

# **Better Work Indonesia: Garment Industry 1<sup>st</sup> Compliance Synthesis Report**

Produced on 11 October 2012

Reporting period:  
July 2011 – March 2012  
Number of factory assessments in this report: 20  
Country: Indonesia  
ISIC: C-14



International  
Labour  
Office



**International  
Finance Corporation**  
World Bank Group

Better Work Indonesia is funded by the Australian Agency for International Development and the United States Department of Labor.

Copyright © International Labour Organization (ILO) and International Finance Corporation (IFC) (2012)  
First published (2012)

Publications of the ILO enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the ILO, acting on behalf of both organisations: ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The IFC and ILO welcome such applications.

Libraries, institutions and other users registered with reproduction rights organisations may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifro.org](http://www.ifro.org) to find the reproduction rights organization in your country.

---

ILO Cataloguing in Publication Data

Better Work Indonesia : garment industry 1<sup>st</sup> compliance synthesis report / International Labour Office ; International Finance Corporation. - Geneva: ILO, 2012

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

---

The designations employed in this, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the IFC or ILO concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the IFC or ILO of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the IFC or ILO, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

Copyright © International Labour Organization (ILO) and International Finance Corporation (IFC) (2012)  
First published (2012)

# Acknowledgements

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

- Australian Agency for International Development
- United States Department of Labor

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

- Australian Government
- Levi Strauss Foundation
- Netherlands Ministry of Foreign Affairs
- State Secretariat for Economic Affairs, Switzerland (SECO)
- United States Council Foundation, Inc. (funds provided by Gap Inc., Nike and Wal-Mart)

*This publication does not necessarily reflect the views or policies of the organisations or agencies listed above, nor does mention of trade names, commercial products, or organisations imply endorsement by them.*

## Table of Contents

Section I: Introduction and Methodology .....	5
Introduction.....	5
Institutional Context.....	5
Better Work Methodology .....	6
Calculating Non-Compliance .....	7
Note on the factories represented in this report.....	8
Limitations in the assessment process.....	8
Section II: Findings.....	9
Average Non-Compliance Rates.....	9
Detailed Findings .....	11
1. Core Labour Standards.....	11
2. Working Conditions.....	12
Section III: Conclusion .....	17
Conclusions and Next Steps .....	17
Annexes .....	18
Annex A: Factories Covered in this Report.....	18
Annex B: Buyers Participating in Better Work Indonesia.....	18

## List of Tables

In Focus 1: Overtime Wages.....	12
In Focus 2: Social Security and Other Benefits.....	12
In Focus 3: Employment Contracts.....	13
In Focus 4: OSH Management Systems.....	14
In Focus 5: Chemicals and Hazardous Substances .....	14
In Focus 6: Welfare Facilities.....	15
In Focus 7: Worker Protection.....	15
In Focus 8: Overtime .....	16

## 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. This report presents a summary analysis of the first 20 assessments.

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

Better Work produces public synthesis reports of factory assessments for each country programme two times per year. The goal of these reports is to 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 report, which is the first produced by Better Work Indonesia, illustrates findings of assessments that the programme carried out between July 2011 and March 2012, in 20 factories, in the Greater Jakarta Area (JABODETABEK). These factories employ a total of 40,562 workers out of a total of an estimated 500,000 workers in the export apparel industry.

This sample is characterized by factories employing between 708 and 8,253 workers. The data collected illustrate non-compliance with labour standards according to eight clusters: four based on ILO core labour standards regarding Child Labour, Forced Labour, Discrimination, and Freedom of Association (FoA) and Collective Bargaining. The other four are based on national law pertaining to working conditions: Compensation, Contracts and Human Resources, Occupational Safety and Health (OSH), and Working Time.

Initial assessment results highlighted the following:

- No evidence of child labour and forced labour was found in the factories covered in this report, however one factory had poor documentation procedures to minimize the likelihood of accidentally recruiting children.
- The most common areas of non-compliance in the areas of national labour law are in the categories of Occupational Safety and Health, Contracts and Human Resources, and Working Time.
- Discrimination in hiring workers, mainly because employers do not hire one person who has a disability for every 100 workers employed, was the main non-compliance identified with respect to the core labour standards.
- Freedom of association in principle has been implemented in accordance with the laws and regulations, however in some places the implementation of freedom of association at the workplace have not been optimized.

