



► **The impact  
of Better Work  
Indonesia:  
A ten-year reflection**

**OCTOBER 2022**

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## Foreword

The garment industry plays a critical role in the labour-intensive manufacturing sector of Indonesia's economy, creating formal employment opportunities for millions of workers. These jobs hold the potential to provide a livelihood to workers and their families, on the condition that these jobs maintain sufficient quality and security.

Better Work Indonesia seeks to help garment industry stakeholders realize a sustainable and competitive sector that provides the quality jobs that Indonesia so badly needs. It focuses on promoting compliance with national labour law and international labour standards and on improving industrial relations in a sector with higher than national average unionisation levels. The knowledge generated by the Better Work Indonesia programme allows the ILO tripartite constituents to have a first-hand account of how labour regulations and policy affects businesses and workers alike.

Our programme contributes to this vision by encouraging ownership of improvement processes among individual firms and supply chain and industry stakeholders. While our model of combined assessments, training, and advisory services has demonstrated effectiveness in achieving improvements in the sector, our focus remains on ensuring that stakeholders are equipped with both the capacity and the incentives to oversee these continuous improvement efforts.

This report which reflects the last ten-year period of Better Work Indonesia showcases the impact of collective efforts undertaken by industry stakeholders – most notably, workers, employers and international brands – to achieve higher compliance, better working conditions and more competitive firms in the Indonesian garment sector. It shows broad improvements over the course of our programme's ten years, but also highlights that significant challenges remain. As evidenced by the experiences of firms participating in Better Work Indonesia, compliance improvement is rarely a linear process. Rather, as firm management and workers learn to jointly identify and address challenges at the workplace through social dialogue, some areas see greater improvements while other entrenched areas of non-compliance require further effort. Lastly, some areas such as gender or trade union discrimination are chronically under-reported given the difficulty to gather enough evidence to confirm non-compliances.

This report, although focusing on a subset of factories in the programme pre-COVID-19, will hopefully encourage further dialogue among national sector stakeholders about the labour market goals and opportunities Indonesia would like to seize going forward. With a new labour law framework in place since the end of 2020, the panorama might have changed, but issues raised in this report are still relevant and illustrative of the reality in Indonesia's labour market.

Better Work Indonesia's second decade of work begins with our 2022-2027 strategy, which emphasizes continued reinforcement of our efforts through local actors. We look forward to partnering with diverse interests in the sector to further our collective goals.

**Maria João Vasquez**  
Chief Technical Advisor  
Better Work Indonesia

**Olivia Krishanty**  
Executive Director  
*Yayasan Kemitraan Kerja* / Foundation  
Partnership at Work

## Key findings

- ▶ Since Better Work Indonesia's operations began, the garment industry has achieved **broad improvements in compliance** with labour law and international labour standards.
- ▶ Better Work's advisory, training and assessment services are a key driver contributing to lower non-compliance rates.
- ▶ Important areas of non-compliance persist, including in **occupational health and safety**, proper use of **employment contract types**, and **limits on overtime hours**.
- ▶ Prior to the COVID-19 pandemic, the average worker in Better Work-enrolled factories witnessed **increased take-home pay**, in line with increased compliance with pay procedures.
- ▶ Many garment workers took severe economic hits from the COVID-19 pandemic, including through unpaid furloughs and job losses.
- ▶ Workers experience greater access to critical healthcare services over time with Better Work. This includes **maternity-related healthcare** services, crucial to the predominantly female workforce apparel workforce.
- ▶ More vulnerable workers benefit the most from positive improvements in working conditions.
- ▶ **Firms enrolled in Better Work perform better** than non-enrolled factories in the quality of workplace communication and working conditions related to pay and hours.
- ▶ **Workplace unionization and collective bargaining** are associated with better working conditions related to salaries and benefits, contracts, as well as occupational safety and health and welfare standards.
- ▶ Freely and fairly elected bipartite committees, and **women's representation** in those committees, are key drivers for better working conditions.
- ▶ Annual profits for the average firm increase over time with participation in Better Work through **higher productivity**, yet improved profitability remains dependent on better terms attained from main buyers.
- ▶ Social dialogue mechanisms at the workplace played an important role in addressing impacts of the pandemic. Regular meetings were maintained in 2020-2021, and 70 per cent of committee members were satisfied with the outcomes of negotiations.
- ▶ Despite challenges, workers maintain a positive outlook – as of late 2021, seven in ten workers say they would recommend their job to others and nearly two-thirds say they feel optimistic about the future.



## 1. Introduction and background

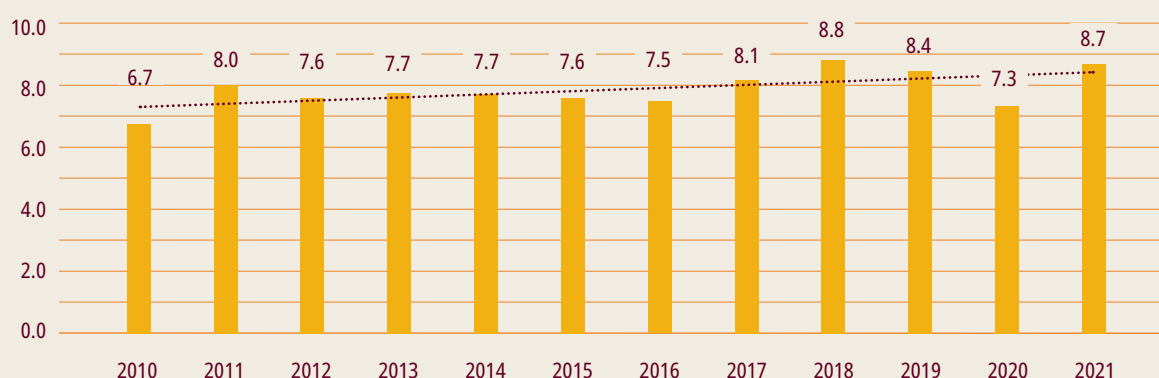
Established in 2011, the Better Work programme in Indonesia strives to improve working conditions and competitiveness in the export garment sector. The joint programme of the International Labour Organization and the International Finance Corporation has grown in Indonesia to include over 200 participating factories, reaching nearly 400,000 workers, of which 80 per cent are female.

Over its ten years, the programme has operated consistently at multiple levels. At the level of the individual factory, the programme provides interrelated services that support continuous improvement for competitiveness and conditions of work. Highly trained staff provide specialized training and advisory services to factories, which include helping to establish worker-manager committees in order to promote dialogue to establish improvement plans for identified non-compliances, and to promote joint problem solving. The programme also provides yearly unannounced assessments of factory conditions measuring compliance with ILO core labour standards and national legislation. Nationally, the programme brings together diverse stakeholders representing business, workers'

interests, and the government. In Indonesia, this includes the Ministry of Manpower, the main Indonesian garment trade union federations, the Indonesian Employers' Association, APINDO and the Indonesian Textile Association, API. These actors shape the strategic direction of the programme, reviewing results and priorities, and setting forth a vision for how diverse interests can be met. The programme also engages directly with international brands and retailers in the garment industry – to act as a provider of information on non-compliance at the firm level, to promote improvement and sustainability in the supply chains where buyers source, and to influence business practices of those companies at the top of the supply chain which have a large influence over the sector.

Through its activities in the garment sector, Better Work Indonesia has helped participating firms to improve working conditions by raising levels of compliance with national labour law and international standards. The programme has also positively influenced national labour policy in several areas through its convening function among key stakeholders over the past ten years.

FIGURE 1. INDONESIA'S GARMENT INDUSTRY TOTAL EXPORT 2010-2021 IN US\$ BILLION



**NOTE:** Export figures are the sum of HS code 61-63

**SOURCE:** UN Comtrade

This report highlights the key areas of improvement and persistent challenges which remain in achieving decent work and thriving, sustainable businesses in the sector.

### THE INDONESIAN GARMENT SECTOR – ORIGINS AND RECENT TRENDS

The Indonesian garment industry emerged in the 1970s. In the nascent period, garments were produced for domestic consumption only. The sector expanded to foreign markets in the 1980s and has since been one of Indonesia's key exporting sectors. The sector accounted for approximately 10 per cent of exports and 1.7 per cent of the country's GDP in 2021.

The export value of the sector has remained relatively steady in the decade corresponding to Better Work's operation. Total exports rose from US\$ 6.7 billion in 2010 to its peak in 2018, earning US\$ 8.8 billion in exports. Exports dipped to US\$ 7.3 billion in 2020 and recovered in 2021 to reach US\$ 8.7 billion in export value.

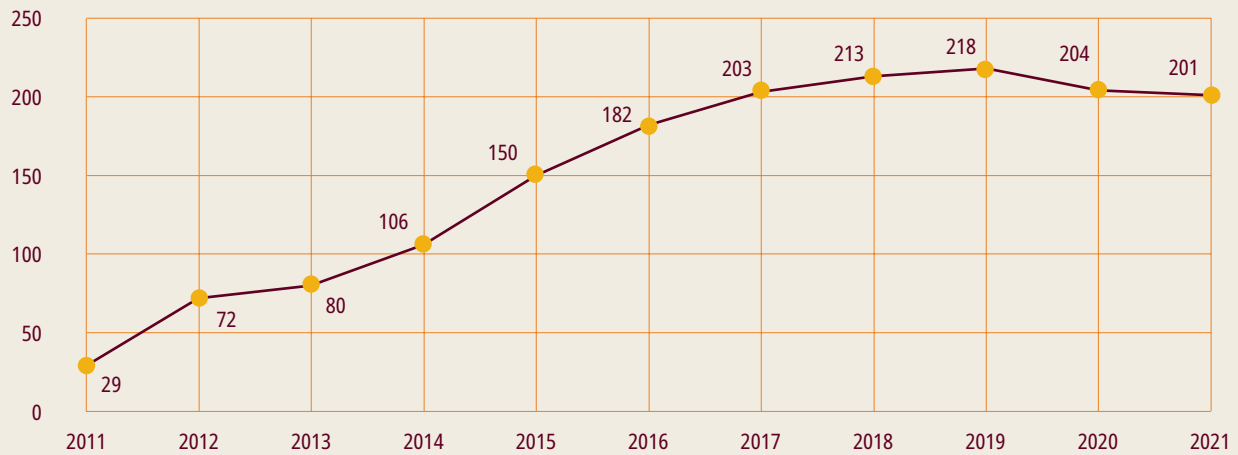
The COVID-19 pandemic created major operational and employment disruptions in the garment industry in Indonesia, as it did

throughout production hubs in Southeast Asia and the world over. Over 800,000 apparel and footwear workers, or about 30 per cent of the sector's workforce, had been laid-off by July 2020 because of the pandemic's economic impact, according to Indonesia's Ministry of Industry.<sup>1</sup> Indonesia then experienced a surge of COVID cases in mid-2021. While the situation subsequently improved, cases again escalated with the widespread transmission of the Omicron variant. Emergency measures (including partial lockdowns or restrictions on mobility) were implemented with varying levels of severity throughout 2021.

