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# **Social Standards in Indonesia – A Review of Existing Tools and Regulations**

**by**

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## **1. Introduction**

Free trade has for a long time been seen as the only way to develop the countries in the “third” world. Only when the ministerial conference of the WTO in Seattle in 1999 failed, it became quite clear that free trade without social justice cannot continue. Today, there is more and more consideration of the relationship between economic globalisation and the social situation in the world. It is estimated that 1/3 of the global labour force - or one billion people - are unemployed, underemployed or belong to the working poor. Many jobs were relocated from the industrialised countries to developing countries. Export processing zones in developing countries have offered multinational corporations areas to operate without restriction. Although they offered opportunities for employment and income, the working conditions are hazardous (Sengenberger 2002). Women in particular found jobs in the newly created world market factories. Between 70-90% of the workforce in export processing zones are females aged 15 to 25 (Wick 1998). In Indonesia, half of the working age population are female (71.3 million), and 52,8 % of the 98.8 million labour force are female ([www.worldbank.org](http://www.worldbank.org)).

National labour laws seemed to be no longer sufficient to protect the workers. The absence of strong regulations and an efficient law enforcement machinery allowed economic players to exploit the work force in less developed countries. Beyond this, weak labour unions and a labour hostile environment helped multinational enterprises to grow enormously. For a long time neo-liberal economists, who argued that the existence of institutions and social standards hinder economic progress, were believed to be right. The World Bank and IMF also followed these arguments. However they could neither reduce poverty nor implement humane working conditions in industrial workplaces. Initiatives other than the big institutional actors tried to develop tools to fill this gap. These initiatives were mainly the global unions and labour related NGOs, but also consumer associations.

In February 2002, the largest pension fund in the US, the California Public Employees Retirement System (CalPERS), which manages a total of US \$150bn in retirement savings, announced that they would no longer invest in four East Asian countries (Thailand, the Philippines, Malaysia and Indonesia). This decision was reached after conducting a review of its funds using criteria including social issues and human rights. Although the fund had invested only an estimated US \$250million in this region, there are fears that other investors – smaller funds - might follow this example. CalPERS will continue to invest their money in developing countries, but they will first look at the laws and at the institutional capacity to implement the laws, such as the actual conditions in a country concerning child labour, forced labour, freedom of association and discrimination.

Ethical investment is quite a new aspect in the advocacy of human rights. Other tools became

more common during the last three decades. In the field of labour regulation and the protection of workers' rights, soft laws beyond the national and international labour laws were designed and introduced. The following paper will draw a picture of the relevant attempts for implementing labour rights and social standards in Indonesia.

## **Indonesia**

Since 1997 Indonesia has undergone deep political and economic changes. Of all South-East-Asian countries, Indonesia was hit hardest by the Asia crisis with a negative GDP growth rate of 13,7% in 1998, and it has not yet recovered.

Growth rates of GDP:	1997	1998	1999	2000	2001	2002
In Indonesia	4,7%	- 13,7%	0,8%	4,8%	3,3%	3,6%

Source: Central board of statistics and Deutsche Bank, Indonesian Newsletter, Febr. 2003

Besides the economic changes, the Indonesian population faced a new political situation when the country turned from a dictatorship into a democratic process. It is still in a period of transition, struggling to become a new country. A lot of new democratic laws had to be developed and to pass the new democratically elected parliament. Day-to-day life has changed enormously. It turned out that with the fall of the corrupt regime of Soeharto, the whole country was at the brink of collapse. Corruption, Collusion and Nepotism had become more or less a reality. Today the government under President Megawati tries to continue the reform process but the speed of reform has slowed down remarkably. The intention is to build a stable country which will attract investors.

Regarding the situation of the workers, they still face huge problems today. Due to the crisis, many lost their jobs and many were pushed into the informal sector, which employs about 65% of all workers. The drop of the real income was tremendous. Out of a labour force of 98.8 million people in 2001 eight million were openly unemployed and probably another 30 – 35 million were underemployed ([www.bps.go.id/sector/employ/table1.shtml](http://www.bps.go.id/sector/employ/table1.shtml)).

In such a situation, labour laws alone cannot protect the rights of the workers. Especially with regard to the core labour standards developed by the Prohibition of Forced Labour (ILO Conventions 29, 105), the Prohibition of Child Labour (ILO Convention 138), the Prohibition of Discrimination in Employment (ILO Conventions 100, 111), the Freedom of Association and the Right to Collective Bargaining (ILO Conventions 87, 98) as well as other important international labour standards concerning living wages (ILO Conventions 26, 131), working hours (ILO Convention 1) and health and safety (ILO Convention 155). Alternative labour regulation tools, or so-called soft laws, are becoming more and more important in the protection of workers ([www.ilo.org](http://www.ilo.org)).

As far as internet or paper based sources are quoted, they are named in this paper. In addition,

a lot of information was gained through interviews with actors of trade unions, NGOs, associations and corporations, either by telephone or by email or personal contacts.

## **2. International Law and the Ratification of the ILO – Core Conventions**

With the downfall of Soeharto, the way for a new and more democratic labour law was opened. Interim-president Yussuf Habibie signed the ILO Core Conventions. This also ended the more than thirty years of state guided workers' organisations who had to serve the interests of the employers or the company owners, but who never paid attention to the workers.

Indonesia has ratified all ILO Core Conventions

No. 87 and No. 98 Freedom of Association, ratified under Presidential Decree 8 of 1998 and Collective Bargaining, ratified under Law Number 18 of 1956 (cf. Act No. 25 of the year 1997, Art. 27 & 48-54)

No. 29 and No. 105 Forced Labour, have been applied in Indonesia since the Dutch Colonial Rule, the latter has been ratified under Law Number 19 of 1999 (cf. 25/1997 Art.12)

No. 100, ratified under Law Number 80 of 1967, and No. 111, Non-Discrimination, ratified under Law number 21 of 1999 (cf. 25/1997 Art. 5 & 6). According to Indonesian Labour Law women workers are entitled to two days of menstruation leave per month, and pregnant women to three months fully paid maternity leave.

No. 138 (ratified in 1999) Minimum Age (cf. 25/1997 Art. 1/20 & 21). Indonesian Labour law No. 25 of 1997 stipulates that the employment of children under the age of 15 is prohibited.

Compulsory schooling in Indonesia ends at the age of 14. Indonesians between 15 and 18 years of age are allowed to work under special circumstances, but only for four hours during the day.

No. 182 (ratified in 2000) Worst Forms of Child Labour (cf. 25/1997 Art. 95-97)

as well as the following Conventions:

No. 19 Equality of Treatment (Compensation for personal injury due to industrial accidents)

No. 27 Dock Work (The Marking of the Weight of Heavy Packages Transported by Vessels)

No. 45 Employment of Women on Underground Work in Mines of All Kind (cf. 25/1997 Art.98)

No. 69 Work on Ships (The Certification of Ships' Cooks)

No. 106 Weekly Rest & Paid Leave (cf. 25/1997 Art.100-103)

No. 120 Hygiene in Commerce and Offices

No. 144 Tripartite Consultation to Promote the Implementation of International Labour Standards (cf. 25/1997 Art.38)

Certain Conventions have not yet been ratified but are codified in the national law. The national labour law allows for a normal working week consisting of 40 hours (7 hours from Monday to Friday and 5 hours on Saturday), and a legal maximum of overtime of 14 hours per week. This is even better than the demands of the ILO Convention No. 1 on Working Hours.

Furthermore, Indonesia did not ratify ILO Conventions Nos. 26 and 131 on Living Wages. In Indonesia, regional minimum wages are revised by the Governor of the Province in January of each year and published by the Ministry of Labour. The legal overtime pay is a supplement of 50 % for the first hour overtime and of 100 % as from the second hour onwards.