# Section I: Introduction and Methodology

## Introduction

---

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 labor-intensive industries and a sizable domestic market of 240 million people. Due to the global economic downturn in 2008, there was a reduction in the number of factories, production, and exports in the garment sector. However, this trend has been gradually reversing since 2011. Indonesia is currently ranked 12<sup>th</sup> in the world, in textile exports.

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

The programme engages with participating factories by conducting independent assessments and offering advisory and training services. As part of its mandate of sharing information with all programme stakeholders, and encouraging continuous improvement, Better Work Indonesia will use aggregate factory assessment data to produce two public synthesis reports per year that review the performance of all participating factories in the reporting period. This first synthesis report provides an overview of the working conditions of 20 factories assessed during the period July 2011–March 2012. This will form a baseline for future reports.

## Institutional Context

---

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

The Better Work Indonesia programme is in line with key Government of Indonesia economic development policies, which 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**

---

Better Work carries out factory assessments to monitor compliance with international labour standards and national labour law. In its factory and industry-level reports, it highlights *non-compliance* findings. Better Work reports these figures to help factories easily identify areas in need of improvement. Collecting and reporting 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 are based on fundamental rights regarding Child Labour, Discrimination, Forced Labour, and Freedom of Association and Collective Bargaining. In 1998, Member States, workers, and employer representatives at the International Labour Organization identified fundamental principles and rights at work regarding these four issues based on eight very widely ratified International Labour Conventions (29, 87, 98, 105, 100, 111, 138, and 182). These Conventions provide the baseline for compliance with the fundamental rights clusters across all Better Work country programmes.

The four other clusters monitor compliance with standards primarily set by national law, so they vary by country. This set consists of Compensation, Contracts and Human Resources, Occupational Safety and Health, and Working Time.

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

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

## Calculating Non-Compliance

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

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

While it is a strict indicator, the non-compliance rate is useful for Better Work to aggregate and compare data across countries. However, this number is not sufficient to fully describe the specific issues that Enterprise Advisors have observed during their assessment. For this reason, tables highlighting key average non-compliance findings at the question level are also presented in Section

It with the title of “In Focus” tables. These tables, showing the number of factories found to be non-compliant to each specific question, allow the reader to fully appreciate the specific challenges identified in factory assessments under particular compliance points.

## **Note on the factories represented in this report**

---

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

This synthesis report presents the aggregated findings of first assessments, covering 20 factories, conducted by Better Work Indonesia between July 2011 and March 2012.

## **Limitations in the assessment process**

---

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

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

Among the issues covered in Better Work’s compliance assessment tools, sexual harassment is one of the most sensitive and most difficult to detect during factory assessments. It is often unreported due to fear of retaliation, power imbalance between victim and perpetrator, 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>1</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.

---

<sup>1</sup> [Impact Research - Indonesia Baseline Report - Worker Perspectives from the Factory and Beyond](#)

## Section II: Findings

### Average Non-Compliance Rates

---

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

#### In the areas of Core Labour Standards:

**Child Labour:** There was one finding under the Child Labour cluster related to one factory not having appropriate measures in place to document the age of workers.

**Forced Labour:** No factory was non-compliant with respect to forced labour.

**Discrimination:** All 20 factories were non-compliant with respect to recruiting people with disabilities and six factories had inappropriate recruitment procedures with regard to gender, in particular, concerning pregnant applicants.

**Freedom of Association and Collective Bargaining:** Most factories (15 out of 20 factories) allowed their workers to freely associate and form a union. Collective bargaining agreements were not being correctly implemented in three factories.

