

# No excuses for homework.

Working conditions in the  
Indonesian leather  
and footwear sector

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APRISINDO	Asosiasi Persepatuan Indonesia – Association of the Indonesian Footwear Industry
BSCI	Business Social Compliance Initiative
BPS	Badan Pusat Statistik – Indonesian Statistics Agency
BPJS Ketenagakerjaan	Badan Penyelenggara Jaminan Sosial – Indonesian National Social Security on Employment
BPJS Kesehatan	Badan Penyelenggara Jaminan Sosial – Indonesian Health Insurance
CCC	Clean Clothes Campaign
CSR	Corporate Social Responsibility
FoA	Freedom of Association Protocol
FSP TSK	Federasi Serikat Pekerja Tekstil, Sangdang, dan Kulit – Federation of textile, apparel and leather workers' unions (Indonesia)
GDP	Gross Domestic Product
IDR	Indonesian Rupiah
ILO	International Labour Organisation
KASBI	Kongres Aliansi Serikat Buruh Indonesia – Congress of Indonesian Unions
KSPN	Konfederasi Serikat Pekerja Nasional – National Confederation of Unions
LIPS	Lembaga Informasi Perburuhan Sedane – Labour Research Organisation Sedane
MWPRI	Mitra Wanita Pekerja Rumahan Indonesia – National Support Network for Homeworkers Indonesia
NGO	Non-Governmental Organisation
OIE	Office Internationale des Epizooties – World Organisation for Animal Health
PKWTT	Perjanjian Kerja Waktu Tidak Tertentu – Provision on Permanent Employment (Indonesia)
PKWT	Perjanjian Kerja Waktu Tertentu erjanjian Kerja Waktu Tertentu – Provision on Temporary Employment (Indonesia)
PT	Perseroan Terbatas – Indonesian business entity form (comparable with private limited companies and limited liability companies)
SJSN	Sistem Jaminan Sosial Nasional – National Social Security System (Indonesia)
SKKNI	Standar Kompetensi Kerja Nasional Indonesia – National standards on work competency and skills
SME	Small and medium-sized enterprises
SPN	Serikat Pekerja Nasional – National Labour Union (Indonesia)
SPSI	Serikat Pekerja Seluruh Indonesia – All Indonesian Workers' Union
TURC	Trade Union Rights Centre
UMP	Upah Minimum Provinsi (Indonesian) – Regional minimum wages
UUD	Undang-Undang Dasar Republik Indonesia – Proclamation of Indonesian Independence

## 1. INTRODUCTION

*“I was told to do overtime. I refused because I missed my family. But my foreman didn’t allow me to go home”.*

*“I want social security and a raise, but I don’t know how to negotiate with the factory manager”.*

*“When I joined a homeworkers’ association and went to India with the ILO, I received a one-month working ban and the factory threatened me”.*

*“We [homeworkers] don’t have any employment contracts or social security”.*

Workers in factories manufacturing footwear for European brands made these statements. The statements form part of a survey conducted in 2016 that provides information for this study.

Workers at subsidiaries and suppliers to brands such as Ara, Deichmann, and Ecco speak about wages well below what is considered to be a living wage and excessive, partially involuntary, overtime. The situation of the homeworkers interviewed is particularly salient. The women sew footwear for Ara, a German company. Yet they do not have employment contracts; they are not covered by social security; and they receive a fraction of the local minimum wage. The results of the survey carried out among workers at a supplier to Ecco are equally alarming. The workers talk of extremely low wages, unpaid social security, a lack of unions, and massive restrictions and punishments when they wish to make use of their right of association.

The workers’ statements are contradictory to what company representatives told the authors in bilateral interviews and a written company survey on the high standards of labour law, their respective codes of conduct, and CSR initiatives.

These statements require a detailed study about the actual rights workers currently have in the Indonesian leather and footwear sector. The main questions tackled in this study are: What has happened economically and politically in the two sectors over the past few years? How do the developments impact the workers’ situation?

Indonesia is the fourth largest footwear manufacturer worldwide after China, India, and Vietnam. US Americans and mainly Europeans buy shoes from Indonesia. To learn more



about the social and ecological footprint of leather shoes worn in Europe it is hence worth taking a look at Indonesia.

This study is a product of the international campaign Change Your Shoes. 18 European and Asian organisations have come together to raise awareness about problems in the production of leather and footwear. Research for the campaign was conducted in China, India, Indonesia, Eastern Europe, Italy and Turkey, with the aim of improving social and environmental conditions in the global leather and footwear industry.

The study provides an insight into the working conditions that govern the Indonesian leather and footwear sector by summarising the history of the leather and footwear sector in Indonesia (Chapter 2). Chapter 3 is dedicated to presenting and analysing regulations and acts pertaining to Indonesian labour law and explores the Freedom of Association Protocol (FoA); a unique instrument for regulating unionising activities





Union work in Indonesia is often still heavily regulated, Photo: HenrikMintarno/Flickr.com

at a factory level. Chapter 4 presents the results based on workers' interviews. 117 workers from four different factories in Central and Eastern Java, the most important provinces for footwear production, were interviewed. 37 homeworkers also answered the questions. All interviews were conducted between the end of 2015 and mid-2016. The study finishes by giving recommendations to various stakeholders, who are able to contribute to improve social and ecological conditions in the Indonesian leather and footwear sector (Chapter 5).

Against the backdrop of comprehensive political change in Indonesia over the past 25 years, it is difficult to say to what extent the situation of factory workers can be externally influenced. After more than 30 years of military dictatorship, which fostered abundant corruption, Suharto's successors' started to democratise the country after the regime change in 1998. Old structures, however, prevail and continue to influence corporate culture (Kemp 2001: 2). Part of the regime's legacy

is the heavily regulated and governmentally controlled work of the unions. After 1998, workers founded some independent unions. Yet many factories still do not have any unions and some companies only allow "yellow"<sup>2</sup> or management-friendly unions (Ford 2010: 3, 6).

And yet there are signs that Indonesian leather and footwear workers are starting to use their democratic rights more confidently. Moreover, brands seem to be slowly understanding that they are responsible for all workers across the supply chain. Consequently one must ask how these positive developments can contribute to sustainably improving the workers' situation.

1: Haji Mohamed Suharto was president of Indonesia between 1967 and 1998. In 2008, the dictator died. He faced numerous allegations of systematic discrimination, persecution, and the murder of political and ethnic minorities, for example.

2: Yellow in contrast to red (socialist or social democratic) unions. A "yellow" union is a worker organisation which is dominated or influenced by an employer. It is therefore not an independent trade union.

## 2. THE INDONESIAN LEATHER AND FOOTWEAR SECTOR

Shoes play a significant role in the Indonesian economy. The availability of cheap labour in particular makes Indonesia an attractive country for manufacturing footwear, which has led to a boom in the sector in recent years (Ministry of Trade of the Republic of Indonesia 2009: 10). Many companies have had their footwear made in Indonesia for decades. Bata, at that time a Czech (today Swiss) footwear company, went into business in Indonesia as early as 1940. International sportswear brands started large-scale production of footwear in Indonesia in the 1980s. Footwear production for Nike in Indonesia, for example, started in 1988.

### 2.1 THE INDONESIAN LEATHER SECTOR

The footwear sector is dependent on certain suppliers, especially the leather industry. Companies in the global leather sector are increasingly moving production to low-wage countries like Indonesia. Indonesia, with its fast-growing leather industry, is facing more and more scarcities in its internal supply of raw materials,

which may lead to production standstill. Consequently, Indonesia is gradually importing larger quantities of hides. Simultaneously, the number of plants manufacturing leather is increasing (UNIDO 2010: 59-68).

#### 2.1.1 Indonesian leather in the global market<sup>3</sup>

The leather and leather products sectors (including footwear) are among the ten strongest sectors in Indonesia according to statistics published by the Indonesian Ministry for Industry (in proportion to GDP, see Table 1).

According to ministry information, the textile, footwear and leather products business contributed approximately 9.4% (IDR 43.09 trillion or EUR 3.02 billion)<sup>4</sup> in Q2 in 2013 and approximately 9.1% (IDR 47.01 trillion or EUR 3.34 billion) in Q2 in 2014 to the GDP of the processing industry (not including oil and gas). This puts it in fourth place (Table 1).

Table 1: Various manufacturing industries expressed as a percentage of GDP (excluding the oil and gas industry) in Indonesia, 2013/2014

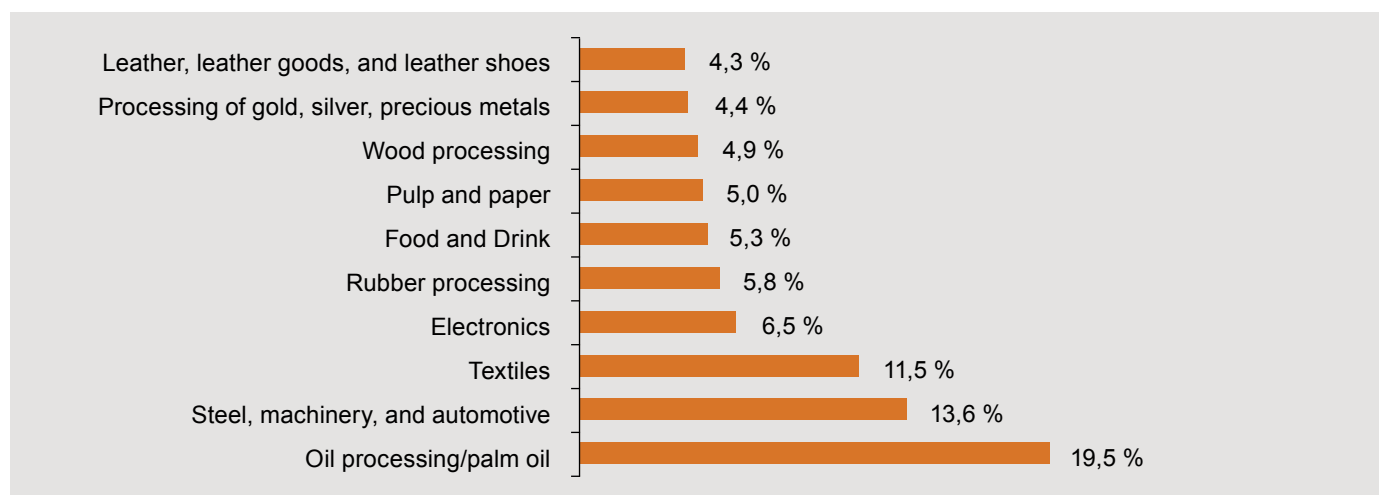
Industry	Q2 2013			Q2 2014		
	Trillion IDR	Billion EUR	% of GDP (without oil and gas)	Trillion IDR	Billion EUR	% of GDP (without oil and gas)
Food, beverages, and tobacco	160.9	11.4	35.0	190.00	13.5	36.8
Textile, footwear, and leather goods	43.1	3.1	9.4	47.0	3.3	9.1
Wood and forestry	23.2	1.7	5.0	26.4	1.9	5.1
Paper and print	18.3	1.3	4.0	20.4	1.4	3.9
Fertilizer and rubber	56.1	3.4	12.2	60.6	4.3	11.7
Cement and non-metallic minerals	15,7	1,1	3,4	16,6	1,2	3,2
Basic metals, iron, and steel	8.9	0.6	1.9	9.6	0.7	1.9
Transportation, machinery, and assembly	131.2	9.3	28.5	142.83	10.2	27.6
<b>Other</b>	<b>2.9</b>	<b>0.2</b>	<b>0.6</b>	<b>3.4</b>	<b>0.2</b>	<b>0.7</b>
<b>GDP without oil and gas</b>	<b>460.3</b>	<b>32.1</b>	<b>100</b>	<b>516.8</b>	<b>36.7</b>	<b>100</b>

Source: Ministry of Industry of the Republic of Indonesia 2015a: 12

3: There were no statistics exclusively covering leather production. Thus this chapter refers to figures for the leather, leather products, footwear, and textile sectors.

4: IDR 10,000 is around EUR 0.68, EUR 1 is around IDR 14,680. Exchange rate according to oanda.com (4 July 2016).