Another Convention not ratified was ILO Convention No. 155 on Health and Safety . According to Indonesian labour law, there must be a health and safety committee with the participation of workers in factories with at least 100 employees, and a health and safety manager in factories with at least 50 employees.

## **2.1 Labour Law Reform**

As you can see from the boxes above, most of the corresponding national regulations of the core labour standards and other ILO Conventions are regulated in Act No. 25 of 1997. This law was already enacted during Soeharto's time. With the political changes and the downfall of the dictator, workers demanded the repeal of this law. They felt it was against their interests and was made in an undemocratic manner as well as against the substantial contents of the core ILO Conventions. The demand for changes to the existing labour laws became part of the reform agenda. Due to the ongoing protests of the workers and their trade unions, then President Habibie decided to suspend Act No. 25 of 1997 up to 1 Oct. 2002. Three new laws should replace the law: a Trade Union Act, an Industrial Relation Dispute Settlement Act and a Manpower Development and Protection Act. The work should have been completed by October 2002, but it is still not finalised.

Eventually, in August 2000, the new Trade Union Act was enacted. Despite the protest of some unions, it was signed as law No. 21 of 2000 by then President Abdurrahman Wahid, also called Gus Dur. The new law is a substantial improvement despite several drawbacks. Due to the political stalemate between President Wahid and the Parliament (DPR), which resulted in non-activity, the other two bills on Manpower Development and Protection, known as PPK (in the latest version it is called Manpower Bill, RUU-K), and on Settlement of Industrial Relations Disputes, known as PPHI, were not attended to for a long time. Only by the end of 2002, Parliament started again their deliberations concerning the two bills.

Some of the unions opposed the drafted bills, which, in their opinion, were inter alia a violation of ILO-Conventions 87 and 98. Furthermore, the unions criticised provisions concerning the right to go on strike, the termination of employment, and provisions related to severance payment and wages as well as contract work. Beyond this, the unions questioned the clarity and the extent to which the bills were legally binding. The employers were also opposed to the new draft bills because, in their opinion, the bills were too labour friendly. In the beginning of 2003, the Labour and Social Committee of the Parliament came to some compromise with the employers, some unions and with the Ministry of Manpower on some crucial issues.

In February 2002 the Parliament eventually passed the Manpower Bill. A fully authorized English text of the bill is still not available. The parliament is likely to decide on the other remaining bill in April. The unions of the confederation ITUC (KSPI) and some smaller unions like FNPBI, but also the SBSI union in the Textile, Garment and Shoe industry, GARTEKS, still reject the new law. They still believe that it violates important ILO-Conventions and that it does not serve

the workers' interest.

In connection with the reform of the labour laws, the Ministry of Labour wanted to reorganise the composition of the ten workers' seats in the seven national tripartite bodies (National Tripartite Cooperation Institution, National Wages Council, National Productivity Council, National Labour Dispute Settlement Committee, National Health and Safety Council, National Workers' Training Council, Labour Crisis Centre). This was also in connection with the industrial relation system, and with the existing multiplicity of trade unions after the introduction of the freedom of association. Up until now, only the former government-controlled union FSPSI was represented. For the purpose of reorganisation, a verification of membership figures was launched. Finally some unions questioned the verification process. Depnaker decided that for the time being the FSPSI will hold five seats: the ITUC (KSPI) two and other unions three seats.

## **2.2 Activities of the ILO to Safeguard Workers' Rights**

The ILO has its own law enforcement mechanism and complaint system to deal with violations of ILO Conventions. There is also the Committee of Experts, which studies the annual government reports and the related comments of the employers' and workers' organisations on the implementation of ILO Conventions. A special committee is in charge of the core labour Conventions. These committees give recommendations with regard to improvements in the implementation of labour standards. By doing so, they can impose moral pressure on governments. Moreover, there is a Committee of Freedom of Association, which specifically deals with complaints of violations of the ILO Conventions 87 and 98. Unfortunately, the system includes no sanctions, but its instruments do facilitate complaints to be made to the ILO. The decisions of its institutions, which deal with the complaints in public, do create an international attendance. For legal remedies, however, the workers still depend on the national legal system. In one case, the IUF did manage to bring the Shangri-la case of Indonesia to the Committee of Freedom of Association of the ILO.

**Example: The Shangri-la Case**

The five star hotel, the Shangri-La Jakarta is part of the Shangri-La Hotel chain in Asia, and is partly owned by the Hong Kong based multi millionaire Robert Kuok .On 22 December 2000, the management of the Shangri-La Jakarta sent a suspension letter to Halilintar Nurdin, then President of the SPMS. That afternoon, workers spontaneously gathered to protest against the dismissal of their union leader and demanded that he be reemployed. Ever since the foundation of the union SPMS, the management had tried to defeat it, and had not fulfilled the Indonesian law concerning a pension scheme or the distribution of service charges. The spontaneous strike continued until the 26 December when the management called the police to remove the protesting workers. In addition to removing the workers, the police took them to police headquarters for questioning. The hotel was closed by the management and only reopened in March 2001.

The management also dismissed SPMS member workers who did not take part in the protest, but were on leave during the strike. Altogether 579 union members were legally made redundant (due to a decision of the Central Committee for Industrial Dispute Resolution (P4P) in May 2001) until May 2002. 81 of them have not accepted any compensation and continued to fight for their reinstatement.

Since January 2001, demonstrations by unions in Australia and the United States have arisen in front of Shangri-La sales offices. They were held to support their dismissed union colleagues. The IUF brought the case to the ILO and its Freedom of Association Committee, which in its 21 June 2001 ruling on the Shangri-La case, condemned the lockout and mass dismissal of union members as a violation of fundamental trade union rights. This conclusion was later also confirmed by the Governing Body of the ILO.

On 27 August 2001, the Jakarta High Court on the basis of a complaint of the Shangri-La Management, ordered six trade union activists (five from the unions FSPM/SPMS and the director of the IUF Office in Indonesia) to pay 2.34 million US dollars in compensation for "damages". In addition to this verdict, the six were asked to place a written apology to the hotel owners in five national newspapers published in Jakarta. Immediately after the High Court decision, and the presence of the judges and the entire court, the defendants declared to appeal. Later the High Court rejected the appeal with the notice that the appeal was not lodged in time, although the period for appeal was 14 days.

Even before the first pre-trial hearing took place last year, the South Jakarta District Court had begun the legal procedure for seizing the defendants' homes. The IUF claimed that civil suits to circumvent international labour standards were illegal under international law, as ILO Conventions had the force of international treaties. The IUF considered the Indonesian legal system still to be the "pliant toll of the wealthy and powerful and will go on campaigning at every level for the annulment of this shameful decision".

In the meantime on 26 March 2002, the State Administrative High Court in Jakarta that dealt with the labour law assessment of the case decided that the mass dismissals were illegal and that the workers had to be reinstated. Rejecting this verdict, the management of the Shangri-La Hotel appealed to a higher court where it later won. On March 27, 2003 the IUF surprisingly published on his website that it has eventually come to a final dispute settlement with the Shangri-La Group: "*The Shangri-La Group and the IUF have reached a satisfactory agreement to end the conflict in Jakarta between the IUF's local affiliate and the Shangri-La Hotel, Jakarta. Pursuant to the said agreement, all outstanding issues have been resolved and the Shangri-La Group and the IUF jointly announce that the conflict at the Shangri-La Hotel, Jakarta is at an end.*" The agreement includes a satisfactory compensation for those dismissed union members who did not previously accept severance payment and that the Shangri-La drops the civil suit against the six union leaders and that the union agrees to dismiss their court case for reinstatement of the terminated workers.

In addition to the monitoring mechanism, the ILO also provides technical assistance to governments, employers and workers' organisations. In Indonesia, the ILO has assisted the Ministry of Manpower and Transmigration in their efforts to reform the labour laws, and has launched a technical Cooperation Project on Freedom of Association and Collective Bargaining that is part of the global campaign on the promotion of the Declaration on Fundamental Principles and Rights at Work. The ILO Bureau for Workers' Activities (ACTRAV) is implementing a workers' education project for Indonesia. Many training activities have already been carried out.

