

# No excuses for homework.

## Working conditions in the Indonesian leather and footwear sector

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

*"We [homeworkers] don't have any employment contracts or social security".*

These statements were made by workers in factories manufacturing leather footwear for European brands. They form part of a survey conducted in 2016. 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 situation of the homeworkers interviewed is particularly salient. They do not have employment contracts; they are not covered by social security; and they receive a fraction of the local minimum wage.

### The Indonesian 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. 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.

In 2015 Indonesia was the fourth largest producer of footwear worldwide after China, India, and Vietnam, producing 1 billion pairs of shoes equivalent to 5 % of the total world production. There are more than half a million people engaged in the Indonesian footwear and leather

Footwear production facilities by region with location of investigated factories

North Sumatra  
2 %

⊙ Zentren der Schuhproduktion auf der Insel Java

Quelle: Setianto 2016: 13

Banten and West Java  
55 %

DKI Jakarta  
14 %

Semarang  
PT Ara

Central Java  
3 %

East Java  
25 %

D.I. Yogyakarta  
1 %

Jombang  
PT Mekar Abadi Sentosa

Sidoarjo  
PT Ecco und PT Prima Dinamika Sentosa

industry. With 49 % leather footwear is by far the most important product for the Indonesian footwear industry. The major importers for Indonesian footwear are the US, Belgium, Germany, Great Britain, and Japan.

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. In 2015 there were additional shoe factories in North Sumatra. Footwear production is primarily clustered in Java as the other islands lack the necessary infrastructure. In addition, the government is specifically promoting the footwear industry in West and East Java.

### Labour rights violations

Fieldwork was carried out in four factories in three regions; 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.

In addition, the authors interviewed 37 homeworkers who sew for PT Ara Shoes Indonesia between February 2015 and January 2016. This factory is a 100 % subsidiary of the German parent company Ara.

### Overtime

The interviews indicate that PT Prima Dinamika Sentosa, a subcontractor producing amongst others for the Danish brand Ecco, 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.

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.

### 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, a 100 % subsidiary of the Danish parent company Ecco, 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, a factory producing, amongst others, for the German company Deichmann, only offers three-month contracts. While the authors were doing research, the practice was changed resulting in the introduction of six-month contracts.

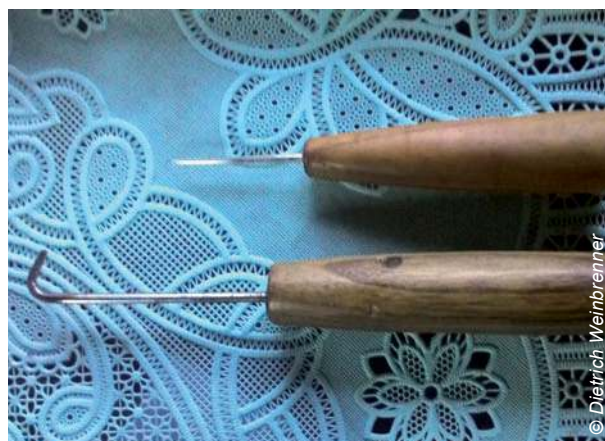
Awarding temporary contracts is a violation of labour law. Employers may only contract workers temporarily if these are needed for a short period of time or if the work is not part of the main business of a company. A lack of permanent contracts leads to a lack in planning security for workers and undermines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

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.

### 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.

### The situation of homeworkers

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 tunccek.

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. According to Ara's calculations the monthly wage (40 hours) for homeworkers would be IDR 1,354,850 (EUR 92.60) which almost matches the regional minimum wage (IDR 1,640,000 = EUR 112,10). The interviewed homeworkers, however, said that this calculation is unrealistic.

The table on the next page illustrates an average monthly wage of IDR 405,900 (EUR 27.74), which is roughly a quarter of the local minimum wage for Semarang. 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 can expect to be fined.





## Homeworkers' wage (authors' calculation)\*

Modell	Pay for 10 pairs		Working time in minutes	Wage after transport expenses IDR (EUR)
	in IDR	in EUR		
Ancona Sepatu	35,000	2.39	60	397,000 [28.2]
Ancona Sepatu Sandal	35,000	2.39	40	715,500 [50.8]
Ankle boot	42,000	2.87	90	269,600 [19.1]
Boot	42,000	2.87	115	158,817 [11.3]
Mokassin A	19,000	1.29	40	278,700 [19.8]
Mokassin B	26,000	1.78	40	469,800 [33.4]
Mokassin C	29,000	1.98	40	551,700 [39.2]
<b>Average</b>	<b>32,571</b>	<b>2.22</b>	<b>60,7</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.

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, and new bags for the shoes.

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On the one hand, these steps can be welcomed because they show that the company can take responsibility and easily improve the situation of the women and men working from home. However, the underlying problems have not been completely solved.

### Brands' responsibility for their suppliers

Of the four factories investigated, violations of labour law at PT Prima Dinamika Sentosa are doubtlessly the most severe. The factory 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.

### Conclusion

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. 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.

By guaranteeing freedom of association, many poor working conditions could be improved because workers would have the chance to collectively address the factory management. 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.

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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