Figure 1: Top ten Indonesian processing industries in 2015 (as measured by share of total export)



Source: Ministry of Industry of the Republic of Indonesia 2015b: n.pag

Table 2: Export volumes in the leather, leather products, and footwear sector 2012-2015 in US dollars

Year	Export volume in the leather, leather products, and footwear sector (in USD)
2012	3.56 billion
2013	3.93 billion
2014	4.09 billion
2015	4.61 billion

Source: Ministry of Industry of the Republic of Indonesia 2015b: n.pag.

In 2015, the leather, leather goods, and footwear sector generated USD 4.62 billion worth of exports and contributed 4.33 % to the total export volume (Ministry of Industry of the Republic of Indonesia 2015b: n.pag.). Although exports in this sector are annually increasing (Table 2), they are relatively small compared with exports in other industry sectors (Figure 1).

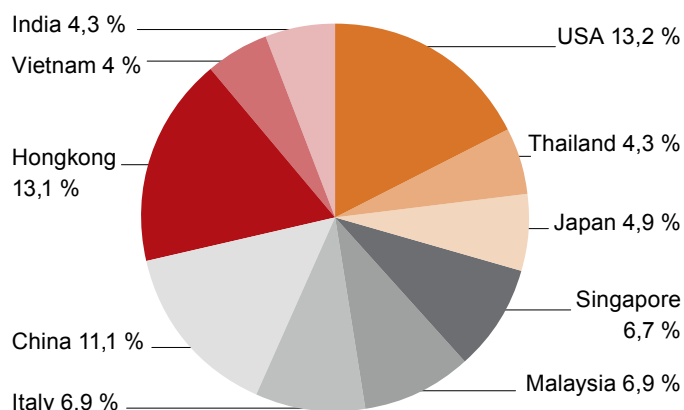
The ten largest countries of destination of leather and leather goods are: The United States, Hong Kong, China, Italy, Malaysia, Japan, Thailand, India, and Vietnam (Figure 2). The United States, Hong Kong and China are by far the three biggest importers of leather and leather goods from Indonesia (Wasiyanto 2010: 33).

As figure 2 shows: most countries of destination are in Asia.

In 2015, imports of leather, leather products, and footwear accounted for only 0.97 % of overall imports to Indonesia and amounted to USD 1.05 billion. Imports in this sector are declining due to decreasing leather processing activities

since 2014 (Ministry of Industry of the Republic of Indonesia 2015c: n.pag.). The government restricts the import of hides and skins (see Chapter 2.4), making these rare and expensive (Bisnis Indonesia 2012). This has resulted in a small decline of imports in the leather-processing sector (Table 3).

Figure 2: Exports of the leather and leather goods sector by country of destination, in %, 2004-2008



Source: Wasiyanto 2010: 33

Table 3: Imports in the leather, leather goods, and footwear sector 2012-2015 (in USD)

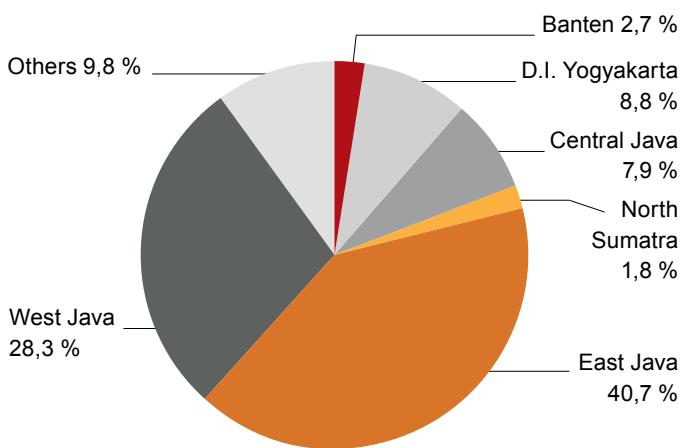
Year	Imports in the leather, leather goods, and footwear sector (in USD)
2012	977 million
2013	1.06 billion
2014	1.09 billion
2015	1.05 billion

Source: Ministry of Industry of the Republic of Indonesia 2015c: n.pag.

### 2.1.2 Clusters of leather production

In Indonesia, there are several tanning and leather production clusters, showing a concentration in Java, one of the four main islands of Indonesia, and with more than 130 million inhabitants the most populous island on earth. Java is also the main production location for other sectors, as other parts of the country often lack the necessary infrastructure (Harian Ekonomi NERACA 2014: n.pag.). In 2010, the most important regions for the leather and leather products sector were Banten, East Java, West Java, D.I. Yogyakarta, Central Java, and North Sumatra (Wasiyanto 2010: 30).

Figure 3: The leather processing industry in Indonesia by region (2010)



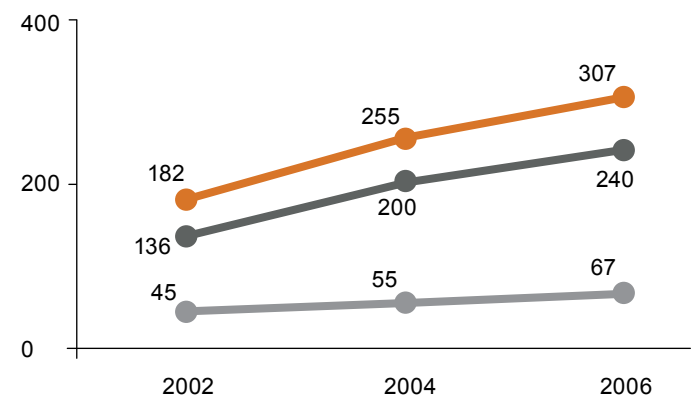
Source: Wasiyanto 2010

In West Java, there are two leather production clusters: Bandung and Garut. In Bandung mainly leather products are manufactured, particularly footwear (Ministry of Trade of the Republic of Indonesia n.d.: 8). Garut is known for its tanneries, in which workers make leather products such as jackets, belts, and wallets (Pemerintah Kabupaten Garut 2008: n.pag.). In East Java, there are also two production clusters. In the Sidoarjo region, the most significant production site is in Tanggulangin, where workers make bags, shoes, wallets, and belts. In the Magetan region, there are mainly smaller tanneries (Ministry of Trade of the Republic of Indonesia n.d.: 5-6). In D.I. Yogyakarta, leather production is clustered in the Manding region. In North Sumatra, leather goods such as jackets and shoes are made.

### 2.1.3 Sector structure

Since the mid-20th century, Indonesia has seen developments in the leather business, which produces a variety of leather goods such as hides, semi-finished, and finished products. Indonesia's tanning sector is marked by volatilities in production – unfortunately, there are no current, official data. However, Figure 4 shows the rise in the number of tanneries between 2002-2006. There are clearly more small tanneries than medium-sized. The number of medium-sized tanneries has grown by 45 %, the number of small tanneries by as much as 76 %.

Figure 4: Number of tanneries between 2002-2006 shown in terms of small businesses, medium-sized businesses, and cumulated figures



— small and medium-sized tanneries    — Small tanneries    — medium-sized tanneries

Source: Ministry of Trade 2007: 53





## 2.2 THE INDONESIAN FOOTWEAR SECTOR

### 2.2.1 Indonesian footwear in the global market

The Ministry of Industry reports that in 2014, the footwear sector generated USD 4.1 billion worth of exports, accounting for 2.3 % of total foreign currency (Tempo 2015). Having produced around one billion pairs of shoes and secured a 4.4 % share in the global market, Indonesia became the world's fourth largest footwear producer after China, India, and Vietnam. The majority of the footwear manufactured in Indonesia is made for its domestic market; only 19.2 % is exported. Indonesia's footwear sector is thus far less export-oriented than China's industry at 72.7 % or Vietnam's industry at 91.3 % (APICCAPS 2016: 21).

According to information published by the Indonesian Footwear Association (APRISINDO), exports in H1 of 2013 amounted to USD 1.8 billion and dropped to USD 1.7 billion in H1 of 2014. The association states that the reason for the fall might be the chaotic and non-transparent introduction of regional minimum wages (UMP). Particularly associations such as APRISINDO polemicized against the minimum wage and expressed their concerns that companies might leave Indonesia (Tempo 2015: n.pag.).

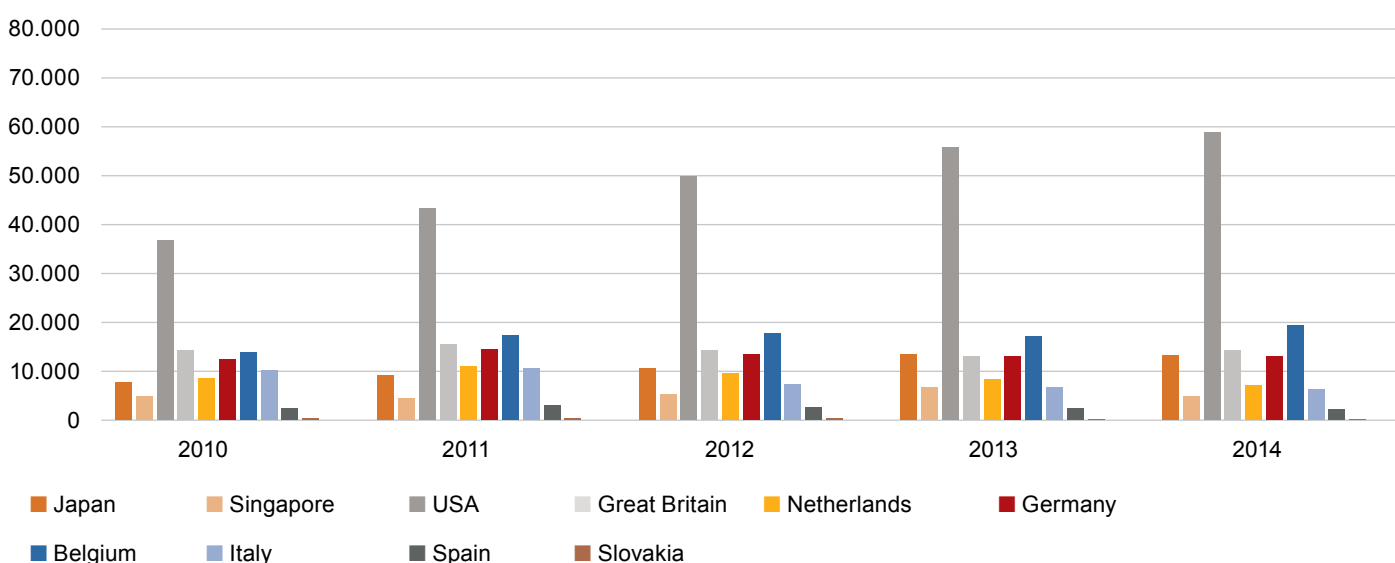
In terms of leather footwear exports in 2015, Indonesia had an export volume of USD 2.7 billion and a global market share

of 5 %, putting it in fourth place globally after China, Italy, and Vietnam. Of the countries that demonstrated the fastest export growth in leather footwear between 2011 and 2015, Indonesia (23.7 %) was in fourth place, following Cambodia, Vietnam, and the UK (Workman 2016: n.pag.).

Figure 5 shows that along with the United States, mainly European countries buy footwear from Indonesia (Statistics Indonesia 2015. n.pag.). The largest global importers also purchase from Indonesia. In 2016, Germany overtook the UK for the first time, becoming the second largest footwear importer worldwide after the United States. In the first half of the year, Germany imported 355.4 million pairs of shoes worth EUR 4.58 billion (Shoez 2016: n.pag.). In 2016, Indonesia sold more than EUR 480 million worth of shoes to Germany, making it the fifth largest country of destination (Statista 2017a: n.pag.).

The most significant importing countries for Indonesian footwear are exclusively in Asia, with China as the most important importing country by far accounting for 69 %, followed by Vietnam accounting for 16 % (APICCAPS 2016: 71).

Figure 5: Footwear exports from Indonesia by country (2010 - 2014, in tonnes)



Source: Statistics Indonesia: n.pag.