Despite COVID-19's significant negative effects, the economy broadly and the garment industry in particular have seen signs of recovery. Despite strong economic and employment growth, decent work challenges persist. The changing nature of employment, skills mismatch, a large informal sector, insufficient social security coverage and the declining bargaining power of workers are some of the key factors that weaken the linkages between economic and job growth with the promotion of decent work in Indonesia.<sup>2</sup>

1 ILO. 2020. *The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific*.

2 ILO. 2020. Decent Work Country Programme for Indonesia (2020-2025).

**FIGURE 2. TOTAL NUMBER OF FACTORIES IN BETTER WORK INDONESIA**

Recent labour law reform at the national level has also been felt within the garment industry. A major reform of labour law was concluded at the end of 2020 which was met with opposition by the trade unions and some parts of civil society. The resulting regulation, the Job Creation Act (or Omnibus Law), intends to harmonize and simplify requirements and foster growth and investment. The law is considered controversial, and a recent constitutional court has deemed it provisionally unconstitutional.<sup>3</sup>

The export garment sector, while not the most prominent within the national economy, continues to hold strong significance in Indonesia. Many of the changes introduced by the new labour law appear to address specific and prevailing issues and realities of the sector. Moreover, the sector is often seen as a prime example of a labour-intensive manufacturing industry in Indonesia that can provide formal jobs to individuals previously in less productive or informal settings. The garment sector remains, therefore, an interesting entry point for change to promote decent work and competitiveness.

### THE EVOLUTION OF THE BETTER WORK PROGRAMME IN INDONESIA

The Better Work programme in Indonesia has been implemented in four phases since 2011. Better Work Indonesia has grown alongside the Indonesian garment industry and its exports. The programme started with 33 factories employing about 71,000 workers. In 2018, some 201 factories and about 385,580 workers were part of the programme. From this peak, there has been a slight decrease including due to the effects of COVID-19. Factory numbers tend to fluctuate within each year, but as the programme has matured, they have largely remained steady from year-to-year.

The first phase covered the period from August 2011 to June 2012 and piloted programme tools and services in 30 garment enterprises.

The second phase ran from July 2012 to July 2015 with the goal to further expanding the programme and its impact. The Ad-Hoc Committee on legal interpretation and application on which Better Work Indonesia and

3 As a response to the lawsuit filed by the Indonesia trade unions, the Indonesian Constitutional Court (MK) ruled, in November 2021, that the procedure of passing the Job Creation Law was formally flawed and that the Law is contrary to the Indonesian Constitution. The court ordered the government and the House of Representatives to revise the law within two years. If they fail to do so, the law will be permanently repealed, and all the previously revised laws must be reinstated. The law is, nonetheless, "still in effect until revision".



FIGURE 3. WORKERS IN FACTORIES ENROLLED IN BETTER WORK INDONESIA



the Indonesian Ministry of Manpower sit jointly<sup>4</sup> was established in 2013 and is still, to this day, a unique source of authoritative legal clarity and collaboration. In this phase Better Work Indonesia also started supporting the efforts of the Indonesian Ministry of Manpower to reform labour inspection by supporting innovative programmes harnessing both the private and public sector for strategic labour compliance.<sup>5</sup>

In phase three (mid-2015 to 2018), Better Work Indonesia increased factory membership by 50 per cent, reaching 213 factories and covering almost 72 per cent of all garment export-oriented factory workers and almost 62 per cent of all large factories. This happened in a context of great structural change in the sector

with dozens of garment factories closing down or/and moving from West to Central Java in search of lower minimum wage areas which had a devastating impact on employment. The ILO and Better Work Indonesia policy and advocacy work around the introduction of unemployment insurance and an improved minimum wage setting national system intensified during this phase.

By the end of 2016, Better Work Indonesia created a national Foundation – the Foundation Partnership at Work (Yayasan Kemitraan Kerja) – to ensure the sustainability of the programme. Better Work Indonesia was the first, and to date only, Better Work country programme to spin off into an independent entity.

4 The Ad-Hoc committee was created by the Labour Inspection and OSH Director General to guide Better Work Indonesia's work and agree on common interpretations, approaches and tools on labour law. Better Work Indonesia withdraws the authority of its legal advice from this committee but at the same time helps the Ministry to internally agree on interpretations and consider the applicability and appropriateness of requirements.

5 A key private compliance initiative programme to this day is the Ministry's 'labour norms expert cadre' regulation, or KNK, which builds in-factory capacity by requiring a certified labour norms expert in all factories. The KNK programme was enacted as a response to shortage of labour inspectors on the ground. A sister programme was also created – the labour standards compliance programme (PROKEP). Both programmes draw extensively from BW experiences on the ground, tools and public reporting approaches as well as the ILO strategic compliance approach: ILO Approach to Strategic Compliance Planning for Labour Inspectorates (Labour administration and inspection)

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Phase four of Better Work Indonesia (2019-2022) was marked by the COVID-19 pandemic and the passing of a controversial labour law reform package – the Omnibus Law or the Job Creation Act. Throughout this period, the programme strengthened occupational safety and health support, tested remote monitoring of working conditions and built on social dialogue structures and processes to find equitable solutions to the issues facing workers and their employers.

Through its services delivered at hundreds of workplaces in Indonesia since 2010, Better Work has generated a significant set of data that enables research on priority topics such as the effectiveness of the programme in improving working conditions and firm competitiveness, the role gender dynamics play in determining workplace outcomes, the effects of power imbalances in the supply chain, and the

economic and social development potential for individuals holding a job in the garment sector. The research and data/ learnings collected by the programme have also been used to inform national policy and debates around key labour issues including the minimum wage setting system, employment contract law and social protection reform.

This report looks back at the last ten years of Better Work Indonesia's operations to take stock of what garment factories and stakeholders in the sector have collectively achieved. It summarizes key trends and evidence from operational data collected by the programme, as well as synthesizes results from external research conducted by partners to show the evolution of participating firms and highlighting the impact of Better Work's activities. In sum, it presents a picture of results achieved but also challenges still to be addressed.



## 2. Improvements and challenges in compliance

Better Work's compliance assessment is a key service provided to participating factories, complementing the specialized training and advisory services of the programme. Better Work assesses factories on over 200 questions grouped across eight clusters comprising 36 different Compliance Points on an unannounced, roughly annual, basis.<sup>6</sup> Assessments carried out over multiple years yield valuable information on the compliance performance of participating factories in the garment sector with regard to

international labour standards and national labour law. Moreover, the assessment results provide a basis for continuous improvement activities and workplace cooperation among managers and workers facilitated by Better Work. Compliance assessment results described in this report refer to assessments carried out from 2011 to the first quarter of 2020, before service disruptions occurred due to the COVID-19 pandemic.

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<sup>6</sup> The eight compliance clusters and 36 compliance points are detailed in the Annex. Detailed compliance assessments and subsequent factory reports are based on triangulated information during unannounced factory visits, in which Better Work assessors observe workplace conditions directly, review documentation, and interview individuals at the workplace over four person-days. A determination of whether sufficient evidence of non-compliance in a given area is made based on this investigative technique. Before reports become official, factories are given five working days to provide feedback and clarifications. Despite this robust method, certain issues remain difficult to assess and verify independently. For instance, sexual harassment is difficult to identify during a factory assessment visit and is generally considered underreported.

**The industry has achieved broad improvements in compliance with labour law and international labour standards.** When viewed in aggregate over ten years, noticeable improvement has been made in the majority of participating firms and in the majority of compliance areas assessed. Results from these compliance assessments are aggregated and analysed over time, and show that factories with a consistent and committed engagement in working with Better Work achieve a decrease in non-compliance in most areas. Throughout this report, compliance is reported based on a sample of participating factories that have sufficient data to identify and report significant trends. Currently, factories that are presently enrolled in Better Work Indonesia have an average of approximately six years of participation in Better Work. Therefore, the trends that are discussed in this report are aggregate non-compliance

data for 48 factories that have been with Better Work for at least six service cycles within 2011 to the first quarter of 2020.<sup>7</sup> Figure 4 provides a snapshot of how compliance has evolved in these factories.

Since the beginning of the programme, Better Work found non-compliances in 29 of the 36 Compliance Points.<sup>8</sup> Among these 29 areas of non-compliance over ten years:

- ▶ Factories have improved compliance in **26** compliance points.
- ▶ Non-compliance increased in **2** compliance points.
- ▶ **1** compliance point had identical non-compliance in the beginning compared to the end.
- ▶ No evidence of non-compliance was found for 7 compliance points.

<sup>7</sup> At the time of writing, the the breakdown of active factories in Better Work Indonesia is as follows: 11% have completed Cycle 1; 7% are Cycle 2; 7% are Cycle 3; 11% are Cycle 4; 18% are Cycle 5; 10% are Cycle 6; 12% are Cycle 7; 9% are Cycle 8; 9% are Cycle 9; 5% are Cycle 10; and 2% are Cycle 11. The average factory has been enrolled in the programme for between 5-6 years.

<sup>8</sup> Of the 36 Compliance Points, seven demonstrated no non-compliance in the beginning of the observation period and continued to have no non-compliances throughout the duration of the programme.

