



International
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Decent Work in
Garment Supply
Chains Asia



Sweden
Sverige

► Building back better with environmental sustainability and gender equality

Indonesia country summary



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▶ Preface

The *Building Back Better with Environmental Sustainability and Gender Equality* Study is part of the Decent Work in the Garment Sector Supply Chains in Asia project. The four-year project was funded by the Swedish International Development Agency (SIDA) in collaboration with the ILO Regional Office in Bangkok aims to improve working conditions and rights of women and men workers in the sector in Asia through improved social dialogue, productivity, gender equality and environmental sustainability.

The project has four outcome areas:

1. Industrial relations,
2. Gender equality,
3. Productivity and competitiveness and
4. Environmental sustainability.

This work was led by Outcome 4 and Outcome 2 as a joint activity to access the double dividend in progressing enhanced environmental sustainability and gender equality in the garment sector. The aim of the study was to identify consensus among sector stakeholders for future priorities and recommended actions for different stakeholder groups to advance sustainability.

The Study uses a Delphi methodology – a well-established tool for iterative consensus-building among stakeholders – to identify the coalition of actors needed to help reform the garment and textile sector, and the key priorities that should be the focus of their related stakeholder action. The study involved 80 participants including enterprises (31 enterprises), trade unions, workers, industry associations, government officials and other relevant sector stakeholders. 40 per cent of the participants were women and 60 per cent men. Participants were drawn from Outcome 4's four focus countries – Bangladesh, Cambodia, Indonesia, and Viet Nam.

This report provides highlights of the Indonesia country level findings of the Study, including stakeholder identified priorities and recommendations for enhancing environmental sustainability and gender equality in the sector in Indonesia. The report is also available in Bahasa language.

Separate country level reports are also available for the other three focus countries - Bangladesh, Cambodia, and Viet Nam, with translated versions in relevant languages. A Synthesis Report is also available and provides regional level findings, priorities and recommendations drawing from empirical findings of each of each of the four focus countries. The Synthesis Report also provides a detailed explanation of the study methodology.

Recommendations for the textile and garment sector in the post-COVID-19 pandemic recovery

“Build back better” is a term frequently used in recent global policymaking when referring to the need of societies and economies to recover from the COVID-19 pandemic. In the global textile and garment sector, it has been employed to describe the need for a transformation to a more sustainable and resilient business model – one that reduces the environmental impact of production and consumption while redressing longstanding poor labour practices.

But when we drill down into the concept, what does “build back better” actually mean and who are we building back better for?

Crises provide a window of opportunity for stakeholders to come together and develop new or reprioritized shared interests to achieve recovery. Efforts that harness these new relationships and, importantly, include all groups – especially vulnerable and marginalized persons – can have better success than those that focus only on material or technological solutions.

But these new coalitions do not come about automatically. They typically require effort, time, orchestration and capacity-building. Thinking about how this is done in the context of the COVID-19 recovery should be a priority for the textile and garment sector as it looks to rebuild with sustainability at its core: Are all stakeholders part of the process? Do they all have the capacity to participate adequately and/or equally? As the majority of the sector’s workforce, are women workers participating in the process? What further steps and measures need to be put in place to ensure that collaboration and meaningful dialogue can take place?

This report uses a Delphi methodology, which is a well-established tool for iterative consensus-building among stakeholders, to determine the coalition of actors needed to help reform the textile and garment sector and what should be their priorities.

This Delphi study evolved from a workshop suggestion. The Building Back Better: Achieving Environmental Sustainability and Gender Equality in Post-COVID-19 in the Garment Sector in Asia workshop was a component of the Decent Work in the Garment Sector Supply Chains in Asia (DWGSC) Project, which the Swedish International Development Cooperation Agency had funded in four countries: Bangladesh, Cambodia, Indonesia and Viet Nam. The workshop highlighted the double dividend from simultaneously progressing enhanced environmental sustainability and gender equality in the textile and garment sector.

The study involved 80 participants, including representatives of enterprises (31 owners and managers), several trade unions, workers’ organizations and industry associations along with government officials and other sector stakeholders. Of them, women accounted for 40 per cent. The participants were initially drawn from the Gender Taskforce, the Women’s Leadership Programme and the Textile and Garment Eco-Innovation Research Network (TERN), the three of which are also products of the DWGSC Project. Snowballing interview techniques were then used to find other participants. In each of the four countries, 20 stakeholders were interviewed.

The study focused on finding consensus for action relevant to environmental sustainability and gender equality.