## 2.2.2 Production clusters and structure of the footwear sector

Indonesia's footwear sector has grown in many regions and comprises all company sizes, including large and international production sites. In 2009, there were 391 footwear companies in Indonesia. Most of them were located on the island of Java in Yogyakarta, West Java (Bekasi, Tangerang, Garut and Bandung), East Java (Surabaya, Sidoarjo and Jombang), and Central Java (Ministry of Trade of the Republic of Indonesia 2009: 17 - 24). In 2015, most footwear production facilities were found in West Java and Banten, East Java, Central Java, Yogyakarta, and North Sumatra. In 2015, approximately 55 % of producers were in West Java and Banten, followed by East Java with 25 % (Setianto 2016: n.pag.). Footwear production is primarily clustered in Java as the other islands lack the necessary infrastructure.

Indonesia counts numerous growing industries that make use of the diversity of natural resources, such as rubber planta-

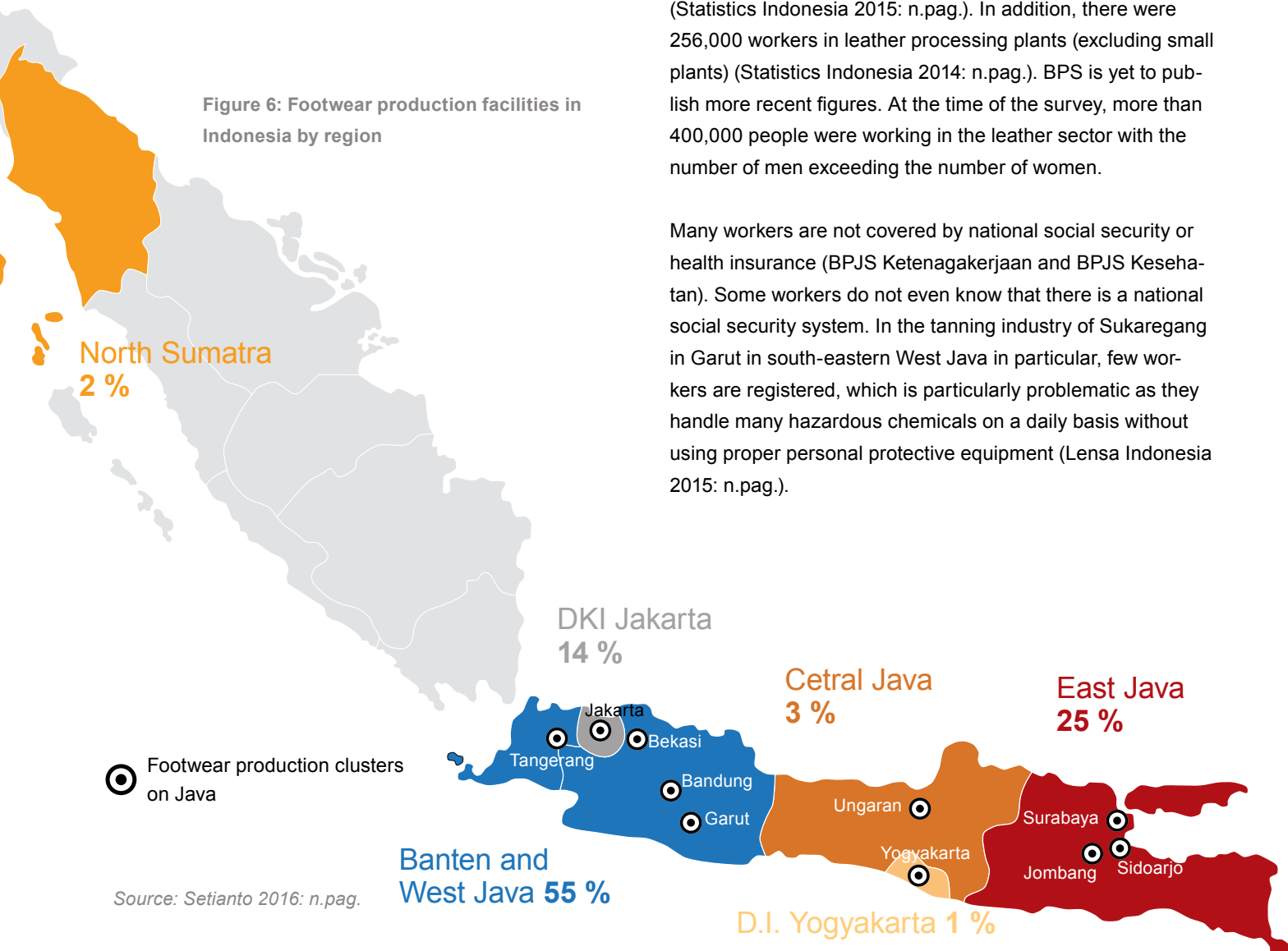
tions and oil fields (EU-Indonesia Business Network 2014: 17 - 18). Access to these resources is also advantageous for the footwear industry, making Indonesia an attractive destination for foreign investors from China, India, Japan, and South Korea. Growth of the footwear industry is not only reflected in the increasing number of shoe factories but also in a rising production volume. According to the EU-Indonesia Business Network, the 391 companies had a production volume of 769,577 tonnes of footwear in 2009, whereas in Q3 of 2012, the 566 companies produced almost 1.1 million tonnes of footwear (ibid.)

## 2.3 WORKERS IN THE LEATHER AND FOOTWEAR SECTOR

The number of workers employed in the leather sector differs. According to a study published by the Indonesian statistics agency (BPS) in 2014, 185,450 workers worked for small plants in the leather, leather products, and footwear sector (Statistics Indonesia 2015: n.pag.). In addition, there were 256,000 workers in leather processing plants (excluding small plants) (Statistics Indonesia 2014: n.pag.). BPS is yet to publish more recent figures. At the time of the survey, more than 400,000 people were working in the leather sector with the number of men exceeding the number of women.

Many workers are not covered by national social security or health insurance (BPJS Ketenagakerjaan and BPJS Kesehatan). Some workers do not even know that there is a national social security system. In the tanning industry of Sukaregang in Garut in south-eastern West Java in particular, few workers are registered, which is particularly problematic as they handle many hazardous chemicals on a daily basis without using proper personal protective equipment (Lensa Indonesia 2015: n.pag.).

Figure 6: Footwear production facilities in Indonesia by region



There are no recent data on workers in the footwear sector, but the growing number of companies certainly influences the number of workers. While in 2009 around 495,000 people worked in the footwear sector, in 2012 there were 700,000 workers (EU-Indonesia Business Network 2014: 18). The total number of workers in this sector has probably risen further in recent years (GTAI 2014b: n.pag.).

It seems that there are still more women than men working in shoe manufacturing. Research in four factories shows that 60 – 80 % of workers on average are women. Women mostly work in production where they sew, glue, and design, while men work in the packaging units and warehouses or join the uppers to the soles. There are no signs of child labour in the four factories. However, the existence of child labour cannot be ruled out for the entire Indonesian footwear industry.

### 2.3.1 The tanning industry's impact on humans and the environment

The use of chemicals in leather making is a large ecological problem. Particularly the rising number of small tanneries in Indonesia is demonstrating an increasing impact on workers' health. The tanneries' waste, including wastewater, contains hazardous heavy metals, such as chromium (Sahlan et al. 2016: 1). Especially hexavalent chromium is harmful to humans, as it can cause various diseases. During tanning, the harmless chromium III can oxidize to form chromium VI. This hexavalent Chromium is a suspected carcinogen and may cause irritations of the skin, the eyes, and the GI tract (Giacinta 2013: n.pag.).

There is also solid waste from removing meat, fur and fat from the skin containing lime, salt and chemicals which are used in tanning (Kelair n.d.: 1). The government has established regulations governing waste management. There are two important regulations on hazardous and toxic waste management (no. 101/2014) and on standards for wastewater management (no. 5/2014). In addition, there is a government regulation restricting the usage of chromium in tanning. The acidity (pH value) should be between 6.0 and 9.0, and the highest permissible wastewater feed-in is 40m<sup>3</sup> per tonne of raw materials (Ministry of Environment of the Republic of Indonesia 2014: 19).

Pollution caused by the leather manufacturing process is responsible for considerable damage in some areas. Sukaregang, in Garut in south-eastern West Java, saw massive pollution during an incident in May 2015. The Ministry of Industry



*Women mostly work in the initial production stages, Photo: Dietrich Weinbrenner*



*Waste and wastewater of leather production and their impact on humans and the environment, Photo: GMB Akash*

intervened when wastewater was fed into the river Ciwalen. The tanneries were urged to clean the river but the tanneries' association refused arguing that it did not have the necessary technology (Sindo News 2015: n.pag.).

### 2.3.2 Home-based work

In addition to employed factory workers, women and men also work from home in the Indonesian footwear sector.

Home-based work is not a new phenomenon in Indonesia. However, these workers continue to be mostly invisible. The government, employers, and unions provide neither adequate support nor protection. People working from home are not counted in official statistics and it is almost impossible to know how many of them exist in Indonesia. Indonesia has yet to ratify ILO Convention 177 on home work.



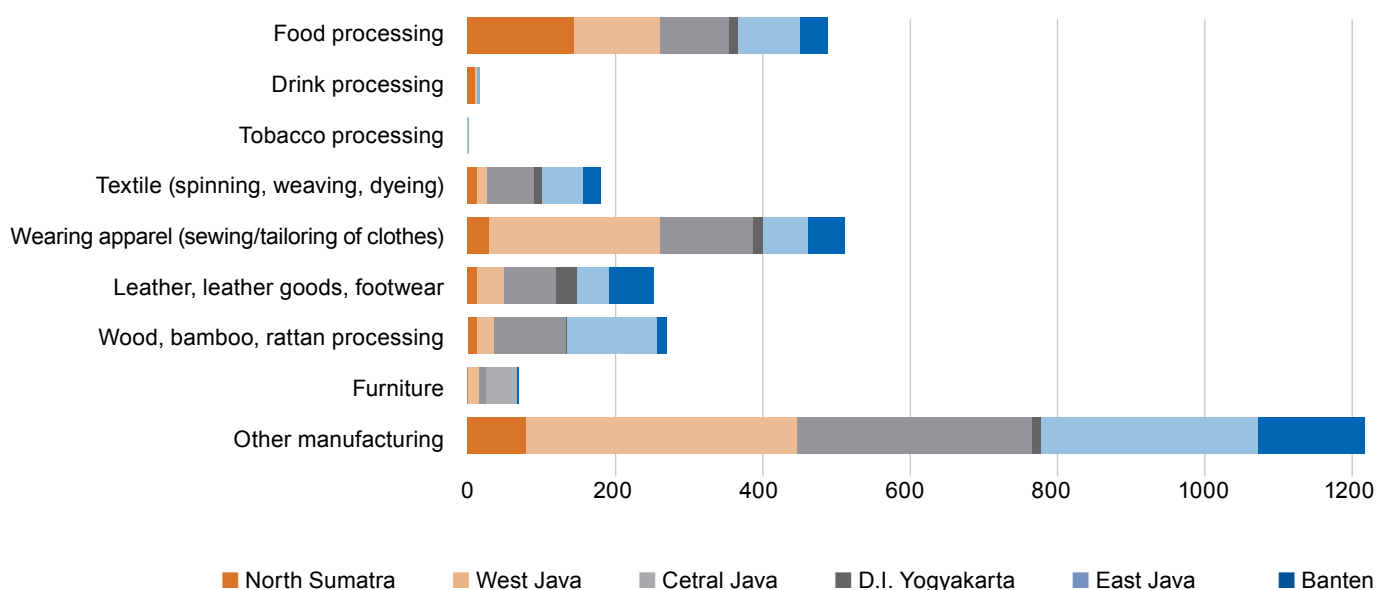
Home-based work means that a worker has a single work place at home. These workers are usually not unionised, leaving them with little bargaining leverage. If workers are given a written contract, they find themselves referred to as 'associates' rather than employees by the company. Thus, they often do not see themselves as employees. Figure 9 shows the sectors in which workers work from home in Indonesia.

in other manufacturing, followed by textile and food. Leather, leather goods, and footwear accounts for the fifth largest share. The ILO survey, however, is inconclusive with regards to absolute numbers of homeworkers by sector. The organisation TURC estimates that there are more than 40,000 women and men working from home in the Indonesian footwear sector.

