

# **Better Work Indonesia: Garment Industry 4th Compliance Synthesis Report**

Produced in July 2014

Reporting period:  
April 2013 – March 2014  
Number of factory assessments in this report: 67  
Country: Indonesia  
ISIC: C-14



International  
Labour  
Organization



**International  
Finance Corporation**  
World Bank Group

Better Work Indonesia is funded by the Australian Government, the Netherlands Ministry of Foreign Affairs, the State Secretariat for Economic Affairs, Switzerland (SECO) and the United States Department of Labor.

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First published (2014)

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ILO Cataloguing in Publication Data

Better Work Indonesia: garment industry 4th compliance synthesis report / International Labour Office; International Finance Corporation. - Geneva: ILO, 2014

1 v.

ISSN 2227-958X (web pdf)

International Labour Office; International Finance Corporation

clothing industry / textile industry / working conditions / workers' rights / labour legislation / ILO Convention / international labour standards / comment / application / Indonesia

08.09.3

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First published (2014)

# Acknowledgements

Better Work Indonesia is supported by the following (in alphabetical order):

- Australian Government
- Netherlands Ministry of Foreign Affairs
- State Secretariat for Economic Affairs, Switzerland (SECO)
- United States Department of Labor

The Better Work global programme is supported by the following (in alphabetical order):

- Australian Government
- Netherlands Ministry of Foreign Affairs
- State Secretariat for Economic Affairs, Switzerland (SECO)
- Corporate donations from the Levi Strauss Foundation and the United States Council Foundation (funds provided by The Walt Disney Company)

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## 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 compared to 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 on a regular basis. These reports provide transparent information for all programme stakeholders regarding working conditions in the participating factories. Independent research commissioned by Better Work provides evidence that public reporting significantly contributes to continuous improvement in factory compliance levels.

This fourth synthesis report illustrates findings of assessments that the programme carried out between April 2013 and March 2014 in 67 factories in the Greater Jakarta Area (JABODETABEK). Twenty three of the factory assessments included in this report have been assessed at least once before. These factories employ a total of 119,002 workers out of a total estimated 500,000 workers in the export apparel industry. This sample is characterized by factories employing between 101 and 6,614 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; and the other four 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:**

**Child Labour** – The main area of non-compliance is poor age verification systems.

**Forced Labour** – There were no findings.

**Discrimination**- Employers continue not to meet their legal requirements of having at least 1% of their workforce comprising people with disabilities.

**Freedom of Association** – The poor quality of collective bargaining agreements remains an issue as workers are not properly informed of the contents of collective bargaining agreements.

### **In the areas of Working Conditions (national law):**

**Compensation** – Workers are not receiving the correct overtime component of their salary, which is a cause for concern. This is often due to workers being awarded “all-in” contracts. In 45 factories, self-managed health care programmes offered fewer benefits than the national social security programme JAMSOSTEK.

**Contracts and Human Resources** – Workers are not receiving a copy of their contracts. The factory-level bipartite committees (LKSBs) are still not operating effectively. Workers on non-permanent contracts were receiving multiple contracts, more than the 2 times as stipulated in the law. Factories did not monitor sub-contractors contracting requirements.

**Occupational Safety and Health** – Most factories have high levels of non-compliance across all compliance points. This is mainly due to weak OSH management systems as a result of the lack of senior management commitment and poorly functioning OSH committees.

**Working Time** – in most factories workers are often working more than 3 hours of overtime per day and over 14 hours of overtime per week. The most significant new area of non-compliance was with respect to factories not providing facilities, policies or procedures with respect to breastfeeding breaks. In 48 factories, attendance records were inaccurate and did not reflect all overtime hours.

In factories in their second and third cycle of assessment there were improvements in compliance in most clusters apart from leave. This was mainly due to factories not providing breastfeeding breaks, an area of compliance that was only introduced in 2013. Factories are positively addressing the need to recruit workers with disabilities, with 3 more factories now compliant.

# Section I: Introduction and Methodology

## Introduction

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The garment sector in Indonesia is among the largest in the world, and is growing at 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 labour-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.

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 public synthesis reports that review the performance of all participating factories during the reporting period. This fourth synthesis report provides an overview of the working conditions of 67 factories assessed during the period April 2013–March 2013.

## Institutional Context

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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 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 also 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 organise 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 also 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, 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 is specified in each assessment report, may vary from factory to factory.

## **Better Work Methodology**

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Better Work carries out factory assessments to monitor compliance with international labour standards and national labour laws. 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 this data over time will help factories demonstrate their commitment to improving working conditions.

Better Work organises reporting into eight areas, or clusters, of labour standards: four of the clusters cover fundamental rights at work and four cover basic conditions at work. Each of the eight clusters is divided into its key components, known as ‘compliance points’. With very limited exceptions, the compliance points are standard across all Better Work countries.

In 1998, Member States, workers, and employer representatives at the International Labour Organization identified fundamental principles and rights at work based on eight very widely ratified International Labour Conventions - 29, 87, 98, 105, 100, 111, 138, and 182. These Conventions provide the framework for assessing non-compliance with the Child Labour, Discrimination, Forced Labour, and Freedom of Association and Collective Bargaining clusters across all Better Work country programmes.

The four other clusters assess conditions at work - including compensation, contracts and human resources, occupational safety and health, and working time. The compliance points covered in these clusters are largely consistent across countries; however, each compliance point contains specific questions that may vary from country to country due to differences in national legislation. National law is used as a benchmark regardless of whether it is in line with international conventions that have been ratified by the country. In countries where national law fails to address or lacks clarity around a relevant issue regarding conditions at work, Better Work establishes a benchmark based on international standards and good practices.