Another current priority of the ILO in Indonesia is the development and implementation of employment creation strategies by national, provincial and local governments with particular regard to the position of women, indigenous people and the informal sector. Government's sup-



port for labour law reforms and improved industrial relations based on respect for fundamental labour rights will continue together with the programme to combat the worst forms of child labour. The last important issue tackled by the ILO is the improvement of the social security system (JAMSOSTEK) and of the protection and support accorded to Indonesian migrant workers.

Two other institutions financing trade union education, the German Friedrich Ebert Stiftung (FES) and the American Centre of International Labor Solidarity (ACILS), conduct numerous programmes with regard to International Labour Standards as well as trade union and workers' rights.

### **3. Alternative Labour Regulation Tools**

As already mentioned, alternative labour regulation tools gain more importance in times of globalisation because of a growing need to safeguard the workers' and trade unions' rights in developing countries. During the last years, the following instruments and approaches have been discussed and developed as well as partly put into practice:

- Social Clause
- Codes of Conduct
- ILO-Declaration on Multinational Enterprises and OECD-Guidelines for MNCs
- Framework Agreements
- Global Networks of Trade Unions and international works' councils on MNC level
- Social Labelling/Ethical Consumption
- UN Global Compact and UNIDO Triple Bottom line
- Social Protection Strategy and Poverty Reduction Strategy Programmes (PRSP) of IFIs

#### **3.1 Social Clause**

The concept of a Social Clause is discussed within the WTO in the same manner as the Social Clause within the Generalised Systems of Preferences (GSP) of the EU, the US and in other trade agreements. It requires the parties to these agreements to hold on to certain labour standards in the production of traded goods and trade services. Otherwise trade sanctions are to be imposed. In the beginning of the nineties, the ICFTU and the Global Union Federations (GUFs), at that time called International Trade Secretariats (ITS), were pushing for the introduction of a social clause. They demanded a direct compliance of the ILO Core Labour Conventions with the GATT/WTO agreement in such a way that trade sanctions could be imposed as a last resort in cases of disregarding the ILO Core Labour Conventions. In 1996, the WTO minister conference rejected this demand stating that despite its commitment to observe International Core Labour Standards, the ILO is the international body most competent to deal with this issue. Since then the idea of a WTO-ILO working group has existed but never been realized.

In the meantime, the ICFTU and the GUFs have reformulated their demands against the WTO with regard to workers' rights. They know that the introduction of the social clause is a very long term objective. They demand, therefore, as a first step among other things, that the

WTO establishes a formal structure to address trade and core labour standards. This should be with the participation of the ILO who will determine for the General Council of the WTO proposals and recommendations regarding the best method to integrate core labour standards into the procedures, mechanisms and regulations of the WTO.

The current theoretical concept of a Social Clause has not yet been discussed seriously in Indonesia. Being asked for statements, neither the government, nor any employers or trade unions will voice any clear position. The issue does not seem to be relevant to them at the moment. The Indonesian government has not officially declared its attitude on Social Clauses. Nevertheless the absence of any statement can be interpreted as rejection or lack of interest.

The employers' association APINDO argues that the WTO should not deal with labour rights. It considers the ILO to be in charge of their implementation and supports the idea of an ILO-WTO working group to discuss the question of labour rights within trade. As far as Indonesia is concerned, APINDO would like to coordinate its action with the ILO programmes.

Various unions admit that no one is seriously working on this issue and that the knowledge of what Social Clauses might entail – in the positive as well as in the negative sense – is very limited. They mostly refer to statements from the Global Unions such as the following one made by the IUF:

”A labour strategy for the WTO must focus on containing the organisation, limiting its scope and spread, and injecting into the debate over international trade the key issues of developing country debt, guaranteed access to food, the universal application and right to undertake trade union organising and collective bargaining, the right to free education and health care and the right to safe working and living environments” (IUF - Asian Food Worker – news bulletin Vol. 31 No 4 p.2 December 2001).

**Social Pillar in the ASEM**  
 Another effort to push for labour standards is the demand of the Global Unions to include a social pillar in the Asian Europe Meeting (ASEM). In partnership with the Global Unions, the FES has conducted conferences in several countries to support this demand and to create a necessary awareness. “The statement of the ICFTU and ETUC asked the ASEM leaders that they 'must now decide to support real and meaningful social dialogue and tripartism in all member countries. They must instruct their governments to take the necessary measures to guarantee the fundamental rights of workers and support the effective implementation of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up'.”  
 “Additionally, they urged them to 'recommend that the WTO make progress on development and social concerns, including advisory mechanisms for trade unions and other representative organizations. The WTO must also play a formal and active role in the ILO's new World Commission on the social dimensions of globalisation. ASEM Leaders should hold a dialogue on promoting core labour standards at the ILO, IMF, World Bank and WTO, with a view to removing misunderstandings and overcoming their past disagreements'.” (Anonuevo 2002)  
 As the ICFTU does not yet have an affiliate in Indonesia, delegates of unions which are affiliated to the Global Union Federations were representatives for Indonesia in the above-mentioned conferences.

**Indonesian Unions and their relations to International Trade Union Organizations**

Global Union	National Affiliate	Remarks
ICFTU	KSPI (ITUC)	just formed, and will probably join ICFTU

WCL	SBSI	-
EI	PGRI	Affiliated to KSPI
ICEM	FSP KEP	Not yet affiliated to ICEM, but has good contacts, affiliated to KSPI
IFBWW	FSP KAHUTINDO SPBPU-KSPSI	Affiliated to KSPI Affiliated to KSPSI (former FSPSI)
IMF	FSPMI	Affiliated to KSPI
ITF	KPI STA-SBSI SPTU SPTI-KSPSI	Affiliated to KSPSI (former FSPSI) Affiliated to SBSI Affiliated to FSPSI Reformasi Affiliated to KSPSI (former FSPSI)
ITGLWF	FSP TSK	Affiliated to KSPI
IUF	FSP Mandiri FSBNI	- -
PSI	FSP FARKES SP PLN Persero	Affiliated to KSPI -
UNI	ASPEK	Affiliated to KSPI
IFJ	AJI	-

### **3.2 ILO Declaration on and OECD Guidelines for Multinational Enterprises**

The ILO Declaration on Multinational Enterprises and Social Policy of 1977 (amended in 2000) lays down principles in the fields of employment, training, conditions of work and life, and industrial relations. Governments, employers' and workers' organisations and multinational enterprises have been asked to observe those principles on a voluntary basis. Freedom of association, the right to organise, and collective bargaining are all mentioned in the Declaration.

The voluntary Declaration was adopted because of the rise of foreign direct investments of MNCs in countries which are not their home countries. Given that MNCs contribute to the promotion of economic and social welfare in their host countries, it is, however, difficult to survey the business policy of these global players. The Declaration was enforced with the aim to "encourage the positive contribution which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise, taking into account the United Nations resolutions advocating the establishment of a New International Economic Order." (Art.2). Moreover, in Art. 4 & 5, the Declaration asks national governments to adopt its principles in their national laws. The content of the Declaration is mainly based on the ILO-Conventions Nos. 87, 98, 111, 122, 138 and 182. Large parts of the Declaration are similar to the OECD Guidelines for Multinational Enterprises.

Unfortunately, the ILO Declaration has no strong tools for implementation. Periodic surveys are conducted to monitor the effect of MNCs, governments, employer organizations and trade unions on the Declaration. A summary and an analysis of the replies received are submitted to the ILO-Governing Body for discussion (see [www.ilo.org](http://www.ilo.org)). In the case of disagreement over the

application of the Declaration, the parties may use a procedure instituted in 1981 to submit a request to the ILO for an interpretation of the meaning of the provisions. In no way shall such a request duplicate or conflict with existing national or ILO procedures.

