



BetterWork
Indonesia

Annual Report

Creating an Impact
on Every Level



International
Labour
Organization



IFC

International
Finance Corporation
WORLD BANK GROUP

2019 DATA



Reconciling growth and workers' rights in Indonesia

Indonesia is at a crossroads in 2020. Not only is it facing the biggest change to its labour laws in 17 years, but also considerable pressure in addressing the garment industry's concerns amid the COVID-19 pandemic. Balancing the need for economic growth while protecting labour rights and reducing inequality presents a challenge. The sector is not immune to such global shifts. Despite investing in quality products, adopting good practices and shifting to greater automation, Indonesian garment factories still struggle to remain competitive. Our experience

allows us to contribute to Indonesia's current labour law reform process but also to support action to tackle the impact of COVID-19. Since the onset of the epidemic in February 2020, we have been working to adopt stronger occupational safety and health (OSH) measures and procedures in our factories. Our response has focused on promoting social dialogue and stakeholder engagement with international brands, for job retention and the preservation of workers' rights and health during the pandemic to prepare for a quicker economic recovery.



Ministry of Foreign Affairs of the Netherlands



The digital version of the Annual Report can be found on our website: <https://annual-report.betterwork.org/2019>

Our achievements in 2019

Key activities this year. Our work at the factory-level created significant impact through over 1,200 advisory visits, nearly fifty training sessions throughout 2019, and 178 assessments. This Report draws on the findings, focusing on Indonesia's export-oriented garment factories. Based on the eight Better Work compliance clusters, we find clear evidence of compliance with labour standards and working conditions in Indonesian factories.

A substantial part of our work also centres on influencing, clarifying and disseminating labour and employment policy and in brokering agreements between workers, employers and government to address the pressing issues of the present and future. Throughout 2019, Better Work Indonesia, along with the International Labour Organization (ILO), has advocated and provided inputs to key labour policy areas concerning minimum wage policy, labour law reform and sectoral strategy.

Main findings of our assessments. Of the core labour standards, we found no instances of child labour or forced labour. Concerning discrimination, we registered a slight improvement in employing people with disabilities — from 100% non-compliance in the first year of joining the Better Work programme to 82% after five years. We also analysed the challenges related to freedom of association and collective bargaining. They were partly due to on-going issues related to minimum wage and factory closures in West Java.

For issues related to OSH, factories that have been with Better Work Indonesia have performed better. Overall, non-compliance related to chemicals and hazardous substance safety decreased by 18% from cycle 1 — factories in their first year with Better Work — to fifth year factories. In emergency preparedness, the non-compliance rate for properly functioning alarm systems and fire detection capacity has decreased by 41%. In contrast, the majority of employers pay correct minimum wages to permanent and non-permanent full-time workers. The issue of overtime wages remains a challenge, despite a 19% improvement from cycle 1 to cycle 5.

Our vision for the future. 2019 has seen the beginning of key discussions about reforming Indonesia's labour framework and system. Better Work Indonesia has, together with the ILO, proposed solutions and facilitated dialogue around minimum wage policy and is providing technical inputs to the labour law draft (Omnibus Law on Job creation) based on experiences with our factories and the best policy advice from the ILO and experiences from other countries. Our vision involves a re-evaluation of how supply chains can be made fairer, equitable and resilient to face crises such as the one created by the COVID-19 pandemic and also how Indonesian labour policies and systems can be made more inclusive and effective in the current context.

INDUSTRY LANDSCAPE

The total export revenue of the garment industry stands at US\$ 8.7 billion, which makes up 1.14% of the country's Gross Domestic Product (GDP). Better Work Indonesia covers nearly 72% of all garment export-oriented factory and 62% of all large factories in Indonesia. About half of the factories in the Better Work Indonesia programme are Korean-owned.

8.7 billions
of US\$ is the total
of garment exports

1.14%
is the total percentage
of national GDP
from the garment and
textile industry

344
is the total large
garment factories that
sell for other countries

530,000
workers employed
in these factories,
81% of them are women

72%
is the total of
export-oriented
factories participating
in our programme

Indonesia

Opened in 2011, Better Work Indonesia was designed with a sustainable approach that would allow the programme to run independent operations after an initial pilot period. Since January 2017, our service has transitioned to the 'Partnership at Work' Foundation (Yayasan Kemitraan Kerja). The programme is now defining what future strategy will be in place after 2022, to maintain the objectives of the programme and the role of national stakeholders as they advance working conditions for the garment sector and beyond.

