

Survey Responses from Women Workers in Indonesia's Textile, Garment and Footwear Industries

Mari Pangestu and Medelina K. Hendytio

**Center for Strategic and International Studies, Jakarta
and
Consultants, World Bank**

This paper resulted from a study carried out as a cooperative effort between the World Bank and the Center for Strategic and International Studies, Jakarta. The members of the team are: Medelina K. Hendytio, Sonia Prabowo, and Mari Pangestu. The survey team was made up of members from Padjadjaran University, University of Indonesia, and CSIS. The authors would like to acknowledge the contribution of Peter Gardiner and Mayling Oey-Gardiner, particularly for data processing and input into the questionnaire design. The authors would also like to thank the Ministry of Manpower and the Ministry of Women Affairs for their support and input. Finally, we would also like to thank Listiani Sasmito and Susan Rees Lane for valuable assistance in editing the drafts of this report.

TABLE OF CONTENTS

	Page
List of Tables	iii
List of Figures	iv
List of Boxes	v
Executive Summary	vi
I. INTRODUCTION	1
II. WOMEN WORKERS THE MAIN ISSUES	8
II.1. Characteristics of Women Workers	8
II.2. The Aspiration of Women Workers	10
II.3. Migration and Job Mobility	11
II.4. Women's Empowerment	13
III. THE GROWTH IN LABOR INTENSIVE INDUSTRIES AND LABOR LEGISLATION	14
III.1. The Economic Climate an the Industries	14
III.2. Minimum Wages	15
III.3. Labor Legislation	17
III.4. Labor Union in Indonesia	19
IV. DESCRIPTION OF SURVEY	20
IV.1. Location	21
IV.2. Sample	21
IV.3. Method of Data Gathering	24
V. RESULTS OF THE SURVEY	25
V.1. Characteristics of the Respondent	25
V.2. Wages	27
V.3. Compliance with Labor Regulations	31

V.4 Health and Safety Provision	37
V.5. Knowledge of Standard Working Conditions, Wages, and Benefits ..	41
V.6. Migration and Poverty Alleviation	47
V.7. Labor Union (SPSI)	49
V.8. Workers' Aspirations	50
VI. MAIN FINDINGS AND POLICY RECOMMENDATIONS	51
VI. 1. Minimum Wages.....	51
VI. 2. Compliance With Labor Legislation.....	53
VI. 3. Health and Safety Provisions.....	54
VI. 4. Knowledge of Standard Working Conditions, Wages and Benefits.....	54
VI. 5. Role of Trade Unions and Workers' Aspirations.....	55
VII. CONCLUDING NOTES.....	55
References	58
Survey of Women Workers Questionnaire	70

LIST OF TABLES

		Page
Table 1	Indonesia: Manufactured Export Classified by Resource Intensity	3
Table 2	Percent of Women Workers by Labor Intensive Sectors, 1993 .	4
Table 3	Percent of Women Workers by Labor Intensive Sectors and Size of Company, 1993	5
Table 4	Wage Increase 1989-1994	6
Table 5	Sample Design	23
Table 6	Firms Sample by Area	24
Table 7	Characteristics of Respondent	25
Table 8	Receipt of UMR in Relation to Company Size.....	23
Table 9	UMR in Relation of Type of Industry	28
Table 10	UMR in Relation to Industry Type and Company Scale Categories	29
Table 11	UMR in Relation to length of Employment	30
Table 12	Respondents Experience of Company Compliance With Workplace Benefits	33
Table 13	Receipt of Entitlements in Relation To Company Size	34
Table 14	Receipt of Entitlements in Relation To Industry Type	35
Table 15	Receipt Benefit of Entitlements in Relation to Length of Employment	35
Table 16	Provision Of Facilities in Relation to Company Size Category	37
Table 17	Access to Health and Safety Provisions	38
Table 18	Use of Provided Safety Equipment	39
Table 19	Reason For Not Using Safety Equipment	40
Table 20	Access to Safety Equipment in Relation to Company Size	41
Table 21	Health Problems Experienced By Respondent	41
Table 22	Knowledge of Standard Working Conditions, Wages and Benefits	42
Table 23	Knowledge of Entitlements in Relation to Company Size Category	43