The detailed list of compliance points 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 <sup>1</sup>
	3	Forced Labour	9. Coercion 10. Bonded Labour 11. Forced Labour and Overtime 12. Prison Labour
	4	Freedom of Association and Collective Bargaining	13. Freedom to Associate 14. Collective Bargaining 15. Union Operations 16. Interference and Discrimination 17. Strikes
Working Conditions	5	Compensation	18. Minimum wages 19. Overtime wages 20. Premium Pay <sup>2</sup> 21. Method of Payment 22. Wage Information, Use and Deduction 23. Paid Leave 24. Social Security and Other Benefits
	6	Contracts and Human Resources	25. Employment Contracts 26. Contracting Procedures 27. Termination 28. Dialogue, Discipline and Disputes
	7	Occupational Safety and Health (OSH)	29. OSH Management Systems 30. Chemicals and Hazardous Substances 31. Worker Protection 32. Working Environment 33. Health Services 34. Welfare Facilities 35. Worker Accommodation 36. Emergency Preparedness
	8	Working Time	37. Regular Hours 38. Overtime 39. 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 sub-category, or compliance point, within a cluster. A compliance point is reported to be non-compliant if one question within it is found to be in non-compliance.

<sup>1</sup> As described in more detail below, this compliance point covers discrimination relating to disability as well as HIV/AIDS status.

<sup>2</sup> Indonesia does not have any requirements under the category of Premium Pay.

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 assessments. For this reason, tables highlighting key 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 based on 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**

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The synthesis report presents a snapshot of non-compliance in the participating industry of the respective country. The rates presented in the synthesis report refer to participating industry averages.

This synthesis report presents the aggregated findings of 44 first assessments and 16 second assessments by Better Work Indonesia, and 7 third assessments, covering 67 factories assessed between April 2013 and March 2014.

## **Limitations in the assessment process**

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

The detailed factory assessment reports are based 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, as well as 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, Better Work 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.<sup>3</sup> 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.

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<sup>3</sup> Impact Research - Indonesia Baseline Report - Worker Perspectives from the Factory and Beyond (available at [betterwork.org/Indonesia](http://betterwork.org/Indonesia))

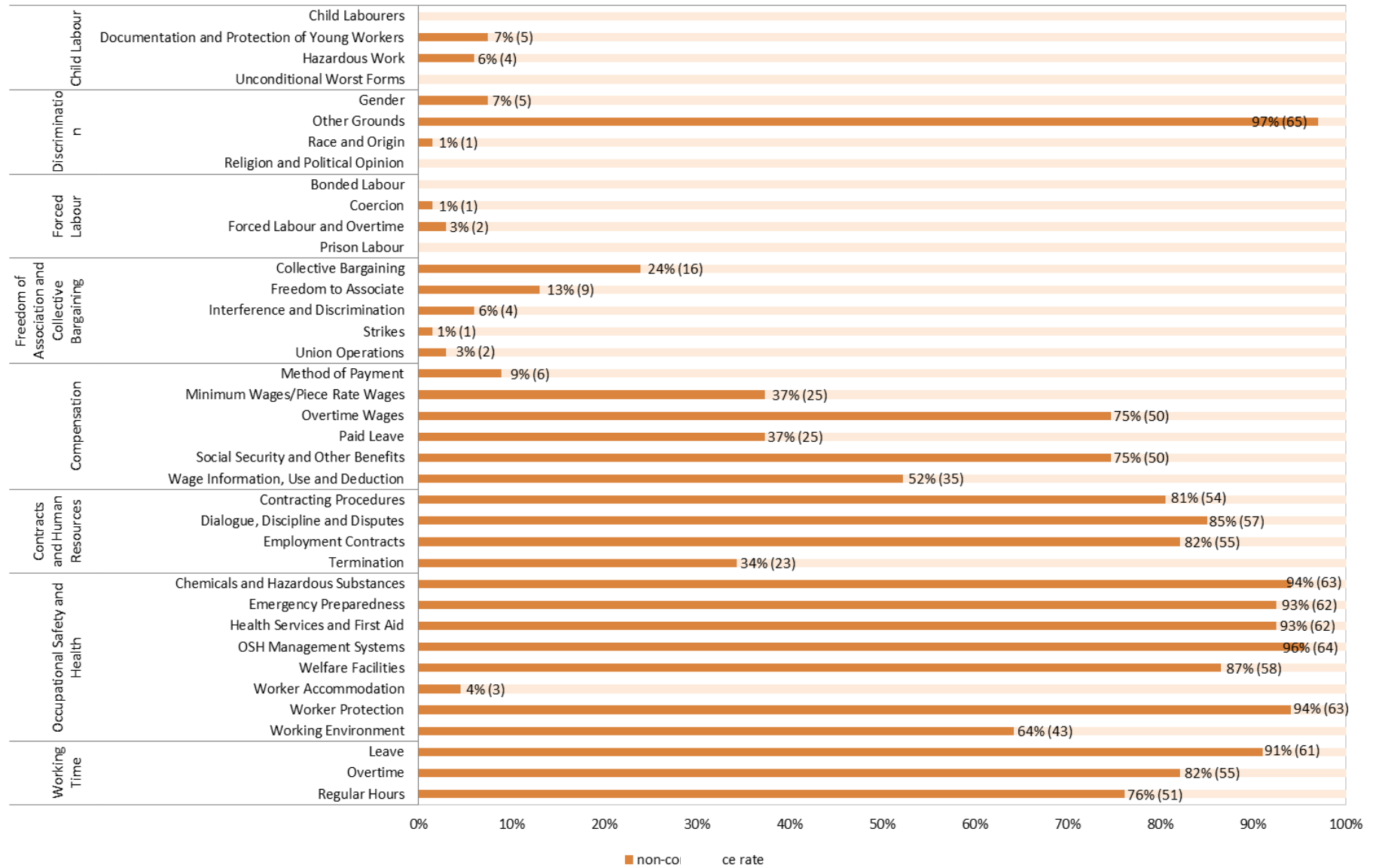
## Section II: Findings

### Average Non-Compliance Rates

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

**Chart 1 : Average non-compliance rates**



## Detailed Findings

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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

Within this cluster, five factories were found to be non-compliant for Documentation and Protection of Young Workers and four were noted to be non-compliant for Hazardous Work. Of the five factories, four had non-compliance findings for both compliance points.