FIGURE 4. CHANGES IN NON-COMPLIANCE BY ISSUE



The decreases in non-compliance occur across all clusters, with marked improvement in occupational safety and health, where all eight compliance points revealed a decrease in non-compliance over the given period, including in worker protection (from 92 per cent to 75 per cent) and chemicals and hazardous substances (from 100 per cent to 75 per cent). Improvements notwithstanding, non-compliance remains at significant levels in some areas, indicating persistent problems and areas in need of

further improvement. Moreover, compliance performance deteriorated in two compliance points – minimum wages and employment contracts – areas in which changes in national law created situations where practices at the firm level did not keep up with compliance requirements. More detailed information on how non-compliance rates have changed from the initial assessment to the latest one available can be found in the Annex of this report.



### 3. Progress toward achieving decent work

Beyond compliance, Better Work measures its impact from the first-hand accounts of workers. Working through independent researchers, the programme ensures that workers' anonymized perspective is elevated through surveys and used to measure trends in the sector as well as change achieved by industry stakeholders while working with the programme.<sup>9</sup> In this section, **findings from independent researchers using worker and manager survey data from 2011-2020 and survey data from bipartite committee members in 2020-2021** are presented together with an in-depth examination of select compliance trends. Overall, researchers find that workers in factories that are enrolled in Better Work experience and report better working conditions the longer their employer participates in the programme. Highlights of what the research has revealed across multiple years include:

- ▶ Occupational safety and health environments improve, and injury rates decrease in factories participating in Better Work.
- ▶ Worker-reported pay in Better Work factories increases over time, attributed to better adherence to paying wages according to law and as stipulated in workers' contracts.
- ▶ Although overtime beyond legal limits remains a stubborn issue, excessive working hours are curbed to an extent through factory participation in the programme.
- ▶ Workers in Better Work enrolled factories tend to achieve greater contract stability over time.
- ▶ Better Work's training interventions improve communication, competence, and production outcomes for participants and their coworkers.

<sup>9</sup> In two separate research projects carried out since 2011, Tufts University and the University of Indonesia have collected over 9,000 worker survey responses from garment workers in Better Work and non-Better Work factories, allowing researchers to identify the impact of the programme. More details at <https://sites.tufts.edu/laborlab/>

### THE EMPIRICAL LINK BETWEEN COMPLIANCE AND IMPROVEMENTS IN THE LIVES OF WORKERS

Although a singular focus on improving performance in compliance assessments has been criticized as producing corrupted “checklist” exercises in the industry, genuine improvement through better enforcement of and adherence to labour regulations improves the well-being of individuals at the workplace. Better Work data show that improved compliance with core labour standards is positively correlated with the life satisfaction and the self-reported well-being of workers. Researchers establish this link using the compliance performance of factories over multiple years in Indonesia, combined with confidential survey data asking workers a series of questions about their life outlook and well-being. Specifically, workers report greater levels of life satisfaction and well-being in factories that have higher compliance with laws and regulations regarding workplace discrimination and child labour. Moreover, workers report higher levels of life satisfaction and well-being if they work in factories that are in compliance with laws regarding limits on working time, and where the same workers report through surveys that they have an adequate working environment including feeling safe from accidents. In sum, ensuring compliance with international labour standards and national labour laws has an important role to play in improving the lives of workers.

Source: “Progress and Potential: How Better Work is improving garment workers’ lives and boosting factory competitiveness” ILO: 2016

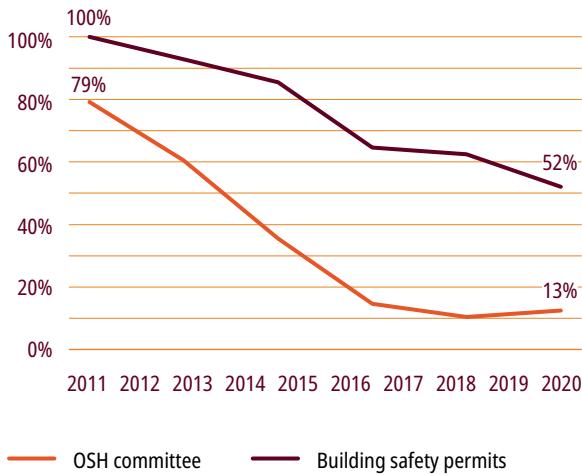
### PHYSICAL WORKING ENVIRONMENTS IMPROVE THROUGH PARTICIPATION IN BETTER WORK, BUT PERSISTENT CHALLENGES REMAIN

Despite improvements attained over the ten years of Better Work Indonesia’s programme, firm compliance with national occupational safety and health (OSH) standards continues to be a challenge in Indonesia’s garment industry. Violations related to OSH comprise over half of the most commonly cited issues of non-compliance identified in Better Work Indonesia’s

unannounced compliance assessments. OSH-related non-compliances are partially linked to the absence of internal OSH management systems.<sup>10</sup> Encouragingly, however, conditions related to OSH management systems improve dramatically over time, with a 60 percentage point improvement in the aggregate rate of non-compliance for establishing and maintaining an OSH committee at the factory. In Better Work’s initial assessment of firms entering the programme, nearly eight in ten did not follow this requirement (Figure 5).

10 ILO-IFC. 2018. *Better Work Indonesia: an industry and compliance review*.

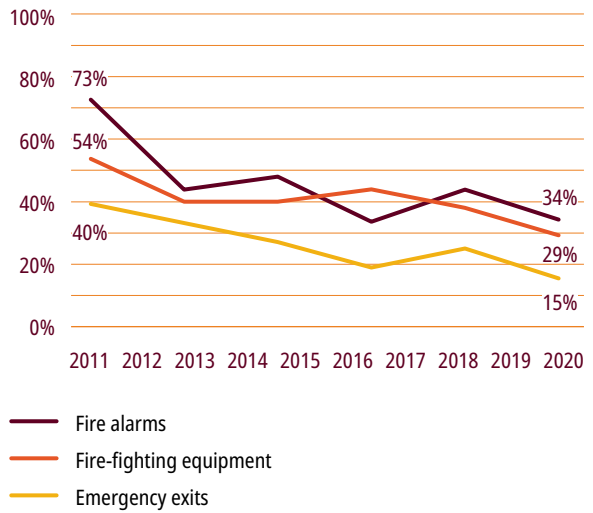
**FIGURE 5. NON-COMPLIANCE TREND (2011-2020) – OSH SYSTEMS**



The percentage of firms not meeting national requirements for maintaining building safety permit requirements also decreased dramatically, from universal non-compliance to just over half of firms failing to meet this requirement.

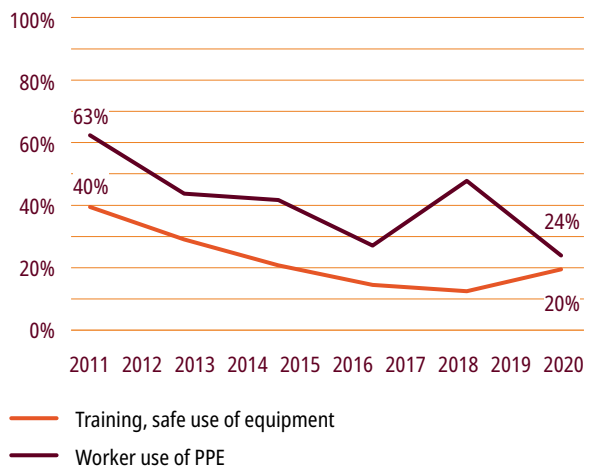
Regarding the maintaining of safe structural building environments, factories are assessed according to their capacity and readiness to respond to emergencies. Across three elements related to emergency preparedness – maintaining adequate fire alarms and fire-fighting equipment, and maintaining proper emergency exits – the firms enrolled in Better Work Indonesia achieve consistent improvement (see Figure 6). Nevertheless, approximately one-third of firms remain non-compliant in the areas of proper alarms and maintaining emergency exits.

**FIGURE 6. NON-COMPLIANCE TREND (2011-2020) – EMERGENCY PREPAREDNESS**



Better Work advisors provide guidance to firms on how to comply with worker protection regulations, including maintaining and training on safe use of equipment, and provision and use of personal protective equipment (PPE) on the factory production floor – an issue that was raised to the top of the priority list during the COVID-19 pandemic. Both areas see steady improvement over the course of time.

**FIGURE 7. NON-COMPLIANCE TREND (2011-2020) – WORKER PROTECTION**

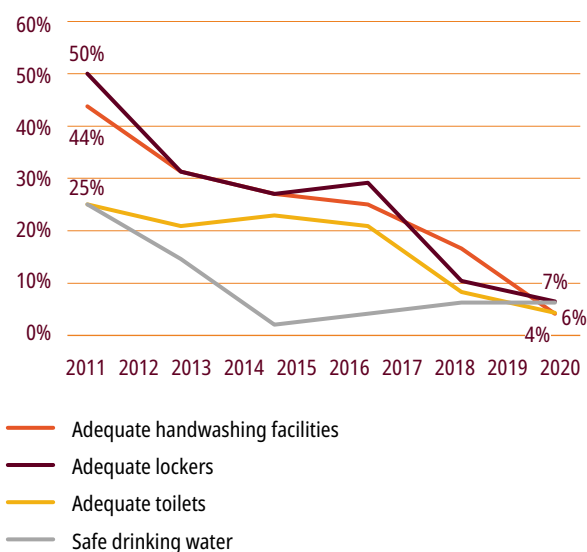




Researchers asked workers in Better Work and non-Better Work-enrolled factories directly through surveys about their safety and health and work. When compared to workers in factories not enrolled in the programme, workers in Better Work factories are *less likely* to report in anonymous surveys that they are *uncomfortable* at work with the general working environment. For example, they are less likely to report instances of being uncomfortably thirsty or hungry at work, issues that frequently occur in production settings such as the garment sector that include long working hours and close regulation of workers' break times. Potentially as a result, workers in Better Work-enrolled factories also report less fatigue on the job.<sup>11</sup>

Welfare facilities at the factory – including having access to clean water and sanitation facilities – are important and potentially overlooked conditions that affect the well-being of workers. Decreases in non-compliance rates were observed in the welfare facilities for workers as seen in Figure 8.

**FIGURE 8. NON-COMPLIANCE TREND (2011-2020) - WELFARE FACILITIES**



The improvement in the occupational safety and health environment as reported by workers in Better Work-enrolled factories tracks closely with results from improved compliance with OSH regulations highlighted above. Nevertheless, despite evidence that the Better Work approach helps to improve the health and safety of working environments, it remains an area with significant areas of non-compliance affecting the health and safety of workers.