The data shown in Figure 7 are from a 2015 ILO survey, in which interviews were conducted with 3010 people working from home in randomly chosen villages in six provinces of Indonesia. The table presents a breakdown by industrial sub-sector and by province. More than 40 % of homeworkers work

For this study, researchers interviewed homeworkers near the town of Ungaran in North Java. According to the company, over 500 people work from home for the Ara factory, a German footwear company. According to the workers, there are far more people. Around 2,000 employees are factory-based.

Figure 7: Employment of homeworkers by industrial sub-sector



Source: ILO 2015: 26







Homeworkers for Ara, Photo: Dietrich Weinbrenner

Historically, home-based work was found in labour-intensive industries, such as textile manufacturing, apparel, footwear, as well as artisan crafts. Today, working from home is also used by modern industry, e.g. the assembly of electronic devices (Özgüler 2012: 262). Working from home can be split into three categories: own-account work, on-order work, and work that ties homeworkers closely in with set production steps while exclusively working for a single factory. Particularly the last category causes great dependence for homeworkers (ibid.: 264). All interviewees for this study match the last category of home-based work.

## 2.4 GOVERNMENTAL POLICY

Article 2 of regulation (51/2013) on the determination, restriction, and classification of labour-intensive industries issued by the Ministry of Industry provides that the footwear sector is a “certain form of labour-intensive industry”. The determinants are workforce > 200 and labour costs > 15 % of production costs. Since December 2015, the Indonesian government has offered tax incentives to labour-intensive industries such as the footwear sector (Pikiran Rakyat 2015: n.pag.). Companies receive six years of tax exemption on 5 % of their investments due to an amendment of government regulation 18/2015 on corporate tax on investments in certain business areas. (Meliala 2015: n.pag.).

The local governments of West and East Java, which are the most important regions for footwear production in Indonesia, developed guidelines to support the sector. The regional government of East Java, for example, set up ten development programmes to support industry clusters. Footwear production is essential in planning these clusters, especially for the development of SMEs (Baroroh n.d.: n.pag.; Portal Nasional Republik Indonesia 2010: n.pag.). Since 2011, the government of West Java has planned to promote eleven labour-intensive industries, including the footwear sector (Ministry of Trade of the Republic of Indonesia 2010: n.pag.). Government policy has set out to centralise footwear production, predominantly in West and East Java, although there are also

production facilities in other parts of the island, such as in Yogyakarta and Central Java.

The climate of the footwear sector, which is generally favourable to investors, is partially offset by drastic import restrictions on the leather sector. The government and various business associations support small and medium-sized plants (Global Sources 2011: 4), yet the tanners’ restricted access to hides is a problem throughout the entire country. The Indonesian Tanners’ Association blames government policy that restricts raw hide imports.

According to presidential decree 46/1997 on quarantining raw hides, importing and preserving hides and skins is regulated, as these can carry pathogens. The goal is to prevent the import of germs and bacteria. Preserved or pickled hides may only be imported from those countries free of primarily contagious animal diseases stipulated on the A-OIE list (Office International Des Epizooties / World Animal Health Organization) and on a national list (Indonesian Tanners’ Association 2009a: n.pag.). Chromium-tanned, crusted, and finished leather may also be imported from non-A-OIE countries. However, the Directorate General of Livestock must approve this (Indonesian Tanners’ Association 2009b: n.pag.). According to Ramon Bangun, Director of Multifarious and Textile Industry, there is an annual demand of five million metres of raw hide, while annual production only accounts for two million metres. Currently, 55 % of the demand is met by imports, while 45 % is met by Indonesian production (BBC Indonesia 2016: n.pag.).





*The import and preservation of raw hides is regulated in Indonesia, Photo: OakleyOriginals/Flickr.com*

The Ministry of Labour is constantly working on national working standards (SKKNI) for the leather sector. The latest edition includes ministerial regulation 111/2016. This edition aims to train competent skilled workers who should be supported and promoted by industry associations, scholarly associations, training facilities, and other bodies (Ministry of Labour of the Republic of Indonesia 2016: 5).

### 3. LABOUR LAW IN INDONESIA: NATIONAL LEGISLATION

In conjunction with the interviews that form the basis of this study, laws and regulations on temporary employment, working hours, minimum wage, safety and health in the workplace, social security, home-based work, discrimination, and freedom of association are of utmost importance. Therefore, this chapter explores general labour law and regulations.

#### 3.1 TEMPORARY EMPLOYMENT

Pursuant to the Employment Act 12/2002 and the provision on permanent employment (Perjanjian Kerja Waktu Tidak Tertentu / PKWTT), factories may employ workers for a probation-

#### 2.5 OUTLOOK: STRENGTHS AND WEAKNESSES OF THE INDONESIAN LEATHER AND FOOTWEAR SECTOR

On the one hand, the economic potential of Indonesia's leather production sector can be acknowledged. On the other hand, achieving a competitive position in the world market is complicated by the restricted access to hides.

The footwear sector is a significant part of the Indonesian economy. Many international brands invest in Indonesia, creating numerous jobs for Indonesians. Over the past years, the government has developed various strategies to drive growth in the leather and footwear sector (EU-Indonesia Business Network 2014: 33). Despite the government's efforts such as tax incentives to create an investor-friendly environment, many companies have already moved production to Vietnam or Cambodia (Indonesia Investments 2014: n.pag.; BBC Indonesia 2016: n.pag.).

Unfortunately, all investor-friendly strategies exclusively target economic aspects and ignore social standards like working conditions in production. Conditions of working hours, temporary employment, health preservation, social security, and wages are extremely poor.

ary period of up to three months. However, after this, workers ought to obtain permanent employment.

Yet companies can also employ workers by applying a provision on temporary employment (Perjanjian Kerja Waktu Tertentu / PKWT). This provision can be found in Article 59 of Employment Act 12/2003, which states that a temporary employment contract may only be concluded if there is a pre-defined employment scope. Once the employment scope is fulfilled, the contract cannot be renewed.<sup>5</sup>

<sup>5</sup>: See articles 7 and 8 of KEP 100/MEN/VI/2004 on the implementation of PKWT provisions

For every area of the PKWT, the Employment Act 13/2003 clearly stipulates that the PKWT does not apply to permanent or ongoing activities. In the footwear and leather sector, activities such as cutting, measuring, sewing, and packaging are considered to be permanent and ongoing because these are directly linked to the production process. They are neither periodic, seasonal, nor temporally limited. Therefore, they must fall under the PKWTT.

The maximum application term of the PKWT is two years and this can only be extended once by a maximum duration of one year.<sup>6</sup> Employment contracts governed by the PKWT do not allow for a probationary period. Introducing such a probationary period would therefore be illegal and automatically turn the temporary employment into permanent employment, which would then be regulated by the more progressive PKWTT.

Despite existing legislation, the reality in the Indonesian leather and footwear sector seems to be different; year after year, workers merely receive temporary employment contracts (see Chapter 4.3.7).

### 3.2 WORKING HOURS

Articles 77 - 85 of Employment Act 13/2000 in Indonesian legislation regulate working hours, breaks, and overtime. Many companies normally regulate working hours and overtime in their works agreements, even if the reasons to do so are mostly formal. In practice, rights on working hours and overtime are often infringed because of a lack of governmental supervision.

Indonesia has not ratified ILO Convention 1, according to which weekly working hours must not exceed 48 hours. Employment Act 13/2003 demands that all employers adhere to regulations on working hours. When workers work more, employers must pay overtime.

With workers' consent and overtime pay of up to three times the regular hourly rate, employers can demand maximum overtime of three hours a day and up to 14 hours a week. Workers are entitled to annual leave of 12 days. If workers have been employed by a company for six uninterrupted years, they are entitled to a whole month of annual leave in years seven and eight respectively. If workers fall ill,

employers must continue to pay full wages for four months to the amount of 75 % during months 5 - 8, 50 % during months 9 - 12, and 25 % of wages during months 13 - 16.

In the event of pregnancy, women are entitled to paid maternity leave six weeks prior to giving birth and six weeks afterwards (GTAI 2014a: n.pag.).

Article 108, Paragraph 1, Employment Act 13/2003 provides that company-internal regulations or works agreements only become effective once they have been ratified by the ministry (often the regional labour ministry). Again, this legislation is very progressive and helps to protect workers. But, yet again, it is not consistently applied.

In Conventions 29 and 105, the international community abolishes forced labour. ILO Convention 105, which states: "Each Member of the International Labour Organisation which ratifies this Convention undertakes to suppress and not to make use of any form of forced or compulsory labour", was ratified by the Indonesian government in Act 19/1999. According to Convention 29, "the term forced or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily". This convention was ratified by the Netherlands in 1933 and subsequently recognized by the Indonesian government.

### 3.3 WAGES

ILO Conventions 26 and 131 stipulate that the minimum wage paid by the employer shall be a living wage and must be adequate with regard to the work. Wages and benefits for a normal working week shall equal at least the statutory minimum wage common in the sector. It shall also suffice to pay for the needs of workers and their families and guarantee some discretionary funds. The Indonesian government has ratified neither of these conventions. Yet in Employment Act 13/2003, it sets out provisions regarding wages. According to this Act, Indonesia has a regional minimum wage, determined and calculated by the regional government. The minimum wage shall provide for appropriate living conditions in the

<sup>6</sup>: Every worker may receive a second temporary contract for two years if there is a 30-day period of unemployment between the first and the second contract (GTAI 2014a).

respective region. The Act also proclaims that the minimum wage of a region's capital must at least equal the minimum wage determined for the entire region.

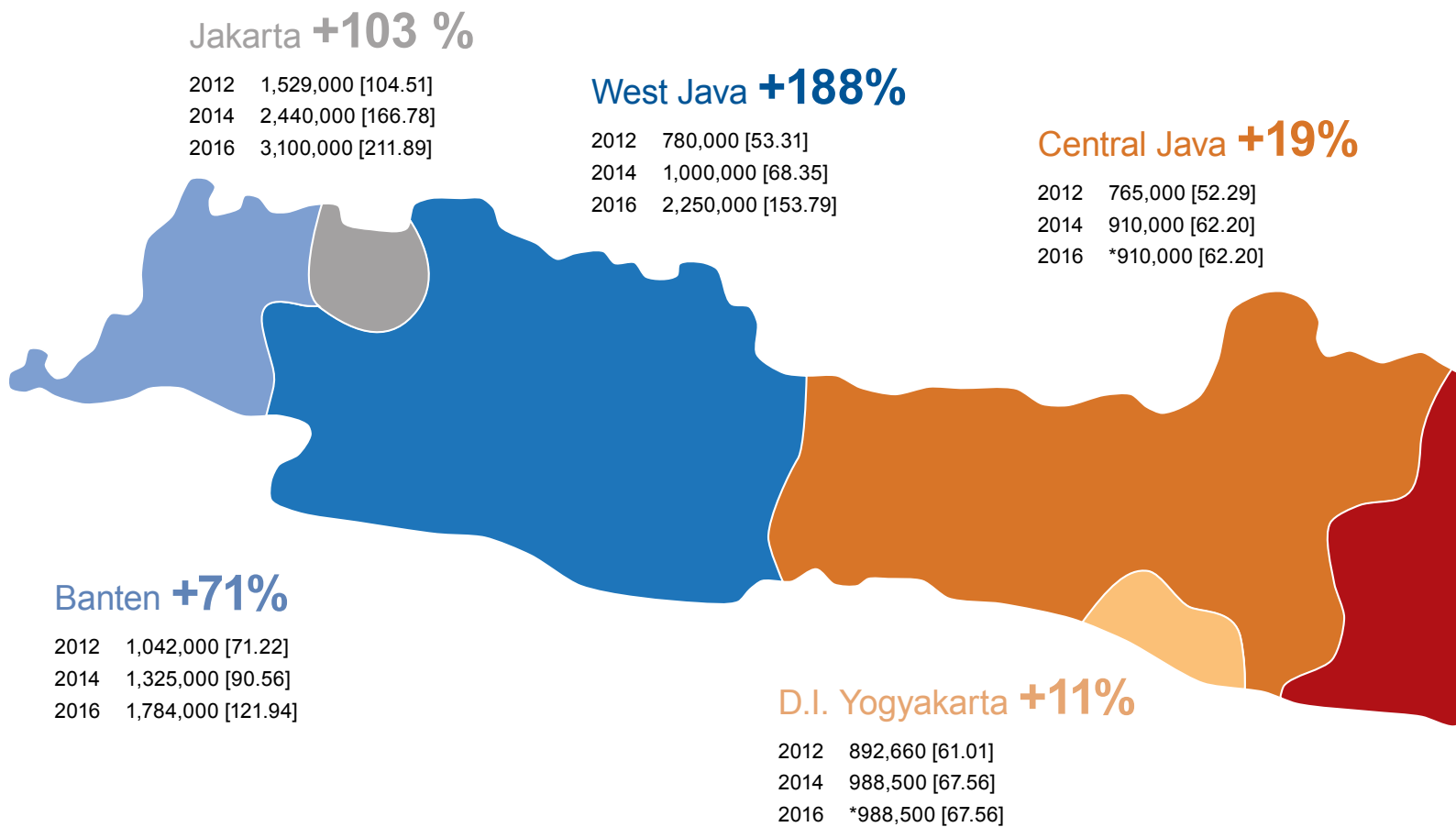
Figure 8 illustrates that regional minimum wages in Indonesia have clearly risen over the past years, in some regions even by more than 100 %. The reason being that regional minimum wages are recalculated every year. Several provincial and local governments have doubled minimum wages in only three to four years. And this trend is expected to continue in the coming years. At first glance, these increases seem very high but the calculation base of the original wages was far too low. One must also take into consideration that the inflation rate of the past few years has eaten up part of the increase.<sup>7</sup>