WHERE WE ARE

THE LOCATION OF OUR 218 PARTICIPATING FACTORIES



The three-level approach

Our work goes far beyond factory assessments. It comprises initiatives at the global level that invite international stakeholders and brands to tackle on-the-ground problems, while also addressing country-level issues through partnerships with government organisations, unions and employers' associations.

 <h3>GLOBAL REACH</h3> <p>We act as a global resource for data-driven information and strategies to boost labour conditions and enhance productivity. The ILO, International Finance Corporation (IFC) and the World Bank (WBG) leverage their partnership through Better Work to collaborate on public policy and technical interventions.</p>	 <h3>COUNTRY LEVEL</h3> <p>We work with national constituents to build capacity, influence labour laws, and strengthen industrial relations. Our efforts improve competitiveness and strengthen the private sector, with benefits for factories performing well. We collaborate with local institutions and social partners for stronger workplace compliance.</p>	 <h3>FACTORY STRATEGY</h3> <p>We offer hands-on assistance to promote worker-management cooperation. Training, advisory services and practical tools help managers and workers increase their ownership of labour laws, self-diagnose and resolve problems. Currently, 218 factories are enrolled on our programme.</p>
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METHODOLOGY

Better Work conducts factory assessments to monitor compliance with eight core International Labour Standards and national labour laws (as detailed below). The eight clusters are then divided into compliance points (CPs), and each CP includes a number of questions, which may vary by country. Assessment reports highlight non-compliance findings, which are then used to help factories identify areas in need of improvement. Detailed factory assessment reports are based solely on what is observed, investigated and analysed

during assessment visits. Certain issues, for instance, sexual harassment remain difficult to assess and verify independently.

Better Work documents non-compliance findings for each factory and reports them in individual factory reports. A factory is reported non-compliant if one or more questions in a CP expose substantial evidence. In public annual reports, Better Work calculates the ratio of non-compliant factories over participating factories assessed within the reporting period.

SCOPE OF ASSESSMENT

We evaluate over 200 compliance issues on the eight topics below on international (red) and national (yellow) labour regulations.

							
CHILD LABOUR	DISCRIMINATION	FORCED LABOUR	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	COMPENSATION	CONTRACTS AND HUMAN RESOURCES	OCCUPATIONAL SAFETY & HEALTH	WORKING TIME

					
218 factories enrolled with Better Work	368,700 workers in our registered factories	84% of workers are women out of a total of 309,607	179 compliance assessments were carried out in 2019	1,218 advisory visits provided	2,288 participants joined our trainings



GOVERNMENT

Labour Law Reform and Minimum Wage policy

The reform covers working hours, contracts and minimum wage provisions

The Indonesian government prepared and submitted a series of laws focused on job creation to Parliament. If implemented, the Omnibus Law, or, 'RUU Tentang Cipta Kerja', would amend more than 1,000 articles in the existing regulations, including Indonesia's Labour Law. Throughout 2019, Better Work Indonesia and the ILO, have advocated and provided inputs to key labour policy areas targeted by the Omnibus Law, including policy on minimum wage. The ILO's proposal to simplify and harmonise Indonesia's minimum wage system has been discussed with the office of the President, ILO tripartite constituents, key policy institutions and the governor of West Java, Indonesia's largest province and home to a large part of the sector.



Better Work Indonesia and the ILO have provided comments to the draft Omnibus Law and are officially submitting technical advice and guidance to the government, as per their request. It also seeks to increase the involvement of primary beneficiaries – employers and workers – throughout the process of labour law reform. At the time of writing, the discussion was temporarily suspended given the need for national partners to be fully focused on addressing the COVID-19 pandemic.



INDUSTRIAL RELATIONS

The government, trade unions and employers' associations have created a platform to engage in regular social dialogue around the garment and other labour-intensive sectors. Although this platform keeps all parties involved, the success will require efforts and commitment from all groups. We continue to facilitate dialogue, capacity-building and to develop harmonious industrial relations, while improving cross-union coordination. We aim to build social dialogue for compliance and the improvement of working conditions.



RESEARCH AND SECTORAL STRATEGY

With our support, the Indonesian Employers Association (APINDO) and the Indonesian Textile Association (API) produced the first directory of garment exporting companies and a study on the future of the sector to define priorities. The study recommends a focus on creating harmony between upstream and downstream industries; improving the quality of policy and institutions; increasing the capacity of policy-makers; increasing product competitiveness with better production and distribution; and enhancing Free Trade Agreements (FTAs).