Table 24	Knowledge of Entitlements in Relation to Industry Type	44
Table 25	Knowledge of Entitlements in Relation to Place of Origin	45
Table 26	Knowledge of Entitlements in Relation to Age	45
Table 27	Knowledge of Entitlements in Relation to Education level	46
Table 28	Knowledge of Entitlements in Relation to Length of Employment	46
Table 29	Saving Ability in Relation to Educational Level, Place of Origin, and Living Arrangement	48
Table 30	Union Membership	49
Table 31	SPSI Membership in Relation to Company Size	50

LIST OF FIGURES

		Page
Figure 1	Receipt of Entitlements in Relation to Company Size	63
Figure 2	Access to Health and Safety Provisions	65
Figure 3	Access to Safety Equipment in Relation to Company Size	66
Figure 4	Knowledge of Legal Working Conditions, Wages and Benefits	69

LIST OF BOXES

		Page
Box 1	The Expenses of Women Workers	31
Box 2	Menstrual Leaves : A Hundred Ways to Get Around It	36

EXECUTIVE SUMMARY

i. The importance of women in economic activity has increased with their labor force participation rate increasing from 33 per cent to 39 per cent over the 1980 to 1990 period. Furthermore the highest increase, at 9 per cent per annum over the same period, was experienced by female labor force participation in the urban area. The rate of participation is expected to continue to increase reaching 44 per cent by 1998. The increase in female participation rate can be attributed to increased employment opportunities resulting from economic growth and in particular, the outward oriented strategy followed by Indonesia since the mid 1980s which has led to rapid annual growth of manufactured exports of 29 per cent over the 1985-94 period. Growth of labor intensive exports has been higher at 34 per cent p.a. and the share of labor intensive exports has gone up from 32 per cent to 45 per cent of manufactured exports over the same period. The main labor intensive exports in Indonesia comprise of textiles, garments and footwear which together account for 37 per cent of manufactured exports and an estimated 24 per cent of the labor force in the manufacturing sector (BPS, Statistic Industry 1993). The increase in female participation, has also been due to women workers receiving better education, postponement of marriage, social mobility and changing values about women working outside the home (Manning 1993:65).

ii. Previous studies of women workers in the formal sector indicate that there is a tendency for firms in labor intensive export activities and manufacturing sectors to offer lower wages, minimum safety standards for workers and even violate worker rights. The production in such firms is characterized by mass production, utilization of standard technology, and exports are subject to intense competition. Ensuring workers' welfare and minimizing worker-employer friction, protecting and supporting workers' rights and ensuring that they work in a clean and safe environment is very important in enhancing labor productivity. Weak compliance with regulations and standards could be related to ignorance of workers about their rights, ineffectiveness of labor unions and difficulties in enforcing centrally mandated legislation and standards. Ineffectiveness of labor unions can also be related to government intervention. The latter can be caused by government regulations regarding labor unions or can be due to the effectiveness of the organization itself. Failure to ensure that workers are paid due compensation and that their safety and welfare are safeguarded, can be due to either inadequate legislation or lack of compliance by companies with regard to the labor regulations.

iii. In the Indonesian context, the issues have become increasingly important. Inadequate legislation does not appear to be the reason for poor working conditions, rather it has been due to difficulties in enforcing centrally mandated standards and lack of self regulation due in part to the absence of effective trade unions or representation of workers. The issue is also important for the sustainability and productivity of Indonesia's exports. Furthermore, the minimum wage in Indonesia has more than tripled in the 1989-95 period. Therefore, it is important to undertake a systematic study to understand whether firms in export oriented and labor intensive sectors are complying with

protective legislation governing working conditions and safety. Other than the issue of workers' rights, it is also important to understand these issues of labor regulations to examine whether low worker productivity could be linked to this. As Agrawal (1995) points out, the competitiveness of Indonesia's exports is threatened by the trend of rising unit labor costs as a result of rising absolute wages and declining productivity. It is hoped that the results of the study can be used to recommend policy changes, effective implementation of policy, and introducing institutional changes.