##### **In Focus 1: Documentation and Protection of Young Workers**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Do workers who are under age 18 work in a separate workplace to adult workers?</b>	<b>3</b>
<b>Does the employer comply with documentation requirements for workers under age 18?</b>	<b>3</b>
<b>Does the employer have a verification system in place to ensure they do not hire child labourers, in accordance with the National Law?</b>	<b>5</b>

Three factories placed young workers in the production section together with adult workers. Out of these three factories, two had employed young workers because of the lack of adult workers available for employment. This was largely attributable to the area in which the factories were located - an established industrial location in which intense competition exists among manufacturing enterprises seeking employees.

The three factories also did not maintain young workers' personnel files, which should include the work agreement and a copy of the worker's ID card; nor did these factories conduct an age verification prior to employing the young workers. In five factories, there was insufficient or no age verification in place to ensure children were not recruited. It is worth mentioning however that there was no case of child labour found in these five factories.

##### **In Focus 2: Hazardous Work**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Do workers who are under age 18 perform work that is hazardous by nature, or do they work in a hazardous working environment?</b>	<b>3</b>
<b>Do workers who are under age 18 work at night?</b>	<b>1</b>
<b>Do workers who are under age 18 work overtime?</b>	<b>3</b>

In three factories, young workers aged 17 years worked using machines in the production areas, and worked overtime. In one of the three factories, young workers also worked during the night.

## B. Discrimination

The highest non-compliance rate for this cluster was as a result of 65 out of 67 employers not hiring one disabled worker for every 100 workers. Three factories were found to not have taken steps to accommodate disabled workers in accordance with the type and extent of their disabilities. Four factories were found to have issued recruitment materials such as job announcements or job application forms that made reference to the applicant's gender, marital status, or religion.

## C. Forced Labour

Two factories required workers to work additional unpaid time of 30 minutes to achieve production targets. The unpaid additional work was not recorded in attendance records, and workers could not refuse to work those additional unpaid hours.

One factory was found to restrict workers' freedom of movement by imposing tight curfews or confiscating original ID cards and private cell-phones before allowing workers to exit their dormitories.

## D. Freedom of Association and Collective Bargaining

Workers' right to associate is practiced in most factories. However, it was noted that in seven factories workers automatically became union members when they passed their probation period or once they were employed by the factory. Factory level unions required management to sign up workers to their unions, as soon as they finished their probation period, without giving workers the choice to become a union member or not to become a union member.

In one factory four union officials employment contracts were terminated (from two unions) due to industrial relations issues.

In 3 factories, management joined the board of advisors in the union, and/or refused to recognize the existence of newly established unions.

The compliance point with the highest non-compliance rate (24%) in this cluster was Collective Bargaining, with 16 factories noted to be non-compliant.

### In Focus 3: Collective Bargaining

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer consult with unions when developing or changing company regulations?	0
Does the employer inform workers about the contents of the collective bargaining agreement, and provide workers the text of the agreement?	11
Does the employer refuse to bargain collectively or refuse to bargain in good faith with the union(s)?	2
Does the employer refuse to bargain collectively with union federations and confederations?	0
Does the employer try to undermine the union(s) by negotiating directly with individual workers?	0
Has the employer failed to implement any of the provisions of the collective bargaining agreement in force?	5
Has the employer limited the issues that can be negotiated?	1
If there is a collective bargaining agreement, are the provisions at least as	2

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**favourable for workers as the law is?**

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Eleven factories were not ensuring that workers were aware of collective bargaining agreements. This is mainly due to the cost of publishing the information and distributing to all workers and newly recruited workers.

## 2. Working Conditions

### E. Compensation

The highest non-compliance rate was recorded for Overtime Wages and Social Security and Other Benefits, with 75% of factories noted to be non-compliant.

#### In Focus 4: Overtime Wages

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer pay workers correctly for all overtime hours worked on regular working days?	43
Does the employer pay workers the correct rate for all overtime hours worked on public holidays?	12
Does the employer pay workers the correct rate for all overtime hours worked on weekly rest days?	18
Does the employer provide meals and drinks of at least 1,400 calories to workers working overtime for 3 hours or more?	22

Forty-three factories paid the incorrect amount for overtime hours on a regular working day, after categorizing operator-level workers, drivers and security guards as all-in workers. These workers were paid under the minimum wage level; paid a fixed overtime rate (for drivers and casual workers); were not paid additional work hours; had inaccurate working hours recorded; and/or had separate working hours and payment records for overtime exceeding three hours per day.

#### In Focus 5 : 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?	18
Does the employer forward employee contributions for social insurance funds to JAMSOSTEK?	5
Does the employer pay the required employer contribution to JAMSOSTEK for work-related accidents, deaths and provident funds?	15
Does the employer pay workers the religious holiday allowance?	6
Does the employer provide health care benefits to all workers through JAMSOSTEK or another provider that offers at least the same benefits as JAMSOSTEK?	45
Does the employer provide nutritious food and drinks to female workers who work between 11 p.m. until 7 a.m.?	1
Does the employer provide round trip transport for female workers who work between 11 p.m. and 5 a.m.?	6

Forty five factories provided access to self-managed health care programmes that offered fewer benefits than JAMSOSTEK - including the lack of a health service or an amount of coverage less than that which is stipulated in the National Labour Regulations.

Wage Information, Use and Deduction had a 52% non-compliance rate, with 35 out of 67 factories noted to be non-compliant.

**In Focus 6 : Wage Information, Use and Deduction**

<b>Question</b>	<b>Number of factories out of compliance</b>
Does the employer keep only one accurate payroll record/book?	32
Does the employer restrict workers' freedom to use their wages as they choose?	0
Has the employer made any unauthorized deductions from wages?	6

Thirty two factories kept more than one payroll record to conceal excessive working hours and additional unpaid overtime hours in order to achieve production targets. Some factories maintained more than one payroll record and implemented an unreliable time recording system for non-production workers. Six factories deducted workers' wages to cover union membership fees without written consent from the workers; and/or, deducted workers' wages by up to 42% for workers with housing loans.