SPECIAL PROJECTS

The Social Labour Convergence Programme (SLCP) is an industry-wide initiative to collect social and labour data that stakeholders can use to identify opportunities for improvement and track progress. A pilot programme focused on 20 of our factories took place during the last quarter of 2019 and the first quarter of 2020. The goal was primarily to understand how SLCP can reduce audit duplication and producing credible data and supports real improvements in compliance, worker well-being and manufacturer competitiveness.

With almost ten years of experience supporting the Ministry in implementing labour laws and promoting harmonious industrial relations, Better Work Indonesia can and should support the drafting of Indonesia's new labour laws and regulations. They should work facing the challenges of the future."

Ibu Adriani, Secretary to the Directorate General of Industrial Relations and Social Security, Ministry of Manpower



PARTNERSHIPS

Engaging stakeholders for progress

Our strategy is advancing towards more systemic issues

Better Work Indonesia has focused on engaging buyer-partners in the process of improving working conditions. This strategy has led to greater efficiency and mutual support including through activities such as joint training and advisory sessions on workplace cooperation, gender, disability and wages. The roadmap to compliance approach whereby factories visualize and prioritize areas for sustainable improvement is being gradually supported by buyer-partners. This engagement is now advancing

beyond compliance and shifting to areas like industrial relations and other strategic labour issues. Buyer-partners have played a critical role in regions such as West Java, where they are engaging directly with the provincial government to influence policy decisions around factory closures, transition processes and minimum wage determination. This is part of our effort to leverage buyers' influence in protecting the region's garment sector, and the integrity and respect for the minimum wage system.

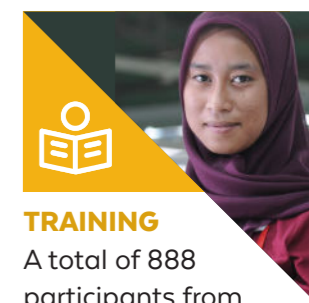


SUPPORTING THE FACTORY IMPROVEMENT PROCESS



ADVISORY SERVICES

In 2019, we carried out 1,218 advisory visits to factories. Through these efforts, we continued to build the capacity of factories to scale-up social dialogue and efficient systems to manage OSH, HR and wage issues. More than 90% of our factories independently report on their factories' progress on compliance and working conditions.



TRAINING

A total of 888 participants from 195 factories took part in our trainings and 685 participants from 160 factories participated in industry seminars on management systems for OSH, wages and human resources. 58% of participants were women, which were 48% in industry seminars.

OUR APPROACH

Motivating better workplaces

Having a bipartite committee helps improve worker-management relations, as the needs and grievances of workers are handled better. Our work has raised awareness among workers and supervisors and provided opportunities for women to take on leadership roles.



WORKERS' MANAGEMENT COMMUNICATIONS

54%

of factories have an effective BIPARTITE COMMITTEE

And one-third of factories assessed in 2019 have an effective grievance handling system

There are more factories showing improvements in social dialogue, through bipartite committees. These committees comprise of representatives from both management and workers, which are also known as Lembaga Kerjasama Bipartit (LKSB).

The number had been growing since the first quarter of the year, and in the second half; 54% of Better Work Indonesia factories had an active and effective bipartite committee, a 48% improvement from cycle 1, i.e. factories enrolled in the first year of the programme to cycle 5 - 14% of them have improved with respect to building social dialogue and in their ability to resolve disputes. On adequate systems to address issues in the workplace, 33% of factories manifested good performance. There were significant improvements by 68% noted in the composition of OSH-related committees in factories from cycle 1 to cycle 5. In addition to the proper formation of OSH committees based on national regulation, many factories have recruited a certified OSH expert.

LEARNING

Training for a better tomorrow

Our programmes are designed to equip workers and managers with highly relevant skills to meet challenges head on

Better Work Indonesia views learning as an integrated process that builds a better culture within factories. Our training courses focus on areas related to communication, negotiation and supervisory skills, industrial relations, OSH and harassment prevention. We have also introduced a training on the roadmap approach to compliance that helps factories prioritise their learning needs. In 2019, these efforts led to an increase in training days on topics related to social dialogue and management systems" a shift that has garnered support from key buyer-partners. Nearly all participants who attended our training workshops and industry seminars view them as useful. 63% of respondents from 146 factories found both of types of programmes useful, while another 26% found them very useful. 56% of respondents found the linkage between advisory, training and industry seminars to be clear.

"We need to ensure that harassment does not happen by creating awareness, conducting training and victim rehabilitation. Dialogue is important, so that workers, employers and governments can work together to support them in developing their capacities."