iv. Based on the above considerations, the study is concerned with answering five main questions:

1. Are women workers receiving the legal minimum wage?
2. Are firms complying with the Indonesian government's labor legislation, standards and health and safety provisions for the protection of women workers?
3. Are women workers aware of the legal Indonesian standards of working conditions, wages and benefits?
4. Does the presence of the labor union (SPSI) in the work place strengthen the probability of implementation of labor standards, and working conditions, health and safety procedures, wages and benefits to which women workers are entitled?
5. What are the links between labor mobility of women workers in the Jakarta-West Java area and alleviation of poverty in rural and/or urban areas?

v. The survey was conducted on a sample of 300 women workers employed in a sample of firms from the three main export oriented and labor intensive sectors: textiles, garments and footwear. The choice of firms is based on output so that 85 per cent of the workers are employed in large scale and 15 per cent in medium-small enterprises. The focus is on the conditions faced by women workers, rather than all workers since the focus of this study is not on comparing pay and working conditions between female and male workers. The main characteristics of the workers surveyed are summarized in Table 7. The results of the analysis are based just on permanent workers, which make up 85 per cent of respondents.

vi. The main results with regard to compliance with minimum wage laws are as follows (Table 12). Most of the permanent workers (80 per cent) receive the minimum wage or higher than the minimum wage. In fact 50 per cent of workers in the large firms receive between 1-2 times the minimum wage and 2.2 per cent receive more than 2 times the minimum wage (Table 8). As expected, the percentage of permanent workers receiving below minimum wages can be found in the small-medium enterprises. In terms of the industry, a higher percentage of workers receiving below minimum wages can be found in footwear (Table 9 and Table 10). The level of basic wage is solely determined by the length of time the worker has worked in the factory. There is no relationship

between the level of education and the basic wage as the workers surveyed are unskilled workers. Other than basic wage, 60 per cent of permanent workers receive food compensation and 30 per cent receive transportation or compensation for transport.

vii. Based on the responses from respondents, the level of compliance by firms to providing workers' benefits and facilities (Table 12) can be summarized as follows.

Benefits:

- High compliance with regard to *maternity leave* (96 per cent), *hours worked/week* (91 per cent), and *maternity leave accompanied by compensation* (89 per cent).
- Low compliance was found for the following benefits: *breast feeding facilities* (six per cent), *overtime compensation* (31 per cent for wage first hour, 26 per cent for wage subsequent hours) and *provision of menstrual leave/compensation* (37 per cent / 38 per cent).
- The level of compliance is higher for the large firms compared with the small-medium enterprises (SME); higher based on the length of years worked; and relatively higher for textiles and garments compared with footwear.

Provision of Facilities:

- A low number receive facilities for pregnancy checks and family planning
- A large number of respondents, 70 per cent from large firms, receive insurance and health care. Whereas in SME only 26 per cent receive insurance and 29 per cent receive health care. This is related to the better resources and capability of large firms to provide such facilities compared with SMEs.

Various issues that arise out of the above observations are: whether differentiation should be made with regard to insurance and health care facilities between large and SME; evaluation of the regulation with regard to provision of breast feeding facility since in reality it is difficult to implement; and analyzing the factors behind the low compliance for overtime compensation since 77 per cent of permanent workers work overtime and 40 per cent of respondents work more than 12 hours/week.

viii. The results of the survey with regard to ensuring a safe and healthy work place can be summarized as follows (Table 17 and Figure 3):

- Most workers have access to clean water (97 per cent), first aid (91 per cent), toilet (82 per cent) and worker training regarding the equipment and materials use in work (76 per cent).
- 60 per cent of respondents in large companies are provided with clinic facilities, and have availability doctor and nurse on site; less than 50 per cent of respondents in SME receive such facilities.
- Only 17 per cent of respondents received fire drill training.
- Safety protection equipment was received by 64 per cent of respondents. However, the utilization rate is low and the reason given is discomfort. This implies that the

provision of the equipment is not accompanied by training or awareness raising program with regard to safety in the work place.

