminal and administrative sanctions, and transitional sanctions.

In 2000, Indonesia started to decentralize government services primarily to the district level. Local government agencies are now responsible for the delivery of core services. However, local government budget allocations from the central government are inadequate to meet the diverse range of services a district government must provide in accordance with their mandate. Therefore, district manpower agencies have insufficient resources to provide appropriate labour inspectorate services to all companies in a district. Decentralized legislation makes Indonesia unique among other Better Work countries. For example, provincial or regional wage councils for each province or region determine the minimum wages for each district in their respective province, and in some cases determine sectoral minimum wages, through tripartite negotiations that are subject to the approval of the provincial governor. For this reason, information on minimum wages, in addition to other compliance points, which are specified in each assessment report, may vary from factory to factory.

Better Work Methodology

Better Work carries out factory assessments to monitor compliance with international labour standards and national labour law. In its factory and industry-level reports, it highlights *non-compliance* findings. Better Work reports these figures to help factories easily identify areas in need of improvement. Collecting and reporting these data over time will guide factories in demonstrating their commitment to improving working conditions.

Better Work organizes reporting into eight areas, or clusters, of labour standards. Four of the clusters are based on fundamental rights regarding child labour, discrimination, forced labour, and freedom of association and collective bargaining. In 1998, Member States, workers, and employer representatives at the International Labour Organization identified fundamental principles and rights at work regarding these four issues based on eight very widely ratified International Labour Conventions (29, 87, 98, 105, 100, 111, 138, and 182). These conventions provide the baseline for compliance with the fundamental rights clusters across all Better Work country programmes.

The four other clusters monitor compliance with standards primarily set by national law, so they vary by country. In the Indonesian context, this set consists of compensation, contracts and human resources, occupational safety and health, and working time.

Each of the eight clusters is divided into key components known as compliance points (CP). Each CP contains specific questions that may vary from country to country. The detailed list of CPs within each cluster is indicated in the table below.

	Compliance Clusters		Compliance Points
Core Labour Standards	1	Child Labour	1. Child Labourers 2. Unconditional Worst Forms 3. Hazardous Work 4. Documentation and Protection of Young Workers
	2	Discrimination	5. Race and Origin 6. Religion and Political Opinion 7. Gender 8. Other Grounds
	3	Forced Labour	9. Coercion 10. Bonded Labour 11. Forced Labour and Overtime 12. Prison Labour
	4	Freedom of Association and Collective Bargaining	13. Union Operations 14. Interference and Discrimination 15. Collective Bargaining 16. Strikes
Working Conditions	5	Compensation	17. Minimum wages 18. Overtime wages 19. Premium Pay 20. Method of Payment 21. Wage Information, Use and Deduction 22. Paid Leave 23. Social Security and Other Benefits
	6	Contracts and Human Resources	24. Employment Contracts 25. Contracting Procedures 26. Termination 27. Dialogue, Discipline and Disputes
	7	Occupational Safety and Health (OSH)	28. OSH Management Systems 29. Chemicals and Hazardous Substances 30. Worker Protection 31. Working Environment 32. Health Services 33. Welfare Facilities 34. Worker Accommodation 35. Emergency Preparedness
	8	Working Time	36. Regular Hours 37. Overtime 38. Leave

Calculating Non-compliance

Better Work calculates **non-compliance rates** for each factory and reports these in individual factory reports. The non-compliance rate is reported for each subcategory, or compliance point, within a cluster. A compliance point is reported to be non-compliant if one question within it is found in non-compliance.

In public synthesis reports, Better Work calculates the average non-compliance rates for all participating factories in each of these same sub-categories. For example, an average non-compliance rate of 100% means that all participating factories were found to have a violation in that area.

While it is a strict indicator, the non-compliance rate is useful for Better Work to aggregate and compare data across countries. However, this number is not sufficient to fully describe the specific issues that Enterprise Advisors have observed during their assessment. For this reason, tables

highlighting key average non-compliance findings at the question level are also presented in Section II with the title of “In Focus” tables. These tables, showing the number of factories found to be non-compliant to each specific question, allow the reader to fully appreciate the specific challenges identified in factory assessments under particular compliance points.