Elly Rosita Silaban, President of the All-Indonesia Labor Union Confederation (KSBSI)

GENDER AND INCLUSION

Gender and disability in the center of our focus

We provided training on inclusion and sexual harassment prevention

In 2019, a significant number of factories actively participated on sexual harassment prevention and disability equality training. We integrated this along with the main-streaming of gender and inclusion considerations in our core-service delivery to factories and to fit with an overall strategy of addressing the root causes of inequality — social stigma, misperceptions, business practices and law enforcement.

58% of participants trained were women (48% for industry seminars)

50 or more factories participated in a day-long sexual harassment prevention programme

6 factories were provided with management and supervisory skills training (65% of participants were women)

42% of workers represented in the bipartite committees were women)

95% drop over a six-year period in the number of factories not providing breastfeeding breaks (from 47% to 2%)

OUR APPROACH

MANAGEMENT SYSTEMS

160

factories attended INDUSTRY SEMINARS

Significant investments were made in 2019 to build the capacity of factories on management systems

Our efforts prioritise supporting factory compliance on management systems, social dialogue and inclusion approaches. As such, 160 factories participated in industry seminars on management systems for OSH, wages and HR. We also made substantial efforts to build the capacity of factories on management systems in a more consistent and wide-reaching manner. Our 'Plan Do Check Action (PDCA)' tool, helps familiarise factories with our management system approach.



CORE LABOUR STANDARDS

Improvements in key areas

The ILO core labour standards are related to child labour, discrimination, forced labour, and freedom of association and collective bargaining. During our assessments, we found no cases of child and forced labour. In the other two clusters — discrimination and freedom of association and collective bargaining — we registered progress compared to previous years.



NO EVIDENCE OF CHILD LABOURERS
In four factories, there was a lack of or non-functioning age verification systems



NO EVIDENCE OF ANY FORM OF FORCED LABOUR



SEXUAL HARASSMENT

The issue is still a concern

Workers cannot speak up due to power imbalances

Due to negative cultural stigma, fear of victimisation, inadequate reporting systems and a culture of normalisation, issues related to sexual harassment are still under-reported. Nevertheless, independent research by Tufts University in the United States found that at the beginning of our programme, four out of every five Indonesian workers said that sexual harassment was an issue in their factory. However, after four years in our programme, the workers we interviewed were 25% more comfortable in seeking help from trade union representatives on these issues. Our assessment data shows non-compliance on issues related to bullying, harassment or humiliating treatment of workers dropped from 28% to less than 5% in factories after six years in the programme.



DISCRIMINATION

28%

of factories complied with the requirements to employ WORKERS WITH DISABILITIES

Although the number of workers rose by almost 5 times, they still represent only 0.5%

The highest non-compliance rate in this area is on the employment of workers with a disability. Despite a national requirement to hire one person with disabilities for every 100 workers, only 28% of Better Work-registered factories complied with this policy in 2019. However, the number of workers

with disabilities rose from 599 in 2014 to 2,777 in 2018. Workers with disabilities make up 0.5% of the total workforce in the garment sector — a number that must double to match national requirements. In 2019, the ILO's Disability Equality Training (DET) became an integral part of Better Work Indonesia's regular offer of training. This training is being adopted by an increasing number of factories, with the support of some buyer-partners and in 2019 an additional group of government officials and representatives of trade union and employer' associations were trained to be DET trainers. In 2019, 13 factories received the training. To encourage the employment of people with disabilities, we also facilitate engagement between the factories and NGOs and training centres working with people with disabilities.

ANALYSIS

The causes of these high rates of non-compliance are complex. One of the main challenges is that many factories believe that it requires a significant amount of effort to recruit candidates with disabilities. There are limited resources to actively pursue, train and retain workers with disabilities. In addition, people with disabilities receive very little support to learn the skills required by the industry. Broader issues such as access to transportation to and from factories and guaranteeing safety are areas to address. These challenges are also relatively high for factories located in newly industrialised regions.



FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Disputes threaten smooth industrial relations

We intervened in 32 cases in 2019 through our advisory work

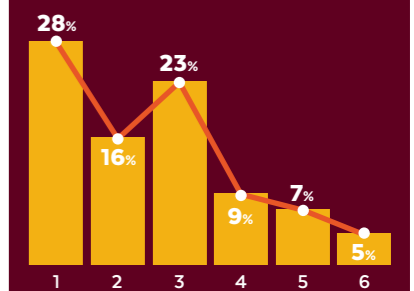
Industrial relations issues are under-reported due to the difficulties in identifying credible evidence and verifying claims independently. In general, we saw an increase in conflicts and industrial relations issues, some of these intra-unions, with a number of cases occurring in Central Java. Through our advisory work, we handled 32 industrial relations cases in 2019 and facilitated the resolution of disputes and referral of cases to the national dispute settlement system.

