

# Protecting the garment industry in Indonesia in response to the Covid-19 crisis: **The ILO – BMZ Wage Subsidy Programme**

## Highlights:

1. A temporary emergency fund by Germany's Federal Ministry for Economic Cooperation and Development (BMZ) implemented by the ILO targeting ILO Better Work Indonesia (BWI) factories.
2. To cover furlough situations due to Covid-19.
3. Employer pays wages of at least IDR 30,000/employee/working day.
4. Wage subsidy at IDR 15,000 per employee for each furloughed day.
5. Only covers one-month payroll (either February or March 2021).
6. Collective Agreement between employer and workers is a must.

## Objective:

- Provide a complimentary income to factories affected by the Covid-19 crisis.
- Protect and maintain jobs.
- Promote social dialogue.



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## 1. What is it?

The ILO-BMZ wage subsidy programme is part of an emergency assistance programme to the garment sector in Indonesia during the COVID-19 crisis with financial support from the Federal Ministry for Economic Cooperation and Development (BMZ) of the Federal Republic of Germany. It aims at encouraging employers to maintain employment by subsidising part of leave compensations that employers pay employees (excluding office and management staff) during furloughs<sup>1</sup>. The subsidy amount is defined by IDR 15,000 per worker multiplied by the number of furloughed days.

## 2. Why the garment sector?

The COVID-19 pandemic took a dire toll on the global garment industry and its supply chain, posing significant challenges to business continuity and jobs. In April 2020, the Indonesia's Textile Association (API) reported that Covid-19 restrictions had halted operations temporarily in 80 percent of textile and textile product companies in Indonesia. ILO data shows that in May and June 2020 export levels of the garment industry in Indonesia were down 60 percent compared to the previous year. Based on Better Work Indonesia 2020 data more than 150 enterprises in the programme employing 163,000 employees have experienced significant operational disruptions, as a result of COVID-19.

## 3. Where is the programme implemented?

The ILO-BMZ Wage subsidy programme is implemented in Bangladesh, Cambodia, Ethiopia, Indonesia, Laos PDR, Madagascar and Vietnam. In Indonesia the programme is implemented by the ILO Country Office for Indonesia and Timor Leste in partnership with the Better Work Indonesia (BWI) programme and targeting factories in the BWI programme. The programme targets production workers and non-office/non-management staff.

## 4. Who qualifies?

The programme is designed to subsidise part of the wages already paid by employers during furloughs that follow the arrangements agreed between employees and employers. The applicant should be:

1. Member of the Better Work Indonesia (BWI) as of 1 January 2021;
2. Enterprises that plan to execute furlough or are implementing a furlough due to the economic downturns during the COVID-19 crisis based on a collective agreement between employees' and employers' representatives, and commits to maintain employment over the defined period for the programme;
3. Fulfilled the furlough schemes as follow:
  - Executed based on a collective agreement;
  - Compensated at least IDR 30,000 per working day for basic wage and fixed allowance by employers;
  - One working day or longer;
  - Executed on statutory working days that employees are supposed to work by contract (i.e. the subsidy cannot be provided for public holidays or any other non-working days);
  - Claimed for employees who employed on 1 February 2021 or before and still in employment until the end of payroll cycle and have any types of employment contracts. Claim exempted for employees who are not willing to work, not capable to work and exercising employee's rights including annual, sick, maternity or other paid leaves.
4. Agree to submit to the ILO necessary documents and data for verification and accept the ILO's verification and investigation at workplaces whenever the ILO finds them necessary; and
5. Remain solvent until the decision for the subsidy is made by the ILO. If an enterprise goes on bankruptcy before the decision for the payment of subsidies is made, the enterprise will not receive a payment from the ILO.