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

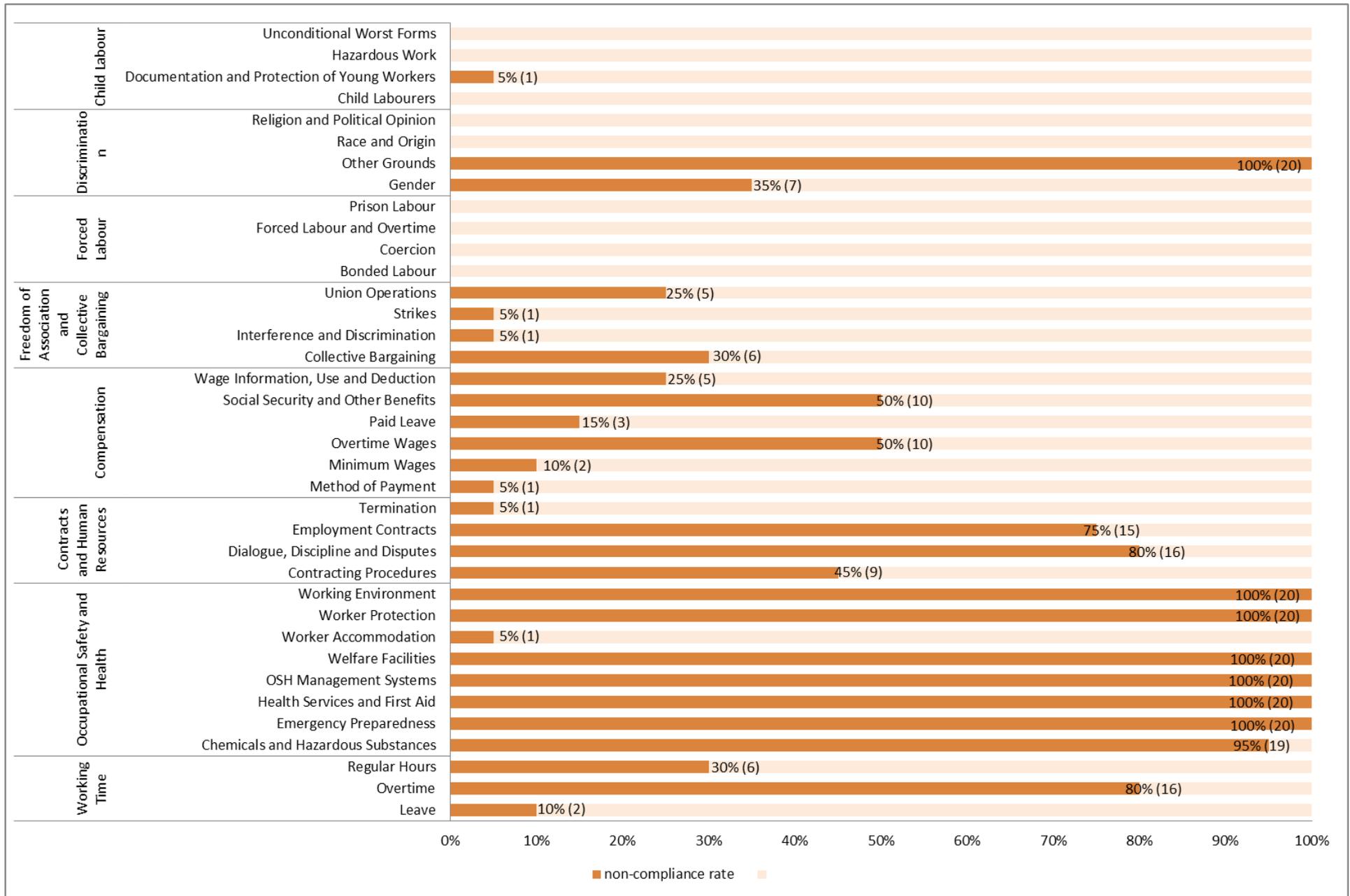
**Compensation:** Two factories did not provide the correct minimum wage and ten factories did not provide the correct overtime rate. Ten factories provided health insurance benefits through private healthcare programmes with less benefits than healthcare program run by the Government (JAMSOSTEK) or collect contributions for employee retirement (JAMSOSTEK) but with an inaccurate deduction from workers wages.

**Contracts and Human Resources:** Bipartite Cooperation Institution (worker/management) committees in 16 factories are not functioning in accordance with the law. In three factories, it was found that workers had been bullied, harassed, or subjected to humiliating treatment. Bipartite Cooperation Institution (worker/management) committees in 16 factories are not functioning in accordance with the law.

**Occupational Safety and Health (OSH):** Out of 20 factories assessed, all the factories had formed an Occupational Safety and Health Committee (OSH Committee), but only one factory had a functioning OSH Committee holding regular meetings, led by top management, and had appointed an OSH General Expert as the OSH Committee Secretary. Thirteen factories have developed OSH policies.