Synthesis results on environmental sustainability

In each country analysis as well as the comparative analysis, the study participants single out environmental sustainability as a priority for action. It is an issue that is either emerging into the fore or under way in various forms at the enterprise and industry levels. The enterprise owners and managers in the study cited intrinsic internal motivations for undertaking related activities more often than external factors, such as brand- or buyer-led requirements. This finding shows that activities to build knowledge, awareness and intrinsic motivation of enterprises are important for enhancing environmental sustainability.

Across the four countries, 84 per cent of the enterprise owners and managers involved in the study cited environmental sustainability and increasing their performance in this area as a priority for their business. By country, there were differences, primarily in how waste and renewable energy and electricity sources are seen as opportunities. The differences relate to country- and locality-specific factors in the accessibility of renewable energy and energy efficiency equipment, as well as the availability of technical know-how and expertise in advising, installing and financing such opportunities.

At the regional level, the findings highlight environmental sustainability opportunities in the sector, providing opportunities for knowledge-sharing and capacity-building. The selection and implementation of opportunities depends on the availability of context-specific expertise and technology in each country's garment sector. This is especially the case when enterprise-level investments require large shared or common infrastructure investment, such as grid availability in the case of renewable energy, centralized water treatment facilities and waste and recycling infrastructure for recycling and circular economy activities.

A supportive ecosystem for sustainability is critical for progress at the enterprise and sector levels. There are many levers in creating this supportive ecosystem, with a conducive policy mix being critical. Such a mix must integrate environmental regulation with sector- or context-specific guidance, along with incentives and investment in skills development, knowledge creation and network-building. Due diligence obligations and sustainable purchasing practices from buyers and brands contribute to creating a supportive ecosystem if they also address cost- and benefit-sharing from the investment in this sustainability.

The impacts due to the lack of environmental sustainability fall disproportionately on the most vulnerable participants in the sector and the society, which in garment production means women and other marginalized groups. The benefits of enhancing environmental sustainability closely link to and mutually benefit from achieving gender equality.

Synthesis results on gender equality

Despite its highly feminized global workforce, the textile and garment sector is far from achieving gender equality. An estimated 80 per cent of workers in the sector are women,¹ although they are usually in low-paid roles with less employment security and subject to gender-based violence, harassment and discrimination.²

The advancement of gender equality and environmental sustainability are intrinsically connected. Not addressing the different needs and priorities of men and women can perpetuate the gender inequalities and lead to an “unjust” transition towards environmental sustainability across the sector. The textile and garment sector has been an important vector of employment for women and thus is well positioned to bring more progress to gender equality at work.

The Delphi study highlighted priorities for advancing gender equality in the sector, although they are not new or unknown. The issues include having clarity on the behaviours that constitute harassment, violence and discrimination, as well as the changes needed to reshape the cultural norms around unacceptable workplace practices. The deep power asymmetries in the labour force and the wider sector (which often follow gender lines) also need to be tackled so that victims and bystanders feel supported and empowered to report abuse when it occurs and seek recompense.

Capacity-building activities for multiple actors within the sector on gender equality and reducing violence, harassment and discrimination have demonstrated positive progress over the past decade. Successful capacity-building activities include the cocreation of gender equality policies and regulations and their implementation with enterprise owners and workers. Broader efforts that have proven effective include training and campaigns on gender equality, particularly those that involve actors at multiple levels of jurisdiction, such as government agencies, trade unions and industry associations.

The effectiveness of capacity-building activities is also determined by the internal resources available in specific enterprises. Similar issues of capacity were highlighted by the enterprise owners and managers in their ability to provide supportive family workplace policies. They argued that their limited business viability prevented them from investing further in their staff and supportive family policies and that the ability to maintain an adequate profit margin in the highly competitive marketplace of low-cost, high-volume throughput that many manufacturers operate in is very difficult. Addressing family-supportive work policies is another area where collaborative and networked governance could make progress.

Environmental sustainability and social responsibility programmes can focus on and build up internal resources and capabilities as well as compliance with legislation. New models for distributing the costs and benefits of achieving sustainability are needed because the existing ones have not led to significant progress in the sector on either environmental sustainability or social responsibility. One of the most common statements from the people participating in the Delphi study recognized the strong link between environmental sustainability and social responsibility in enterprises. As one interviewee noted, “The enterprises interested in environmental sustainability are also the ones interested in labour conditions.”

1 Better Work, “ILO 100: Ten Ways the ILO Has Transformed the Global Garment Industry” (2019).

2 ILO, *Moving the Needle – Gender Equality and Decent Work in Asia’s Garment Sector* (Thailand, 2021).

Recommendations from the study

These recommendations are for organizations that create and deliver sustainability programmes in the garment sector at the country and regional levels.