On 27 June 2000, the governments of the 30 OECD member countries, and of Argentina, Brazil, Chile and Slovakia, adopted the OECD guidelines at the OECD Ministerial Meeting. The guidelines are voluntary principles and standards for MNCs having their head office in an OECD country. While operating in host countries, MNCs are asked to respect certain principles concerning human and labour rights, health and safety standards, bribery, consumers' interest, science and technology application, competition behaviour and local taxation. Furthermore, they are asked to report regularly about their business activities, structure, financial situation and performance. Unlike other voluntary Codes of Conduct, the Guidelines require no positive commitment by a company.

All OECD member countries have established National Contact Points (NCP) that not only promotes the Guidelines, but also acts as a forum for discussion of matters relating to the Guidelines. An MNC who does not respect the Guidelines can be accused by anyone at the National Contact Point.

If a MNC, based in any of the adhering countries, violates the Guidelines in a non-adhering country such as Indonesia, the NCP in the home country of the MNC has to be approached. When a case is reported to the NCP, the latter will try to resolve the problem, e.g. through the organisation of meetings with the parties concerned, or by the offer of mediation and conciliation. Although they cannot impose sanctions on MNCs that do not respect the Guidelines, the NCP can impose public shame on MNCs via the media. After having closed a case and made recommendations to the MNC, the NCP will publish a report, which often helps to solve the case. Furthermore, some governments have linked the Guidelines to export credits. TUAC, the Trade Union Advisory Committee at the OECD, is lobbying to motivate more governments to make similar linkages. The German Federal Ministry of Economics and Technology (BMWi) as well as the German Industry Association (BDI) refuse to connect export credits with the Guidelines.

As far Indonesia is concerned, a case has recently been brought to the NCPs in Germany and the USA regarding the activities of adidas-Solomon and Nike in Indonesia. The CCC in Germany has filed a complaint to the Federal Ministry of Economics and Labour (NCP) with regard to labour conditions in Indonesian supplier factories of adidas (PT Panarub und PT Nikomas Gemilang). The CCC believes that some of these labour conditions constitute a violation of the OECD Guidelines for Multinational Enterprises, as well as of additional international labour Conventions of the ILO. Thereupon the adidas-Salomon company was asked by the German NCP to comment on the allegations. Adidas-Salomon rejected the allegations and the national NCP asked thereafter if, in the light of the adidas response, the CCC still considers the OECD Guidelines to be violated. In the meantime CCC issued a reply in which they acknowledge some

corrective action measures undertaken by adidas in Indonesia but that in spite of these initiatives they are still not satisfied with the statement of adidas and still criticize the labour practises with regard to Freedom of Association and the Right to Collective Bargaining, the Prohibition of Discrimination and Living Wages, and the verification procedure.

The instrument of OECD-Guidelines seems to gain more importance in view of the fact of hundreds of foreign firms from OECD countries operating in Indonesia (further German companies are for example: Bayer, BASF, Daimler-Chrysler, Deutsche Bank, Allianz, Siemens, Schering, Henkel etc.)

### **3.3 Framework Agreements**

A Framework Agreement is an agreement on the international activities of a company, negotiated between the management of a multinational company and a global union. It contains the core labour standards, based on the ILO-Conventions, Safety, Health and Environmental Protection measurements, as well as the role of Workers' Representatives and Trade Union Rights. The last point is probably the most important one from the global unions' point of view. It gives the workers the right to freedom of association and assures the existence of plant level unions. The IUF considers signed framework agreements to be guidelines for unions that can be used in their dealings with a company.

During the last 15 years, numerous Framework Agreements between Multinational Enterprises and Global Unions Federations have been signed (see list below). The contents differ from one agreement to the other, but they all are of international validity. The Global Unions' regional and local offices carry out the monitoring. Most Agreements, however, do not contain a specified monitoring procedure.

### **Framework Agreements concluded between Transnational Companies and Global Union Federations (GUFs)**

Company	Country	Branch	Global Union Federation	Year	Activities in Indonesia
Danone	Switzerland	Food Processing	IUF	1988	Yes: Aqua in Jakarta
Accor	France	Hotels	IUF	1995	Yes: Novotel, Mercure, Ibis, Hotel Grand Mahakam, Arcadia Hotel probably
IKEA	Sweden	Furniture	IFBWW	2001	probably
Statoil	Norway	Oil Industry	ICEM	1998	No
Faber-Castell	Germany	Office Material	IFBWW	1999	Yes: pencils in Bekasi
Freudenberg	Germany	Chemical Industry	ICEM	2000	No
Hochtief	Germany	Construction	IFBWW	2000	Yes: Lighton Group
Carrefour	France	Commerce	UNI	2001	Yes: supermarkets
Chiquita	USA	Agriculture	IUF	2001	No
OTE Telecom	Greece	Telecommunication	UNI	2001	No
Skanska	Sweden	Construction	IFBWW	2001	No
Telefonica	Spain	Telecommunication	UNI	2001	No
Merloni	Italy	Metal Industry	IMF	2002	No
Ballast Nedam	Netherlands	Construction	IFBWW	2002	No
Volkswagen	Germany	Auto Industry	IMF	2002	No
Norske Skog	Norway	Paper	ICEM	2002	No
Fronterra	New Zealand	Dairy	IUF	2002	No
Endesa	Spain	Electricity	ICEM	2002	No
Daimler	Germany	Auto Industry	IMF	2002	Yes: factory in Bogor

In the case of the agreement with Danone Indonesia, the IUF office in Bandung is supposed to survey the labour conditions. The fact that the plant level union of Aqua Danone, a water factory, is the status quo union FSPSI and, as such, is not a member of the IUF makes it much more difficult for the IUF to gain information about the situation in the factory. In the case of the agreement with Carrefour, there are no problems with Carrefour Indonesia. ASPEK Indonesia organises the Carrefour Supermarkets and it supports the monitoring.

The Framework Agreement between the IFBWW and Hochtief foresees monitoring just in case of complaints. There is also a Framework Agreement between IFBWW and IKEA, which recognises the right to organise in factories that produce goods for IKEA. There are 1800 factories/firms around the world, which are component suppliers for or subcontractors of IKEA. Up to the present day, IKEA has refused to disclose the names of these firms. It is difficult, therefore, to identify the firms and the countries that fall under the Agreement, and therefore monitoring is severely hampered. Although, there are probably also several component suppliers of IKEA located in Indonesia due to the large wood industry in the country, monitoring does not take place.

In June 1995, the IUF signed a Framework Agreement with one of the largest global hotel and tourism groups, the Accor Group, which employs 145,000 workers. In Indonesia the hotels Sofitel, Novotel and Mecure represent the Accor Group. In the Indonesian hotels of this chain, however, there are no unions affiliated to the IUF, which again hampers the monitoring.

The Framework Agreement, also called Social Charter, between Faber Castell and the IFBWW will be quoted as an example here. Faber-Castell produces goods in one Indonesian factory, which was monitored in 2002 together with seven other factories in Asia Pacific. The report state that the Social Charter is very well implemented in all factories, and that therefore the social conditions are good and well balanced. The standard of industrial safety and protection is high compared to local standards. In Indonesia the Social Charter is available in the factory in English and the local language, a joint work agreement (PKB) between Faber-Castell Indonesia and the union was ratified in 2002, and there is an open attitude to union activities and the elected representatives.

### **Faber-Castell and IFBWW**

#### **1. Employment is freely chosen**

Forced labour must not be used. (ILO Conventions nos. 29 and 105). Workers will not be required to lodge "deposits" or their identity papers with their employers.

#### **2. No discrimination in employment**

Equal opportunities and equal treatment regardless of race, colour, gender, creed, political views, nationality, social background or any other special characteristics shall be provided. (ILO Conventions nos. 100 and 111).