**Working Time:** Sixteen out of 20 factories were non-compliant on overtime.

Chart 1: Average non-compliance rates



## Detailed Findings

---

This section describes the levels of non-compliance across participating factories for each subsection (Compliance Point) within each of the eight categories of labour standards covered by the Better Work Indonesia assessments. Through the “In Focus” tables, it presents detailed findings at the question level for a number of Compliance Points.

### 1. Core Labour Standards

#### a. Child Labour

There is one finding under Documentation and Protection of Young Workers. In one factory, the employer did not have a system in place to verify the age of workers prior to hiring.

#### b. Discrimination

Concerning Discrimination on the grounds of Gender, the non-compliance findings refer to job announcements specifying the applicant’s gender (two factories) and gender being a factor in hiring decisions (four factories) and in working conditions (two factories). In one factory, the workers stated that they were required by the factory clinic to undertake pregnancy tests or use contraceptives

Other Grounds of Discrimination refers to the hiring of workers with disabilities according to Indonesian Labour Regulations. A 100% non-compliance rate on Other Grounds category shows that all 20 factories had not complied with the requirement to employ at least one person with a disability for every 100 workers. This is due to most employers not knowing the regulations to hire and accommodate people with disabilities in the factories. Two factories that had recruited people with disabilities had not adequately taken steps to accommodate such workers in accordance with the type and level of disability. In one factory, a female worker with a disability had to use the male toilet, as the only sit-down toilets were in the male toilet block.

#### c. Forced Labour

There were no Forced Labour findings.

#### d. Freedom of Association and Collective Bargaining

Most factories (15 out of 20 factories) allowed their workers to freely associate and form a union. Two factories were found to be automatically registering the workers, who have been appointed as permanent employees, as members of trade unions of the factory, without the consent of workers.

Thirty percent of factories were non-compliant with issues related to Collective Bargaining. One factory did not consult with unions when developing or changing company regulations. Another factory’s Collective Bargaining Agreement provisions were not at least as favorable for workers as the law. And the Collective Bargaining Agreement in another factory had provisions not in line with the law that allowed employers to pay only 75% of an employee’s salary if the employee was unable to work due to a mechanical failure, power failure or other issues that interfere with the factory’s productivity. This is contrary to the Labour Act No. 13 Article 93 (2) (f), which states that employers must pay wages when workers are willing to do the work they are contracted to undertake but

cannot undertake either because of their own mistakes and obstacles that can be avoided by the employers.

A 5% non-compliance rate in the Interference and Discrimination compliance point reflects one factory that had more than one trade union, but involved only one when negotiating the Collective Labour Agreement.

## 2. Working Conditions

### e. Compensation

Two factories were found to not pay the minimum wage as has as been set for the workers in accordance with the Provincial Governor’s Regulation on the District General and Sectoral Minimum Wages.

The highest non-compliance rates in the area of Compensation are related to Overtime Wages and to Social Security and Other Benefits (50% for both). Both are further explored in the “In Focus” tables below.

#### In Focus 1: Overtime Wages

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer pay workers the correct rate for all ordinary overtime hours worked (1.5 times the hourly rate for the 1st hour of overtime, and 2 times the hourly rate for each additional hour)?	8
Does the employer pay workers the correct rate for all overtime hours worked on public holidays?	2
Does the employer pay workers the correct rate for all overtime hours worked on weekly rest days?	3
Does the employer provide meals and drinks of at least 1,400 calories to workers working overtime for three hours or more?	1

In eight cases, factories miscalculated the overtime rates for workers by not applying the government approved approach to calculate the correct hourly rate, which is 1/173 of the approved monthly minimum wage. In three factories, workers were only paid the basic minimum wage for working on a rest day, when they are entitled to two times the normal hourly rate. In some cases, the factory management stated that the reason for non-compliance was the inadequacy of their payroll system.

Paid Leave non-compliance findings relate to three factories not paying female workers correctly when they are ill due to their menstrual cycle and to two factories not paying sick and personal leave correctly.

Within the Method of Payment compliance point, there is a non-compliance rate of 5% due to a factory not paying wages on time.