1. Assess and build collaborative capacity among sector stakeholders for designing and delivering stakeholder-led sustainability programmes that are inclusive and gender-transformative.
2. Strengthen governance arrangements in sustainability programme designs and execution to ensure that all stakeholders are involved in the process of creating activities that are truly created to support them, including women workers.
3. Include activities that recognize and incorporate the intrinsic motivations of participants for positive behaviour change – new and ongoing programme designs need to identify and catalyse these intrinsic motivations in enterprises and among individuals.
4. Develop both regional-level knowledge-sharing as well as tailored country- and sector-level environmental sustainability road maps to ensure they are inclusive and gender-responsive, with specific actions to address barriers, including awareness-raising, infrastructure needs and priorities, access to finance and investment readiness and skills-development strategies.
5. Develop a framework for regional industry knowledge-sharing on opportunities, including platforms for policymakers to design supportive policy mixes for environmental sustainability and gender equality in the sector.
6. Support ongoing collaborative, educational and capacity-building activities aimed at gender equality and tackling gender-based violence and harassment in the workplace. Addressing gender equality should be part of just transition planning. The International Labour Organization's Violence and Harassment Convention, 2019 (No. 190) can provide momentum for a specific action agenda for gender equality.
7. Link programmes and (growing) industry advocacy on sustainable purchasing practices in the supply chains to the benefits available from these practices in achieving gender equality and family-supportive workplaces.

Indonesia findings³

Textile and apparel exports from Indonesia were valued at approximately US\$14 billion in 2019 and were expected to reach US\$15 billion in 2020, prior to the global COVID-19 pandemic. The textile and garment sector is growing rapidly in Indonesia and represent a significant driver of economic growth.⁴ Textiles is one of two priority sectors in the Indonesian National Industrial Development Plan 2015–2035.⁵

The sector employed 4.2 million workers in 2016, which accounted for 27 per cent of employment in

³ The Indonesia section of the report is drawn from the work of Sunita Dasman, who carried out the Delphi study data collection.

⁴ Mohammed Ishaque, "Indonesian Textile Industry", *Textile Focus*, 19 October 2019.

⁵ Iman Prihandono and Fajri Hayu Religi, "Business and Human Rights Concerns in the Indonesian Textile Industry", *Yuridika* 34 No. 3 (2019): 493–526.

all of manufacturing. Of all textile and garment workers, two thirds were employed in small and micro enterprises as of 2018.⁶ The textile and garment sector in Indonesia includes all aspects of production: from natural and synthetic fibre making to textile spinning, weaving, knitting, dyeing and printing to the production of clothing, carpets and other textile products. Traditional textile production is still in operation and provides some textiles for the domestic market, using locally obtained yarns and dyes.

There are several large vertically integrated textile and garment producers in Indonesia, but there are major challenges for businesses in the upstream industries. Because Indonesia produces minimal cotton, manufacturers must buy all their raw cotton on the international market. Most cotton is sourced from the United States, Brazil and Australia. Because Indonesia is thus dependent on imports for raw materials and early-stage intermediate goods, upstream businesses are particularly exposed to international commodity price fluctuations.

The COVID-19 pandemic has greatly impacted production capacity, with declines between 30 per cent and 50 per cent of normal capacity, especially in March–August 2020. Enterprises adjusted by reducing operating hours and changing production schedules. As a result, many employees were laid off with different payment schemes, at 50–70 per cent of their salary during the pandemic in March–May 2020. For contract employees, the enterprises did not renew their work contracts when they expired during the peak of the pandemic crisis.

Environmental sustainability

The study participants identified a broad consensus among textile and garment stakeholders that environmental sustainability is a high priority for the industry. There is a broad understanding of the major environmental sustainability issues and their status in Indonesia. In addition, many textile and garment enterprises also understand the options available to achieve environmental sustainability in their business.

Wastewater discharge was cited as a critical environmental issue for the sector. If wastewater is not treated properly, it pollutes water and soil and quickly affects the health of any nearby community. Air emissions was also singled out as an issue, along with textile (solid) waste and safe chemical management, including the regulation of hazardous and toxic chemicals.

The enterprise owners and managers all agreed that environmental sustainability is a top agenda for the sector, and many enterprises are taking steps to minimize their environmental impacts through wastewater treatment. This is especially the case for enterprises that work with international brands and buyers; there are often requirements to report on these processes as part of their contract with a buyer. Even enterprises that are not working with international brands and buyers must comply with government regulations that cover wastewater and other emissions from production.