#### **3. Child labour is not used**

Child labour must not be used. Only workers aged 15 and over, or over the age of compulsory education if higher, may be employed (ILO Convention no. 138).

#### **4. Respect for the right to freedom of association and free collective bargaining**

The right of all workers to form and join trade unions shall be recognised (ILO Conventions nos. 87 and 98). Workers' representatives must not be discriminated against and must have access to all the work-places necessary to exercise their duties as trade unions representatives (ILO Convention no. 135 and Recommendation no. 143). Employers shall adopt positive views of the activities of trade unions and an open attitude to their organising activities.

#### **5. Decent wages are paid**

Wages and benefits for a standard working week shall meet at least legal and industry minimum standards. Unless wage deductions are permitted by national legislation they may not be made without expressed permission of the workers concerned. All workers must be given written, understandable information in their own language about wages before taking up their work, and the details of their wages in writing on each occasion that wages are paid.

#### **6. Hours of work are not excessive**

Working time should follow the appropriate legislation or national agreements for each trade

#### **7. Occupational safety and decent working conditions**

A safe and hygienic working environment shall be provided and best occupational health and safety work practices shall be promoted, bearing in mind the prevailing knowledge of the trade and of any specific hazards. Physical abuse, the threat of physical abuse, unusual penalties or punishments, sexual or other forms of harassment and threats by the employer shall be strictly forbidden.

#### **8. Conditions of employment must be established**

Employers' obligations to workers according to national labour legislation and regulations on social protection based on permanent employment must be respected.

### **3.4 Global Networks of Trade Unions and International Works Councils**

Another form of social corporate responsibility and safeguarding international labour standards is the Global Network of trade unions at the MNC-level. This is a venue where the unions

from the different countries where a particular MNC operates can come together to share information relating to issues of workers' rights. The activities are coordinated by the Global Union. The ultimate aim is to establish a regional or global works council, which promotes more participation and codetermination of MNC workers in certain affairs concerning the broader concern. In addition to Coca Cola, Nestlé, Goodyear and Volkswagen, the Hong Kong Shanghai Bank and BASF have global or regional networks or councils. The cases of HSBC, BASF and Nestlé, which also operate in Asia and Indonesia, are presented here:

### ***HSBC***

In January 2000, the workers of Hong Kong Shanghai Bank C. (HSBC) established a version of a regional Works Council for Asia, which will soon be accepted into the Caribbean network. The UNI-Apro Regional Secretary in Singapore supports the Works Council to solve problems. HSBC has branch offices all over Indonesia. ASPEK Indonesia, which is affiliated to UNI, organises most of the employees. A union representative participates in the regional networking.

### ***BASF***

BASF opened a plant in West Jakarta that produces colour pigments, pigment preparations, polymer dispersions, process chemicals for paper, textile and leather industries and vitamin pre-mixes. The company employs 700 people (about 560 on the plant). The plant level union is fully recognised, but has always to fight for rights that are not embodied in the national labour law such as the "right of participation and negotiations of wage agreements". Since autumn 2000, the workers of BASF in Asia have tried, with the support of FES, ICEM, IGBCE and the Works Council of BASF Ludwigshafen, to build up a network of the BASF in-house unions in the Asia-Pacific area. Such networks already exist in Europe and South America. Later on, the networks are supposed to be connected to a global works council, which can point out the different labour standards in the plants. The in-house union of BASF Indonesia is an active member in building up the network. The union itself is not yet affiliated to any national centre or Industrial Federation. The government of the Republic of Indonesia has awarded the BASF production site the title of "one of the greenest plants in Jakarta".

In the context of the Global Compact, the factory in Jakarta has until today submitted three programmes:

1. Education programmes on responsible care
2. Amelioration of occupational health and safety facilities
3. Assistance to the neighbourhood: paying for school fees and textbooks as well as for school equipment

### ***Nestlé – Global Network of Unions***

The IUF has not yet signed a Framework Agreement with Nestlé, the largest global corporation in the food and drink sector, employing some 230,000 workers worldwide, but it has begun



to co-ordinate the plant level unions and to build a global network of unions. These projects include the exchange of information and develop strategies to serve the interests of Nestlé employees.

Within the European Union, EU law protects the rights of the employees, but more and more union reports about the situation in Nestlé plants in developing countries raise concern. Most reports deal with the widespread and growing use of casual labour, out-sourcing, temporary employment and other devices for reducing the number of permanent unionised employees with contractual benefits.

The objectives of the IUF project are to continue the building and strengthening of a global union network within Nestlé, to achieve recognition of IUF trade union structures at global and regional levels (beyond the EU) from Nestlé, and to build capacity (Trade Union Development) in areas where unions are not well developed within Nestlé. A regional meeting of this network for the Asia-Pacific area took place in Jakarta at the end of September 2002. The workers' delegates of three Nestlé factories and one warehouse in Indonesia also participated. The participants of the seminar agreed upon a so-called Jakarta Declaration, which will be the basis for further negotiations with the top management on a Framework Agreement. The declaration contains inter alia the freedom of association and the right to bargain collectively. It will be the subject of further follow-up activities in the region and in Indonesia itself to inform the members and the public about the demands of Nestlé workers in Asia/Pacific region and to help implementing the declaration.

### **3.5 Social Labelling/Ethical Consumption**

Social Labelling means that goods are produced under special social conditions, and this message is transferred to the consumer by a label on the product. Symbols such as logos, trade marks and sometimes text are used to differentiate the product or enterprise from others. The labels have been developed by NGOs, industry or trade unions. Most labelled products can be found in the agro-sector or the carpet industry. The concept of Social Labelling was developed by fair trade organisations that before sold their product in so called "Third World Shops". The goal is to change global trade. The importers buy directly from the producing organisations in Latin America, Africa and Asia and pay a "fair" price. Trade union rights had not become an issue before the early nineties when some importers wanted to sell the products also in supermarkets in Europe and started to work with plantations where trade unions existed, e.g. on transfair plantations in Sri Lanka and India. In some cases, such as the flower and tea industry, it is difficult to find cooperatives, and therefore the importers had to buy from plantations. Soon the fairtrade organisations started to cooperate with international trade unions to get their support. In these cases (flower label, transfair tea, FSC and carpet labels), the Core Conventions and environmental standards became part of the label. The FES also played an important role in promoting social labels but also in getting the trade unions involved.

Indonesia has never been a very important partner for Social Labels. Today, only the Third World Shops import handicraft products from Indonesia, and there is some certification of exported timber by the Forest Stewardship Council. Neither transfair nor the Flower Label have found their way to Indonesia.

### ***Fair Trade – World Shops***

The German fair trade importers like gepa, El Puente and Dritte Welt Partner Ravensburg<sup>1</sup> have just one main partner organisation in Indonesia. They all deal with Pekerti ("Indonesian Peoples Handicraft Foundation"). Since 1983, they have been importing basket wares, jewels, leather goods, traditional wayang puppets, wooden toys, musical instruments, Christmas decorations and similar items.

Pekerti is involved in social development, primarily in the area of income generation. Its main aim is to assist the economically weak handicraft producers, especially those in the rural areas of Java, Bali and West Nusa Tenggara, to become self-reliant through participatory programmes. They pay product prices that exceed the market prices, give advance payment for raw material, establish health insurances, retirement funds and other similar programmes. Pekerti is divided into two divisions: the "Market Division Unit" and the "Producer Development Unit". About 50 employees work in Jakarta and 20 colleagues are in the field supporting the producer groups. Since their beginning in 1975, Pekerti has always focused on the empowerment of women and on the environmental sustainability of products. The partner organisations are various small family businesses with some employees or organisations that consist of diverse member groups. The structure of the 50 to 150 partners depends on the tradition. The silversmiths, for example, work mostly in family businesses.