In addition, even the increased wages are still much lower than what can be considered a living wage. According to Asia Floor Wage Alliance, the living wage for Indonesia was IDR

4.68 million (EUR 343) in 2015 (AFW 2016: n.pag.). However, this was calculated for the entire country. But there are also government calculations confirming the large gap between minimum wages and living wages. The authors have access to unpublished data by the labour ministry. According to these data, the ministry calculated a living wage of IDR 3.3 million (EUR 225.56) for the year 2012, which lies well above the legal minimum wage for 2016 for Jombang in East Java, where one of the factories interviewed is located.<sup>8</sup>

An increase in minimum wage was essential, not least because of currency devaluation. However, this did not go smoothly. According to the Indonesian Footwear Association, a total of 46 foreign footwear manufacturers threatened to move production to countries requiring lower wages like Myanmar or Vietnam. This corporate lobbying led to many provinces not raising the minimum wage i.e. to not significantly reduce the gap between it and a living wage. Moreover,

Figure 8: Development of regional minimum wages in some of Indonesia's provinces, 2012 - 2016 (Statistics Indonesia 2016)



\* Regarding DI Yogyakarta, Central and East Java:

7: Average inflation 2012 – 2016 was 5.49 % p.a. (Statista 2017b: n.pag.).

8: Calculations are based on Food Basket Research by the Ministry of Labour (decree 13/2012).



the Ministry of Industry blamed the increase for not meeting growth targets in the Indonesian footwear sector, the export target for 2014 was USD 5 billion and the sector only achieved USD 4.1 billion (Neumann 2015: n.pag.). In total, 16 foreign investors withdrew plans to build new manufacturing facilities because of the controversy surrounding the minimum wage (Neumann 2015: n.pag.).

### 3.4 HEALTH AND SAFETY

The Fair Wear Foundation summarizes ILO convention 155 as follows “a safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible” (FWF 2017: n.pag.). Indonesia has not ratified this Convention, yet Act 1/1970 on Occupational Health and Safety exists. The Act recommends that a commission inspect the implementation of regulations on health and safety. However, there are neither rules as to how the commission is supposed to do this, nor on how to follow up recommendations. This void in legislation suggests that compliance with health and safety standards is not sufficiently supervised and employers do not completely fulfil their obligations with regard to their employees.

### 3.5 SOCIAL SECURITY LAW

ILO Convention 102 defines minimum social security standards. Indonesia has neither ratified this Convention, nor is there a universal social security system. However, considerable reforms are on the way. By passing Social Security Acts 40/2004 and 24/2011, Indonesia has created the foundations to gradually build a national social security system.

An important milestone is the application of Act 40/2004 stipulating the continuous expansion of the social security system to cover all Indonesians. Every worker is obligated to contribute to the national social security system (SJSN). The Act mainly covers health insurance. By doing so it is supposed to ensure that all members receive health care and preventative measures to meet their basic needs (Art. 19(2)).

Between the adoption of Act 40/2004 and the foundation of BPJS, a national social security provider, seven years went by. Act 24/2011 requires companies to register employees with national health and accident insurance. To this end, existing insurance companies shall be reorganised to form one publicly traded non-profit organisation, guaranteeing that premiums will be used to pay for services needed by employees. For the first time, Indonesia had mandatory social security for every formal employee (Keller 2012: n.pag.).

BPJS Health manages the health insurance programme for all Indonesians. BPJS Employment manages social security including accident insurance, life insurance, and a pension plan for every Indonesian worker. Yet this only applies to workers who are formally employed. Homeworkers are not included. Both insurances are mandatory as outlined in Act 24/2011.

Fearing higher costs for employers, the Employers' Association of Indonesia strongly opposes the Act. The long delay in drafting and adopting the Act indicates that employers exert significant pressure when they find their interests at risk.

### East Java **+34%**

2012	745,000 [50.92]
2014	1,000,000 [68.35]
2016	*1,000,000 [68.35]





*Hospital costs are only reimbursed for workers who are formally employed, Photo: Ferry Latief/ILO/Flickr.com*

Fearing higher costs for employers, the Employers' Association of Indonesia strongly opposes the Act. The long delay in drafting and adopting the Act indicates that employers exert significant pressure when they find their interests at risk.

### 3.6 DISCRIMINATION IN THE WORKPLACE

ILO Conventions 100 and 111 provide that, for example, employment, payment, access to vocational training, promotion, dismissal, retirement, and any form of occupational relation shall be based on the principle of equality and must not be influenced by race, sex, religious belief, political affiliation, union membership, nationality, social background, or disability. The Indonesian government ratified ILO Convention 100 in Act 80/1957 and Convention 111 in Act 21/1999, which stipulates that the government shall prevent all forms of discrimination by actively supervising and applying the law in all sectors of industry.

Article 27, Clause 2, of the 1945 Constitution of the Republic of Indonesia states: "Every citizen shall have the right to work and to earn a humane livelihood". In addition, Indonesia ratified the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in Act 7/1984. The elimination of discrimination against women includes discrimination in the workplace.

### 3.7 HOME-BASED WORK

Although Employment Act 13/2003 does not distinguish between formal and informal employment, in practice, there is an actual distinction. Labour law does not protect informal workers. Women and men working from home in the footwear sector is one example. ILO Convention 177 defines home-based work as follows: „work carried out [...] in his or her home or in other premises of his or her choice, other than the workplace of the employer; for remuneration; which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs used“ (ILO 2000: n.pag.). As Indonesia has not ratified ILO Convention 177 on home work, there are no national regulations to protect homeworkers. Moreover, the latter do not fall under the official definition of workers.

Due to this lack of protection, several organisations including TURC, YASANTI, the National Network to Empower Women Home-based Workers (MWPRI), and BITRA joined forces to initiate consultation with the Ministry of Labour in Jakarta in early 2016. Besides the demonstration of research by the aforementioned organisations, a study recommending the introduction of explicit regulations to protect homeworkers was also presented.





*In Indonesia, thousands of home-workers work in precarious conditions, Photo: Ferry Latief/ILO/Flickr.com*



*Unionised workers on Indonesian Labour Day, Photo: Hendrik Mintarno/Flickr.com*

Unfortunately, the Ministry's legal department declared that the official definition of the term worker does not apply to men and women working from home. This came as a surprise as it contradicts earlier statements issued by the Ministry e.g. from 2013 (ILO 2013: n.pag.). There are a number of additional conflicting statements that give the impression that a clearly defined position on homeworkers does not exist in the Ministry of Labour. This is even more dramatic as several thousand homeworkers work in the footwear sector in precarious conditions and without legal protection.

### **3.8 LABOUR LAW AND FREEDOM OF ASSOCIATION**

The principle of freedom of association is stipulated in Article 28 of the Indonesian Constitution: "The freedom to associate and to assemble, to express written and oral opinions, etc.,

shall be regulated by law" (UUD: 1945). After the Suharto regime resigned under pressure, the third amendment (Art. 28E (3)) of the Constitution made in 2000 certified this freedom: "Every person shall have the right to the freedom to associate, to assemble and to express opinions".

Moreover, the UUD not only officially guarantees these rights to Indonesian citizens but also to foreigners living in Indonesia (Asshiddiqie n.d.: n.pag.).

Yet the law neither states how such an Indonesian association can use these freedoms, nor are requirements mentioned concerning establishment, development, implementation of activities, supervision, or dissolution. Hence it is necessary to revise legislation resulting in the replacement of out-dated Act 8/1985 on associations. As an integral element of labour law, freedom of association is a basic right to unionise afforded

to every worker (Nasution 2004: 4). Act 21/2000 on workers' unions forms the legal basis for workers to unionise, allowing them to become activists and organise activities during working hours. Article 29 (1) of Act 21/2000 regulates that every worker has the right to participate in any union activity, such as national conferences and workshops. Companies are required to offer opportunities to engage in such activities.<sup>9</sup>

Freedom of association accounts for political and apolitical associations alike. Workers have the right to assemble, regardless of their affiliation with a union. Act 21/2000 stipulates that in order to form a union, the company needs to employ at least 10 people.

The government bears a supervising role, i.e. it is legally bound to protect workers' rights in case employers violate freedom of association.

### **The Freedom of Association Protocol**

Although Indonesian legislation is progressive in some areas, its lack of enforcement results in little support for workers in the leather and footwear sector.

Hence unions, NGOs and corporate representatives gathered to adopt a new instrument in Hongkong in June 2008; the Freedom of Association Protocol (FoA). Its aim is not only to improve working conditions in the leather and footwear sector but also to enhance the role of unions when negotiating with companies and factories.

A second meeting in November 2008 was attended by companies (Nike, Adidas, Puma, New Balance, Asics, and Pentland); four factories (PT Nikomas Gemilang, PT Panarub Industry, PT Tuntex Garment, and PT Adis Dimension Footwear); and five unions (Congress of Indonesia Unions (KASBI), the National Trade Union (SPN), Garment Textile - Indonesian Prosperity Trade Union (Garteks-SBSI), the Federation of Textile, Clothing, and Leather Workers' Union (FSP TSK), and the Federation of Independent Trade Union (GSBI)) (CCC 2011: n.pag.).

Participants mainly discussed central questions about wages, employment contracts, and working hours. The parties decided to implement an enhancement of Freedom of Association in the FoA Protocol to progress, despite having different views. Now, workers are able to fight collectively for higher wages and secure employment (Jakobsson 2013: 11).

The protocol's largest deficiency is a lack of transparency regarding the supply chain. While for example PT Nikomas, a Nike supplier, complies with the protocol, this does not hold true for PT Nikomas' own sub-contractors, according to a LIPS employee (Sedane Labour Information Organisation) (Arifin 2016: n.pag.). Until now, only one brand, New Balance, has made protocol compliance a binding requirement along its entire supply chain (Siegmann 2016: 28).

Even if the protocol does not live up to expectations, including the heavily contested domains of wages, employment contracts, and working hours, it is still a unique model that does not exist in any other production country. The signatory brands account for an 80 % share of global sportswear production. Therefore, the protocol is already able to play an important role when it comes to CSR across the global supply chain (ibid: 19).

To reproduce the protocol for other producing countries, a systematic approach is necessary. Legislation on freedom of association and national unions must be analysed. It is unlikely that this approach would be similarly successful in countries like China or Vietnam due to the lack of independent unions (ibid. 26).