### EXCESSIVE REGULAR WORKING HOURS ARE REDUCED, BUT OVERTIME ABOVE LEGALLY ALLOWED LIMITS REMAINS A CHALLENGE

Excessive working hours are pervasive in the garment industry, including among factories enrolled in the Better Work programme. Independent surveys among a representative sample of workers in factories participating in Better Work show that workers in Indonesia log nearly 50 hours per week, on average. Impact evaluation researchers identified an average drop of 3.3 fewer hours per work reported by workers by the time of the fourth year of participation in the programme, and attributed this change to exposure to Better Work services.<sup>12</sup>

Violations of working time regulations are frequently recorded in Better Work's compliance assessments. The figure below demonstrates that although over the course of participation in the programme the non-compliance rate with regulations on regular working hours improves dramatically, little has been achieved in reducing violations with excessive overtime hours. The non-compliance rate found among a representative sample of firms in the programme remains virtually unchanged, with almost two-thirds of firms being found non-compliant in this area. Sixty-five per cent

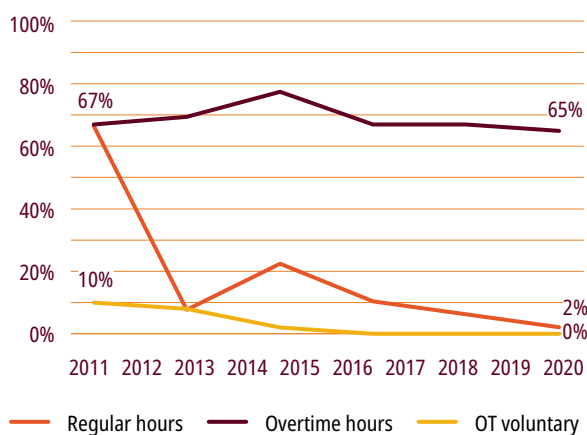
11 RTA Analytics. 2020. *Empowering Women through Humane Workplaces*. Tufts University, Universitas Indonesia.

12 Brown et al. 2020. *The Impact of Better Work*. Tufts University

of factories persist in being assessed as non-compliant with overtime hours reaching beyond legal limits. The competitive demands of the industry, purchasing practices, and other factors must be addressed in order to help overtime fall within the legal limit. Indonesia's legal working hours and overtime limits are also lower than those in competing countries, which will find many Indonesia factories in non-compliance with overtime limits when they set production targets similar to international competitors.

Ensuring overtime is freely chosen by workers was an area of non-compliance found among 10 per cent of firms at the beginning of the programme, which decreased to no findings of non-compliance during the latest available round of assessments.

**FIGURE 9. NON-COMPLIANCE TREND (2011-2020) - WORKING TIME**



The effect of participation in Better Work and how it is linked to some aspects of reduced excessive working time was experienced differently among different subgroups of workers. Women with lower education and women with children

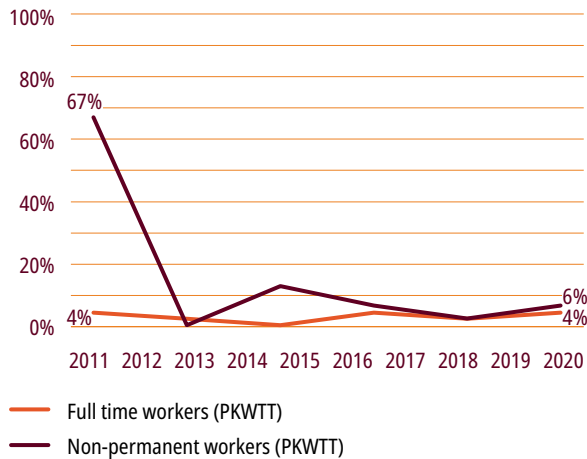
experienced greater reductions in work hours relative to their other female co-workers. The differential effect for these subgroups can be interpreted as the positive effect of the consistent application of legal regulations intended to protect those workers with greater demands on their time outside the workplace, including in family caretaking responsibilities. This improvement of working time compliance exemplifies a broader dynamic: more vulnerable workers, whether due to education status or dual burdens of caregiving, can benefit relatively more from the positive gains in compliance and working conditions prompted by engagement with Better Work.<sup>13</sup>

### THROUGH A FOCUS ON ADVISING FACTORIES ON CORRECTLY PAYING SALARIES AND BENEFITS ACCORDING TO LEGAL REQUIREMENTS, TAKE-HOME PAY FOR WORKERS HAS INCREASED

The Better Work programme has a discernible and statistically significant impact on the take-home pay of workers. It does this not by directly advocating for a particular wage level, but by advising factories on paying wages according to standards of what is set by law and as stipulated in workers' contracts. The efficacy of assessing firms to ensure they adhere to national law can be seen in Figure 10, which shows improvement in the rate of non-compliance found for paying the minimum wage correctly. Non-permanent workers, who make up a large percentage of the workforce in the apparel sector in Indonesia, began receiving the correct minimum wage following high instances of non-compliance (67 per cent of factories) in the initial years of the programme.

13 Djaya, D. et al. 2019. "An impact evaluation of Better Work from a gender perspective", ILO-IFC: Better Work Discussion Paper no. 30.

**FIGURE 10. NON-COMPLIANCE TREND (2011-2020) - MINIMUM WAGE FOR ORDINARY HOURS OF WORK**



Impact evaluation analysis using data from Better Work Indonesia enrolled factories over a geographically diverse sample of workers in the first five years of the programme showed that worker take-home pay increased, while holding external factors constant. The average worker in the sample reported monthly take-home pay of US\$ 160. After four years of participation in the programme, this average increased by approximately US\$ 28, or by nearly 18 per cent. Researchers attributed this effect to the process of engaging in Better Work's assessment and

advisory services, which helped ensure that workers are paid according to national law and as contractually stipulated.<sup>14</sup> Further analysis with a broader sample of workers over four years through 2020 similarly showed that Better Work has a positive impact on take-home pay reported by workers, from an average of US\$ 0.80 per hour to about US\$ 0.98.<sup>15</sup>

Self-reported data from workers show that not all workers experience the same conditions of pay and benefits. Although outright pay gaps based on sex are not commonly detected at a statistically significant level within the same job categories in Better Work Indonesia enrolled factories, workers experience different conditions of hours and take-home pay based on the jobs and promotion opportunities they can access where they work. The likelihood of being promoted, as reported by all workers, remains relatively low. Yet the likelihood of promotion increases for women as an effect of exposure to Better Work's intervention overall, from 13 to 27 per cent, although this effect is larger for women with higher education and women without children.<sup>16</sup> Better Work in turn recognizes that a gender-sensitive approach is key when assessing and advising factories on issues of working time, compensation, and workforce development.

14 Brown et al. 2020. Tufts University.

15 Djaya, D. et al. 2019. ILO-IFC: Better Work Discussion Paper no. 30.

16 Djaya, D. et al. 2019. ILO-IFC: Better Work Discussion Paper no. 30.

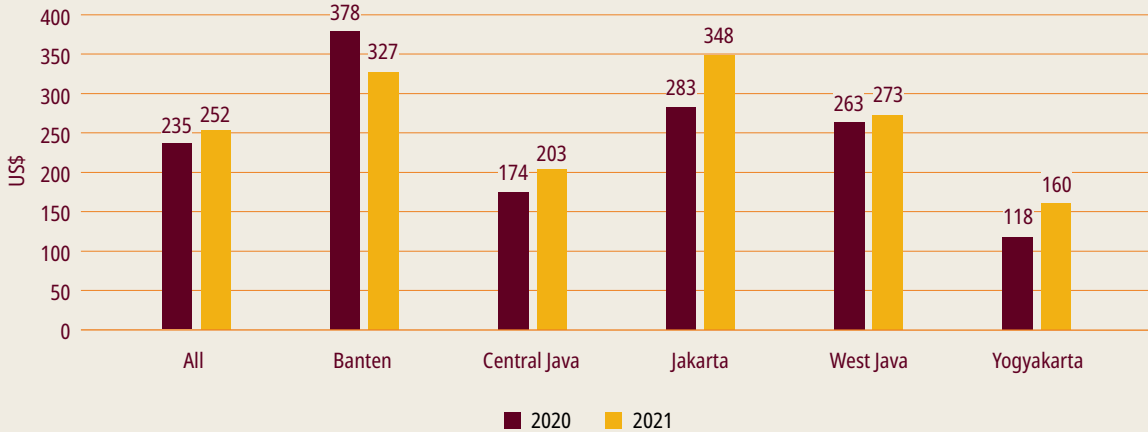
## WAGES DURING THE COVID-19 PANDEMIC

Demand-driven shocks in the industry related to COVID-19 created significant disruptions for the employment status of workers, their wages, and ultimately their take-home pay. Tens of thousands of workers in Better Work Indonesia enrolled factories had lost their jobs beginning in 2020, according to internal tracking of factory reports. The typical garment worker in Indonesia, like other garment producing countries in Asia, was estimated by the ILO to have lost out at least on 2-4 weeks of paid work, with only three of five workers called back to factories after widespread temporary closures. Furloughed workers have had to bear reduced wages, while some employers resorted to a “no work, no pay” scheme, taking a dire toll on workers’ primary source of income. In a bid to maintain both workers’ livelihoods as well as factories’ continuity, in 2021 the ILO and Germany’s Federal Ministry for Economic Cooperation and Development (BMZ) together launched a wage subsidy programme in the industry. This partnership, working together with workers’ organizations – F SP TSK KSPSI garment federation, associated with the Confederation of All-Indonesian Workers Union, and Garteks (the garment federation associated with the Confederation of All Indonesian Trade Union (KSBSI)) – also established and distributed a compensation fund for workers coping with job loss. As of December 2021, the project disbursed US\$ 1.7 million to 20,004 workers from 205 factories in the Better Work Indonesia programme.