NON-COMPLIANCE RATES

COLLECTIVE BARGAINING	18%
FREEDOM TO ASSOCIATE	3%
INTERFERENCE AND DISCRIMINATION	3%
UNION OPERATION	1%

We have continued building the capacity of garment federations and their members on industrial relations and collective bargaining. Our activities have focused on the role of garment federations and their members in strengthening compliance, maintaining industrial relations, and improving cross-union coordination. This is part of a broader strategy to build effective social dialogue for compliance and generate improvements in working conditions. There is also a trend with less favourable than national law CBAs between trade unions and factory employees.

ABUSE AND HARASSMENT



NATIONAL LABOUR LAW

In the path of progress

We present an overview of the non-compliance rates on national labour laws. Complying with regulations on OSH-related issues remains a challenge for the garment industry in Indonesia but progress is positive. Advisory services and visits are helping factories to form OSH committees, manage chemicals and hazardous substances, conduct emergency drills and promote healthier workplaces. Investment has been made in internal capacity and systems.



87%

of factories have an effective OSH Committee



98%

of factories conduct periodic emergency drills



95%

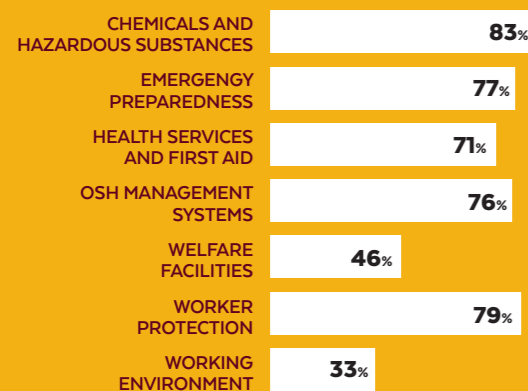
of factories provide training to workers who handle chemicals and hazardous substances



97%

address safety and health risks to women workers such as pregnant or nursing

NON-COMPLIANCE IN THESE ISSUES



CASE STUDY

Ensuring compliance on OSH by relying on the system

We focus on the root causes of high levels of non-compliance to improve performance in these areas

From early on, Better Work Indonesia has partnered with the Ministry of Manpower to strengthen factory-level OSH practices. Indonesia has a well-developed national system of promoting and monitoring OSH in workplaces. The system is nonetheless not available everywhere and it is not always adapted to the garment sector. And, implementation continues being the main concern. To bridge these gaps, we are promoting a process of technical consultation with the Ministry on Manpower OSH division that will hopefully lead to a revision of the current system and support to garment factories on how to properly implement it. We focus on high levels of non-compliance in OSH practices and aim to examine their root causes and develop guidelines to improve performance in these areas. This, together with further knowledge and uptake by factories of the national OSH management system certification, would ultimately, generate enough trust and reliability in the national OSH system that would allow the garment sector to be less dependent on external support and monitoring of OSH conditions.



CHEMICALS AND HAZARDOUS SUBSTANCES

Key progress in five years

Non-compliance on chemicals and hazardous substances decreased 18%

Non-compliance on chemicals and hazardous substances is associated with the absence of a certified chemical officer and the maintenance of chemical safety data sheets. Despite high non-compliance rates in hiring a chemical officer (59%) and maintaining chemical safety data sheets for the hazardous chemicals used in the workplace (51%), overall non-compliance related to chemicals and hazardous substance safety decreased by 18% from cycle 1 to cycle 5.

59% of factories do not have an appointed chemical officer

51% of factories do not have data sheets for properly labelled hazardous chemicals used in the workplace



HEALTH SERVICE & FIRST AID

Medical services available

More doctor's checks and first aid officers

Despite high non-compliance rates, factories with longer tenures in the programme continue to improve. For example, the non-compliance rates on medical checks for factory workers have decreased by 10% from cycle 1 to cycle 5. Over the same period, the presence of a trained first aid officer increased by 17%.

54% of employers do not provide pre-assigned, annual and special medical check-ups when required



EMERGENCY PREPAREDNESS

Ready for emergencies

More factories installed escape routes and alarm systems in the last 5 years

Factories with longer tenures in the programme have also seen improvements in non-compliance rates related to providing clearly marked emergency escape routes and installing fire detection and alarm systems. From cycle 1 to cycle 5, the non-compliance rate on these issues has decreased by 17% and 41%, respectively.