<sup>9</sup>: For a detailed analysis of Indonesian union law, see Tjandra 2016: 99-157

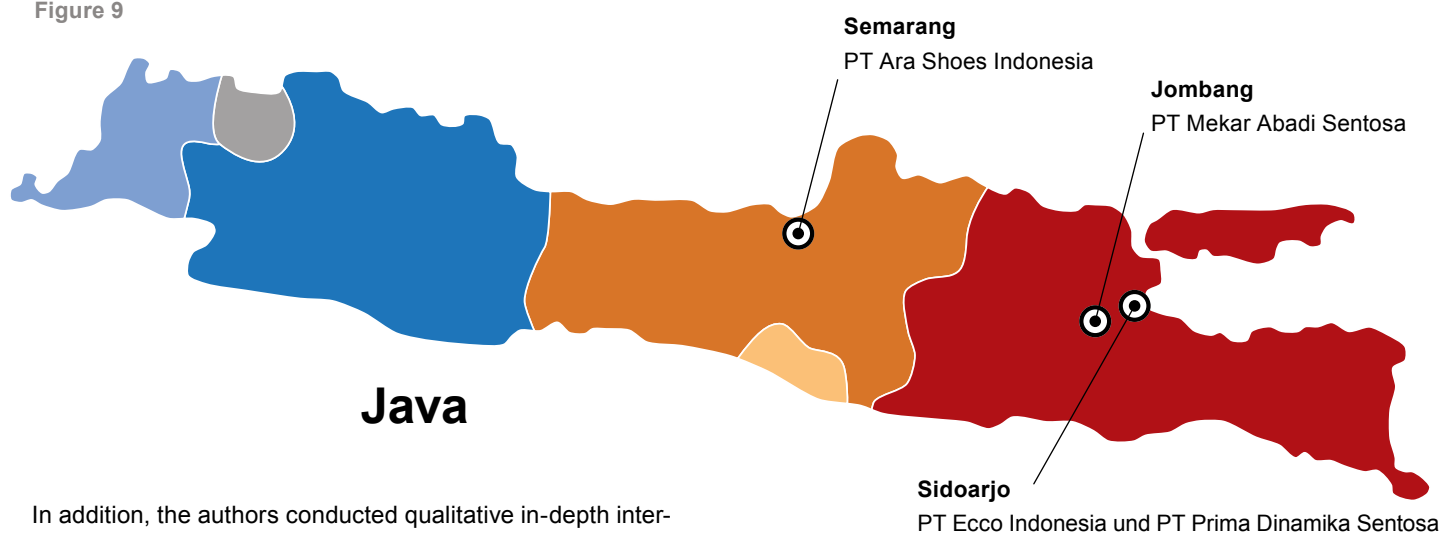
## 4. INTERVIEW RESULTS

All information used in this chapter was gathered during interviews with respondents from footwear factories in Central and East Java. The respondents work exclusively in the production of leather footwear. The authors have not been able to establish contact to workers in tanneries. This could be attributed to the fact that many footwear companies buy leather from foreign tanneries, on the one hand. On the other hand, workers who work at a tannery associated with a factory refused to participate in the study – possibly because they feared that the management would punish them. Consequently, the interviews only focus on workers in the footwear sector.

### 4.1 METHODOLOGY

Fieldwork was carried out in four factories in three regions; the Semarang, Jombang, and Sidoarjo. The interviewers used questionnaires based on internationally recognized central ILO standards to collect basic information about general working conditions in factories.

Figure 9



In addition, the authors conducted qualitative in-depth interviews with 117 workers between the beginning of 2015 and mid-2016 (see Table 4). The interviews were based on a questionnaire that was developed for the “Change Your Shoes” project. Data collection in other production countries, such as China and India, is based on the same questionnaire. There is also a section on personal information about the interviewees and a section on legal employment following Clean Clothes Campaign guidelines.

Moreover, the authors interviewed 37 homeworkers who sew for PT Ara Shoes Indonesia between February 2015 and January 2016 (see Table 5).

According to information provided by unions, around 2,500 workers work for PT Ara Shoes Indonesia and around 7,600 for Ecco Indonesia. There are no precise figures for PT Prima Dinamika Sentosa (an Ecco supplier) or PT Mekar Abadi Sentosa.

Table 4: Summary of the interviews

Factory	Number of questionnaires
PT. Ara Shoes	35
PT. Ecco Indonesia	30
PT. Mekar Abadi Sentosa	22
PT. Prima Dinamika Sentosa	30
<b>TOTAL</b>	<b>117</b>

Table 5: Summary of interviews with homeworkers

Factory for which homeworkers work	Method	Number of interviewees
PT Ara Shoes Indonesia	Interview	30
	Qualitative interview	7

YASANTI, a local NGO in Ungaran that works with homeworkers, facilitated contact to workers who sew for PT Ara Shoes Indonesia. BPJS Watch Surabaya helped to establish contact to workers employed by PT Ecco Indonesia. Union members introduced the authors to workers at PT Prima Dinamika Sentosa.

Deichmann SE facilitated contact with its supplier PT Mekar Abadi Sentosa. A BSCI audit (Business Social Compliance Initiative) was conducted at the same time as the interviews. Due to Deichmann's presence in the factory, immediate improvements could be implemented e.g. replacing solid adhesives by low-solvent aqueous adhesives and the installation of a new ventilation system and fume hoods within a couple of weeks.

Due to the overlap of the BSCI audits and the interviews conducted by TURC, it is fair to assume that many workers gave answers in line with the management's wishes. Inconsistencies in some of the workers' statements support this assumption. For instance, workers report an overtime rate of 14,000 - 16,000 IDR (0.96 – 1.1 EUR) per hour, whereas a payslip reveals that the overtime rate is IDR 11,000 (EUR 0.75). There were also partially inconsistent answers regarding working hours.

PERIODE : 16-19 Februari 2016				
Nama : [Redacted]				
NIK : [Redacted]				
Unit : Design Mas -				
No Rek BCA : [Redacted]				
Tanggal	Gaji Pokok	Uang Lembur	U makan Lembur	Premi Jabatan
16 Feb 2016	76.960	22.244	-	-
17 Feb 2016	76.960	44.488	2.500	-
18 Feb 2016	76.960	44.488	2.500	-
19 Feb 2016	76.960	44.488	-	-
20 Feb 2016	76.960	22.244	-	-
21 Feb 2016	-	77.854	-	-
22 Feb 2016	76.960	44.488	2.500	-
23 Feb 2016	76.960	44.488	2.500	-
24 Feb 2016	76.960	11.122	-	-
25 Feb 2016	76.960	11.122	-	-
26 Feb 2016	76.960	44.488	2.500	-
27 Feb 2016	76.960	22.244	-	-
28 Feb 2016	-	-	-	-
29 Feb 2016	76.960	44.488	2.500	-
<b>Total</b>	<b>923.520</b>	<b>478.246</b>	<b>17.500</b>	<b>-</b>
Gaji Pokok	Rp	923.520		
Uang Jabatan	Rp	-		
Uang Lembur	Rp	478.246		
Uang Makan Lembur	Rp	17.500		
Uang Ganti Cuti Haid	Rp	-		
Bonus Full Haid	Rp	-		
<b>Total Bruto</b>	<b>Rp</b>	<b>1.419.266</b>		
Pot. Jamoretek	Rp	-		
<b>Total Netto</b>	<b>Rp</b>	<b>1.419.266</b>		
Hid / Persoalita		Adm Gaji		

Payslip showing overtime rate at PT Mekar Abadi Sentosa, Photo: Prashasti Putri

## 4.2 CASE STUDIES

### 4.2.1 PT Ara Shoes Indonesia

PT Ara Shoes Indonesia is a wholly owned subsidiary of the footwear company Ara Shoes AG. The company's head office is in Langenfeld, Germany and has been family-owned since its foundation in 1949. The Ara group owns Llyod Shoes and Salamander GmbH, among others. In 2011, Ara Shoes bought Delka, its Austrian customer. The Austrian subsidiary is responsible for production in Eastern Europe. As part of its CSR policy, the company has set up a code of conduct referring to relevant ILO conventions (Ara Shoes AG 2016: n.pag.).

While the authors did research for this study, the board at Ara passed a cost-cutting programme affecting approx. one quarter of the 380 jobs in Langenfeld (SHOEZ 2015b: n.pag.). According to Indonesian workers, there were clearly more job cuts in their factory around the same time. However, there are no exact figures.

Ara started operations in Indonesia in Semarang in 1990 and moved to Ungaran in 1991. In 2015, the company produced material for 10,200 pairs of shoes and 8,000 finished pairs per day.

There are seven shop floors where workers work from Monday to Friday in a two-shift system from 6:00 a.m. to 2:30 p.m. and from 2:30 p.m. to 11:00 p.m. In total, there are 2,000



Photo: Dietrich Weinbrenner



workers, 95 % of whom are women. Around 1,300 work the first shift, 700 work the second shift.

The factory workers have been earning more than the minimum wage since they went on strike on 30th January 2013 to demand wages that comply with the regional minimum wage. Every worker receives two months' worth of pay, one for Christmas and one for Id ul Fitr (the end of Ramadan). In addition, there is a ten per cent bonus for good performance. Yet, according to the workers, the criteria to qualify for the bonus are not transparent.

The factory has five different units; cutting, uppers, soles, sewing, and final assembly. Making the uppers has been outsourced to homeworkers. According to an official corporate statement, the factory employs around 530 homeworkers. According to estimates of some of the homeworkers, there are approx. 2,000 registered and unregistered homeworkers. They do not have a written employment contract, social security, and their wages are a lot lower than the regional minimum wage. Most homeworkers have been working for PT Ara Shoes for many years.

#### 4.2.2 PT Ecco Indonesia and PT Prima Dinamika Sentosa

PT Ecco Indonesia is a wholly owned subsidiary of the Danish parent company Ecco Sko A/S. The brand and retailer Ecco

was founded in Bredebro (Denmark) in 1963 by Karl Toosbuy. The company started making shoes but has expanded its business to also include the production of leather products and footwear accessories. Leather is the most important raw material in Ecco footwear. Ecco has been one of the largest leather producers worldwide since 1985. Ecco Leather makes leather both for internal use and for other brands (Ecco Sko A/S 2015: n.pag.). According to the company, Ecco products are sold in 1,100 Ecco stores and 14,000 additional outlets in 88 countries. Ecco also operates factories in China, Thailand, Slovakia, and Portugal. The financial year 2014 was another record year for Ecco in



terms of revenues and profit. Group revenue climbed from 1.1 to 1.2 billion EUR and its net income was 114 million EUR. For the first time, Ecco Leather reached revenues of more than 100 million EUR (SHOEZ 2015a: n.pag.). Investments by the parent company amounted to EUR 21,560 in the Indonesian footwear factory and to around EUR 2,600 in the tannery in 2014 (Ecco 2014b: 64).

PT Ecco Indonesia was founded in Sidoarjo in East Java in 1991 and produces for the private labels Biom and Ecco. PT Prima Dinamika Sentosa<sup>10</sup> has been supplying PT Ecco Indonesia since 2009. Research for the study shows that working conditions at PT Ecco Indonesia are in line with the company's code of conduct (Ecco Sko A/S 2014a: n.pag.). This does not hold true for PT Prima Dinamika Sentosa, where workers say that they receive less than the regional minimum wage, have no social security and are not allowed to unionise. PT Prima Dinamika Sentosa makes footwear for, amongst others, Ecco and Geox.

#### 4.2.3 PT Mekar Abadi Sentosa

The difference between the other factories and PT Mekar Abadi Sentosa is that PT Mekar Abadi Sentosa is not affiliated with a parent company, but rather acts as a supplier to various brands. This makes PT Mekar Abadi Sentosa a typical supplier with direct business relations with different brands that place orders with the factory. According to the interviewees, the factory produces for several European companies. As there is no official business report, there is no information about a production breakdown by brand. Only Deichmann verified the statement by saying that they have their footwear produced by PT Mekar Abadi Sentosa for 20 - 30 days a year.

All workers are only on temporary contracts. They earn EUR 5.40 a day. The overtime rate per hour is EUR 0.78. However, Regulation 100/2004 issued by the Ministry of Labour stipulates that a temporary contract can only be awarded for a fixed period of time if the worker works less than 21 days a month (see Chapter 3.1). If workers work more than 21 days for the employer or longer than three months, the employer must turn the temporary contract into a permanent contract.

<sup>10</sup>: Ecco states that PT Prima Dinamika Sentosa is only a minor supplier to Ecco operating with approx. 50 employees from its 2,000 employees producing components to Ecco.