- A large number of workers (80 per cent) indicated that they suffered from health ailments out of which 60 per cent indicated that it was due to the working environment. Even though this is the case, the level of absenteeism is low.

ix. An equally important question is with regard to workers' knowledge of their benefits and rights (Table 22 and Figure 5). The regulation that most workers are knowledgeable about is the minimum wage (41 per cent). Whereas, the least number of respondents indicated their knowledge with regard to breast feeding facilities and overtime compensation. Interestingly enough, these aspects have low compliance by firms. However, it cannot be concluded that in general low compliance is linked to lack of worker knowledge since there are several aspects with regard to benefits and rights where there is high compliance even though there is low level of worker knowledge. The level of worker knowledge is related to the level of education. Even though there is high compliance for the benefits and rights of workers that they are not aware of, efforts still need to be made to provide information to workers with regard to their rights.

x. In general most workers indicate that the labor union (SPSI) does not appear to be functioning optimally (Table 30). Out of 60 percent of the respondents who indicated that there was an SPSI established at their workplace, 85 per cent that they were members. However, almost half of the SPSI members indicated that their wages and benefits remain the same or unchanged. A lower number of respondents, 56 per cent, indicated that there was a Collective Labor Agreement (KKB- Kesepakatan Kerja Bersama) at their workplace, out of which only 28 per cent indicated that they understood the contents of the KKB. However, most of the respondents where there was a KKB in the work place indicated that it resulted in improvements in the working conditions.

xi. The survey also tries to address the issue of labor mobility and poverty alleviation. A large number of respondents originate from rural areas (78 per cent) and the main motivation for the single workers for migration to the urban areas is economic reasons. A significant proportion (69 per cent) repatriate their earnings to their original province and almost half indicate that they plan to return. Other than the repatriation activity in itself, it is not possible to then draw conclusions with regard to whether this alleviates poverty since the amount sent is not large (75 per cent of respondents indicate that they send less than Rp. 50,000 per month) and that the funds sent are used for food consumption rather than for production activity. Perhaps one use of the funds which could potentially reduce poverty is to fund the education of their siblings.

xii. The preliminary recommendations that can be put forth with regard to policy and implementation, as well as future research or studies can be summarized as follows:

- The main finding is that the success of government stipulated regulations varies in relation to company compliance, workers' knowledge of regulations and the effectiveness of the regulations. The issue of workers' rights and the role of labor unions is also a pertinent issue raised by this research.

- Specifically, the research shows that minimum wages are more likely to be paid by large companies as opposed to small-medium sized companies. Certainly, policy issues in relation to the capacity for smaller companies to comply, whether government should regulate centrally and whether the minimum wage should be applied across all companies are raised for consideration.
- The research shows that workers experience low company compliance in regard to the provision of breast feeding facilities, menstrual leave entitlements and overtime pay rates. Again, it appears the size of the company is a relevant factor with respect to company compliance.
- Issues such as health and safety provisions for workers and workers' knowledge of standards conditions also highlight the need to further consider why larger companies appear to be more likely to comply with standards and why workers do not have adequate knowledge of safety issues and their rights and entitlements.
- The effectiveness of SPSI is highlighted, showing that further studies are required into whether more effective unionization would benefit women workers and protect their rights.
- Policy needs to take into consideration the motivations of companies to not comply with regulations. Some of these policy issues also need to acknowledge the socio-economic vulnerability of women workers in these industries, and the subsequent likelihood of worker exploitation without effective protection for their needs, rights and entitlements.

Perhaps the strategy to black listing companies which was introduced in 1994 for non compliance regarding wages should be applied in relation to non compliance to all mandated benefits. This would assist in the development of good moral and ethical practices in Indonesian companies.