#### In Focus 2: Social Security and Other Benefits

<i>Question</i>	<i>Number of factories out of compliance</i>
Does the employer collect contributions to JAMSOSTEK (social insurance funds) from all workers with regards to pension?	2
Does the employer pay the required employer contribution to	1

<b>JAMSOSTEK for work related accidents, death and provident fund?</b>	
<b>Does the employer provide health care benefits to all workers through JAMSOSTEK or another provider that offers at least the same benefits as JAMSOSTEK?</b>	7
<b>Does the employer forward employee contributions for social insurance funds to JAMSOSTEK?</b>	0
<b>Does the employer pay workers the religious holiday allowance (THR)?</b>	1

Most factories assessed have decided to provide health care benefits through another provider, rather than providing health care benefits through the official government health care and social security provider, JAMSOSTEK. If a company decides to provide health care through another provider, the benefits must be the same or better than those offered by JAMSOSTEK. In seven factories, it was found that the benefits being provided through other providers were less than those provided by JAMSOSTEK. In December 2011, JAMSOSTEK released an updated table of benefits.

#### **f. Contracts and Human Resources**

There were non-compliance findings under Discipline and Disputes in three factories, where workers experienced intimidation, abusive words and threats by supervisors and management.

The non-compliance findings in Employment Contracts are explored in the “In Focus” table below.

#### **In Focus 3: 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 contract?</b>	9
<b>Do the company regulations comply with legal requirements as stipulated in the labour law and regulations?</b>	3
<b>Do the employment contracts specify the terms and conditions of employment?</b>	3
<b>Does the employer give a copy of the work agreement in Bahasa Indonesia to workers?</b>	6
<b>Does the employer provide a letter of appointment to permanent workers with oral contracts?</b>	1

The 45% non-compliance rate in Contracting Procedures is explained by non-compliance with limits on the use of work agreements for a specified period of time (i.e., limits on the employment of non-permanent workers) in nine factories. Furthermore, two factories did not comply with requirements concerning sub-contracted workers at the workplace.

The Termination CP has a 5% non-compliance rate due to one employer not compensating workers for unused paid annual leave when they resigned or were terminated.

Indonesian labour laws and regulations require every enterprise that employs 50 or more people to form a Bipartite Cooperation Institution (*Lembaga Kerja Sama Bipartit - LKSB*), comprising democratically elected worker and employer representatives. The institution serves as a forum for

communication, consultation and deliberation on labour issues, to increase the productivity and welfare of workers and to ensure business continuity.

However, the LKSB differs from a union, which aims to hold employers accountable for the protection of workers' rights and interests, and the LKSB does not negotiate over terms and conditions of work, which should be a role of the trade union.

From the assessments, 16 factories out of 20 were found not to have a functioning LKSB in accordance with the existing laws and regulations. For example, the workers' representatives were not democratically elected by the workers, whether they are members of a trade union or not. Also, the LKSBs did not function properly, as meetings were not held on a regular basis and activities were not reported to the District Manpower Office.

The findings underscore the importance of Better Work Indonesia in helping to facilitate the formation and strengthening of LKSB institutions through advisory services that focus on workplace cooperation. This will enable trade unions and/or workers and management to address areas of non-compliance identified in the assessment reports using social dialogue.

#### **g. Occupational Safety and Health**

This cluster has the highest non-compliance rates observed in this report. All factories were found to be non-compliant with at least one question within each compliance point.

##### **In Focus 4: OSH Management Systems**

<i>Question</i>	<i>Number of factories out of compliance</i>
<b>Does the employer report work-related accidents and diseases to the authorities?</b>	15
<b>Does the factory have a written OSH policy?</b>	7
<b>Does the factory have a functioning OSH Committee?</b>	19
<b>Has the employer performed a general assessment of Occupational Safety and Health in the factory?</b>	7

The root cause for the high level of non-compliance is that Occupational Safety and Health management systems were weak in all factories. Nineteen out of 20 factories do not have a functioning OSH committee, while 16 have not appointed a certified OSH expert. The reporting of work-related accidents and diseases is insufficient in 15 factories. Furthermore, seven out of 20 factories have not undertaken an initial assessment at the workplace, which includes an identification of hazards and assessment of risks.

The assessments found that all factories lack an automatic fire detection and alarm system, adequate firefighting equipment, and/or clearly marked and posted emergency exits and escape routes.