Nevertheless, workers who were able to maintain their jobs fared much better than their counterparts who had suffered major employment disruptions. Better Work has used worker surveys outside of the assessment process to ask workers directly about their levels of take-home pay. The programme relied on close relationships built with bipartite committees, known as Lembaga Kerja Sama Bipartit (LSKB) committees to reach out to members during the pandemic via web-based surveys to ask them about key issues, including wages. Better Work asked respondents about the wages received during the COVID-19 pandemic, and about 600 of all respondents participated in both survey rounds in 2020 and 2021, which allows comparison of the average self-reported wages over the two years. Comparing the two rounds, 94 per cent were in the same job both years, whereas 6 per cent had either resigned or been laid off. Those in the same jobs reported varying levels of changes in the amounts that they were paid. The average amount received for all respondents, including workers, supervisors and managers, increased from about US\$ 343 to around US\$ 368. Among production workers, the average amount of the last payment increased from US\$ 235 to US\$ 252. The figure below shows the average wages among production workers by province.

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**Worker-reported monthly pay - Production workers on LKSB committees**

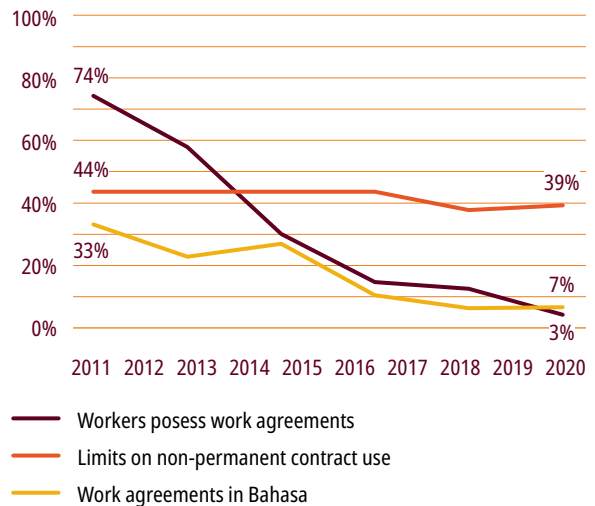


Under the Indonesia law, permanent and temporary workers are entitled to a yearly festivity allowance, also known as Tunjangan Hari Raya (THR). Over 98 per cent of respondents across both rounds said that they had received their THR payments.

**EMPLOYMENT CONTRACTS REMAIN AN AREA NEEDING ATTENTION FROM INDUSTRY STAKEHOLDERS**

A decrease in non-compliance rates for issues related to employment contracts is evident, with workers receiving written work agreements more often, and receiving them in a language that is intelligible to them. Non-compliance for ensuring workers possess written work agreements drops from 74 per cent to 4 per cent. Nevertheless, other areas that regulate employment contracts have shown to be persistent in non-compliance during the duration of the programme. For example, thirty-nine per cent of factories were cited as non-compliant with adherence to limits on non-permanent contract use for their workforce in the most recent assessment. Although this represents a slight decrease from the 44 per cent of factories found non-compliant initially, for practical purposes this issue remains static throughout the industry.

**FIGURE 11. NON-COMPLIANCE TREND (2011-2020) - EMPLOYMENT CONTRACTS**



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### **SPECIALIZED TRAINING CAN ENABLE MORE RESPECTFUL, PRODUCTIVE WORK ENVIRONMENTS**

A study focusing on a specialized training module within Better Work, Supervisory Skills Training (SST), demonstrates that with proper targeting training can yield substantial benefits to individuals and firms. Women who participated in the three-day SST curriculum, and perceived to have support from their management to do so, reported statistically significant higher levels of self-confidence in their ability to carry out their job effectively three

months later. These newly trained supervisors were found to be more likely to regularly take into account the perspective of their workers. The ability to consider the perspective of others in the workplace in order to better motivate the work effort and avoid counterproductive behaviour such as shouting, is a skill set which is critical for the high-pressured environment that exists in garment factories. Individuals trained through this programme subsequently managed production lines that had significantly higher productivity – up to 22 per cent – compared to control group production lines.



## 4. Social dialogue: A key driver of positive change

Dialogue and collaboration between workers and managers lie at the heart of Better Work's efforts to create positive change. The programme has emphasized effective social dialogue and sound industrial relations as key dimensions of its work in the garment industry. By promoting social dialogue in factories, Better Work supports management and workers to identify their needs and improve their working relationship and communication. This improved communication serves as a basis for effective prevention and remediation of problems. Non-compliance issues are often the starting point of these problem-solving efforts as identified in the most recent Better Work assessment

at the factory and consequently targeted for remediation.

While an initial focus of the Better Work programme in Indonesia has been at the factory-level and on workplace cooperation, beyond the factory floor Better Work actively engages with employers' and workers' associations in the Indonesian garment industry to promote sound industrial relations. Over the past decade, Better Work Indonesia has amassed an important evidence base relating to social dialogue, especially on factory worker-management committees. This section looks back and highlights key findings from research related to social dialogue, primarily at the enterprise level.

## THE COMMUNICATION ENVIRONMENT IN BETTER WORK-ENROLLED FACTORIES IS MORE MATURE THAN IN NON-BW-ENROLLED FACTORIES

Better Work does not begin its work in factories on a blank slate. Factories are often at varying levels of compliance and have different trajectories for social dialogue when they enrol in Better Work. When comparing factories enrolled in Better Work with factories outside the programme, workers in Better Work tend to experience better interpersonal communication at the workplace than peers in similar, non-enrolled factories.<sup>17</sup> Research conducted over multiple years in hundreds of factories both enrolled and non-enrolled in Better Work Indonesia provides some insight into the different starting points and trajectories for workplace social dialogue. Over 4,000 responses to confidential surveys in this study revealed that workers in factories enrolled in Better Work tend to experience better interpersonal communication at the workplace than peers in similar, non-enrolled factories. This result is not entirely unexpected, given that firms enrolling in Better Work are frequently well-connected through global supply chains to reputation-sensitive buyers, and that firms sourcing to these buyers are generally expected to have better working conditions. At the same time, deficiencies in workplace communication are likely to be not as easily identified as compliance issues tied to immediately observable characteristics, such as fire safety or other occupational safety and health conditions. For the multi-year research project examining Better Work versus non-Better Work enrolled-factories, researchers

measured the quality of communication – including the reception of management to worker ideas, complaints, and how easy it is to obtain information.

**Results demonstrate that workers in Better Work-enrolled factories experience better workplace communication, and are more likely than non-BW peers to report feeling comfortable seeking help from supervisors, the human resources department, and trade unions.** Beyond engagement with Better Work, contextual factors may be linked to the workers' ability to feel heard at the factory. Research compiling five years of survey data revealed that workers' profiles, including their gender and education level, correlate with how comfortable they are to speak up about workplace concerns. For example, men are more likely to report they have raised concerns with other workers, unions, or factory management. Women with relatively less education are less likely than more highly educated women to speak up, but these dynamics change with the introduction of Better Work. **Women are more likely to begin vocalizing opinions the longer Better Work operates in their factory** regardless of their demographic background.<sup>18</sup> When workers feel their rights or entitlements have been infringed upon at the workplace, they should have the ability to have their grievance formally addressed. Better Work advises factories and their bipartite committees on strategies for designing effective workplace grievance mechanism systems. Tracking internal Better Work data shows that by 2019, 92 per cent of participating factories were deemed to have an operating grievance mechanism, a 23 per cent increase from the preceding five years.

17 RTA Analytics. 2020. Tufts University, Universitas Indonesia.

18 Djaya, D. et al. 2019. ILO-IFC: Better Work Discussion Paper no. 30.



## UNDERSTANDING THE ATTRIBUTES OF HIGH-QUALITY COMMITTEES

Building trust and cooperation among workers and managers is at the core of Better Work's approach to improving compliance in factories. To facilitate an improvement process, Better Work helps establish (or improve existing) bipartite worker-management committees through its advisory and training services. In Indonesia, the bipartite committees, known as LKSB committees, are required by law. Committees focused specifically on occupational safety and health issues (OSH/P2K3 committees) also commonly exist in parallel throughout the industry. All factories enrolled in Better Work are required to have a bipartite committee, with equal representation of workers and managers. Worker members may include trade union representatives or independent worker representatives. The LKSB's key function is to identify and drive changes in the factory by developing and implementing improvement action plans. LKSB committees are meant to meet on a regular basis to collectively identify issues and deliberate solutions. Analysis of Better Work assessment data shows that at the programme start, 79 per cent of factories were initially non-compliant with maintaining a functioning bipartite worker committee, a percentage that decreases to just 13 per cent by 2021. At present, at least 37 per cent of LKSB committees include the presence of trade union members.

**Freely and fairly elected committees and women's representation are key factors that impact the connection between**

**bipartite committees and better working conditions.**<sup>19</sup> Not all mechanisms for social dialogue, including committees, maintain the same level of quality. The quality of a bipartite committee also determines its effectiveness in driving social dialogue and compliance improvement. Certain dimensions, particularly indicators of inclusion and representation, are critical to how such committees are perceived in their factories as well as how much they can drive improvements. In addition, Better Work has integrated conclusions from research carried out on industrial disputes in the enrolled factories that suggest four interrelated criteria are needed for well-functioning committees. In committees of high quality, i) workers are elected through a participatory and secret ballot election process without management presence, ii) members fully represent workers, which includes consulting (non-member) workers before meetings and reporting back to them after, iii) members are fully protected from potential management retaliation, and iv) members are empowered to adequately address serious non-compliance issues. This "elect, represent, protect, and empower" framework<sup>20</sup> serves as a reference for Better Work as it expands its work on enterprise-level social dialogue.

Finally, Better Work's experience suggests that committees alone are not sufficient to improve working conditions and competitiveness. There is strong evidence, however, that establishing functioning committees and promoting open communication and joint problem solving on factory floors establish the basis for continuous improvements.

19 ILO-IFC. 2016. *Progress and Potential: How Better Work is improving garment workers' lives and boosting factory competitiveness.*

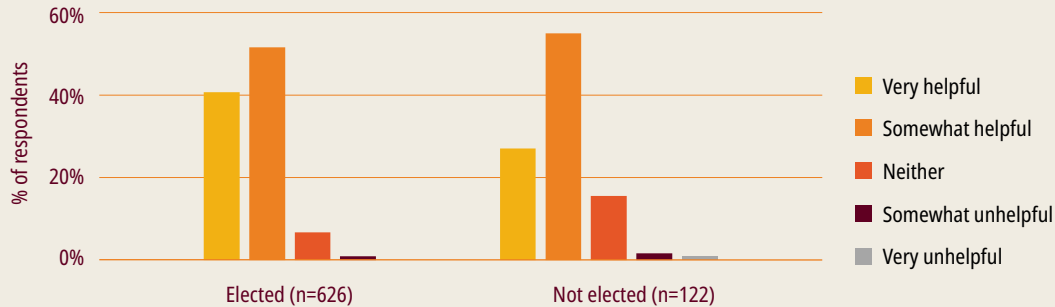
20 Anner, M. 2017. "Wildcat strikes and Better Work bipartite committees in Vietnam", ILO-IFC: Better Work Discussion Paper no. 24.