**In Focus 7 : Minimum Wages/Piece Rate Wages**

<b>Question</b>	<b>Number of factories out of compliance</b>
Does the employer pay apprentices correctly for ordinary hours of work?	1
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?	12
Does the employer pay piece-rate workers correctly for ordinary hours of work?	1
Does the employer pay the correct district minimum wage for ordinary hours of work to non-permanent workers (PKWT)?	15
Does the employer pay the correct district minimum wage for ordinary hours of work to permanent full-time workers (PKWTT)?	9
Does the employer pay the correct district minimum wage for ordinary hours of work to probationary workers?	1
Does the employer provide pocket money and/or money for transport to apprentices in accordance with their agreements?	1

Non-permanent workers in 15 factories did not receive the correct district minimum wage for ordinary hours of work. Reasons for which include neglecting to pay workers on the first and second day of their employment, incorrectly calculating the daily wage of non-permanent, or casual workers (Harian Lepas)and, not receiving the proper postponement of minimum wage authority from the Governor.

Nine factories did not pay permanent workers the statutory minimum wage – observations include: improper rounding down of wage levels; improper postponement of minimum wage levels; and, an inability to provide necessary records showing that the factory paid workers the minimum wage. The main reasons for improper postponement of the minimum wage was due to the local Manpower office giving permission and not the Governor and/or the negotiation with the unions and/or workers did not follow the law.



## In Focus 8 : Paid Leave

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer pay male workers correctly when their partner gives birth?	0
Does the employer pay workers correctly during annual leave?	1
Does the employer pay workers correctly during breastfeeding breaks, as required under the work agreements, company regulations or collective agreement?	4
Does the employer pay workers correctly during maternity leave?	0
Does the employer pay workers correctly during personal leave (not including paternity leave)?	2
Does the employer pay workers correctly during sick leave?	4
Does the employer pay workers correctly during the rest time before and after childbirth?	3
Does the employer pay workers correctly during work stoppages?	5
Does the employer pay workers correctly for other types of legally required leave?	4
Does the employer pay workers correctly for paid public holidays?	3
Does the employer pay workers correctly for paternity leave?	3
Does the employer pay workers correctly when they are ill during the 1st and 2nd days of menstruation?	8
Does the employer pay workers correctly when they take time off for personal/family matters, as required by national law?	2
Does the employer pay workers correctly when they take time off for religious obligations, duties to the State, educational requirements, and/or long leave every 6 years?	0

Eight factories did not provide female workers who felt pain on the first and second day of their periods, with menstrual leave. Non-compliance is due to a host of reasons such as leave being substituted for by money; workers being requested to provide a doctor's certificate, factories that did not maintain a record of menstrual leave taken by workers and/or workers who shared that they were unaware that such leave existed.

Four factories did not provide paid breastfeeding breaks or include these breaks in their collective bargaining agreements or company regulations.

Five factories did not correctly pay workers on stoppage – reasons include: substituting workdays with weekly rest days or public holidays; and/or, requesting workers to work additional (unpaid) hours to substitute lost working hours due to down time or electricity blackout.

### F. Contracts and Human Resources

Three out of four compliance points for Contracts and Human Resources have non-compliance rates that are higher than 80%.

## In Focus 9 : Contracting Procedures

<i>Question</i>	<i>Number of factories out of compliance</i>
Do workers pay any recruitment fees?	0
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)?	37
Does the employer comply with requirements concerning home-based workers?	0
Does the employer comply with requirements concerning sub-contracted	20

<b>workers at the workplace?</b>	
<b>Does the employer comply with the labour law and regulations on hiring foreign workers?</b>	0
<b>Does the employer comply with the law and regulations on subcontracting part of its work to another enterprise?</b>	23
<b>Is the probationary period applied only to permanent workers (PKWTT) and for no longer than 3 months?</b>	3

Thirty seven factories provided workers with multiple non-permanent contracts, thereby resulting in non-compliance with limits on their use. Twenty factories did not monitor their onsite subcontractors to ensure the subcontracted workers were provided with legal rights and benefits such as minimum wage payment, legal overtime premium, social security and paid leave. This is partly due to the factories not having a system in place to record information on the subcontracted workers. Twenty-three factories did not have written work agreements with off-site subcontractors due to either subcontracting part of their work to the local community instead of to a legal entity; and/or, subcontracting part of their work to a legal entity but not a limited liability company.

#### **In Focus 10 : Dialogue, Discipline and Disputes**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Did the employer resolve grievances and disputes in compliance with legal requirements?</b>	9
<b>Do the disciplinary measures comply with legal requirements?</b>	23
<b>Does the factory have a functioning bipartite cooperation institution?</b>	49
<b>Have any workers been bullied, harassed, or subjected to humiliating treatment?</b>	18

LKSB is Indonesia's version of a bipartite cooperation institution composed of management and workers. Data shows that 49 factories were not compliant with the composition requirements of LKSB membership. They neither conduct regular monthly meetings, nor did they report LKSB activity to the Local Manpower Office.

Twenty-three factories were not compliant with the disciplinary measures stipulated in the Company Regulations or Collective Bargaining Agreements. They inconsistently implemented their procedures to warn workers, providing workers with different levels of warning for the same offence and other disciplinary measures such as demotion. Their warning letters lacked detail; and/or, the disciplinary notifications or warning letters were not issued by authorized person(s).

Eighteen factories had bullying or verbal harassment incidents reported by workers - this information was collected through the factory grievance system or through on-site observation by Enterprise Advisors. Most of the cases of bullying or verbal harassment were noted to have been the result of an inability of workers to meet production targets that were deemed unreasonable or simply weak leadership and management skills of the management.

#### **In Focus 11 : Employment Contracts**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Do all persons who perform work for the factory, both on the premises and offsite, have a work agreement?</b>	45
<b>Do the company regulations comply with legal requirements as stipulated in the labour law and regulations?</b>	16
<b>Do the employment contracts specify the terms and conditions of employment?</b>	4
<b>Do the work agreements comply with company regulations, the collective</b>	10

labour agreement, and prevailing laws and regulations?	
Do the work agreements specify the terms and conditions of employment?	11
Does the employer give a copy of the work agreement in Bahasa to workers?	23

In 45 factories, new workers were provided with work agreements after working between one week to three months, by which time their previous work agreement had expired and no new agreement was issued. Further, factories could not ensure that subcontractors provided work agreements to their workers. Of these 43 factories, 23 did not provide a copy of the work agreement to workers, and not all workers were provided with work agreements.