##### **In Focus 5: Chemicals and Hazardous Substances**

<i>Question</i>	<i>Number of factories out of compliance</i>
<b>Are chemicals and hazardous substances properly labeled in accordance with the laws and regulations?</b>	17
<b>Are chemicals and hazardous substances properly stored?</b>	14
<b>Does the employer have a hazard control document?</b>	9

<b>Does the employer have chemical safety data sheets for the hazardous chemicals used in the workplace?</b>	8
<b>Does the employer keep an inventory of chemicals and hazardous substances used in the workplace?</b>	11
<b>Does the employer provide adequate washing facilities and cleansing materials in the event of exposure to hazardous chemicals?</b>	11
<b>Has the employer appointed an OSH Chemical Officer and/or Expert?</b>	16
<b>Has the employer effectively trained workers who work with chemicals and hazardous substances?</b>	1

Chemical and hazardous substance management and storage is inadequate in most factories. In four cases, chemicals are stored in food containers. There were several findings where chemical and hazardous substance were stored in food/drink containers without appropriate labels, and in one case it was reported that a worker accidentally drank an unknown chemical or hazardous substance that was stored in a drink container. In 11 assessed factories, washing facilities and cleansing materials were not readily available to deal with accidental hazardous chemical exposure. In eight factories, Material Safety Data Sheets (MSDS) for all chemicals used in the workplace were not available. Sixteen factories have not sought guidance from the Local Manpower Office as to whether or not they need to appoint a certified OSH Chemical Officer and/or Expert in their factories.

#### **In Focus 6: Welfare Facilities**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Does the employer provide adequate lockers for workers to store their personal belongings?</b>	14
<b>Does the employer provide workers enough free, safe drinking water that fulfills the health requirements?</b>	10
<b>Does the workplace have adequate accessible toilets (separated by gender)?</b>	3
<b>Does the workplace have adequate handwashing facilities and adequate soap?</b>	11
<b>Does the workplace have an adequate eating area?</b>	6
<b>Is the workplace clean and tidy?</b>	17

All 20 assessed factories have provided drinking waters for the workers, however the quality of drinking water in 10 factories has not fulfilled the required standards.

The Working Environment CP has a 100% non-compliance rate. This is due to 16 factories with excessive temperature in the workplace, 13 factories that were not adequately ventilated, four factories with excessive noise levels and three with insufficient lighting. As temperature, light and noise levels may be place workers at risk, it is recommended all factories regularly monitor the workplace environment. Local Manpower Office or appointed OSH Service Provider (Penyelenggara Jasa Keselamatan dan Kesehatan Kerja – PJK3) can provide these tests.

#### **In Focus 7: Worker Protection**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Are appropriate safety warnings posted in the workplace?</b>	8
<b>Are electrical wires, switches and plugs properly installed, grounded, and maintained?</b>	7

<b>Are materials, tools, switches, and controls within easy reach of workers?</b>	2
<b>Are proper guards installed and maintained on all dangerous moving parts of machines and equipment?</b>	11
<b>Are standing workers are provided with seats?</b>	19
<b>Are mechanical devices provided for lifting and moving heavy or bulky loads?</b>	6
<b>Are workers effectively trained and obliged to use the Personal Protective Equipment (PPE) that is provided?</b>	11
<b>Are workers effectively trained to use machines and equipment safely?</b>	4
<b>Do workers have suitable decent chairs?</b>	4
<b>Does the employer provide workers with all necessary personal protective clothing and equipment?</b>	10

Most factories are regularly reporting injuries caused by sewing machine needles as the main type of accident in the workplace, and this is reflected in a majority of factories (11) not having appropriate guards installed on machines in the workplace.

In 19 factories, standing workers often had to stand continuously throughout their shifts, as the factory did not provide seats to enable workers to rest. Additionally, appropriate personal protective clothing and equipment (PPE) is not provided in 50% of the factories, and workers were not effectively trained in the use of PPE in 11 factories.

#### **h. Working Time**

There was no finding of irregular working hours beyond seven hours per day for six working days per week or eight hours per day for five working days per week, or irregular weekly working hours that exceeded 40 hours per week for production workers in all the factories. However, there was a 30% non-compliance rate with respect to deviations from regular work hours of security guards in the factory.

Moreover, an 80% non-compliance rate in Overtime is the main finding within the Working Time cluster. The “In Focus” table below provides more details.