When starting to work with a producer group, Pekerti analyses the situation of the women and tries to ameliorate their situation by choosing the product, and by supporting the women with special training courses, legal advice and loans. They also sensitise the producer to the environmental issues and take part in reforestation.

Pekerti exports most products, because other artisans sell their products for a much cheaper price so that Pekerti cannot compete with them on the domestic market. In 2001 they exported goods for US\$ 240.000 to Australia, West Europe and Japan. Nevertheless, they do also try to sell to the malls and shops in Jakarta (Project information from the gepa).

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<sup>1</sup> [www.gepa3.de](http://www.gepa3.de), [www.elpuente.de](http://www.elpuente.de), [www.dwp.de](http://www.dwp.de)

### ***Forest Stewardship Council (FSC)***

The Forest Stewardship Council (FSC) is a labelling organisation that sets environmental and labour standards, including the Core Conventions. Wood plantations fulfilling the standards can apply for certification. The FSC lists the plantation names for the buyers. Under sustainable conditions the workers maintain the natural forests.

In Indonesia, three companies certified part of their plantations. Altogether, an area of 151,589 ha is concerned. On the whole, Indonesia owns an area of 225,000,000 acres of tropical forest. It is estimated that about 70 percent of Indonesian wood products is from illegal cutting<sup>2</sup>.

Out of regard of their member unions that do not agree with the label, the IFBWW itself is not a member of the FSC. Nevertheless, it is one of the founders of the FSC and it does support the member associations. The German IG Metall and IG BAU are members of the FSC.

### **3.6 Codes of Conduct**

During the last years multinational corporations in the apparel and shoe industry have tried to respond to the accusations by NGOs and Trade Unions that they exploit workers in the South. They responded through the implementation of Codes of Conduct: written statements of companies concerning their standards and principles for the conduct of business activities in the producing places. Most Codes of Conduct are unilateral documents by the company, but there are also signed codes with a partner or a group of partners, either NGOs or trade unions. In the past few years, branch Codes of Conduct like the one from the AVE (German Retail Association for External Trade– Außenhandelsvereinigung des deutschen Einzelhandels e.V.) in Germany were signed. In 2000, a so-called round table was established with strong support from the FES. The members of the round table are the classical tripartite partners: the governments, trade unions and employers' organisations, as well as a new member in this make-up: the NGOs. The partners have four seats each, and they meet at regular two month intervals to discuss labour standards in German MNCs, as well in their own plants, and in retailer factories in developing countries. Besides working on guidelines and their implementation, a pilot project in Indonesia in the apparel industry is one of the forthcoming issues.

#### ***adidas-Salomon's Code of Conduct***

The market for apparel and shoes is dense, and the big brands compete for the market shares. Nowadays most brands have reacted to the accusation of exploitation by implementing a Code of Conduct (adidas code see below). Divisions on labour and environmental standards were set up. The German adidas-Salomon AG, for example, employs about thirty experts worldwide in the Social & Environmental Affairs department. It is their duty to supervise the shoe and apparel production places in the producing countries. In the case of Indonesia, two local employees are supposed to supervise five shoe and about 26 clothing factories in which they place their orders. A regional team based in Hong Kong supports them.

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<sup>2</sup> [http://www.rainforestweb.org/Rainforest\\_Regions/Asia/Indonesia/?state=more](http://www.rainforestweb.org/Rainforest_Regions/Asia/Indonesia/?state=more)

## **Standards of Engagement, adidas-Salomon**

### **I. General Principle**

Business partners shall comply fully with all legal requirements relevant to the conduct of their businesses.

### **II. Employment Standards**

We will only do business with partners who treat their employees fairly and legally with regard to wages, benefits, and working conditions. In particular, the following guidelines apply:

**Forced Labour:** Business partners shall not use forced labour, whether in the form of prison labour, indentured labour, bonded labour, or otherwise. No employee shall be compelled to work through force or intimidation of any form.

**Child Labour:** Business partners shall not employ children who are less than 15 years old, or who are younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

**Discrimination:** While we recognise and respect cultural differences, we believe that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. We will seek business partners that share this value, and that do not discriminate in hiring and employment practices on grounds of race, national origin, gender, religion, age, disability, marital status, membership of associations, sexual orientation, or political opinion.

**Wages and Benefits:** Business partners shall recognise that wages are essential to meeting employees' basic needs and some discretionary payments. In all cases, wages must equal or exceed the minimum wage or the prevailing industry wage, whichever is higher, and legally mandated benefits shall also be provided. Wages shall be paid directly to the employee in cash or check or the equivalent, and information relating to wages shall be provided to employees in a form they understand. Advances and deductions from wages shall be carefully monitored, and shall comply with law.

In addition to their compensation for regular working hours, employees shall be compensated for overtime hours at the premium rate legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate exceeding their regular hourly compensation rate.

**Hours of Work:** Employees shall not be required, except in extraordinary circumstances, to work more than sixty hours per week, including overtime, or the local legal requirement, whichever is less. Employees shall be allowed at least 24 consecutive hours off within every seven-day period, and shall receive paid annual leave.

**Freedom of Association and Collective Bargaining:** Business partners shall recognise and respect the right of workers to join and organise associations of their own choosing, and to bargain collectively. Where law specifically restricts the right to freedom of association and collective bargaining, the employer must not obstruct alternative and legal means for independent and free association and bargaining. In any case the employer shall implement systems to ensure good communication with employees.

**Disciplinary Practices:** Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

### **III. Health and Safety**

A safe and hygienic working environment shall be provided, and occupational health and safety practices, which prevent accidents and injury in the course of work or as a result of the operation of employer facilities, shall be promoted. This includes protection from fire, accidents, and toxic substances. Lighting, heating and ventilation systems should be adequate. Employees should have access at all times to sanitary facilities, which should be adequate and clean. The factory must have safety and health policies that are clearly communicated to the workers. These should apply to employee residential facilities, where provided by employers.

### **IV. Environmental Requirements**

Business partners should aim for progressive improvement in their environmental performance, not only in their own operations, but also in their operations with partners, suppliers and sub contractors. This includes: integrating principles of sustainability into business decisions; responsible use of natural resources, adoption of cleaner production and pollution prevention measures, and designing and developing products, materials and technologies according to the principles of sustainability.

### **V. Community Involvement**

We will favour business partners who make efforts to contribute to improving conditions in the countries and communities in which they operate.<sup>3</sup>

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<sup>3</sup> <http://www.adidas-salomon.com/en/sustainability/coc/default.asp> (download 25.03.03)

Nevertheless, labour related NGOs and trade unions regularly report on violations of labour rights in factories producing under a Code of Conduct. One of them is the CleanClothesCampaign(CCC). It was founded in the Netherlands in 1990 and is today active in ten European countries as a network of more than 200 NGOs and trade unions. In the United States one of the main actors is the American students organisation Workers Right Consortium (WRC), whose membership consists of 95 universities and colleges in the United States. All companies wishing to sell products with the university/college logo have to sign the WRC Code of Conduct. At the same time, they agree to open their producing places for investigations carried out by the WRC.

In February 2002, the WRC conducted investigations in Indonesia. WRC researchers had carried out investigations in several factories in Indonesia during the previous ten months. They found severe labour rights abuses inside the Korean owned factory PT. Dada, which employs between three and five thousand workers and produces for at least eight multinationals with a Code of Conduct.

After having visited the factory, spoken to workers and management and evaluated the earlier data gathered on PT. Dada, the WRC presented to the public a report that had no intervention by the buyers. The WRC is not asking for the total cancellation of contracts with this factory. They intend the opposite case: together with the factory management, the multinational corporations are asked to set up a corrective action plan and to enforce the national/international law as well as the Codes of Conduct. Furthermore, the WRC wants the costs which result from bringing the factory into compliance with the Codes of Conduct to be shared. The WRC will follow up the PT. Dada case, and then publish a final report. The follow-up report from September 2002 gives evidence of progress on 12 out of 17 points. The WRC will nevertheless continue to monitor the factory ([www.workersright.org](http://www.workersright.org)).