Non-enterprise study participants also highlighted several other drivers for good environmental practice in Indonesia, including personal or intrinsic motivations for environmental sustainability among enterprise personnel and management, as well as increasing consumer expectations that are produced with high environmental standards. This was particularly evident in chemical management and awareness on and the availability of non-toxic chemicals that can be used in textile production. Chemical use and water pollution have been the subject of recent civil society campaigns and reports (such as Greenpeace's Toxic Threads campaign), so this may explain the specific awareness and focus of study participants' comments on waste and chemical pollution.

The study participants suggested that there is a high awareness of the environmental sustainability

⁶ Fairwear Foundation, *Indonesia Country Study 2018* (2018).

opportunities in the Government, but they said that enterprises require access to economic and other incentives to increase sector activity. Within the sector, most environmental investments are based around cost-saving activities, such as energy efficiency and cleaner production.

NGO participants highlighted that the textile and garment sector has high awareness of environmental issues due to the government regulations as well as the standards imposed by brands for sustainability. However, they highlighted that despite such high awareness, only a few factories are practising energy or water efficiency. Those who practise efficiency are those who get orders, especially orders from international buyers who have very strict requirements.

Across the sector, there were many examples of efforts to reduce energy use cited. This included by investing in new processes or machines to reduce energy use over the past three years. However, energy efficiency activities are perceived as difficult activities to implement. One reason is that the implementation of energy efficiency activities can have a high upfront cost, with the benefit of energy savings spread over a longer time. If access to financial resources is limited, it can reduce the ability of the sector to take up energy efficiency opportunities.

The high upfront costs are also limiting uptake of renewable energy. Although this is further complicated by the costs and availability of renewable energy installation, as is the case in many other countries, the current electricity system was designed for centralized electricity generation and distribution rather than to accommodate decentralized electricity generation. Therefore, the implementation of renewable energy is developing slowly, compared to options for energy efficiency, because it requires significant grid and other infrastructure and institutional investments to be made.

In contrast, waste reduction options have garnered more interest and implementation, although this implementation is highly dependent on available infrastructure. Waste-reduction activities for suppliers are also driven by brand and buyer conditions. The enterprises that are bound by these conditions have implemented waste-reduction activities over the past three years, whereas other enterprises have made no changes.

International brands and buyers in the textile and garment sector are very interested in environmental sustainability activities, such as pollution management, energy efficiency, renewable energy and waste management. These buyers generally contract the enterprises that show a high commitment to environmental sustainability activities. For these major international brands and buyers, ensuring that individual suppliers have adequate commitment and investment for environmental sustainability activities is part of their due diligence process. If suppliers do not have these commitments, then these buyers will not place an order.

Environmental sustainability activities involve all stakeholders so that their implementation can run across the entire sector. As a regulator, the Government needs to ensure that there is strong and reinforcing coordination between one regulation and another. For academics and other knowledge providers to the sector, detailed information on the appropriate processes and technology are needed in the sector. NGOs have a role in aiding and monitoring the implementation of environmental activities. Some environmental sustainability implementations involve funding to replace machines with more efficient models. Therefore, it is necessary to provide funding sources and incentives from the Government to stimulate the implementation of environmental sustainability.

There are several obstacles that hinder improvement in environmental sustainability in the textile and garment sector. Lack of infrastructure, such as wastewater treatment facilities, and electrical systems, can limit such activities. In addition, the lack of experts in the field of environmental management also limits activities. Lack of regulations, such as on energy use or pollution, is another obstacle.

Associated with the lack of monitoring and sanctions related to regulations is the perception that these regulations and their guidance are incomplete, not up to date or are not comprehensive enough to deal with the complex chemistry involved in the modern textile and garment sector. Some study participants agreed that lack of monitoring is a barrier to environmental sustainability activities and that there is no

return on the costs of investing in environmental sustainability. Also, all sector participants are not held to the same regulatory standards. Enterprises that have international buyers must comply with both local and international regulations. Monitoring and sanctions are needed to improve environmental sustainability practices in enterprises that do not have international buyers.

Across the stakeholder groups, there were differences in what each considered top priorities for action. For enterprises, the priority issue was availability of human resources. The enterprise owners and managers commented that the industry has plenty of blue collar and low-skilled workers, but the sector requires an influx of higher-skill professions, and they identified this as a challenge for the sector but also for the Government to develop an adequately skilled workforce. Second, the regulatory system looks comprehensive and cooperative in theory but, in practice, there is confusion and lack of information about certain aspects. Last, market demand is critically important for the industry. Market demand needs to be stable and prosperous in future business to encourage investment in environmental sustainability.