36% of factories do not have emergency exits and escape routes clearly marked and posted in the workplace

32% of the workplaces do not have a fire detection and alarm system



OSH MANAGEMENT SYSTEM

Non-compliances on OSH management systems are largely driven by issues related to building safety certificates and regulation not being available at the district level. We have conducted a series of industry seminars for factories on building safety and we have frequently raised the lack of existing regulation issue with the Ministry of Manpower (MoM). Despite high non-compliance rates, factories that have been on the programme longer have improved by 33% from cycle 1 to cycle 5.

ANALYSIS

Non-compliance is linked to both the absence of internal policies, workplace procedures and the external regulatory environment. Another example of this dynamic is the requirement that first-aid staff be certified by the MoM. Officers may receive training from a local institution, such as the International Red Cross, which can then be evaluated by the MoM, but unless this occurs, they are considered non-compliant. These barriers to compliance are out of the hands of factory-owners and demonstrate that resolving OSH problems in the garment sector in Indonesia requires a multi-level approach.

NON-COMPLIANCE FINDINGS

NATIONAL LABOUR LAW

Higher compliance after 5 years

The highest non-compliance in the contracts and HR cluster was found for contracting procedures. Half of the factories assessed did not meet the legal requirements for compensation, contracts, OSH, working time, and dialogue and disputes for non-production workers who are directly employed by the factory. There has been an improvement regarding disciplinary measures taken by factories in compliance with legal requirements in the dialogue, discipline and disputes category. For factories that have been with Better Work for 5 years, the progress has been from 42% non-compliance in the second year with the programme to 20% after 5 years.



48% of factories did not comply with limits on the use of work agreements for a specified period



50% of workplaces were non-compliant with legal requirements for compensation, contracts, OSH, and/or working time to non-production employed workers



NON-COMPLIANCE RATES



in several instances, this has led to compliance and industrial relations issues. Some examples include employers refusing to extend non-permanent contracts for female workers during pregnancy and the failure to provide entitlements and paid leave to non-permanent workers. The short duration of non-permanent contracts has also led to cases where workers have refused to forego subsidised social security programmes. Such programmes provide free rice and access to schooling, among other benefits, in favour of government employment-related schemes such as the BPJS Kesehatan (National Health Insurance). Trade unions also report that non-permanent contracts are not extended due to union activities and that contracts have been terminated shortly before workers are paid their Religious Festival Allowances (Tunjangan Hari Raya). While the need to provided flexibility to businesses is included in the Act, legislators have also made a deliberate attempt to protect workers from fragile employment situations.



Workers' rights at risk

Indonesia's Manpower Act advises non-permanent contracts only when necessary

The implementation of non-permanent contracts in the garment industry is still marred by non-compliance. This includes issues such as factories ignoring limitations under national law on the number of times they are allowed to extend or renew contracts. Divisions in how the issue of non-permanent contracts should be handled have led to a lack of uniformity in their execution and have increased the risk of workers' rights violations.

Indonesia's Manpower Act is designed to encourage employers to use non-permanent contracts only when necessary and to provide permanent employment gradually. However,

NON-COMPLIANCE FINDINGS



DIALOGUE, DISCIPLINE, DISPUTES

Decision-makers and dialogue drives change

Having a functioning bipartite committee results in effective decision-making and less disputes

The main issue related to dialogue, discipline and dispute resolutions is linked to ensuring, 'sufficient decision-making authority' for bipartite committees or LKSBs. Better Work Indonesia initiatives and the push from buyers is driving this change. More factories reported that they now have sufficient decision-making capacity on committees, which helps to resolve disputes.

Through a transparent and open dialogue between workers and management, we can make changes that benefit both parties. We need to continue building a climate of mutual respect and mechanisms for consultation that benefit workers as well as management."

Michiko Miyamoto, Director of ILO Indonesia and Timor-Leste

CASE STUDY

Building consensus on the use of non-permanent contract

More than 200 labour inspectors and mediators have been supported by Better Work Indonesia in West and Central Java

Better Work estimates that almost half of the 400,000-strong garment sector workforce in Indonesia is employed under a non-permanent contract. These contracts, known locally as 'PWKTs', were originally conceived to provide factories with support for temporary work requirements stemming from specialised production, business expansion plans, or the creation of new products. To help the garment industry take advantage of this provision, Better Work Indonesia, in partnership with the MoM, has formulated a set of guidelines that aim to provide a clearer understanding of existing legislation and reduce industry dependence on non-permanent contracts. These guidelines are the result of facilitated collaboration between employers, unions, brand partners, and the government and are used by Better



Work Indonesia to provide practical guidance to factories. Furthermore, we have provided support to the Ministry by disseminating the guidelines to more than 200 labour inspectors and mediators in West and Central Java. They are now being widely used by industry stakeholders, including factories, brands, and union officials, leading to consensus on issues related to the employment of contract workers. The success of the guidelines has also led buyers and stakeholders from other industries (e.g. the palm oil sector) to adopt similar frameworks adapted to their contexts.