Note on the factories represented in this report

Better Work compiles synthesis reports approximately twice a year for each of its country programmes. The synthesis report presents a snapshot of the non-compliance situation in the participating industry of the respective country. The rates presented in the synthesis report refer to participating industry averages. As factories are assessed once per year, in some cases the data included in the synthesis reports are older than six months.

This synthesis report presents the aggregated findings of first assessments, covering 35 factories, conducted by Better Work Indonesia between October 2011 and October 2012.

Limitations in the assessment process

The factory-level assessments carried out by Better Work Indonesia follow a thorough checklist of over 280 questions covering the above-mentioned labour standards. Information is gathered through a variety of sources and techniques, including document review, observations on the shop floor, and interviews with managers, workers and union representatives.

The detailed factory assessment reports are based solely on what was observed, investigated and analyzed during the performance of the actual assessment and a review of relevant documents collected during the assessment visit. Each factory is given seven days before the report becomes official to provide feedback that may in some cases impact the final report language.

Among the issues covered in Better Work’s compliance assessment tools, sexual harassment is one of the most sensitive and most difficult to detect during factory assessments. It is often unreported due to fear of retaliation, power imbalance between victim and perpetrator, and/or cultural perceptions of stigma associated with it. As a result, the assessment of sexual harassment in the workplace by Better Work Indonesia is likely to underreport the extent of its occurrence. Nevertheless, the Better Work Indonesia impact assessment, which uses a different research methodology from factory assessments, has indicated that sexual harassment is a concern for workers in Indonesian garment factories.¹ Better Work Indonesia, in collaboration with the Better Work global programme, has been developing a set of tools to help Enterprise Advisors identify sexual harassment in factories, and to help factories prevent and address sexual harassment through awareness raising and training.

¹ Impact Research - Indonesia Baseline Report - Worker Perspectives from the Factory and Beyond

Section II: Findings

Average Non-compliance Rates

Chart 1 provides an overview of average non-compliance rates for 35 factories covered in this report. Key findings are provided below, followed by a section with additional details.

In the areas of core labour standards:

Child Labour: There were three findings under the child labour cluster related to employers not having a system in place to verify the age of workers prior to hiring.

Discrimination: Most factories (92%) are non-compliant in this cluster due to not recruiting at least 1% of their workers being people with disabilities. The main gender discrimination was targeted towards pregnant workers.

Forced Labour: There were no cases of forced labour found during this reporting period.

Freedom of Association and Collective Bargaining: The main non-compliance in this area was with respect to collective bargaining (26%) as workers are not informed about the contents of the agreements, employers do not implement the agreement and/or the agreement had conditions that were less favourable than the law. As a follow-up, Better Work Indonesia will work closely with the local manpower office to address these issues by organizing trainings for the workers.

In the areas of working conditions (national law):