**IN-DEPTH: BIPARTITE LKSB COMMITTEES AND SOCIAL DIALOGUE DURING COVID-19**

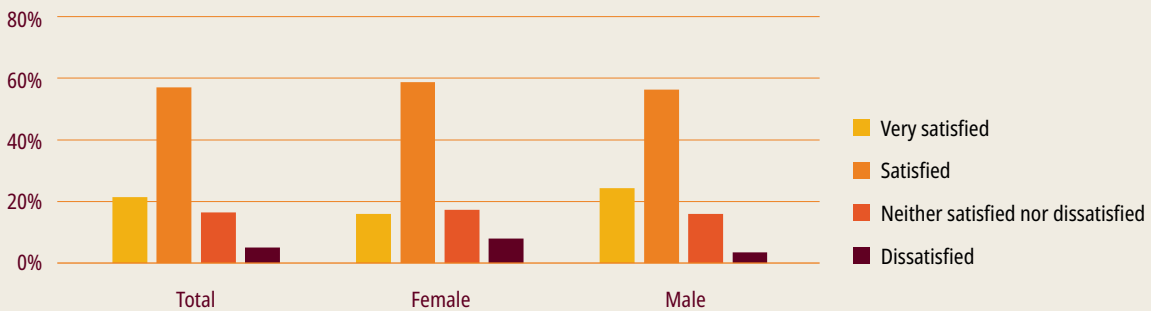
The bipartite committees established with the help of Better Work played a key role in maintaining communication between workers and managers during the disruptions of the pandemic. To better understand the role of social dialogue in this context, Better Work deployed a mobile-based survey among LSKB members in 70 factories enrolled in Better Work Indonesia in both 2020 and 2021. Summarizing and tracking their responses over time allows for a look at committee members' perception of social dialogue during the pandemic, and the role of these committees in that environment.

First, members were asked about the nature of their participation in the committee, which begins to reveal insights into its functioning. Over 80 per cent of the participating 749 LKSB members said that they were elected to their bipartite committee. This share was higher among women representatives, where about 90 per cent of the female members said that they were elected to their LKSB committee. On average, members who were elected held more positive views on the LKSB's helpfulness in managing the pandemic's negative impact on workers. This holds true across both genders.

**In managing the negative impact of the COVID-19 outbreak, do you think the LKSB / bipartite committee has been helpful or unhelpful for workers?**



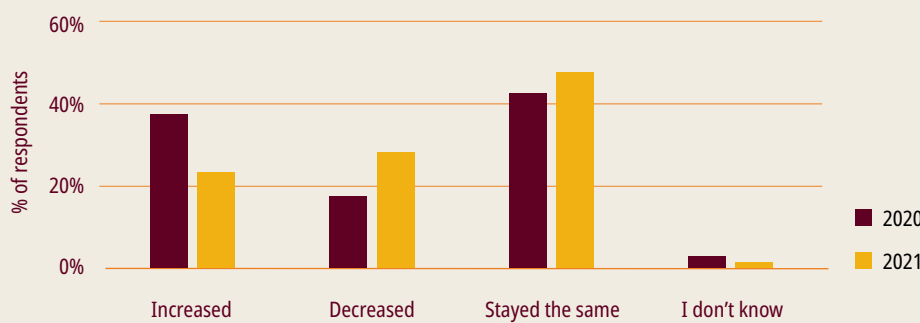
**How satisfied are you with your trade union in advocating for your interests during these negotiations?**



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Thirty-one per cent of committee members are also members of a trade union. If respondents to the LKSB survey indicated they are a trade union member, they were asked to indicate their satisfaction levels with their union advocating for their interests in negotiations during the pandemic. About 21 per cent said that they were *very satisfied* and about 57 per cent were *satisfied*. Women union members on average had lower levels of satisfaction – about 75 per cent women cited some level of satisfaction compared to 80 per cent of male members.

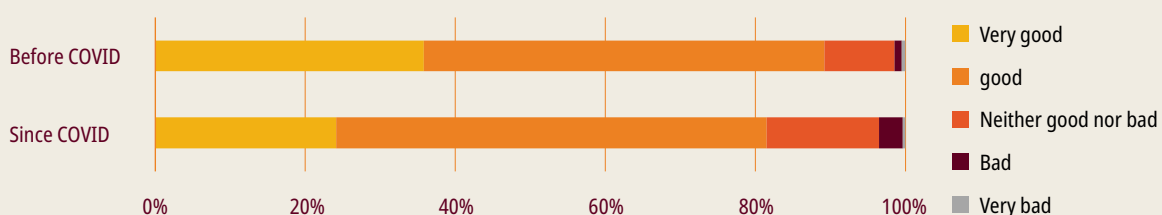
**Did the frequency of LKSB / bipartite committee meetings increase or decrease during the period of COVID-19 disruptions?**



While it has been challenging for factories to hold meetings during the pandemic, the majority of the LKSB members surveyed reported meeting and participating in workplace negotiations in 2020 and 2021. On average, LKSB members reported meeting around eight times in 2021. Overall, a slightly larger share of members reported increased frequency in meetings in 2021 compared to 2020. Members were able to meet most likely due to lower restrictions and improved response to the pandemic. Among the topics covered during negotiations, temporary suspension of work, payment of festivity allowances, “no work no pay”, and contracts and compensation for non-permanent workers were some of the ones to be widely discussed.

For those who participated in these negotiations, about 34 per cent participants in 2021 and 37 per cent in 2020 reported feeling that their opinions were discussed and heard all the time. In 2021, about 95 per cent of LKSB members said that the negotiations had resulted in a signed agreement and 70 per cent noted being either satisfied or very satisfied with the outcomes. While the average perceptions of being heard changed only slightly between the two years, satisfaction levels with the outcome of negotiated agreements have dropped since 2020. The survey also asked respondents to describe the worker-manager relationship in their factories before and since the COVID-19 pandemic. The overall responses indicate relatively fewer positive views of workplace relations among the respondents.

**Relationship between workers and management**



## QUALITY WORKPLACE DIALOGUE LEADS TO POSITIVE CHANGES IN WORKING CONDITIONS

The large number of factories enrolled in the Better Work programme allows for researchers to examine how the variation in the quality of bipartite committees affects workplace outcomes, and how Better Work has contributed to improvements.

Impact evaluation research has established that quality bipartite committees – particularly those with gender representation proportional to the overall workforce and free elections – are correlated with better working conditions at the factory, as perceived by workers and managers. Improved working conditions associated with these quality dialogue mechanisms include better reported worker-supervisor relations, better working environments from an occupational health perspective, and reduced evidence of verbal abuse and discrimination. Better working environments likely result from the work of committees on improving visible safety violations in the workplace – issues which are often seen as areas for early committee collaboration that promote confidence-building among members.<sup>21</sup>

Researchers also used the opportunity of surveying workers in both Better Work and non-Better Work-enrolled factories to compare the environments in terms of communication. Evidence shows that environments which engendered better communication in Better Work factories were linked both to the higher likelihood of worker confidence in their ability to do their job, and to whether workers feel empowered to express their thoughts at the workplace. Job confidence and empowerment are linked to a higher likelihood that workers

think their job is worthwhile. Workers in Better Work – enrolled factories are more likely than their peers in other factories to increasingly raise their voices to solve problems, and to express their workplace concerns. Exposure to the Better Work model in general – regular assessments and interrelated advisory and training services – shifts working environments in factories toward more hospitable conditions for workers to voice their opinions and concerns.

## BROADER INDUSTRIAL RELATIONS MECHANISMS MUST UNDERLIE AND REINFORCE THE WORK OF COMMITTEES

Although workplace committees alone may not be sufficient for sustaining improvements, they open space for dialogue and other industrial relations processes to take hold at the workplace. Recent research using data from Better Work in Indonesia provides evidence to this effect.

**Workplace unionization and collective bargaining are associated with better working conditions related to salaries and benefits, contracts, as well as occupational safety and health and welfare standards.**<sup>22</sup> Fifty-seven percent of factories registered in Better Work Indonesia have at least one trade union present in the workplace, and 37 per cent of all workers across factories in the programme are trade union members. The presence of unions and proportion of unionized workers remain relatively constant throughout the period of programme operation. Looking at the strength of an industrial relations (IR) system in a workplace – union presence, freedom of unions to operate, the presence of a Collective Bargaining Agreement (CBA), and effective implementation of a CBA – recent evidence

<sup>21</sup> ILO-IFC. 2016.

<sup>22</sup> Lupo, L. and Verma, A., 2020. “Labour standards compliance in the global garment supply chain”, ILO-IFC: Better Work Discussion Paper no. 37.

shows that the stronger the IR system, the more likely factories are to meet and uphold compliance with regular and overtime wages, issues related to contracts, and with paid leave requirements. This finding suggests that it is the process, rather than strictly the content, of engagement with unions and negotiating CBAs that may have a positive impact in improving working conditions, including adherence to paying salaries and benefits according to or in excess of legal requirements.

The functional features of bipartite committees in Better Work factories, including union representation, election process, women's representation, management support, as well as country contexts are important factors in determining how bipartite committees impact compliance outcomes.<sup>23</sup> In Indonesia,

union representation in bipartite committees led to a higher level of reported violations, especially in the areas of health and safety, worker protection and working hours. On the other hand, committees confirmed to have fair election processes are associated with fewer violations found in subsequent compliance assessments. One plausible explanation of these seemingly opposing trends is that the activation of workers' voice in bipartite committees with unions enables more issues to be raised, both during bipartite meetings and in workers' feedback during assessment visits.<sup>24</sup> At the same time, an independent bipartite committee with freely elected members may be assumed to be functioning particularly well, helping to address and remediate issues of non-compliance in an effective and timely manner.

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23 Khan, M. 2021. "Worker Voice and Labor Standards – Study of Participation Committees in Supply Chains", ILO-IFC: Better Work Discussion Paper no. 41.