### 4.3. CASE STUDY

#### Ratu<sup>11</sup>

Ratu has two children. They live in Ambarawa. It takes her 45 minutes to get to PT Ara Shoes by motorcycle. Ratu has worked for the factory since 2007. She started working from home to better take care of her children as her husband was sent to prison. To apply, Ratu had to present her family card, her ID card and an application letter. A couple of days later the factory asked her to attend a training session for new homeworkers. During the six days of training she learnt how to sew shoes. Afterwards she started to work from home. She had to pick up two bags of shoes at the nearest material pick-up site – 15 minutes by motorcycle. Ratu's task was to sew the soles to the uppers. To do so she needed very strong yarn and a thick needle. Two days later, Ratu returned the shoes to the same site. A quality manager inspected if Ratu's work was up to the requirements. If not, she had to redo her work on site. Next, Ratu received the bags for the next two days. Until 2010, Ratu worked from home. Then the factory management demanded that she worked as a temporary worker in the unit for zippers. Six months later she was made quality manager for homeworkers receiving yet another temporary contract. Ratu's wage as a quality manager did not come close to covering her daily expenses. In 2011, she was called back to the factory where she worked for eleven more months, mainly in the gluing unit.

At the end of 2012, workers at PT Ara Shoes took to the streets to demand permanent contracts. The management came up with a condition. Workers who had a good attendance record would receive permanent contracts, workers who had shown poor attendance were dismissed. Ratu was dismissed and started working for Ara from home again. Ratu says she was not let go because of poor attendance but because she participated in the demonstrations.

As a wage labourer, Ratu is paid by shoe. Her wage is well below the local minimum wage. She does not have social security. The factory neither reimburses her for transportation costs, nor pays her leave. When Ratu does not work, she does not get paid.

Ratu does not believe that her working conditions as a homeworker for PT Ara Shoes will improve any time soon. Therefore, she is looking for alternative employment in Solo, even if this means travelling 90 minutes.

#### Lena

Lena is 43, a mother of two and married to Bagus, a self-employed mechanic. She works for PT Prima Dinamika Sentosa. Since 1993, she worked eight years in total for the factory making shoes. In 2001, she was dismissed because of a dramatic fall in orders. Lena never had a permanent contract, yet she received the same benefits as her co-workers with permanent contracts. Her wage matched the local minimum wage, transportation costs were reimbursed, and the factory paid her leave when she went on her honeymoon. In addition, the factory paid a bonus if workers delivered impeccable work throughout the whole year. After being dismissed, Lena worked for a different factory.

At PT Prima Dinamika Sentosa, workers are grouped according to different customers.

In 2005, Lena reapplied at PT Prima Dinamika Sentosa and was employed. Although eleven years had passed, the factory gave her the exact same tasks she used to do in the unit working. However, Lena still has a temporary contract and has to reapply every year, affecting her entitlement to annual leave. Leave is calculated according to the number of years of employment. Thus, Lena gets less time off for religious holidays than she is entitled to. She is not covered by social security and her employer does not pay medical expenses resulting from work-related accidents unless she sees the company health service, whose capacity is limited. When Lena was pregnant with her second baby in 2011, she was forced to take two months of unpaid maternity leave. Lena's current wage is IDR 2,450,000 (EUR 167,46) per month, and is, as such, less than the local minimum wage of IDR 2,705,000 (EUR 188).

After Lena and her sister Lilik participated in Labour Day demonstrations in 2009, they were threatened with redundancy. Lilik tried to found a union. By organising a forum, she wanted to give workers the opportunity to exchange information about working conditions. When the factory's board learnt of this meeting, they issued a warning to all participants and especially to Lilik. In 2011, Lilik decided to hand in her notice because she did not feel comfortable and ceased to believe that working conditions would improve. Since she left the factory, nobody has tried to champion workers' rights.

<sup>11</sup>: All workers' names have been changed.

## 4.4 VIOLATION OF LABOUR LAW

The interviews uncovered numerous violations, such as involuntary overtime, discrimination in the workplace, inadequate wages, extremely long working hours, a lack of occupational safety and health measures in the workplace, inexistence of employment contracts, and insufficient opportunities to make use of the right of association.

The respondents are between 19 and 45 years of age. 13 out of 117 did not give their age. The average age of the 104 respondents is 27. None of the respondents is younger than 19. All workers were asked to present documents proving their age (e.g. school leaving certificate) when they applied. 78 % of respondents were women. The authors cannot say if this is representative for the Indonesian footwear sector. According to the interviews, 60 % to 80 % of the factory workforce is female. Most respondents were married (88 %) and had children (79 %).

### 4.4.1 Overtime

The interviews indicate that PT Prima Dinamika Sentosa expects daily overtime. The management demands that their employees work three to four hours of overtime every day. Generally, workers do not realise that this is a form of forced labour. Only four out of 30 workers (13.3 %) stated that they were forced to work overtime, the other 26 said it was their decision if they wanted to work overtime. Compensation for overtime helped to improve their income. If you refuse to work overtime once, you risk never being permitted to do so again. PT Ecco Indonesia demands one hour of overtime every day (see chapter 4.4.4). In contrast to PT Prima Dinamika Sentosa, PT Ecco Indonesia does not punish workers who refuse to work more than one hour of overtime. 27 of the 30 respondents (90 %) said that they were never forced to work overtime and 19 of the 30 respondents (63 %) reported that they had never refused to work overtime.

Results for PT Ara Shoes Indonesia paint a similar picture; 30 of the 35 respondents (86 %) say they have never been forced to work overtime. And 26 of 30 respondents (87 %) stated that they had declined to work overtime for personal reasons at least once.

PT Mekar Abadi Sentosa workers also say that they rarely work overtime involuntarily (only 5 % state that they have been forced to work overtime). 17 % of respondents refused to work overtime at least once.

In contrast to factory workers, homeworkers do not have a fixed work schedule as they work from home and are paid per piece. While homeworkers favour the opportunity to look after their children while they work, the risk of doing involuntary overtime increases. Being paid by the piece tempts workers to work more than eight hours a day. They often ask relatives to help them work when, depending on the number of orders, they must make more shoes. If they ask neighbours for help, they have to pay them. In the interviews, a third of the women working from home said that their children had to help them sew shoes.

### 4.4.2 Discrimination in the workplace

There is a gender-based division of labour in Indonesian footwear production; women are mainly responsible for sewing, while men transport goods, for example. Yet all respondents agreed that there are no gender-specific differences regarding wage and working hours. Pregnant women often receive less physically intensive tasks and activities that can be done while sitting. According to one worker, this is not always the case at PT Ara Shoes Indonesia. At PT Ecco Indonesia, women can take one day of leave during menstruation. The management of the factories PT Ara Shoes Indonesia, PT Prima Dinamika Sentosa, and PT Mekar Abadi Sentosa only allow for time off in this particular case if the woman notifies their supervisor one day in advance. All respondents stated that performing religious rituals in the workplace is not forbidden. Hence all companies provide adequate space for prayers.

### 4.4.3 Wages

In 2015, workers at PT Ara Shoes earned IDR 1,465,000 (EUR 100) on average, the regional minimum wage was IDR 1,400,000 (EUR 95) at the time. Including bonuses, workers could receive around IDR 1,600,000 (EUR 109). In contrast to the workers at PT Ara Shoes, workers at PT Ecco Indonesia said that their wages were sufficient. They earn between IDR 4,500,000 and IDR 5,000,000 (between EUR 308 and EUR 342) a month. Their basic wage is IDR 3,500,000 (EUR 239) - clearly higher than the minimum Sidoarjo wage of IDR 2,705,000 (EUR 185).

Workers at PT Prima Dinamika Sentosa receive two instalments a month amounting to IDR 2,450,000 (EUR 167) and thus lying below the regional minimum wage for Sidoarjo. The PT Mekar Abadi Sentosa factory is in Jombang, a two hour drive from Sidoarjo. The region's minimum wage for



Many homeworkers rely on their neighbours and/or children, Photo: Dietrich Weinbrenner

2016 was IDR 1,924,000 (EUR 131). Workers only earn IDR 1,693,000 (EUR 116) if they work five days a week. To reach the minimum wage they must work six days a week. Moreover, the regional minimum wage for 2016 only equalled 60 % of the living wage for 2012 as calculated by the Ministry of Labour.

All factory workers reported their net income, meaning that the costs of health insurance, social security including accident insurance, life insurance premiums, and pension plan payments have already been deducted.

PT Ara pays homeworkers by piece. They usually receive two bags containing ten pairs of shoes and have two days to sew them. Even if a worker manages to finish ten pairs a day, the effort required and pay depend on the type of shoe; i.e. is it a pair of sandals or a pair of boots. The company measured

sewing time. However, the results differ from the homeworkers' experiences: Ara assumes a working time of 25 - 30 minutes per pair. Based on an assumption of 30 minutes, this means that homeworkers would be able to finish 16 pairs in eight hours, 80 pairs in 40 hours, which equals eight bags. This would amount to 35 bags a month. If we take the mean value of IDR 35,420 (EUR 2.42) and IDR 42,000 (EUR 2.87) as a basis (IDR 38,710 = EUR 2.65 per bag), the monthly wage would be IDR 1,354,850 (EUR 92.60). This almost matches the minimum wage (IDR 1,640,000 = EUR 112.10). The interviewed homeworkers, however, said that this calculation is unrealistic.

Table 6: Homeworkers' wages (authors' calculation)\*

Model	Pay for 10 pairs		Working time in minutes	Hourly rate in EUR	Daily rate in EUR	Monthly wage in EUR	Hourly rate in IDR	Daily rate in IDR	Monthly wage in IDR (EUR)	Wage after transport expenses IDR (EUR)
	in IDR	in EUR								
Ancona Sepatu	35,000	2.39	60	0.24	1.67	43.50	3,500	24,500	637,000 [45.2]	397,000 [28.2]
Ancona Sepatu Sandal	35,000	2.39	40	0.36	2.51	65.25	5,250	36,750	955,500 [67.9]	715,500 [50.8]
Ankle boot	42,000	2.87	90	0.19	1.34	34.82	2,800	19,600	509,600 [36.2]	269,600 [19.1]
Boot	42,000	2.87	115	0.15	1.05	27.25	2,191	15,339	398,817 [28.3]	158,817 [11.3]
Mokassin A	19,000	1.29	40	0.19	1.35	35.22	2,850	19,950	418,700 [29.75]	278,700 [19.8]
Mokassin B	26,000	1.78	40	0.27	1.87	48.59	3,900	27,300	709,800 [50.4]	469,800 [33.4]
Mokassin C	29,000	1.98	40	0.30	2.08	54.05	4,350	30,450	791,700 [56.25]	551,700 [39.2]
<b>Average</b>	<b>32,571</b>	<b>2.22</b>	<b>60.7</b>	<b>0.24</b>	<b>1.70</b>	<b>44.10</b>	<b>3,549</b>	<b>24,841</b>	<b>645,874 [45.9]</b>	<b>405,874 [28.8]</b>

\*The information regarding workload per pair and pay provided in the table was gathered in the interviews and was the baseline to calculate hourly, daily, and monthly wages. In addition, the authors subtracted average transportation costs of IDR 240,000 (EUR 16.40) a month to get to the pick-up site.



Homeworker's payslip, Photo: Dietrich Weinbrenner

Table 6 illustrates an average monthly wage of IDR 405,900 (EUR 27.74), which is roughly a quarter of the local minimum wage for Semarang (IDR 1,640,000 = EUR 112). The wage is clearly too low to cover living costs. 87 % of the interviewees confirmed this assumption and the remaining 13 % did not answer the question.

If the quality of the shoes does not meet the factory's requirements, homeworkers are fined. 57 % of the respondents stated that they had been fined. The fine is directly deducted from their pay.

The factory does not reimburse homeworkers for travel to the company or the pick-up site because the establishment of pick-up sites already reduces effort and costs. One-way travel costs are between IDR 12,000 and IDR 24,000 (EUR 0.82 and EUR 1.64).



#### 4.4.4 Working hours

All factory workers reported that their respective managers adhere dutifully to regulations regarding working hours. After rounds of collective bargaining at PT Ecco Indonesia, an agreement was reached that workers must work one hour of overtime every day. According to interviewees, no overtime bonus is provided. According to Ecco, overtime rate is being paid according to regulation. The hour is paid according to the regular hourly rate. At the other three factories, overtime is paid in accordance with the law. Only 19 % of respondents work an eight-hour day. 21 % of respondents work more than ten hours a day. Working hours among homeworkers vary considerably and depend on their workload, for example.