NON-COMPLIANCE FINDINGS

NATIONAL LABOUR LAW

Reduced rates of overtime after 5 years

For some issues, such as overtime pay and paid leave in the compensation cluster, non-compliance rates (49% and 19%, respectively) remain similar to previous years. On issues related to minimum wages, the majority of employers pay correct minimum wages to permanent and non-permanent full-time workers. In working time clusters, factories that have been with the Better Work programme for a longer period, have reduced non-compliance rates for overtime.



NON-COMPLIANCE RATES

MIMUM WAGES/ PIECE RATE WAGE	36%
OVERTIME WAGES	49%
SOCIAL SECURITY AND OTHER BENEFITS	65%

CASE STUDY

Minimum wage requirements and the need to ease existing tensions

Protecting the garment sector and minimum wages in West Java through debates

Policy debates around minimum wage issues remain contentious in Indonesia. In West Java, recent policy shifts have led to a Governor's Decree (Number 561/Kep.983 - Yanbangsos/2019) directed at cities and focused on setting a minimum wage for 2020. However, the decree has faced opposition from both the local chapter of APINDO and trade unions in the Province. APINDO contends that the decree puts factories at an increased risk of closure, since many employers are unable to pay the

new minimum wage. Trade Unions, on the other hand, have expressed their opposition to specific provisions (Provision 7d) that allow for negotiation between employers and workers/unions below the district minimum wage levels. This has led both parties to challenge the decree at the administrative court. As a neutral party, Better Work Indonesia has played a role in facilitating dialogue among various constituents and in advising the government on collaborating with all stakeholders (including international brands) to preserve and improve the current minimum wage determination system. As a result, 2019 saw increased collaboration between buyer-partners and the provincial government on issues such as factory closures and minimum wage. However, there has been no final decision on this matter.

NON-COMPLIANCE FINDINGS



A localised challenge

This issue has general low non-compliance rates in Indonesian factories

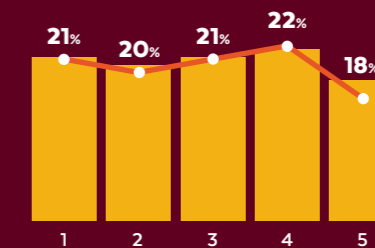
The District of Purwakarta issued a labour-intensive wage while the District of Bogor issued a Textile and Textile Products wage in 2019. Both districts are located in West Java Province and the issuance of these wages, which stands below the district minimum wage, continues to be problematic.

92% of employers pay the correct district minimum wage to permanent full-time workers for ordinary hours of work	89% of employers pay the correct district minimum wage to non-permanent full-time workers for ordinary hours of work	94% of factories pay higher than district minimum wage for permanent and non-permanent workers who worked for more than 1 year
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Administrative complexity and the intersection between central and provincial government healthcare initiatives are still the leading root causes that discourage employers from complying with such regulations. Compliance trends among our factories in the past five cycles have not shown any significant improvement at just 3%.

NON-COMPLIANCE RATES IN COLLECTION AND FORWARD WORKERS' CONTRIBUTIONS FOR SOCIAL INSURANCE AND HEALTH CARE FUNDS



Overtime is still a challenge

The lack of accurate attendance records for working hours is the main barrier

This issue is a concern due to the lack of accurate attendance records for working hours. Although there has been a trend for factories that have been part of the programme for longer to improve their practice by 19% from cycle 1 to cycle 5, the issue of overtime wages remains a challenge.

24% of employers do not pay correctly for all overtime hours worked on regular working day



OVERTIME

Overtime hours remain a widespread problem across the industry, with two thirds of factories not respecting the limits. The problem lies not only with production planning and productivity, but also with factors beyond factories' direct control, such as buyers' sourcing practices across the supply chain and other demand issues.

REGULAR HOURS

Non-compliances on regular hours is driven by issues related to attendance records not accurately reflecting hours worked by the employers. Despite high rates of non-compliance, overtime hours in factories that have been on the programme longer have improved by 10% from cycle 1, first year, to cycle 5, after five years within the programme.