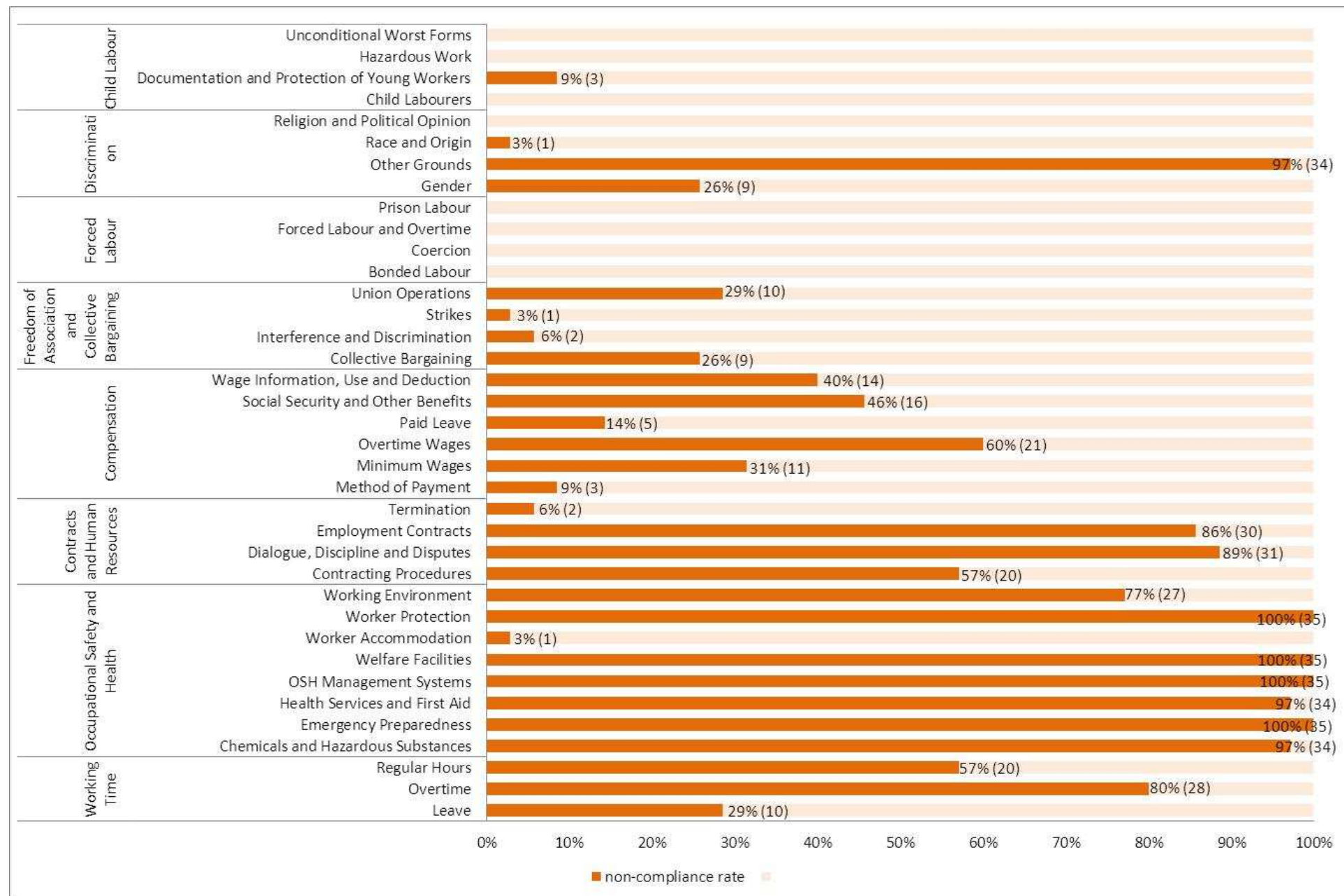
Compensation: Incorrect overtime paid (60%) and inappropriate social security benefits (46%) were the main areas of non-compliance.

Contracts and Human Resources: There were cases of sub-contractors and workers not receiving contracts (86%) and weak bipartite committees (89%). Of significant concern was that in eight factories, workers raised concerns about harassment, sexual harassment and bullying in the workplace.

Occupational Safety and Health (OSH): Most factories have weak OSH committees and poor leadership from senior management to assess and address OSH issues in the workplace. Most factories have not installed automatic alarms and fire detectors, and if they have in some cases the alarms are not working. Exits and escape routes are often blocked and poorly marked.

Working Time: Excessive overtime continues to be a major area of non-compliance in almost all factories.

Chart 1: Average non-compliance rates



Detailed Findings

This section describes the levels of non-compliance across participating factories for each sub-section (compliance point) within each of the eight categories of labour standards covered by the Better Work Indonesia assessments. Through the “In Focus” tables, detailed findings are presented at the question level for a number of compliance points.

1. Core Labour Standards

a. Child Labour

There were three findings under Documentation and Protection of Young Workers related to employers not having a system in place to verify the age of workers prior to hiring.

b. Discrimination

Gender Discrimination is further explored in the “In Focus” table below.