##### **In Focus 8: Overtime**

<b>Question</b>	<b>Number of factories out of compliance</b>
<b>Does the employer prepare written instructions on overtime?</b>	1
<b>Does work on public holidays occur only under the conditions allowed by law?</b>	0
<b>Is overtime on regular workdays limited to 14 hours per week?</b>	15
<b>Is overtime on regular workdays limited to 3 hours per day?</b>	14
<b>Is overtime voluntary?</b>	0

The number of daily and weekly overtime hours exceeded official levels of 3hours/day and 14hours/weekas employers requested workers to work additional excessive overtime overtime during the peak season around December Excessive overtime in some cases exceeded 30 hours per week.

The non-compliance rate of 10% within the Leave compliance point reflects a finding in one factory that did not provide 12 days of annual leave per year and another factory that did not provide leave to female workers who were ill during their menstrual cycles.

## Section III: Conclusions

### Conclusions and Next Steps

---

This first public synthesis report provides an analysis of the first 20 factories assessed by Better Work Indonesia, during the period between July 2011 and March 2012. As of 1 May 2012, one factory has dropped out of Better Work Indonesia, most likely as a result of the findings in its assessment report. The remaining 19 factories are all participating in Better Work Indonesia advisory services, through which Enterprise Advisors (EAs) work with factories to assist them in proactively remediating the areas of non-compliance as mentioned in this report.

All Better Work Indonesia advisory processes are implemented through a factory's Bipartite Cooperation Institution (LKSB). As highlighted in this report, most factory LKSBs are not functioning, so advisory services have been focusing on strengthening these committees at the factory level. During the first year of advisory work, the programme places a heavy emphasis on helping the LKSB develop the ability to jointly identify and address issues in the factory. Acting as a coach and content expert in the process, EAs work with the members of the committee to enhance their capacity to jointly solve problems, applying easy-to-use tools to help participants collaborate and build trust as the basis for making change.

On the primary areas of non-compliance is Occupational Safety and Health (OSH). Therefore, most Better Work Indonesia EAs begin factory advisory services with a focus on OSH issues, in order to strengthen the factory's OSH management systems and committee. In doing so, EAs facilitate better understanding of the importance of systems-level changes. A number of OSH issues, such as providing seats for standing workers and improving workplace tidiness, are relatively easy to solve with Better Work guidance and quick action by management. In addition, workers are becoming better informed about OSH best practices through a range of media projects Better Work Indonesia is piloting, including SMS updates.

Better Work Indonesia training services are focussing on providing capacity building to factory managers and LKSBs on how to address mandatory training, as required by National Labour Regulations, in the workplace. In response to findings in the assessment reports, initial training efforts have concentrated on OSH and discrimination in the workplace. For example, all factories are finding it difficult to recruit and accommodate people with disabilities in their workplaces. Therefore, Better Work Indonesia is working with the ILO to develop Information, Education and Communication (IEC) materials to enable managers to proactively address the issue.

Better Work Indonesia is also working with the four partner union federations to strengthen the capacity of workplace and branch-level unions in addressing freedom of association and collective bargaining issues in the workplace

As the current understanding by managers and unions of the National Labour Regulations is felt to be weak, Better Work Indonesia is developing a web-based guide to summarise the key laws and regulations (<http://betterwork.com/indolabourguide>). As new regulations are promulgated—for example, the recent changes to the Indonesian law on enterprise OSH management systems—they will be uploaded to the website, and factory managers and unions will be informed of the changes. The Better Work Indonesia team will also highlight examples of best practice identified during assessments on the website.

# Annexes

## Annex A: Factories Covered in this Report

---

1. PT Asia Power Global
2. PT Busana Remaja Agracipta
3. PT Citra Abadi Sejati (Bogor)
4. PT Citra Abadi Sejati (Cileungsi)
5. PT Dream Sentosa Indonesia
6. PT Dream Wear
7. PT Greentex Indonesia
8. PT Hansae Indonesia Utama
9. PT Hansae Karawang Indonesia
10. PT Kahoiindah Citragarment
11. PT Kukdong International
12. PT Kyungseung Trading Indonesia
13. PT Mulia Cemerlang Abadi
14. PT Myung Sung Indonesia
15. PT Pan Pacific Nesia
16. PT Rismar Daewoo Apparel
17. PT Samudra Biru
18. PT Sandrafine Garment
19. PT Sentraco Garmino
20. PT Taitat Putra Rejeki

## Annex B: Buyers Participating in Better Work Indonesia

---

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