Other study participants highlighted opportunities if financial resource constraints are addressed. Factories with resources can more easily make improvements to their environment sustainability. However, the factories that don't have these resources, minimum compliance with regulation is the only option. Again, the lack of monitoring and enforcement of regulations can provide perceptions of an uneven competitive marketplace.

Study participants cited the following opportunities for enhancing environmental sustainability:

- Support comprehensive environmental sustainability activities rather those that focus on one or two elements. "Comprehensive" should include promotion of sustainable (green) materials, water-based chemicals, reducing or remove packaging materials, use of renewable energy (such as solar panels) and an automatic switch system (lighting, machinery) for when there is no activity.
- Support more information-sharing from financial institutions and the Government regarding green financing options or incentives (not only fiscal or monetary but also reputational and other incentives) and develop an overall enabling ecosystem to support environmental sustainability.
- Enhance and coordinate government regulations and policies, such as incentives to support environmental sustainability activities linked to research and development focused on environmentally sustainable product and process design and investigating opportunities in a circular economy.
- Coordinate the overall approach to addressing environmental issues at geographical scale. The sector is facing pressure from the Government due to the decreasing water quality in most rivers (especially in West Java). The textile and garment sector is blamed as the biggest polluter, although it is not always the case. The pollution from other activities, such as domestic wastewater, agriculture, livestock and so on, significantly contribute to water pollution. However, the Government has done little to reduce the pollution from other sources. Consistent regulations across sectors, law enforcement rules and sanctions for violators, promoting environmental care (such as disposing of waste in its place, increasing water catchment areas and seeking alternative fuel sources with full support from the Government would all contribute to enhanced water management.

The study participants agreed that enhancing environmental sustainability must be supported by all to reach the goal of environmental sustainability. Raising awareness of environmental sustainability should be done through campaigns or workshops. Applying circular economic principles in the industry has started, and this needs to be further supported to enhance environmental sustainability.

Gender equality

The Delphi study showed that all enterprise owners and managers believe that gender-based violence, harassment and discrimination are not issues within their respective facilities and that adequate policies and procedures are in place to deal with these issues. They emphasized they have a zero-tolerance policy on these issues that includes definitions of violence and harassment and specifies prohibitions and prevention that address all forms of violence and harassment.

Other study participants, however, highlighted incidences of violence and harassment despite the existence of preventive measures in the factories. The existence and operation of zero-tolerance policies in some factory settings can have the perverse impact of undermining the ability of workers to speak up, knowing that it will have negative repercussions on the business (and likely their job) and that they may face reprisals if they report.

There was clear agreement across most stakeholders about the importance of family-orientated workplace policies, such as parental leave and the availability of childcare or childcare subsidies. All the enterprise owners and managers highlighted that they comply with national laws for maternity and paternity leave arrangements for their staff, with many also offering space for breastfeeding mothers as well as access to or subsidies for onsite and offsite childcare facilities. Under the law, employees are allowed to take full-paid maternity leave for three months (1.5 months before giving birth and 1.5 months after giving birth). However, in practice, the implementation is adjusted to the individual cases and gets approval from the management.

Additional leave is allowed in the event of illness or complications; cash benefits during leave must be of at least two-thirds of previous or insured earnings. The maternity policies also provide access to medical care, health protection, breastfeeding breaks and employment protection and non-discrimination (standards set by the ILO Maternity Protection Convention, 2000 (No. 183)).

Paternity leave is generally available, but only with two days available in most enterprises. There is no law or regulation specifying the amount of time available for paternity leave, with two days commonly accepted as the norm in the sector in Indonesia.

The study participants highlighted several suggestions and opportunities for enhancing gender equality in the sector:

- Develop a collaborative approach among all stakeholders for working towards supporting gender equality. This includes ratification of ILO Convention No. 190 as an important step to ensure equality and non-discrimination of those in situations of vulnerability and ensuring their right to equality and non-discrimination.
- Improve the work-life balance, flexible working hours and the availability of part-time jobs. Also, further focus on encouraging women into roles that are traditionally given to men to enhance the employment opportunities for women.
- Provide employment benefits for working parents (maternity leave, paternity leave and health care) as the foundation for supporting working parents. The next step is to promote and progress beyond minimal compliance (such as a systematic approach to ensuring that working mothers have the time, knowledge and facilitation to keep themselves and their infant healthy).
- Provide childcare facilities and support for working parents. Provide training through prenatal support at the factory. Support education scholarship programmes for the children of workers.

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ILO Regional Office for Asia and the Pacific

United Nations Building
Rajdamnern Nok Avenue
Bangkok 10200, Thailand

T: +662 288 1234
F: +662 280 1735
E: BANGKOK@ilo.org
W: ilo.org/asiapacific