Codes of Conduct as a tool are widely spread throughout the Indonesian apparel industry, which significantly contributes to the country's export earnings. All international garment brands are produced in Indonesia. Although some company codes, as well as the UN founded Global Alliance Code, are displayed on factory walls, only a few workers and trade unions know about Codes of Conduct and their implementation. In some factories, the Codes are implemented and the workers are trained, but in another factory producing under the same Code the situation can be very different. The plant level union is what determines that the Code is a real tool for improving labour standards, and not just a written statement by the multinational corporation. If the union is allowed to act freely on behalf of the workers, the Code can be implemented step by step.

There is, however, no case yet reported where a company Code has been completely implemented. The sports brands like Nike and adidas employ their own teams to monitor the plants. None of the plants belongs to the corporation itself. They simply place their orders, and then ask the factories to implement the standards. Financial help is not given to the factories. All ameliorations have to be paid by them. Training on the Code is provided for the management, and sometimes also for the plant level unions.

In February 2002, adidas organised training in Indonesia on their Code of Conduct (called Standards of Engagement), and invited the ILO to take over the part about the labour laws. The target group were plant level leaders from adidas producing factories.

The FES, in collaboration with CCC Germany, and the German NGO Südwind, are attempting to establish an independent trade union supported monitoring system for some of the companies in the Garment – and Shoe Industry in Indonesia which are suppliers for big German retailers like Adidas, Puma, Otto-Versand, Karstadt-Quelle etc. Each of these German companies has its own Code of Conduct. This approach involves a network of company based unions, national centres and local NGOs in Indonesia, as well as other code related parties like Global Union Federations, Works Councils and unions, and NGOs in Germany, and its goal is to improve the labour standards in Indonesia. On the basis of trade union collected data, it will be possible to assess the degree of implementation of the different codes and, if necessary, to negotiate with the global players and local managements on their full implementation.

Similar conduct related principles are applied by certain Community Investing Organisations like the already mentioned California Public Employees Retirement System (CalPERS). They consider the prevailing social and environmental standards of a respective country in their investment decisions both at the local stock exchange and in capital markets. Despite this “Socially Responsible Investment” (SRI) approach, it is still market considerations, rather than labour standards which dominate their investment decisions. CalPERS has invested around US\$ 1 billion of a total of US\$ 150 billion in so-called threshold countries. In Indonesia, it has shares inter alia in the Dutch affiliate of Unilever (PT Unilever Indonesia) and in PT BAT Indonesia, an affiliated firm of British American Tobacco, which they now want to sell due to the poor record of Indonesia as far as social standards and human rights are concerned.

### **3.7 The UN Global Compact and UNIDOs Triple Bottom Line (TBL)**

The Global Compact founded by UN Secretary-General Kofi Annan challenges world business leaders to respect and embrace human rights, labour rights and environmental principles in their dealings. The initiative acts beyond individual companies, to include business associations, the international labour organisation (ICFTU), human rights, environment and development organisations, academic and public policy institutions, and the United Nations themselves. The Global Compact is defined as a voluntary initiative, a framework to promote sustainable growth and good citizenship through committed and creative corporate leadership. It is not intended to be an instrument that is legally binding. The degree to which companies work with the principles, depends entirely on themselves. They are asked to publish an activity report once per year. Since the principles are voluntary, the companies in each country have to decide if they want to work with them or not, even if the headquarter is strongly in favour of promoting and implementing them. An example is BASF, which together with the UN and other companies, tries to show positive examples of environmental projects to managers in Southern countries. The Global Compact attempts to gather projects from which companies will benefit economically. The hope is that they will then communicate this to other companies.

Four out of the nine principles concern labour issues and are the same as in the ILO Declaration on Fundamental Principles and Rights at Work. The headquarters of Multinational Companies also operating in Indonesia who joined the Global Compact are as follows:

**ABB**

Kraftwerksleittechnik GmbH; marketing and sales of power plant control and monitoring system

**Aventis**

PT Aventis Pharma Indonesia: pharmaceuticals

**BASF**

PT BASF Indonesia: producer of pigments, pigment preparations, process chemicals, polymer dispersions, vitamin & mineral premixes and agro chemicals, distributor for performance plastics, polyurethanes, styrenic, industrial, inorganic, intermediates and fine chemicals

**Bayer AG**

PT Bayer Indonesia Tbk: production of pharmaceuticals, crop protection and consumer care products  
PT Bayer Kimia Farma: chemical products, special products for the leather and textile industry, Haarmann & Reimer  
PT Bayer Investama: capital venture  
PT Bayer Urethanes Indonesia. PET Polyurethanes  
PT Inti Kamiatama Prakarsa  
PT Ultramos Jaya

**DaimlerChrysler**

DaimlerChrysler Group Indonesia:  
PT DaimlerChrysler Indonesia: sole agent, manufacturer and assembler of DC products in Indonesia  
PT Daimler Chrysler Distribution Indonesia: main distributor for PT DC Indonesia  
PT DaimlerChrysler Star Indonesia: after sales service center for PT DC Distribution Indonesia

**Deutsche Bank**

**DuPont**

PT Herberts Indonesia  
DuPont Powder Coatings Indonesia

**Martha Tilaar Group:** cosmetics production

**PT Mega Kelola Promindo:** media company

**Nike:** shoe and garment production

**Standard Chartered Bank**

**Unilever:** production of cosmetics like shampoo and soap

### ***Triple Bottom Line***

Another programme of the UN-Organisation UNIDO called Triple Bottom Line (TBL) tries to introduce corporate social responsibility. It relies on the UN-Global Compact Principles concerning Human Rights, Labour Standards and Environment.

The TBL Concept reflects a change in perception of sustainable development brought about by public pressure on the global industry to add environmental impact and social impact to the traditional single “bottom line” of profit. The concern of UNIDO TBL Project is market access for developing countries. To address this concern, it is currently developing a generic decision support system to assist export dependent small and medium sized enterprises (SMEs) in devel-

oping countries in complying with the environmental and social requirements of global buyers and supply chains. The key tool is a management support system that can be used to improve performance of any chosen standard, particularly environmental and labour practices not covered by Conventional accounting systems. The TBL has not been introduced yet in Indonesia, but has in neighbouring countries such as Thailand. ([www.unido.org](http://www.unido.org))

### **3.8 Social Protection and Poverty Reduction Strategies – Programmes of International Financial Institutions (IFIs)**

The Asian Development Bank (ADB) includes in its Social Protection Strategy a commitment “to comply with core labour standards in the design and formulation of ADB loans. Additionally, it will ‘take all necessary and appropriate steps to ensure that for ADB financed procurement of goods and services, contractors, subcontractors and consultants will comply with the countries’ labour legislation (e.g. minimum wages, safe working conditions, and social security contributions, etc.) as well as with the core labour standards” (Anonuevo 2001). But nevertheless, this positive approach does not include the Core Labour Standard of the Freedom of Association.

Moreover there is no official World Bank policy on the core labour standards in their operating guidelines and policies. They have only policies forbidding the use of harmful child or forced labour in investor projects that are seen to be promotional works ([www.worldbank.org](http://www.worldbank.org)).

The Bretton Woods Institutions have aligned their new lending programmes with the composition of a ‘Poverty Reduction Strategy Paper’ (PRSP) for low income countries. IMF and Worldbank have developed programmes based on this decision. It is intended to consult stakeholders like Employers Federations and Trade Unions in drafting PRSP, to reduce poverty, enable sustaining growth, and create employment by addressing the issue of labour rights.

In the case of Indonesia, the Government has designed an interim PRSP (I-PRSP) that is currently under review. According to Iyanatul Islam, there is no commitment by the government of Indonesia to establish participation with labour organisations through the I-PRSP. The government involves the private sector as a producer of goods and services, but not as an employer that takes over responsibility for people.