24 Khan, M. 2021. ILO-IFC: Better Work Discussion Paper no. 41.



## 5. Working conditions and links to profitability and resilience

Factories participating in the Better Work programme vary in numerous ways, including in their business performance. Factors determining success for businesses in the garment industry include, among others, securing competitive supply chain positioning, attaining favourable order terms from lead buyers, and achieving the profitability and resilience to withstand various shocks to the industry.

Within this competitive environment, firms' management strategies differ and result in a range of working conditions, despite facing similar pressures on cost, quality and flexibility in production, and speed to fulfil orders. As such, factories face a decision to take a "low-road" business strategy to survive

in a competitive environment, resulting in poor working conditions, or a "high-road" strategy leading toward higher compliance and competitiveness. Low-road strategies can consist of manoeuvring to pay workers below what is legally required, relying on excessive or unpredictable overtime hours to fulfil orders, or resorting to counterproductive strategies such as shouting at workers to motivate work effort. On the other hand, high-road strategies view the workers in factories as assets to be invested in; compliance standards related to wages, benefits, and working hours to be met and workers to be motivated to contribute productively to meet production goals.

Ten years of operational experience in Indonesia have allowed the programme to leverage access to firms in order to explore the impact of Better Work on the performance of firms from multiple angles, including on productivity, profitability, position in the supply chain, order sizes, and interaction with lead buyers. Researchers conducting this work use confidential surveys from the period 2011-2017 among firm management in 58 factories to elicit information on production orders, revenue and costs, technical production operations, and human resource management strategies of participating firms.

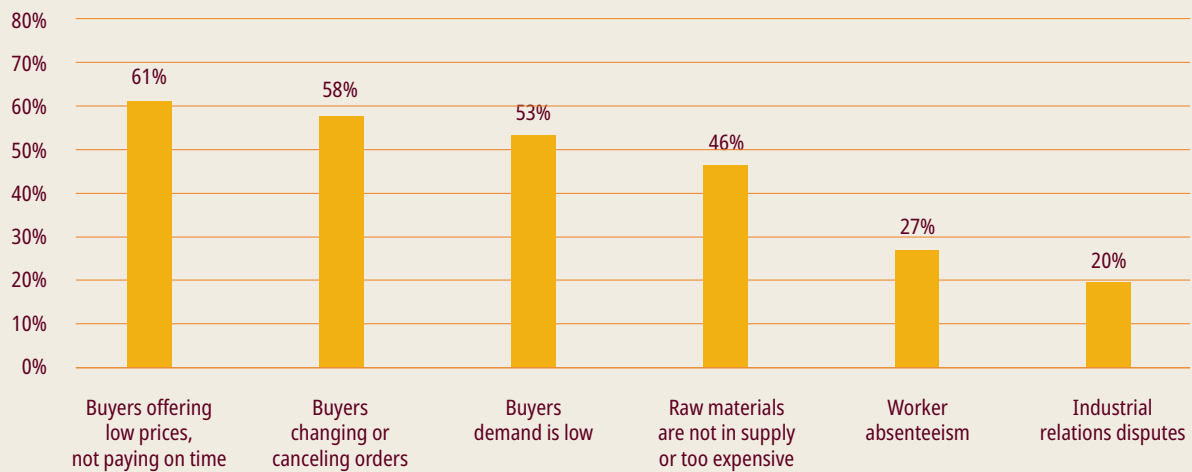
Through multiple surveys, Better Work asks managers about the main obstacles to business success – including uncertain orders, last-minute changes, and fines for defects or late delivery. Data are also gathered on the average order size received from main buyers, and the time interval between the delivery of finished goods and payment. As Better Work engages directly with international buyers to influence their business model and practices in the supply chain, the programme is invested in understanding whether and how changes in sourcing practices from leading buyers are perceived by managers at the supplier-level. Although no positive effect is found from linking participation in Better Work to more certain orders or fewer fines from buyers, suppliers do tend to report fewer last-minute changes from buyers during the course of participation in the Better Work programme. In addition, the average order size increased with successive years of participation in Better Work, while other factors such as factory characteristics and seasonality are held constant.<sup>25</sup>

What these supply chain interactions with main buyers ultimately imply for the business success of firms requires a closer look at actual revenues, costs, and productivity. Quarterly and annual revenues and costs are captured through detailed surveys of firm management. Productivity is measured through detailed triangulation and with the use of workers' surveys to establish average time to production targets for a given product at a particular time. Better Work's impact evaluation research has established a consistent pattern: compliant working conditions, including higher wage bills to pay in accordance with legal regulations, have increased costs for the average firm; however, these increases in costs are offset both by higher productivity among workers and by better business terms attained from buyers. As a consequence, annual profits for the average firm enrolled in Better Work Indonesia rise with each successive cycle and with the length of participation in the programme. Ultimately, analysis shows that by the fourth year of participation in the Better Work programme, quarterly profits have more than doubled from the baseline for the average firm. This increasing profitability witnessed among firms is likely due to larger orders, and potentially more advantageous pricing of these orders – an outcome consistent with the assumption that reputationally sensitive international buyers may respond positively to increased compliance.<sup>26</sup>

The findings above used data from seven years of the Better Work Indonesia programme, although they pre-dated the COVID-19 pandemic. COVID-19 severely impacted business prospects at the level of manufacturers, including through the channels of government-mandated workplace closures, collapsed aggregate

25 Brown et al. 2018. "The Impact of Better Work – Firm performance in Vietnam, Indonesia and Jordan", ILO-IFC: Better Work Discussion Paper no. 27.

26 Brown et al. 2018. ILO-IFC: Better Work Discussion Paper no. 27.

**FIGURE 12. MAIN BUSINESS CHALLENGES, ACCORDING TO LKSB MEMBERS (% CITING CHALLENGE)**

demand for apparel, and supply chain input disruptions.<sup>27</sup> In Indonesia, approximately 70 per cent of Better Work participating factories closed for less than one month with the largest proportion (38 per cent) closing for less than 14 days. In total, among the Indonesian suppliers that were surveyed, lost working days led to approximately US\$70 million in lost or postponed business.

The COVID-19 pandemic has highlighted the need for discussions on sourcing and purchasing practices in the global garment industry. The pandemic and its subsequent disruptions have brought the vulnerability facing businesses and workers in garment-producing countries, including Indonesia, to the forefront. When asked about the pandemic's impact on business operations in late 2021, a large share of the workers, supervisors and managers who were surveyed reported significant problems. Almost half the respondents reported that low customer demand, order cancellations and customers

offering low prices were problems facing the garment industry and ranked them from serious to moderate.

In sum, improving work environments and eliminating abusive behaviour is associated with maximizing profit – in this sense, a “high road” is available and can be pursued by garment firms in global supply chains. A more holistic approach to supply chain management, one that reaches beyond the factory floor, is needed to mainstream this high-road production system in the global apparel industry. Brands and retailers play an important role and must review current supply chain models and sourcing practices in order to address the root causes of poor working conditions. Meanwhile, in most cases, factory managers must increase their understanding of the HR strategies that optimize performance. They must also make a wholesale shift in their perception of workers, recognizing them as valuable assets and individuals to be invested in.

27 ILO. 2020. *The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific*.





## 6. Well-being of workers and their families

Through guiding firms toward business models that encourage safe and healthy workplaces compliant with labour law, Better Work seeks to increase the well-being of workers, and ultimately of their families. Prior sections of this brief have focused on how the programme has helped the industry navigate the past ten years with a focus on improving legal compliance, achieving greater worker-manager cooperation at the workplace, and improving working conditions and competitiveness of firms. This section turns to focus on how improvements in these areas of work ultimately affect the well-being of workers. Evidence shows that:

- ▶ The well-being of workers is generally higher in Better Work-enrolled factories than in non-Better Work enrolled-

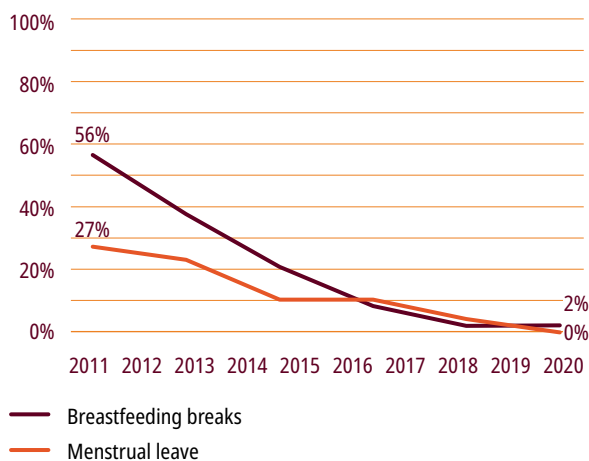
factories, a trend which continues over time.

- ▶ Workers report increasing access to healthcare services, whether at the workplace or elsewhere.
- ▶ Better working conditions can increase education opportunities for workers' children.

**Health and access to healthcare.** Workers in Better Work enrolled-factories self-report better health than that of workers in non-BW factories.<sup>28</sup> Through its assessment and advisory work to ensure greater compliance with existing laws, Better Work Indonesia has enabled expanded access to pregnancy related healthcare. More workers report through surveys that they have access to this kind of healthcare, a vital service

for many young women working long hours in the garment sector. Analysis of assessment data from Better Work also points to improvement in adherence to national regulations that stipulate entitlements regarding women's health considerations. For example, after multiple years of working with Better Work, factories failing to provide adequate breastfeeding breaks went from over half (56 per cent) in their initial assessment, to just 2 per cent of factories in the latest assessment cycle.

**FIGURE 13. NON-COMPLIANCE TREND (2011-2020) - WOMEN'S HEALTH AND PAID LEAVE**



**Work-life issues and outlook.** When comparing workers in Better Work-enrolled versus non-Better Work-enrolled factories, evidence shows that in enrolled factories, workers have higher life satisfaction.<sup>29</sup> These workers, compared to their peers in non-enrolled Better Work factories, have a 7 per cent lower turnover intention, a measurement of the likelihood that they indicate they are looking for a new job or will soon leave their current job. Workers who have better self-reported health outcomes are also less likely to be spending time thinking about leaving their job.