#### **In Focus 12 : Termination**

<i>Question</i>	<i>Number of factories out of compliance</i>
Are workers given the opportunities required under law to defend themselves before they are terminated?	0
Do workers who resign or are terminated receive all other legally required termination benefits?	8
Does the employer compensate workers for unused paid annual leave when they resign or are terminated?	16
Does the employer comply with legal requirements before reducing the size of the workforce due to changes in operations?	2
Does the employer comply with requirements regarding severance pay and reward for service?	2
Does the employer only terminate workers for valid reasons?	9
Has the employer complied with any orders to reinstate or compensate workers who were found to be unjustly terminated?	0

In 16 factories, former workers were not compensated for unused annual leave. In eight factories, former workers were not provided with detachment money (uang pisah), reward of service (penghargaan masa kerja), 15% of severance or, reward of service, as stipulated in the Collective Bargaining Agreement. In nine factories, workers were terminated or considered to have voluntarily resigned if they did not come back to work within two days of the completion of their maternity leave; if they were not at work due to sickness; and/or, if they were pregnant and approaching their date of maternity leave. Of these nine factories, two have stipulated in their Company Regulation of Work Agreement that when the factory no longer needs a worker's service, they can be terminated without compensation; or, if a worker's performance is poor, they can be considered to have voluntarily resigned.

#### **G. Occupational Safety and Health**

Five compliance points have non-compliance rates that are higher than 90%.

#### **In Focus 13 : Chemicals and Hazardous Substances**

<i>Question</i>	<i>Number of factories out of compliance</i>
Are chemicals and hazardous substances properly labelled?	43
Are chemicals and hazardous substances properly stored?	40
Does the employer have a hazard control document?	14
Does the employer have chemical safety data sheets for the hazardous chemicals used in the workplace?	31
Does the employer keep an inventory of chemicals and hazardous substances used in the workplace and submit the report to the Local Manpower Office to obtain the potential hazard category?	45
Does the employer provide adequate washing facilities and cleansing materials	33

<b>in the event of exposure to hazardous chemicals?</b>	
<b>Has the employer appointed an OSH Chemical Officer/Chemical Expert?</b>	57
<b>Has the employer effectively trained workers who work with chemicals and hazardous substances?</b>	17

Chemicals used in garment factories include wash benzene, acetone, dry spot or dirt remover, diesel oil and machine oil or thinner, amongst others. These are highly flammable, and should be maintained with care. However, in 57 factories, there was no OSH chemical officer/chemical expert. Out of the 57 factories, 45 did not maintain a list of chemical and hazardous substances, nor did the factories report a list to the Local Manpower Office to get a potential hazard category. Some factories were unaware of the potential hazard or risk of such chemicals - 14 factories out of 57 did not have a hazard control document for chemicals. 43 factories did not properly label chemical and hazardous substances; 40 factories did not properly store chemicals used in the factory; and, 31 factories did not provide the Material Safety Data Sheet of the chemical used and stored.

#### **In Focus 14 : Emergency Preparedness**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Are emergency exits and escape routes clearly marked and posted in the workplace?</b>	40
<b>Are flammable materials safely stored?</b>	9
<b>Are possible sources of ignition appropriately safeguarded?</b>	3
<b>Are the emergency exits accessible, unobstructed and unlocked during working hours, including overtime?</b>	36
<b>Are there enough emergency exits?</b>	4
<b>Does the employer conduct periodic emergency drills?</b>	4
<b>Does the employer have the required certificates to operate the factory's machinery and equipment, and licensed operators?</b>	8
<b>Does the workplace have a fire detection and alarm system?</b>	40
<b>Does the workplace have adequate fire-fighting equipment?</b>	26
<b>Has the employer appointed and trained a fire management team?</b>	18

Fire management is one of the important areas that require focused improvement, as escape routes in 40 factories were not clearly marked or visible<sup>4</sup>. In addition, emergency exits and escape routes were found at times to have been obstructed or blocked by boxes, machines, and fabrics in 36 factories. Forty factories did not have adequate fire detection or alarm systems, as there was no smoke or heat detector, nor was there automatic fire detection in high fire-risk locations such as warehouses. 18 factories did not have trained fire management teams or fire experts.

#### **In Focus 15 : Health Services and First Aid**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Are special medical checks provided when required?</b>	16
<b>Does the employer address safety and health risks to pregnant or nursing workers?</b>	6
<b>Does the employer comply with legal requirements regarding pre-assignment and annual medical checks for workers?</b>	24
<b>Does the employer comply with requirements on HIV/AIDS?</b>	28

<sup>4</sup> The thematic report on Fire Safety can be found here : <http://betterwork.org/global/?p=3996>

Does the employer provide adequate first-aid facilities?	25
Does the employer provide required medical services?	7
Does the workplace have adequate trained first aid officers?	11
Has the employer ensured that there are a sufficient number of readily accessible first aid boxes/supplies in the workplace?	59

1. In 25 factories, first aid facilities were either non-existent or lacked necessary supplies such as stretchers, first aid boxes and sinks and/or were located far from the parking lot. Some of the factories already have a First Aid facility with resident paramedics and or/ doctors, or, have conducted risk assessments that have concluded that not all 21 items are needed in the First Aid boxes. Twenty-eight factories did not have a HIV/AIDS education and awareness programme, and did not conduct HIV/AIDS training.