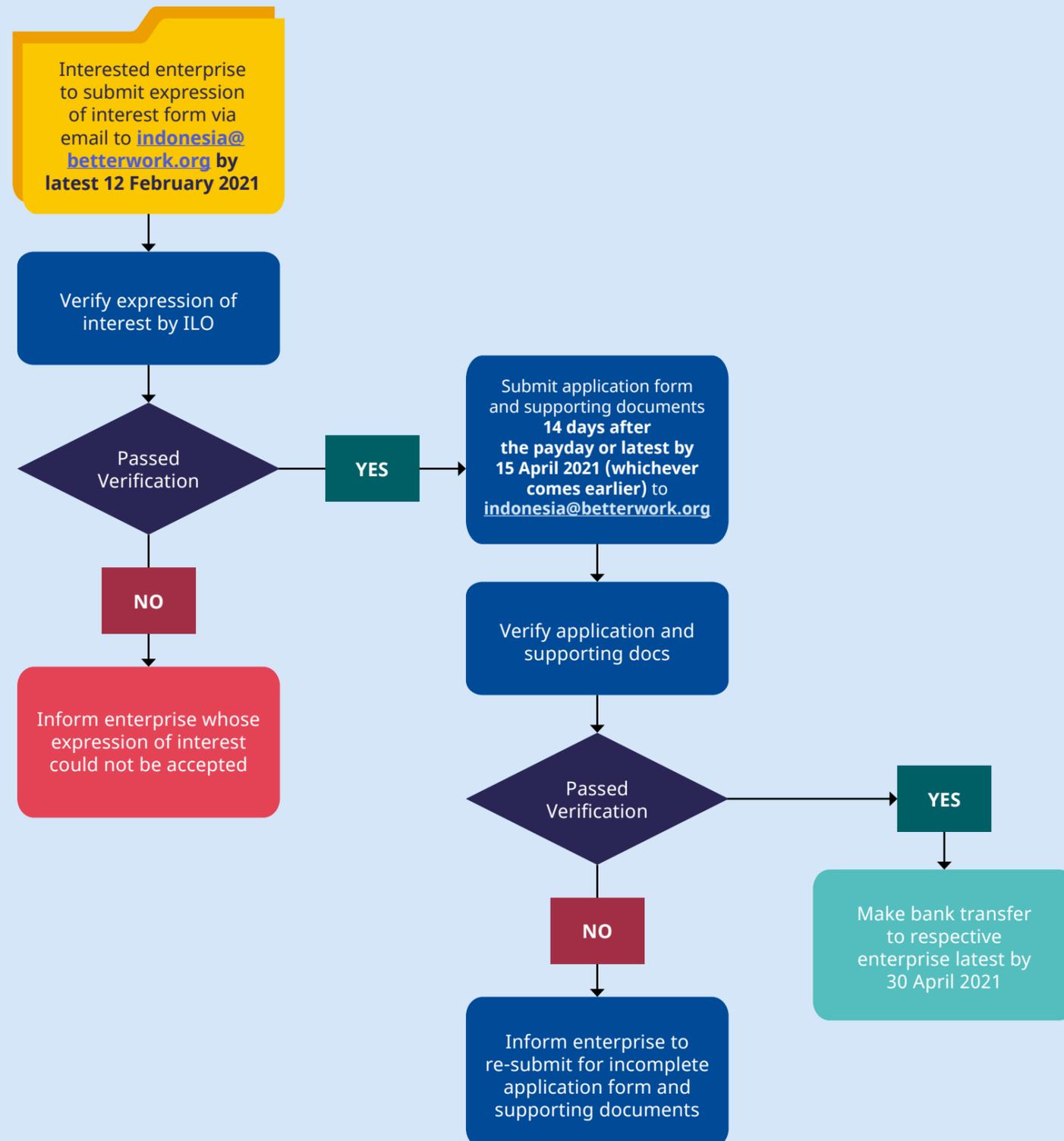
## 5. When is the programme going to be in place?

Employers can only claim one monthly payroll cycle between 1 February 2021 and 31 March 2021. Claim for the wage subsidy programme must be submitted to the ILO within 14 days after the usual payday of enterprise no later than 15 April 2021 (whichever date comes earlier).

<sup>1</sup> Furloughs mean situations where garment enterprises are under a stoppage (reduction or halting of production) or temporary closure due to the Covid-19 pandemic and employees are required not to work due to the temporary closure or stoppage.

## 6. How does it work?

### 1. Application Flow



### 2. Required documentation:

- Initial Submission:  
Expression of interest & copy of signed collective agreement (if already available) via email: [indonesia@betterwork.org](mailto:indonesia@betterwork.org).
- Subsequent Submission:
  1. Application form and completed annex;
  2. A copy of signed collective agreement<sup>2</sup> (if not submitted earlier);  
It should present at least:
    - a. Effective period of the collective agreement;
    - b. Employees potentially to be put on furlough (i.e. all employees or specific units); and
    - c. Formula for calculating leave compensations or agreed amount for leave compensation for furloughed employees per day.
  3. A list of contacts of all employee's representatives who signed on a collective agreement;
  4. Evidence of as collective agreement acknowledged by the Local Manpower Office;
  5. Evidence of the payments to furloughed employees such as attendance record, payslip, payroll and bank transfer proof; and
  6. Other supporting documents if necessary or required.

### 3. Grievance and investigation:

Employees should report to the ILO [jakarta@ilo.org](mailto:jakarta@ilo.org) if they have a concern that their employers are abusing the programme. This could include employers claiming for the subsidy and not paying employees what they are entitled to according to the collective agreement, being asked to work while on furlough, or making a backdated claim that includes times when employees were working.

The ILO reserves the rights of investigation whenever the ILO suspects or receives grievance about fraudulent claims.

### 4. Fraud and Penalty

The ILO may disclose the name of employer when an employer commits a fraud to receive the subsidy, and impose several measures in place in order to minimise risks of abuse. If the ILO finds a fraud case seriously abusing the programme, it may take a legal action.

<sup>2</sup> The collective agreement between employer and employee has to be signed by a representative of a trade union that represents more than half of employees participating in or an employee who represents at least half of employees if there is no corresponding trade unions.