In Focus 1: Gender

Question	Number of factories out of compliance
Do job announcements refer to the applicant's gender?	5
Is an applicant's gender a factor in hiring decisions?	2
Is gender a factor in decisions regarding conditions of work?	1
Is gender a factor in decisions regarding pay?	0
Is gender a factor in decisions regarding opportunities for promotion or access to training?	0
Is there sexual harassment of workers in the workplace?	1
Is gender a factor in the employer's decisions regarding termination or retirement of workers?	0
Does the employer require pregnancy tests or the use of contraceptives as a condition of employment?	1
Does the employer change the employment status, position, wages, benefits or seniority of workers during maternity leave?	0
Is maternity leave excluded from workers' period of continuous service?	0
Does the employer terminate workers who are pregnant or on maternity leave or force them to resign?	0

Gender discrimination was mainly due to defining a person's gender during recruitment. One factory required women to undertake a pregnancy test as a requirement for recruitment. In one factory, sexual harassment was observed during the assessment conducted by a Better Work Indonesia EA and this was immediately reported to senior managers. Managers are now implementing a policy to prevent harassment in the workplace.

Other Grounds of Discrimination refers to the hiring of workers with disabilities according to Indonesian labour regulations. Thirty-four out of total 35 factories had not complied with the requirement to employ at least one person with a disability for every 100 workers. This is due to most employers not knowing the regulations to hire and accommodate people with disabilities in

the factories. Two factories that had recruited people with disabilities had not adequately taken steps to accommodate such workers in accordance with the type and level of disability.

The 3% non-compliance rate in Race and Origin Discrimination is due to one factory where recruitment materials such as job announcements or job application forms referred to the applicant's race, skin colour or origin.

c. Forced Labour

There were no findings of forced labour.

d. Freedom of Association and Collective Bargaining

There was a 26% non-compliance rate under Collective Bargaining, illustrated in the “In Focus” table below. Factory managers in two factories were not aware they had to consult with unions when changing company regulations, as they thought they only had to inform the unions once regulations were changed. In one factory it was found that the collective bargaining agreement (CBA) stated that the factory did not have to pay salaries if the factory was not producing due to factors outside management control, for example electricity power failure. In three factories it was found that managers did not implement some provisions of the CBA, like transportation and meal allowance. In four factories, the CBA was not freely available to workers.

In Focus 2: Collective Bargaining

Question	Number of factories out of compliance
Did the employer consult with unions when developing or changing the company regulations?	2
Does the employer refuse to bargain collectively or refuse to bargain in good faith with the union(s)?	1
Does the employer try to undermine the union(s) by negotiating directly with individual workers?	0
Does the employer refuse to bargain collectively with union federations and confederations?	0
Has the employer limited the issues that can be negotiated?	0
If there is a collective bargaining agreement, are the provisions at least as favourable for workers as the law?	1
Does the employer inform workers about the contents of the collective bargaining agreement, and provide workers the text of the agreement?	4
Has the employer failed to implement any of the provisions of the collective bargaining agreement in force?	3

There were two findings under Interference and Discrimination. In one factory that had more than one trade union, the employer involved only one union when negotiating the Collective Labour Agreement. This finding was already reported in the first synthesis report.

A 3% non-compliance rate in the Strikes compliance point reflects one factory where the employer tried to prevent workers from participating in a strike.

2. Working Conditions

e. Compensation

The highest non-compliance rate in the area of Compensation is related to overtime wages, further explored in the “In Focus” table below.

In Focus 3: Overtime Wages

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer pay workers the correct rate for all ordinary overtime hours worked (1.5 times the hourly rate for the 1st hour of overtime, and 2 times the hourly rate for each additional hour)?	17
Does the employer pay workers the correct rate for all overtime hours worked on public holidays?	2
Does the employer pay workers the correct rate for all overtime hours worked on weekly rest days?	6
Does the employer provide meals and drinks of at least 1,400 calories to workers working overtime for three hours or more?	6

Paid Leave non-compliance findings relate to five factories not paying female workers correctly when they are ill due to their menstrual cycle. There were non-compliance findings in correct payment of annual leave, personal leave and sick leave (one factory each).