#### **In Focus 16 : OSH Management Systems**

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer ensure the building is safe and maintains legally required permits?	36
Does the employer have the required certificates for the installation/operation of electrical installations and other machines and equipment?	3
Does the employer record and report work-related accidents and diseases to the Local Manpower Office?	32
Does the factory have a written OSH policy?	30
Does the factory have an OSH Committee?	52
Has the employer performed initial and regular reviews of general occupational safety and health issues in the factory?	40

The OSH Committee in 52 factories did not conduct regular meetings, report its activity to the Local Manpower Office, and/or have a set OSH programme. Out of 52 factories, 30 did not have an OSH policy. In 36 factories, there was no Certificate of (Building) Acceptance (Sertifikat Laik Fungsi), nor was a copy of the Building Construction Permit (IMB) maintained. Those factories that did not maintain an IMB were noted not to own the production building, but rather were renting it from an industrial area or other private parties.

#### **In Focus 17 : Welfare Facilities**

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer provide adequate lockers for workers to store their personal belongings?	31
Does the employer provide workers enough free safe drinking water?	20
Does the workplace have adequate accessible toilets (separated by sex)?	21
Does the workplace have adequate hand washing facilities and adequate soap?	29
Does the workplace have an adequate eating area?	30
Is the workplace clean and tidy?	40

Workplaces in 40 factories were not clean and tidy. They did not have a proper cleaning or storing system. Additionally, 30 factories did not provide an adequate dining area due to limited space. Twenty factories continued to provide drinking water to workers without regularly testing it. And 31 factories provided an insufficient number of lockers to store workers' belongings.

### **In Focus 18 : Worker Protection**

<b>Question</b>	<b>Number of factories out of compliance</b>
Are appropriate safety warnings posted in the workplace?	20
Are electrical wires, switches and plugs properly installed, grounded, and maintained?	31
Are materials, tools, switches, and controls within easy reach of workers?	12
Are proper guards installed and maintained on all dangerous moving parts of machines and equipment?	42
Are standing workers properly accommodated?	41
Are workers effectively trained and obliged to use the personal protective equipment that is provided?	38
Are workers effectively trained to use machines and equipment safely?	24
Are workers punished if they remove themselves from work situations that they believe present an imminent and serious danger to life or health?	0
Do the operators/technicians/officers responsible for machinery/equipment/installations/lifting equipment have the required license?	7
Do workers have suitable chairs?	15
Does the employer have a certificate for the electrical installations in the factory?	0
Does the employer provide sufficient lifting equipment for workers to avoid heavy lifting?	12
Does the employer provide workers with all necessary personal protective clothing and equipment?	34

Machine safety and worker protection are other key areas that require focused improvement. In 42 factories, production machines were lacking in safety guards for processes such as sewing, buttoning and over-locking. In 24 factories, workers did not use installed safety guards, even though they had been trained in machine safety as the safety guards slows down the pace of work. In 34 factories, workers were not provided with personal protective equipment; and in 38 factories, workers did not use the provided protective equipment, even though training on how to use the equipment had been provided.

### **In Focus 19 : Working Environment**

<b>Question</b>	<b>Number of factories out of compliance</b>
Are noise levels within legal limits?	6
Is the working climate in the workplace in line with applicable standards?	39
Is the workplace adequately lit?	2
Is the workplace adequately ventilated?	8

In 39 factories, workers conveyed concerns regarding excessive heat in their workplace. Assessments revealed that factories had not conducted regular tests on workplace temperature, or maintained working areas with sufficient ventilation and cooling systems in place.

#### **H. Working Time**

All three compliance points under the Working Time cluster have non-compliance rates higher than 75%.

## **In Focus 20 : Leave**

<b>Question</b>	<b>Number of factories out of compliance</b>
Can female workers take time off when they feel pain during the first two days of menstruation and notify the employer?	26
Does the employer allow workers to take time off for personal/family matters as required by national law?	11
Does the employer allow workers to take time off for religious obligations, duties to the State, educational requirements and/or long leave every 6 years?	1
Does the employer allow workers to take time off when they are sick?	1
Does the employer provide 1.5 months of maternity rest before a worker's estimated due date and another 1.5 months after delivery?	9
Does the employer provide 12 days of annual leave per year?	16
Does the employer provide opportunities for breastfeeding breaks?	55
Does the employer provide time off to male workers when their partner gives birth?	8

In 55 factories, employers were not providing opportunities for breastfeeding breaks. This was because there were no facilities, policies or procedures addressing breastfeeding breaks in the Collective Bargaining Agreement or the Company Regulation. In some factories, even though breastfeeding facilities and policies were noted to be in place, workers were not compensated for the breaks.

In 26 factories, menstrual leave was not provided and was instead substituted with money. This prevented female workers from taking menstrual leave even if they were in pain as it would lead to a decrease in potential income. Other reasons for non-compliance include either that female workers were unaware of such a leave provision existing, that there were no records of menstruation leave or that employers asked for a doctor's note when workers wanted to apply for menstrual leave.

## **In Focus 21 : Overtime**

<b>Question</b>	<b>Number of factories out of compliance</b>
Does the employer prepare written instructions on overtime?	14
Does the employer request workers to work on national holidays, keeping in mind national law?	2
Is overtime on regular workdays limited to 14 hours per week?	50
Is overtime on regular workdays limited to 3 hours per day?	52
Is overtime voluntary?	8

In 52 factories, production and non-production workers worked anywhere between four to 15.5 overtime hours daily (including public holidays and or weekly rest days). Out of the 52 factories, 50 had weekly overtime ranging between 16 to 36 hours. Most of this excess overtime took place due to production reasons.

Although overtime was conducted with written consent in some cases, 14 factories were found not to have provided written instruction with a reason, for overtime hours. Observations include – unpaid overtime hours; not all overtime hours worked were reflected in the form of written instruction; no system was in place to provide written instructions and non- production workers such as security personnel and drivers were not provided with written instruction when working more than their regular working hours.

## **In Focus 22 : Regular Hours**

<b>Question</b>	<b>Number of factories out of compliance</b>
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<b>Do regular daily working hours exceed legal limits (7 hours a day, 6 days a week or 8 hours per day, 5 days a week)?</b>	11
<b>Do regular weekly working hours exceed 40 hours?</b>	15
<b>Do the attendance records reflect the hours actually worked?</b>	48
<b>Does the employer provide at least a 1/2 hour break every 4 hours?</b>	3
<b>Does the employer provide required weekly rest (1 day after 6 days of work, or 2 days after 5 days of work)?</b>	3

In 48 factories, attendance records were inaccurate as they did not reflect all overtime hours, weekly rest days or public holidays. Furthermore, additional activities such as regular production meetings or Monday ceremonies for 15-30 minutes were not reflected. There was a general lack of reliable attendance recording systems observed for non-production and all-in workers.