NON-COMPLIANCE RATES IN THESE TWO ISSUES IN 2019

OVERTIME HOURS	72%
REGULAR HOURS	44%



Partnerships for a better tomorrow

How the garment sector stakeholders can join forces for improvements in workplaces

Better Work Indonesia's strategy (2019-2022) has been designed and agreed on by the tripartite constituents – the government, employer association and the trade union at the national level – with intense input from factories and brands. The implementation of this strategy began in 2019 and revolved around accelerating improvements in working conditions, developing a healthy business environment, building effective partnerships and empowering women. The COVID-19 epidemic has brought about great change and new challenges to the labour market and the garment sector in Indonesia and the exact and permanent nature of that change is yet to be seen. Garment supply chains have demonstrated vulnerabilities and joint and swift action is still expected to protect workers and businesses during these unprecedented times.

In 2020 we expect to be able to:

- ◆ Provide quick, effective and sustainable responses to the economic, supply chain and employment crisis arising from the COVID-19 pandemic and to be able to learn and quickly adapt to future needs;
- ◆ Support social dialogue and provide inputs to the labour law reform process and prepare our factories and key stakeholders for the changes to come;
- ◆ Develop a more formal and detailed partnership model that clearly establishes the role of the Indonesian labour inspectorate and Better Work in effectively supporting the continuous improvement of working conditions in the garment sector;
- ◆ Together with our partner trade unions and employer organisations, tackle issues of capacities within factories to engage in social dialogue and address industrial relations issues more effectively;
- ◆ With support from our buyer-partners, continue working on improving the quality, effectiveness and sustainability of our factory improvement process.

“Our current strategy is still valid, but a lot has changed due to COVID-19. We will need to assess how great and permanent that change is and how can we can best face the gaps in governance and transparency and overall fairness of global supply chains that the health crisis has uncovered. 2020 will be a year of learning, adaptation and hopefully change in Indonesia and beyond.”

Maria João Vasquez, CTA, Better Work Indonesia

BETTER WORK INDONESIA'S FOUR STRATEGY PILLARS

GENDER AND INCLUSION

Increased number of factories which have internalised GENDER AND INCLUSION into their culture and systems; and are better equipped to comply with the law, improve working conditions and promote INCLUSIVENESS

SOCIAL DIALOGUE is institutionalised, inclusive, made more effective and supported by social partners.

BRAND AND SUPPLY CHAIN actors commit, engage and support the improvement process more.

SUSTAINABLE MECHANISMS for effective and evidence-based social and labour policy for garment sector and beyond.

Better Work Indonesia and COVID-19

Our primary efforts to support factories in tackling the pandemic

Better Work Indonesia is monitoring and keeping track of the number of factories under stoppages or temporary closures and number of workers affected. It is also supporting factories and monitoring the applicable legal framework and agreements reached. Better Work Indonesia has developed a guidance document based on the 17th of MoM circular concerning protection of workers and business continuity in the prevention and tackling of COVID-19. The guidance focuses on wages and other labour law aspects applicable during this period and draws on feedback and clarifications received from the MoM, issued provincial, district level government related advice, the ILO and the International Labour Standards COVID-19 policy framework.

OSH. A step-by-step action plan for factories to inform and protect workers has been rolled out using the latest ILO and World Health Organization (WHO) advice on social distancing, hand-washing and other measures. A short video on good factory practices was shared through social media accounts. Subsequently, many factories have instituted temperature screening, new sanitation routines and distributed masks to workers. To further supporting factories in implementing key OSH recommendations, Better Work Indonesia has developed a

guidance document for factories on COVID-19 transmission, prevention and management and the best practices in the workplace.

Social dialogue and multi-stakeholder engagement. Better Work Indonesia is liaising with national and provincial governments to clarify policy on key questions, particularly the mechanism for wage negotiation in factories that are affected. We are also disseminating and providing advice to governments on social protection issues and updating them with the latest ILO recommendations and information on how neighbouring countries, such as Singapore and the Philippines, are dealing with the pandemic.

Better Work Indonesia is also working with national employer associations APINDO and API and trade unions to promote social dialogue around how to best protect workers' health and safety and incomes in cases of struggling businesses and more widely to avoid lay-offs and the permanent closures of factories.

On a global level, the ILO and the Better Work programme are working on a set of guiding principles for buyers and manufacturers to support the garment sector. The guiding principles look into the issue of payment of orders, maintenance of legally mandated and sufficient incomes throughout the crisis, the protection of employers and the establishment of strong social protection mechanisms.

Check all non-compliance and compliance issues in our Transparency Portal here:
portal.betterwork.org/transparency



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