Within the Method of Payment compliance point, wages were not paid on time in three factories.

Social Security and Other Benefits has a 46% non-compliance rate, illustrated in the “In Focus” table below.

In Focus 4: Social Security and Other Benefits

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer collect contributions to social insurance funds from all workers?	7
Does the employer pay the required employer contribution to JAMSOSTEK for work related accidents, death and provident fund?	5
Does the employer provide healthcare benefits to all workers through JAMSOSTEK or another provider that offers at least the same benefits as JAMSOSTEK?	13
Does the employer forward worker contributions for social insurance funds to JAMSOSTEK?	1
Does the employer pay workers the religious holiday allowance (THR)?	3

Most factories assessed have decided to provide healthcare benefits through another provider, rather than providing healthcare benefits through the official government health care and social security provider, JAMSOSTEK. If a company decides to provide health care through another provider, the benefits must be the same or better than those offered by JAMSOSTEK. In seven factories, it was found that the benefits offered through other providers were less than those provided by JAMSOSTEK. In December 2011, JAMSOSTEK released an updated table of benefits, expanding the number of services, for example retroviral therapy for people living with HIV/AIDS.

Sixteen factories were found to have not updated their healthcare agreements with other providers, in line with this change in the regulation.

In the Wage Information, Use and Deduction CP there is a 40% non-compliance rate. In 13 factories, employers kept more than one accurate payroll record. In two factories, the employer made unauthorized deductions from wages.

f. Contracts and Human Resources

The highest non-compliance rates under Contracts and Human Resources were in Employment Contracts (86%) and Dialogue, Discipline and Disputes (89%). Both are explored below in the “In Focus” tables.

In Focus 5: Employment Contracts

Question	Number of factories out of compliance
Do all persons who perform work for the factory, both on the premises and offsite, have a contract?	23
Do the company regulations comply with legal requirements as stipulated in the labour law and regulations?	11
Do the employment contracts specify the terms and conditions of employment?	10
Does the employer give a copy of the work agreement in Bahasa Indonesia to workers?	14
Does the employer provide a letter of appointment to permanent workers with oral contracts?	5

In most sub-contracting situations, it was found that off-site and on-site sub-contractors, like those tasked with embroidery, washing, etc. did not have contracts. In three factories it was found that workers did not have contracts. In 16 cases the employer held copies of the contract or letter or agreement but did not give the worker a copy.

In Focus 6: Dialogue, Discipline and Disputes

Question	Number of factories out of compliance
Do the disciplinary measures comply with legal requirements?	0
Have any workers been bullied, harassed, or subjected to humiliating treatment?	8
Did the employer resolve grievances and disputes in compliance with legal requirements?	0
Does the factory have a functioning bipartite cooperation institution?	31

Bullying, harassment and sexual harassment was found in eight factories, with once case of harassment and sexual harassment observed during the assessment. The factory managers of the factory concerned were immediately informed and requested to action the case immediately, while the Better Work advisor began to establish a more sustainable approach to addressing the issue.

Most factories have established a bipartite cooperation institution (LKSB) but it is not operating in line with the legal requirements. In most cases, workers are not democratically elected by their peers, but rather are nominated by management, which dilutes the effectiveness of the committee.

Managers are also reluctant to have the LKSB meet on a monthly basis, as they believe a one-hour meeting comprising eight workers will impact production negatively. Factories who do report to the local manpower office, minutes of meetings do not readily receive recognition or receipt of the reports.

The 57% non-compliance rate in Contracting Procedures is as a result of 16 factories exceeding the term at which a worker can be contracted under a fixed term contract. (i.e., limits on the employment of non-permanent workers). Furthermore, four factories did not comply with requirements concerning sub-contracted workers at the workplace. In two factories, the probationary period was applied for longer than three months and to non-permanent workers.