While production workers in 15 factories worked 40 regular hours a week, non-production workers such as security guards and drivers worked regular weekly hours ranging from 48 to 72. Of these 15 factories, security guards and drivers had 11 to 12-hour working days.



## Section III: Changes in Compliance

### Methodology

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This section of the synthesis report addresses only the **23 factories** that have been assessed more than once by Better Work Indonesia.

Chart 2 shows the changes in non-compliance that have occurred in these 23 factories between the most recent Better Work Indonesia assessment and the previous one. Better Work defines compliance effort as the difference in non-compliance between two consecutive Better Work assessments.

As such, positive percentages indicate improved performance, and negative percentages indicate a decline in performance.

It is important to note that the data may not fully capture all improvements made at a factory, as a question or compliance point may still be non-compliant even if positive changes have been made.

Each cluster is explored in detail below:

#### Child Labour

An improvement of 4% was due to one additional employer who put a system in place to verify the age of workers prior to hiring.

#### Forced Labour

There were no findings under forced labour.

#### Discrimination

Four factories removed mention of applicants' gender from job announcements.

#### Freedom of Association

One additional factory allowed workers to freely join the union of their choice. But one employer was found to threaten, intimidate, or harass workers who joined a union or engaged in union activities.

#### Compensation

Method of Payment improved 9% because 2 employers paid wages on time to workers. Paid Leave saw an improvement of 9% as 2 additional employers paid workers correctly during annual and personal leave (not including paternity leave). Two additional employers kept only one accurate payroll record.

#### Contracts and Human Resources

Contracting Procedures saw a drop of 22% primarily because 3 additional employers did not 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); and 3 additional employers did not comply with requirements relating to sub-contracted workers at the workplace.

Non-compliance for employment contracts improved by 22%. Nine additional factories now provide contracts for all persons who perform work for the factory, both on the premises and offsite. Six

factories are no longer non-compliant and have ensured that their employment contracts specify the terms and conditions of employment.

### **Occupational Safety and Health**

There was an improvement of 13% on the compliance point for Chemicals and Hazardous Substances. Nine additional employers were found to properly label chemicals and hazardous substances.

Emergency Prep improved by 17%. Eight additional employers installed a fire detection and alarm system.

Health Services and First Aid improved by 13%. Nine additional factories now comply with the legal requirements on HIV/AIDS.

OSH management improved by 9%. Six additional factories now have an OSH committee, and 11 additional factories now have a written OSH policy.

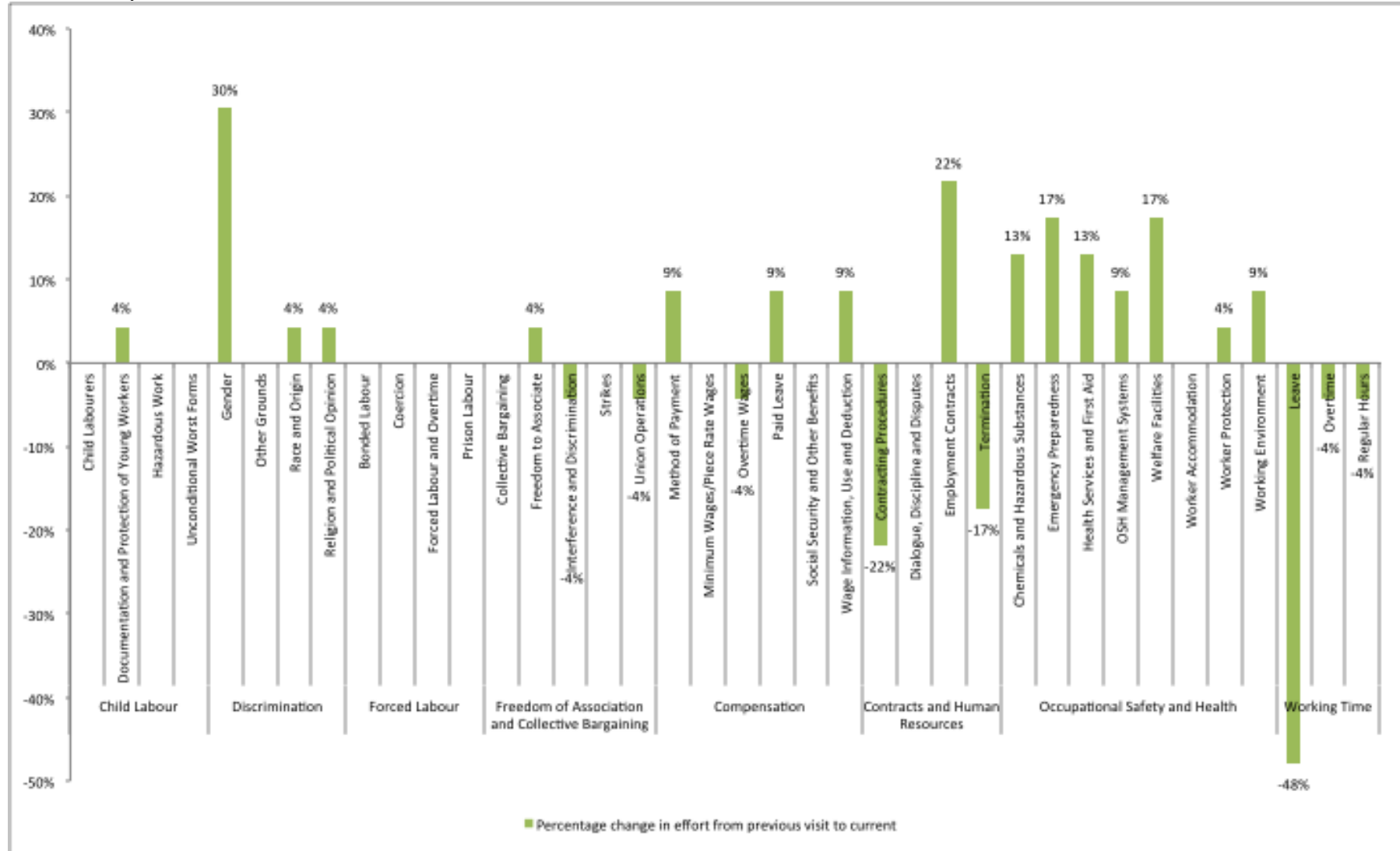
Welfare Facilities improved by 17%. Nine additional factories now have adequate hand washing facilities and adequate soap; and eight factories now provide adequate lockers for workers to store their personal belongings.