### **3.9 Trade Union Perception of Alternative Labour Regulation Tools**

Trade Unions sometimes have mixed feelings as far as alternative Labour Regulation tools are concerned. Some of the Global Union Federations are still hesitating, for example, to become engaged in Framework Agreements. It is, however, this instrument in particular that has become more and more popular among the GUFs in recent years. There are certainly a number of potential advantages for the unions if these instruments are applied. The freedom of association in a Framework Agreement, or in Codes of Conducts, can be recognized as useful as an organising strategy to form unions where unions still do not exist. This can be a base for further collective agreements and improve the negotiating position of the unions. The fear by some unions, however, is that these new tools might render unions redundant and/or collective bargaining obso-



lete. The instrument can be used by the employer to interpret the minimum conditions as laid down in the Framework Agreement or in the Code as the maximum to which workers are entitled. Beyond this, the existing monitoring systems are trade union and workers supported in only a few cases, and might produce false results. Some unions think that the introduction and application of most of the alternative labour regulation tools is a privatisation of national and international labour laws, and takes the responsibility to protect workers' and trade union rights away from the state and the ILO.

In the case of Indonesia, the union movement, which is still very weak, is more or less not properly informed about these new instruments. Neither are its members much involved in activities related to these new instruments, except the cases mentioned above.

With regard to the FES-Project's aim to introduce a union supported monitoring system of Code of Conduct, some unionists were critical of Codes of Conduct because they feared disadvantages for the workers and the companies: If too many conditions are imposed on the company by Codes of Conduct, the company might be forced to close down and the workers will lose their jobs. A lot of educational activities should therefore be concentrated on these new instruments in the future to inform workers and trade unions on these instruments and make them effective workers' tools.

#### **4. Conclusion**

A lot of programmes and initiatives concerning social standards are active in Indonesia. Since the end of the Soeharto regime, many improvements have been implemented, but there is still a lot to do. The national law has yet to pass parliament, and the international laws and voluntary programmes have yet to show their impact.

What Indonesia needs beyond this is political stability, internal security and legal certainty. The level of corruption, collusion and nepotism is still at a record high. Events have shown that the aforementioned factors can do as much economic mismanagement to harmfully undermine stable macroeconomic policies, foreign investment, free trade, imports of high technology, investment in education and social sustainability.

Indonesia is the only Asian country to have signed all ILO core Conventions. 11 strong unions (PGRI, FSP TSK, KAHUTINDO, FSP KEP, ASPEK, FSP MI, SP PPMI, FSP ISI, FSP FARKES Reformasi, GASBIINDO, SP PAR), with a claimed membership of over 3 million workers, have founded a confederation, which will give them more national as well as international recognition. All tools focusing directly on Multinational Enterprises have become more important during the last years, and Indonesian stakeholders have participated in international campaigns. Bearing in mind that only five years ago Indonesia was under a dictatorship and was the country most affected by the Asian Financial Crisis, the country has a positive outlook on the development of labour standards. A lot of papers have been signed, but as long as the laws are not implemented and armed forces are involved in solving labour conflicts, the country will not gain peaceful and stable working conditions for its people.

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AVE:	<a href="http://www.ave-koeln.de">www.ave-koeln.de</a>
BASF:	<a href="http://www.basf.de">www.basf.de</a>
Indonesian Government:	<a href="http://www.bps.go.id">www.bps.go.id</a>
CleanClothesCampaign:	<a href="http://www.cleanclothes.org">www.cleanclothes.org</a>
Faber-Castell:	<a href="http://www.faber-castell.de">www.faber-castell.de</a>
Friedrich-Ebert-Foundation:	<a href="http://www.fes.de">www.fes.de</a>
Gepa:	<a href="http://www.gepa3.de">www.gepa3.de</a>
El Puente:	<a href="http://www.elpuente.de">www.elpuente.de</a>
Dritte Welt Partner Ravensburg:	<a href="http://www.dwp.de">www.dwp.de</a>
International Confederation of Free Trade Unions	<a href="http://www.icftu.org">www.icftu.org</a>
ICFTU Asia-Pacific	<a href="http://www.icftu-apro.org">www.icftu-apro.org</a>
International Federation of Building and Wood Workers:	<a href="http://www.ifbww.org">www.ifbww.org</a>
Industriegewerkschaft Metall:	<a href="http://www.igmetall.de">www.igmetall.de</a>
International Labour Office:	<a href="http://www.ilo.org">www.ilo.org</a>
International Monetary Found:	<a href="http://www.imf.org">www.imf.org</a>
IUF:	<a href="http://www.iuf.org">www.iuf.org</a>
OECD:	<a href="http://www.oecd.org">www.oecd.org</a>
Trade Union Advisory Committee:	<a href="http://www.tuac.org">www.tuac.org</a>
United Nations:	<a href="http://www.un.org">www.un.org</a>
United Nations Industrial Development Organisation:	<a href="http://www.unido.org">www.unido.org</a>
Workers Rights Consortium:	<a href="http://www.workersrights.org">www.workersrights.org</a>
World Bank:	<a href="http://www.worldbank.org">www.worldbank.org</a>

## **Appendix**

ASPEK	=	Indonesian Workers Association
AVE	=	German Retail Association for External Trade
FSP BUMN	=	Federation of State-owned Enterprise Workers Unions
FSP FARKES Reformasi	=	Federation of Pharmaceutical and Health Workers' Unions – Reformas
FSP ISI	=	Federation of Indonesian Cement Workers' Unions
FSP KAHUTINDO	=	Federation of Indonesian Wood & Forestry Workers' Union
FSP KEP	=	Indonesian Chemical, Energy and Mine Workers' Unions Federation
FSP MI	=	Federation of Indonesian Metal Workers' Unions
GASBIINDO	=	Federation of Indonesian Industrial Trade Unions
GTZ	=	German Society for Technical Cooperation
GUF	=	Global Union Federation
ICEM	=	International Federation of Chemical, Energy, Mine and General Workers Unions
ICFTU	=	International Confederation of Trade Unions
IFBWW	=	International Federation of Building and Woodworkers
IFC	=	International Finance Corporation
IFJ	=	International Federation of Journalists
IG Bau	=	German Construction Union
IG Metall	=	German Metal Workers Union
IGBCE	=	Mining, Chemical and Energy Industrial Union
ILO	=	International Labour Office
IMF	=	International Metalworkers' Federation
ITF	=	International Transport Workers' Federation
ITGWLF	=	International Textile, Garment and Leather Workers' Federation
IUF	=	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
KPI	=	Indonesian Sea Farers Union
KSPI	=	Indonesian Trade Union Confederation (ITUC)
KSPSI	=	Confederation of all Indonesian Trade Unions
MIGA	=	Multinational Investment Guarantee Agency
MNC	=	Multinational Enterprise
NCP	=	National Contact Point
NGO	=	Nongovernmental Organization
OECD	=	Organisation for Economic Co-operation and Development
PGRI	=	Indonesian Teachers Union Association
PSI	=	Public Service International
SBSI	=	Indonesian Prosperity Trade Union
SP PAR	=	Indonesian Tourism Trade Union
SP PLN Persero	=	Indonesian State Owned Electricity Workers Union
SP PPMI	=	Indonesia Printing and Media Trade Union
SPMS	=	Independent Workers Union of Shangri La
SPTI-KSPSI	=	Indonesian Transport Workers Union, Sector of Confederation of all Indonesian Trade Unions
SPTU	=	Indonesian Air Transport Workers Union
STA-SBSI	=	Transportation & Carrier Sector of Indonesian Prosperity Trade Union
UNI	=	Union Network International
WCL	=	World Confederation of Labour
WRC	=	Workers Right Consortium
WTO	=	World Trade Organization

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