The Termination CP has a 6% non-compliance rate due to two employers not compensating workers for unused paid annual leave when they resigned or were terminated, and one factory in which workers who resign or are terminated did not receive all other legally required termination benefits.

g. Occupational Safety and Health

Similarly to the previous synthesis report, the occupational safety and health cluster has the highest non-compliance rates, with all factories having at least one non-compliance finding in OSH Management Systems, Welfare Facilities, Worker Protection and Emergency Preparedness.

Although all participating factories have established an OSH committee, most (97%) are not functioning, as they seldom meet and are not resourced with appropriately trained OSH experts. Senior management leadership of OSH is weak, as 21 out of 35 factories did not have a clear OSH policy or assess OSH risks in their enterprise.

In Focus 7: OSH Management Systems

Question	Number of factories out of compliance
Does the employer record work-related accidents and diseases?	25
Does the factory have a written OSH policy?	21
Does the factory have a functioning OSH Committee?	34
Has the employer performed a general assessment of Occupational Safety and Health in the factory?	20

Although factories provide appropriate safety equipment to protect workers, most workers are not using the equipment as a result of poor training and awareness in the workplace. In some cases the equipment and clothing are poorly maintained, hence workers are reluctant to use the equipment. Of particular concern is that factories seldom provide seats for standing workers, including pregnant standing workers. If chairs are provided, in some cases they are inappropriate for the physical space or tasks required, as they do not have back rests or are not easily adjustable.

In Focus 8: Worker Protection

Question	Number of factories out of compliance
Are appropriate safety warnings posted in the workplace?	13
Are electrical wires, switches and plugs properly installed, grounded, and maintained?	15
Are materials, tools, switches, and controls within easy reach of	7

workers?	
Are proper guards installed and maintained on all dangerous moving parts of machines and equipment?	16
Are standing workers are provided with seats?	32
Are mechanical devices provided for lifting and moving heavy or bulky loads?	11
Are workers effectively trained and obliged to use the Personal Protective Equipment (PPE) that is provided?	22
Are workers effectively trained to use machines and equipment safely?	6
Do workers have suitable decent chairs?	9
Does the employer provide workers with all necessary personal protective clothing and equipment?	19

In Focus 9: Emergency Preparedness

Question	Number of factories out of compliance
Does the workplace have a fire detection and alarm system?	30
Does the workplace have adequate fire-fighting equipment?	15
Has the employer trained an appropriate number of workers to use the fire-fighting equipment?	0
Are emergency exits and escape routes clearly marked and posted in the workplace?	20
Are there enough emergency exits?	1
Are the emergency exits accessible, unobstructed and unlocked during working hours, including overtime?	15
Does the employer conduct periodic emergency drills?	3
Does the employer have the required certificates to operate the factory's machinery and equipment, and licensed operators?	7

In 85% of the factories, fire preparedness is lacking. These facilities either have automatic fire alarm systems that do not work properly, or do not have any system in place at all.. Automatic fire detectors must be installed in all factories. Emergency routes in factories are poorly maintained and often blocked.

In Focus 10: Chemicals and Hazardous Substances

Question	Number of factories out of compliance
Are chemicals and hazardous substances properly labeled in accordance with the laws and regulations?	29
Are chemicals and hazardous substances properly stored?	25
Does the employer have a hazard control document?	25
Does the employer have chemical safety data sheets for the hazardous chemicals used in the workplace?	21
Does the employer keep an inventory of chemicals and hazardous substances used in the workplace?	28
Does the employer provide adequate washing facilities and cleansing materials in the event of exposure to hazardous chemicals?	18
Has the employer appointed an OSH Chemical Officer and/or Expert?	29

Has the employer effectively trained workers who work with chemicals and hazardous substances?

4

Chemical management is poor, with 29 out of 35 factories not properly labeling chemicals and hazardous substances. In one case, an unlabeled used water bottle contained a chemical substance. Storage of chemicals is poor. Also, workers who use chemicals are not correctly informed about what they are handling. Those factories that have employed a Chemical OSH Officer have established better chemical and hazardous substances systems.

h. Working Time

There is a 57% non-compliance rate in Regular Hours. This is due to 17 factories where regular weekly working hours exceed 40 hours. In 10 factories, working time records did not reflect the hours actually worked. In 15 factories, regular daily working hours exceeded legal limits (7 hours a day, 6 days a week or 8 hours per day, 5 days a week).