Working Environment improved by 9%. Seven additional factories are now adequately ventilated and three factories now have workplaces that are better lit.

### **Working Time**

The non-compliance rate increased by 48% in the most recent assessment cycle with regard to Leave, which was primarily due to 15 factories no longer providing opportunities for breastfeeding breaks, as factories began realize that it is an expensive policy to implement.

Chart 2 : Compliance effort



## Section IV: Conclusions

### Conclusions and Next Steps

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High non-compliance rates on select issues necessitate and require support from BWI and its stakeholders.

The issues are as follow:

2. The membership and composition of LKS Bipartite does not represent all parties in a factory; non-union workers are not democratically elected; and/or there is no regular activity or reporting of activity to the Local Manpower Office.
3. Weak OSH management systems including no regular activity and reporting of activity to the Local Manpower Office. Most factories registered to BWI also do not have a general OSH expert acting as the secretary of the OSH management committee.
4. Garment factories face difficulties in complying with the required number of First Aid kit boxes and supplies. Some of the factories already have a First Aid facility with resident paramedics and or/ doctors, or, have conducted risk assessments that have concluded that not all 21 items are needed in the First Aid boxes.
5. Garment factories sometimes work with local communities, youth councils (Karang Taruna) and cooperative units (Koperasi) to subcontract part of their work. National Labour Regulations have stipulated that subcontractors should be legal entities (limited liability for outsourcing); the incidence of non-compliance amongst subcontractors is quite high.
6. In some areas where industry is newly developed, such as Majalengka and Central Java, garment factories face difficulties in employing skilled adult (18 years or older) workers, as the local labour market is smaller than other industrial towns. There are young workers, between 16-17 years old, available - but garment factories need support to ensure that the protection of these young workers is upheld.
7. Breastfeeding breaks is a topic that most garment factories are unaware of, or do not really focus on because it appears not to directly impact production. Due to the minimum wage increment, factories that are not able to pay minimum wage have applied for postponement. However, the factories whose postponement applications were rejected made an agreement with workers' representatives or unions, to postpone the minimum wage that was being enforced by the Local Manpower Office or Industrial Court. This resulted in non-compliance, on not only minimum wage, but also overtime wage.
8. Garment factories in Subang face uncertainty regarding the employment of non-permanent workers. Based on the fluctuation of orders, and discussions with the ad-hoc team from the Ministry of Manpower and Transmigration, garment factories can employ non-permanent workers, given certain limitations. However, due to industrial disputes between unions and some garment factories in the area, factories were informed by the Local Manpower Office that all workers in garment factories should be of permanent status. This issue is still being decided through a mediation process at the Local Manpower Office.
9. Union membership is not always well-managed, especially with regards to issues such as recruitment and monthly fees deduction.

In terms of next steps, continued support to the factory level LKSB and OSH committees is critical to sustain improvements over time. Better Work Indonesia is working with the MOMT to strengthen these two committees, but support from all stakeholders is critical to achieving success. Employers and unions must actively support these two committees. Improved worker/ management communications systems will enable all workers to be aware of what these two committees are doing to address compliance, and workers' wellbeing.

Better Work will implement a series of learning seminars over the next 12 months to target systemic non-compliance issues such as leave, wages, OSH and contracting. OSH areas will focus on building safety, women's health, fire safety and improving the environmental conditions of factories.

The compulsory roll-out of the new national health programme in 2015 will significantly reduce non-compliance with respect to social security, for which many factories currently implement their own health insurance programme through a private health provider. We will regularly update buyers and suppliers regarding changes in regulations with respect to the national health care programme.

# Annexes

## Annex A: Factories Covered in this Report

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PT Amos Indah Indonesia  
PT Avery Dennison Packaging Indonesia  
PT Buana Samudra Lestari  
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 Dream Wear  
PT GRAHA KARYA TEKSTIL  
PT Greentex Indonesia Utama  
PT Hansae Indonesia Utama  
PT Hansae Karawang Indonesia  
PT Hansoll-Hyun  
PT HS Apparel  
PT Inkordan International  
PT Inkosindo Sukses  
PT Inwoo S&B Indonesia  
PT Kahoindah Citragarment  
PT Koin Baju Global  
PT Kukdong International  
PT Kyungseung Trading Indonesia  
PT Leetex Garment Indonesia  
PT Logos Indonesia  
PT Makalot Industrial Indonesia  
PT Mitra Garindo Perkasa  
PT Mulia Cemerlang Abadi  
PT Myung Sung Indonesia  
PT Pan Pacific Nesia  
PT Puku Benangsari  
PT Sandrafine Garment  
PT Sentraco Garmino  
PT Seok Hwa Indonesia  
PT Shinwon Indonesia  
PT Taitat Putra Rejeki  
PT Trigoldenstar Wisesa  
PT Ungaransari Garments Pringapus  
PT Willbes Global  
PT. Daehan Global II

## **Annex B: Buyers Participating in Better Work Indonesia**

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1. Abercrombie & Fitch
2. Adidas Group
3. American Eagle Outfitters
4. Ann Inc
5. ASICS
6. Columbia Sportswear Company
7. GAP Inc
8. H&M
9. Jones
10. New Balance
11. Nordstrom
12. Pentland
13. PvH
14. Nike
15. Sears
16. Recreational Equipment Inc
17. Target
18. Walmart