Nearly 90 per cent of children of workers in Better Work Indonesia factories are enrolled in school. Workers whose factories participate in Better Work report further slight increases in this schooling rate over time, indicating that securing better conditions at the workplace can spill over to improving the lives of workers' families.

In 2021, during the COVID-19 pandemic, when LKSB representatives were asked how they felt about their job security, almost 88 per cent reported that they were either very certain or certain that they'd be able to keep their current job. On average, women respondents across all categories were more likely to report slightly higher certainty with job security relative to men.

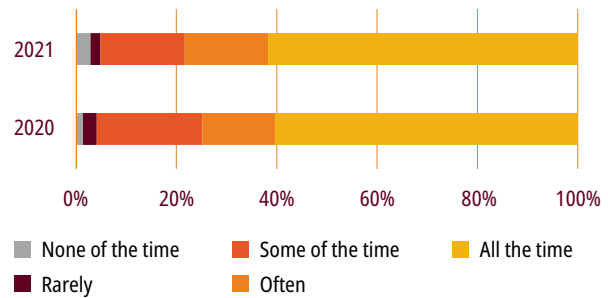
Surveys of LKSB members in 2020 and 2021 also covered the pandemic's impact on their livelihoods and coping mechanisms. Comparing responses from the two rounds indicate some improvements in the situation. The share of respondents using their savings to cover living expenses dropped by 18 percentage points in the latest survey. Almost 32 per cent of the respondents in 2021 reported receiving some form of government assistance (namely, cash transfers, pre-employment cards).

Even during the pandemic, about 71 per cent of the respondents said they would recommend their job to a friend or family members. Those who would not recommend their jobs commonly cited geographic distance, low pay and better opportunities elsewhere as key reasons for not recommending their jobs. Further, respondents who note positive relations (either very good or good) between managers and workers in their factories were more likely to say they'd recommend their jobs to family and friends.

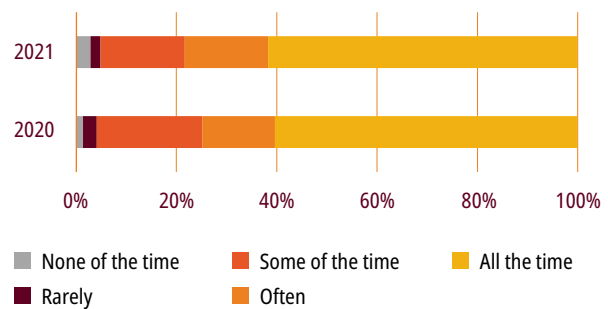
When asked about what the respondents would like to be doing in about three years' time, about 52 per cent noted they'd like to continue working in their current factory and over 33 per cent shared hopes to run their own business. Line leaders and supervisors were the most likely (about 67 per cent) and managers (48 per cent) were the least likely to say that they'd want to stay on with their factories. Those reporting more positively on worker-management relations were more likely to want to continue working in the same factory. This trend is consistent across different genders and occupations.

When asked how optimistic they were feeling about the future and how well they thought they were dealing with problems, a slightly lower share of LKSB members reported feeling distressed over the last two weeks, as shown in Figures 14 and 15.

**FIGURE 14. I'VE BEEN FEELING OPTIMISTIC ABOUT THE FUTURE (ALL - PANEL)**



**FIGURE 15. I'VE BEEN DEALING WITH PROBLEMS WELL (ALL - PANEL)**





## 7. Looking forward

Better Work Indonesia seeks to capitalize on the achievements attained to-date, while deepening established working relationships with stakeholders to tackle the remaining and ongoing challenges identified in this review. The programme is therefore launching in 2023 its fifth strategic phase, where it will continue to support the Indonesian government and social partners to improve policy, laws, and labour market governance systems based on the Better Work experience. The programme will continue working closely with relevant national stakeholders to implement and improve the Labour law and reform labour inspection. The programme will also further promote the effectiveness and use of a national system for labour governance, such as the OSH management systems national certification programme. A joint plan or memorandum of understanding between all relevant actors on persistent non-compliance will be formalized in the next phase of the programme. Given the critical importance that social dialogue has been proven to have in the past ten years, a key priority is to continue promoting sound industrial relations at the national, sectoral

and factory level. At the factory services level, the programme will evolve its model of factory engagement, prioritizing tailoring and differentiation, further operational efficiency and factory ownership and self-reliance. The programme will continue to support factories in their efforts to promote gender equality and inclusion, as critical drivers for overall factory improvements, including productivity.

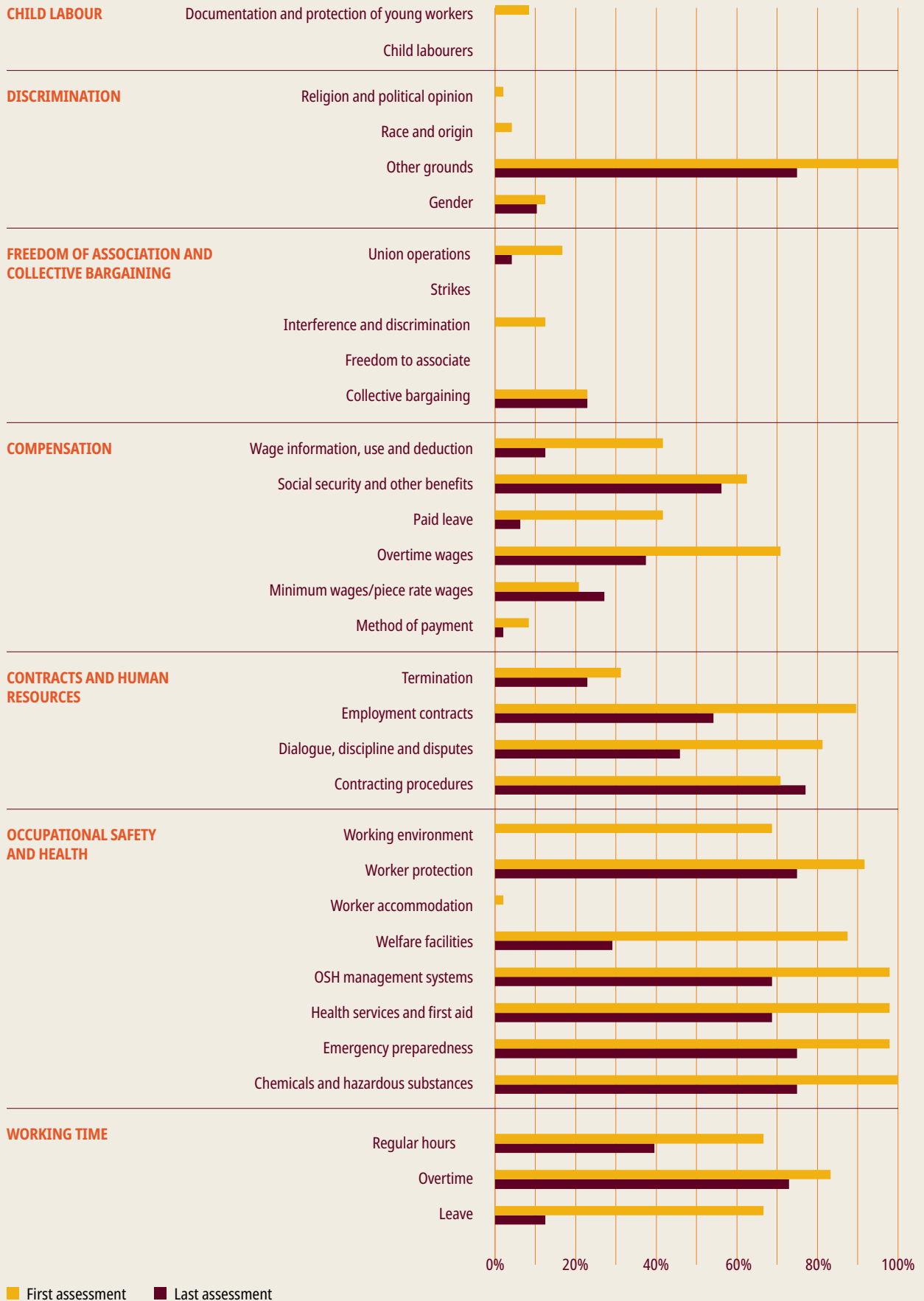
Going forward, Better Work Indonesia will continue to engage workers and management representatives at firm-level, providing assessment, advisory, and training services albeit in revised and more nimble, responsive forms. The programme will work together with other field interventions to promote the respect for workers' rights and decent work in Indonesia, while at the same time acting as an actor for labour policy. In this role, Better Work Indonesia will continue to be an advocate for accountability and transparency, and, together with the government and social partners, serve as a means for experimentation and innovation for improved working conditions and a productive and resilient garment industry.

## Annex

The chart on the next page provides further detail on how the aggregate performance of factories across Better Work Indonesia has evolved since 2010. Orange bars correspond to the average non-compliance rate across the sample corresponding to the first assessment of each factory. Blue bars represent the aggregate compliance rate corresponding to the latest assessment in the time period. The decreases in non-compliance occur across all clusters, with marked improvement in occupational safety and health, where all eight compliance points revealed a decrease in non-compliance over the given period, including in worker protection (from 92 per cent to 75 per cent) to chemicals and hazardous substances (from 100 per cent to

75 per cent). This chart omits the eighth cluster assessed by Better Work, forced labour, given that this cluster contained four compliance points with no evidence of non-compliance found in the studied period. Improvements notwithstanding, non-compliance remains at significant levels in some areas, indicating persistent problems and areas in need of further improvement. Moreover, compliance performance deteriorated in two compliance points, – minimum wages and employment contracts – areas in which changes in national law created situations where practices at the firm level did not keep up with compliance requirements.

**COMPARISON OF NON-COMPLIANCE RATES, 2011-2020**



■ First assessment ■ Last assessment

Better Work Indonesia is supported by the following development partners :

- ▶ Australia, Department of Foreign Affairs and Trade
- ▶ Canada, Employment and Social Development Canada (ESDC)
- ▶ Germany, Federal Ministry for Economic Cooperation and Development
- ▶ Netherlands, Ministry of Foreign Affairs
- ▶ Switzerland, State Secretariat for Economic Affairs (SECO)
- ▶ United States, United States Department of Labor, Bureau for International Labor Affairs, Office of Trade and Labor Affairs