There is a 29% non-compliance rate in the Leave CP. This is due to six employers not providing annual leave as specified by law, and five employers not providing leave when workers are ill during the first and second days of menstruation. Generally, the workers are unaware of their rights on this issue. In three factories workers were not provided the required breastfeeding breaks.

The highest non-compliance rate in this cluster is in Overtime (80%). The “In Focus” table below provides more details. Significant overtime was found in particular jobs, primarily in the finishing department. Security guards and drivers were also found to have significant overtime work and their contracts were defined as “all in” or lump sum contracts, which is not appropriate based on their contractual status. In six factories, it was found that the factory had weak procedures to ensure overtime was voluntary.

In Focus 11: Overtime

Question	Number of factories out of compliance
Does the employer prepare written instructions on overtime?	4
Does work on public holidays occur only under the conditions allowed by law?	0
Is overtime on regular workdays limited to 14 hours per week?	26
Is overtime on regular workdays limited to 3 hours per day?	25
Is overtime voluntary?	6

Section III: Conclusions

Conclusions and Next Steps

Many of the non-compliance issues identified by the programme cannot be entirely resolved in a single-year cycle. These issues may relate to larger systemic issues, to deep-rooted attitudes or lack of technical skills at a factory. During the first year of work, the goal of the programme is to support LKSB and OSH committees to develop a collaborative process for making change; tackle urgent and relatively easy non-compliance issues; and start working on longer-term structural problems. These more difficult issues will continue to be the focus of improvement efforts in subsequent years.

Better Work Indonesia has begun advisory services in all of the factories covered in this report. The goal of the advisory work, as well as the programme's stand-alone training services, are to work with factories to assist them in proactively closing the areas of non-compliance outlined in this report. Advisory services are delivered through the factory's existing bipartite committees (LKSB) and OSH committees. In response to the weak capacity of these committees, as identified during our assessments, Better Work Indonesia has developed a partnership with the Ministry of Manpower and APINDO (the employer's association) to strengthen the capacity of these committees. Initially, Better Work Indonesia advisors will lead the committees through problem solving training, and support them in the application of easy-to-use tools to help participants collaborate and trust one another as the basis for making change. Over time, Better Work Indonesia staff will pass facilitation of the committees over to the factory itself, with programme staff acting as coaches and content experts in the process.

Specific actions the programme is taking in advisory work to address key non-compliance issues in outlined in this report includes:

Discrimination: The focus for the programme in the area of discrimination is to help companies improve recruitment procedures to prevent gender and/or pregnancy discrimination in job advertisements or during the recruitment process. As the majority of factories do not comply with the number of disabled workers employed by the enterprise, we have established guidelines for employers in recruiting and employing people with disabilities in the workplace. People with disabilities are now advising factories how to recruit people with disabilities and accommodate them in the workplace.

Freedom of Association and Collective Bargaining: The primary focus of the programme in this cluster is to improve the collective representation of workers' interests as a prerequisite for effective labour dispute settlement and meaningful collective bargaining. The separation of functions of factory management and worker representation are important aspects of strengthening the trust of workers in trade unions. To address this need, the four main federations involved in the garment sector, in collaboration with ILO Indonesia, are implementing a capacity building programme to strengthen the capacity of factory-level unions. The first module on negotiation and collective bargaining was implemented between August and October 2012. Future modules will explore trade union administration, understanding labour and trade union laws and

strengthening communication and information networks in trade unions. ILO Indonesia is also providing support to employers in better understanding industrial relations in Indonesia.