#### 4.4.5 Health and safety

90.6 % of the 117 interviewed factory workers said that the factory had an infirmary. 81.2 % received a briefing on occupational hazards before they started work. Despite this high percentage 40 workers (34 %) claimed that they had suffered at least one workplace injury. The most common incident was injuring a hand while operating a machine.

All homeworkers said that they had suffered a needle prick at least once. None of them had been informed about health



*Hand injuries during machine operation are the most common injuries, Photo: Dietrich Weinbrenner*

and safety hazards. Some homeworkers reported that they went to their factory infirmary in order to be treated without success. According to the quality manager, there were no drugs, bandages, etc. available. The homeworkers had to treat themselves. Many homeworkers mentioned work-related health problems, such as numb fingers, back pain, and breathing problems. None of the homeworkers we interviewed had health insurance.

#### 4.4.6 Binding employment contracts

Indonesian labour law allows for temporary employment under the condition that the work is not part of the factory's main business. Workers at PT Ecco Indonesia are permanently employed. At PT Ara Shoes Indonesia, the maximum contract term is 25 years. But as soon as workers turn 50, they must retire regardless of their length of service for the factory. PT Prima Dinamika Sentosa only offers contracts for one year. After the end of this term, workers must reapply for their positions. PT Mekar Abadi Sentosa only offers three-month contracts. While the authors were doing research for this study, the practice was changed resulting in the introduction of six-month contracts. Unlike the workers at PT Prima Dinamika Sentosa they do not need to reapply; their contracts are automatically extended.

Awarding temporary contracts is a violation of labour law. Employers may only contract workers temporarily if these are needed for a short period of time or if the work is not part of the main business of a company. A lack of permanent contracts leads to a lack in planning security for workers and undermines union work (Siegmann 2016: 13).

Of the 117 interviewed factory workers 65 (55.6 %) have permanent jobs, while 52 (44.4 %) have temporary jobs. All permanent workers work for PT Ara Shoes Indonesia and PT Ecco Indonesia, all temporary workers work at PT Prima Dinamika Sentosa and PT Mekar Abadi Sentosa.

None of the interviewed homeworkers has a written employment agreement with the factory.

#### 4.4.7 Freedom of association

As outlined in Chapter 3, participation in union work and strikes is a fundamental part of the collective bargaining process between employees and employers.

A group of workers at PT Ara Shoes founded the Serikat Pekerja Nasional (SPN) union. According to all 35 respondents, the management of PT Ara Shoes Indonesia neither hindered nor forbade such activities. The management is also willing to engage in dialogue with the union to solve problems, meaning workers no longer need to go on strike in order to be heard. There are reports of numerous dismissals in August 2015. Early in 2016, the same workers were re-employed with exception of the five workers who had participated in interviews for this study.

Workers at PT Ecco Indonesia said that they had freedom of association. If there were problems among the workforce or with the management, the union would represent the workers in the dialogue with the management. According to the workers, PT Ecco Indonesia never interfered with the union's work. The workers have not gone on strike for three years as working conditions are good and there is also room for exchange with the management.

In contrast, all workers at PT Prima Dinamika Sentosa stated that the factory management had exerted pressure not to unionise. 25 of 30 workers (83 %) stated that they had reported problems with working conditions to their supervisors. The other five workers (17 %) said that they rather kept quiet to avoid problems.

At PT Mekar Abadi Sentosa there is the All Indonesian Workers' Union (SPSI). Yet the workers are unaware of their union representatives and the existence of affiliation with other unions. Ten out of 22 (45 %) respondents believe that workers founded the union. 12 respondents (55 %) believe that it was set up by the factory management. It appears that many workers are not at all or just poorly informed about their rights.

In summary, the situation with regards to freedom of association varies strongly between the four factories that are the subject of this study.

#### 4.4.8 The situation of homeworkers

As described above, working from home plays a significant role in Indonesian leather and footwear production.

In interviews, 87 % of homeworkers said that their income solely depends on their work as a sewer for PT Ara Shoes Indonesia. The factory provides little equipment, be it a first aid kit or sewing accessories. Their work was to sew the uppers onto the sole. The factory only issues needles, yarn, and a finger guard once. If anything is damaged, the workers have to pay for new ones. According to the workers, the factory does not provide other important and indispensable utensils, such as *gantol* and *tuncek*.



*Gantol and tuncek, two indispensable tools for homeworkers to sew shoes, Photo: Dietrich Weinbrenner*

When SÜDWIND informed Ara headquarters in Germany about the homeworkers' grievances, the company made some improvements in 2015; e.g. a wage increase, first aid kits for the pick-up sites, new sanitary facilities, better communication between factory and workers by using a notice board at the pick-up sites, and new bags for the shoes.

On the one hand, these steps can be welcomed because they show that the company is taking responsibility and can easily improve the situation of the women and men working from home. However, the underlying problems have not been completely solved. Wages continue to be extremely low and homeworkers still do not have a formal employment contract. There is neither health insurance nor a pension plan. They are forced to work overtime and even the use of child labour cannot be ruled out.

## 4.5 OUTLOOK

Despite some initial achievements in terms of working conditions and the existence of considerable legislation, it is imperative to improve working conditions in the entire Indonesian leather and footwear sector. This holds particularly true regarding the precarious and lawless situation of homeworkers, wages, freedom of association, and corporate responsibility to consistently respect fundamental human and labour rights across the entire supply chain.

### The situation of homeworkers

The interviews with the women working from home for PT Ara Shoes show that the workers' lack of legal status is the biggest problem regarding home-based work. As employers do not register them, they do not have social security. And by not having formal employment they become invisible. They do not have the opportunity to claim their rights or to fight for better working conditions. Being part of complex production processes might seem to give them leverage by using industrial action to obtain better working terms, yet the homeworkers who participated in this study lack the knowledge to unionise. People must fight for regulations in labour law targeting homeworkers in particular. Effective campaigns are necessary to raise awareness among the public about the situation of homeworkers.

### Wages

With the exception of the workers at PT Ecco, all respondents said that their wages including overtime pay are not enough to cover basic needs, leading to a large workload as workers depend on overtime pay to survive. In addition, every regional minimum wage in Indonesia is by far lower than the living wage. Wages paid by PT Mekar Abadi Sentosa, for example, are supposed to be close to the regional minimum wage, however, workers must work six days a week. Moreover, the minimum wage for 2016 was only 60 % of the living wage for that region, as calculated by the Ministry of Labour for 2012.

The fact that most respondents do not earn enough to cover basic needs despite working overtime is a violation of Art. 23 (3) of the Universal Declaration of Human Rights. If the wage

paid by PT Prima Dinamika Sentosa, for example, is even lower than the statutory minimum wage, this is also a violation of Indonesian law.

### Brands' responsibility for their suppliers

The subject of this study was working conditions at four factories. Violations of labour law at PT Prima Dinamika Sentosa are doubtlessly the most severe. PT Prima Dinamika Sentosa is a supplier to PT Ecco Indonesia, which has comparably good working conditions. The large discrepancy is due to the fact that PT Ecco Indonesia must adhere to the code of conduct established by its parent company in Denmark, whereas this does not apply to suppliers. The situation is worsened by the fact that PT Prima Dinamika Sentosa does not allow freedom of association and workers cannot collectively claim their rights. This example makes clear that it is not enough if a brand and its subsidiaries have a code of conduct. The code of conduct must also be binding for every company across the entire supply chain.

### Freedom of association

If nothing else, this example shows also the biggest shortcoming of the FoA Protocol; it can only significantly contribute to improve working terms regarding wages, employment contracts, and working hours if transparency of practices among suppliers is created. Workers cannot recognize violations if they do not know their rights. By guaranteeing freedom of association, many poor working conditions could be improved because workers would have the chance to collectively address the factory management. Even if there are unions, these often do not fulfil their duties. One explanation may be a lack of capacity to represent their members' interests. Some unions seem to be 'yellow' unions, which oppose industrial action and maintain friendly relations with the management of the factory. So it is most likely that civil society and its movements must push for real change. It is their task to demand the implementation of existing labour law and improvement of supervision of companies by means of regular inspections. The most important thing is, however, to inform and train workers to unionise.



## 5. RECOMMENDATIONS

### To the management of the footwear factories:

1. Management must bring working hours into compliance with Employment Act 13/2003. Hours exceeding the statutory threshold must be recognized as overtime and should be remunerated accordingly.
2. Working overtime must be voluntary for every worker. There must be no sanctions for workers who refuse to work overtime.
3. Every worker must be registered with national social security, providing health and accident insurance.
4. Processes to take maternity leave or a day's leave during menstruation must be made easier and more accessible for women.
5. Management is obligated to provide a safe and hygienic work environment to prevent work-related injuries and illness as much as possible.
6. Companies must employ every worker permanently after these have worked there for three months, so that they are eligible for benefits according to Employment Act 13/2003: Art 59 (4).
7. Every worker must receive pay that is at least equal to the living wage and by doing so helps to cover the family's basic needs.
8. Homeworkers must be given a clear, written employment contract that is to be signed by both parties.
9. Factories must register homeworkers and acknowledge them as formal employees.
10. Regular inspections must ensure that all suppliers and sub-contractors also uphold the brand's code of conduct.
11. According to Employment Act 21/2000, companies must not forbid their workers to found, enrol in, or actively participate in a union.

### To the brands:

1. Brands must urge their suppliers to comply with the recommendations listed above.
2. Brands must apply due diligence across the global supply chain, including suppliers and sub-contractors. According to the UN Guiding Principles on Business and Human Rights, companies must be aware of their corporate practices that adversely impact human rights and cease them.
3. Brands must increase transparency and disclose their supply chain including every supplier and every sub-contractor.
4. Brands must urge their suppliers to comply with national and international law. This must be made a main condition in order to work for a brand.
5. Brands must regularly inspect working conditions in the factories of suppliers and sub-contractors. They must include unions and NGOs in these inspections.
6. Brands must establish a complaints mechanism for victims of suppliers that violate human rights and/or labour law.

### To the Indonesian government:

1. Indonesia should ratify ILO Conventions 001, 005, 006, 018, 026, 089, 090, 131, 155, and 177.
2. The government must enforce employment Acts 13/2003 and 21/2000 and administer severe punishments for companies that violate these acts (legal prosecution for companies that forbid the foundation of unions or their activities and administrative penalties for companies that do not comply with labour law).
3. The government must ensure the application of Employment Act 12/2002 and 13/2003 on temporary employment with more consistent inspections. Unions could also play an important role in enhancing the application of these laws.



4. Every homemaker must be recognized as a regular employee by registering homeworkers' organisations as unions.
5. The government must introduce preventative regulations that protect homeworkers against violations of labour law. This must be either a ministry regulation or a regional directive.

#### To the EU member states:

1. EU member states must implement the UN Guiding Principles on Business and Human Rights.
2. EU member states must set up national action plans obligating governments and companies to protect human rights.
3. EU member states must create a legal framework to punish the illegal behaviour of multinationals.
4. EU member states must create or expand expedient complaint mechanisms for victims of violations of human rights and labour law.

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Indonesia is the fourth largest footwear manufacturer worldwide. The major importers of Indonesian leather footwear are the US and Europe. It is hence worth taking a look at Indonesia to learn more about the social and ecological footprint of leather shoes worn in Europe. Despite some initial achievements in terms of working conditions and the existence of considerable legislation, there is a lack of practical implementation of these laws. The present study recommends that it is imperative to improve working conditions in the entire Indonesian leather and footwear sector. This holds particularly true regarding the precarious and lawless situation of homeworkers, wages, and freedom of assembly and association. Companies are responsible for consistently respecting fundamental human and labour rights across the entire supply chain.

This study is a product of the international campaign Change Your Shoes. 18 European and Asian organisations have come together to raise awareness about problems in the production of leather and footwear. Research for the campaign was conducted in China, India, Indonesia, Eastern Europe, Italy and Turkey, with the aim of improving social and environmental conditions in the global leather and footwear industry.

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