Occupational Health and Safety: As mentioned in the first synthesis report, most factory advisory work begins with a focus on OSH issues. This is an area that most factories prioritize and many outstanding issues can be handled in a relatively short timeframe. In particular, the programme is working with factories increase training for workers on emergency preparedness, installing and testing fire alarms, ensuring exits are not blocked, personal protective equipment is being used and to address issues of chemical handling, labeling, storage, and exposure. In collaboration with Better Work Indonesia, the Ministry of Manpower has established a two-day training programme for participating factories to better understand their legal requirements with respect to OSH. The focus is on strengthening OSH management systems in the workplace, in line with the recently released government regulation on OSH (PP50/2012).

Compensation: Key focus areas in the first year of operations include working with companies to ensure their compensation system is in line with requirements regarding maternity benefits, overtime, night shifts, annual leave, and break times. Of significant concern is the practice of “skorcing” where workers are required to clock off at the end of the day and return to work to finish the production quota assigned to a work team for the day. This appears common throughout the industry. Health benefits to workers vary significantly across the industry, even though the district-level manpower office approves whether or not an enterprise should implement the JAMSOSTEK healthcare programme or seek an alternative service provider. Industry seminars will be planned for 2013 to better explain the JAMSOSTEK programme.

Contracts and Human Resources: The high incidence of harassment and bullying in the workplace has necessitated the need to expand the current guidelines on sexual harassment to cover these two areas. The guidelines are available in English, Korean and Bahasa Indonesia. Throughout 2013, all Better Work participating enterprises will be actively engaged in develop appropriate mechanisms to address harassment and bullying in the workplace. Workers will be better informed about their rights with respect to harassment and bullying. Local manpower offices are required to review all worker contracts, but Better Work Indonesia has found that this oversight is lacking in most factories. As such, the programme will assist manpower officials in conducting onsite reviews and approvals of all contracts to ensure the documents comply with existing laws. In light of recent regulations, Better Work Indonesia has developed guidelines for employers to better accommodate women who wish to continue breastfeeding their children after returning to work after maternity leave.

Working Hours: Excessive overtime is a problem at almost all factories in Indonesia and more globally in the apparel industry. This issue is not one that can be easily solved by factories alone. Instead, the programme is working with factories to ensure they are transparent regarding actual hours of work. From there, the programme will work with each enterprise to improve productivity and explore other methods of coming into compliance on hours worked. This is also an area of ongoing discussion with international buyers participating in the programme

Annexes

Annex A: Factories Covered in this Report

PT Amos Indah Indonesia	
PT Asia Power Global	
PT Avery Dennison Packaging Indonesia	
PT Buana Samudra Lestari	
PT Busana Remaja Agracipta	
PT Citra Abadi Sejati (Bogor)	
PT Citra Abadi Sejati (Cileungsi)	
PT Citra Abadi Sejati (Purwakarta)	
PT C-Site Texpia	
PT Daehan Global (#1)	
PT Daenong Global	
PT Dream Sentosa Indonesia	
PT Greentex Indonesia Utama	
PT Hansae Indonesia Utama	
PT Hansae Karawang Indonesia	
PT Inkordan International	
PT Inwoo S&B Indonesia	
PT Kahoiindah Citragarment	PT Rismar Daewoo Apparel
PT Kukdong International	PT Samudra Biru
PT Kyungseung Trading Indonesia	PT Sandrafine Garment
PT Logos Indonesia	PT Sentraco Garmino
PT Makalot Industrial Indonesia	PT Seok Hwa Indonesia
PT Mitra Garindo Perkasa	PT Shinwon Indonesia
PT Mulia Cemerlang Abadi	PT Taitat Putra Rejeki
PT Myung Sung Indonesia	PT Willbes Global
PT Pan Pacific Nesia	
PT Puku Benangsari	

Annex B: Buyers Participating in Better Work Indonesia

1. Abercrombie & Fitch
2. American Eagle Outfitters, Inc.
3. ANN INC
4. Columbia Sportswear
5. Gap, Inc. (Gap Banana Republic, Old Navy)
6. H&M (Hennes and Mauritz)
7. Nordstrom, Inc.
8. Pentland Asia
9. Nike, Inc.
10. Sears
11. Talbots
12. Target
13. Walmart Global Sourcing