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ASSESSMENT OF SOCIAL ACCOUNTABILITY STANDARDS

LIGHT MANUFACTURING SMALL- AND MEDIUM-SIZED ENTERPRISES

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ACRONYMS AND ABBREVIATIONS

AAFA	American Apparel and Footwear Association
AIP	Apparel Industry Partnership
CAR	Corrective Action Request
CCC	Clean Clothes Campaign
CEP	Council on Economic Priorities
CLR	Campaign for Labor Rights
CSR	Corporate Social Responsibility
ETI	Ethical Trade Initiative
FLA	Fair Labor Association
FWF	Fair Wear Foundation
GC	United Nations Global Compact
GRI	Global Reporting Initiative
ILO	International Labor Organization
ISO	International Organization for Standardization
ISO 9000	A collection of ISO standards for quality management systems
ISO 9001	One of the ISO 9000 standards, details certification requirements
ISO 26000	A forthcoming ISO social responsibility standard
IWAY	The IKEA Way code of conduct
Jo-In	Joint Initiative on Corporate Accountability and Worker Rights
NGO	Non-Government Organization
PPE	Personal Protective Equipment
SAI	Social Accountability International
SA8000	SAI social accountability certification requirements
SBSI	Serikat Buruh Sejahtera Indonesia
SME	Small and Medium Enterprise
UCEC	WRAP Universal Code of Ethical Conduct
UCM	Urban Community Mission, an Indonesian labor NGO
WRAP	Worldwide Responsible Accredited Production
WRC	Worker Rights Consortium

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EXECUTIVE SUMMARY

A social accountability evaluation and assessment project was conducted by SENADA, a USAID-financed project that aims to increase the competitiveness of Indonesia's labor-intensive light manufacturing industries. Project research aimed to detail social accountability standards and their applicability to Indonesian small- and medium-sized enterprises (SMEs). This report details project results, and provides recommendations for further work regarding social accountability certification and Indonesian SMEs. This study was conducted through Internet research and factory interviews, and sought to answer several questions:

1. Which social accountability standards are applicable to Indonesian SMEs?
2. What are the main differences between these standards?
3. What condition must a factory be in to be certified?
4. What is the current condition of Indonesian SMEs and is certification feasible?
5. Is it profitable for Indonesian SMEs to be certified?

Two sets of social accountability standards, the Worldwide Responsible Accredited Production (WRAP) codes and SA8000, developed by Social Accountability International (SAI), are applicable to Indonesian SMEs. Each standard has its advantages: WRAP is easier to obtain; SA8000 better prepares certified factories to meet other social accountability standards and future buyer demands.

In order to calculate the current gap between Indonesian SMEs and social accountability certification, two sets of interviews were conducted. First, SA8000- and WRAP-certified factories were interviewed to understand the improvements needed for certification. Next, uncertified SMEs were interviewed. Firms were interviewed in the furniture, home accessory, garment, and footwear sectors. Interviews revealed that:

- Indonesian SMEs are not as well prepared for social accountability certification as were the Indonesian factories that have already received such certification.
- At present, interviewed Indonesian furniture and home accessory factories should not seek social accountability certification because they would need to make considerable changes, some of which could decrease their profitability.
- In general, garment and footwear factories are better prepared to seek social accountability certification. However, there are exceptions.

1. SOCIAL ACCOUNTABILITY OVERVIEW

1.1. HISTORY

Globalization continues to bring buyers and suppliers closer together, enabling buyers to demand more information from and about their suppliers. In order to facilitate this flow of information and to ensure that it is correct, non-government organizations (NGOs) have created a wide range of international standards. For example, environmental standards like those of the Forest Stewardship Council guarantee that, among other things, suppliers do not buy wood that has been illegally harvested. And quality standards like ISO 9000 guarantee buyers that certified suppliers have a system to ensure and improve product quality.

As buyers benefit from such increased transparency, they may also be made more vulnerable. Globalization makes it easier for human rights activists to discover and expose abuses or infractions in supply factories, which can also taint the brand of a buyer. Common infractions include substandard employment and working conditions, and failures to comply with national law, international regulations, or consumer morals and expectations. Such unwanted exposure can damage sales or ruin a brand. Risk of such negative exposure has fueled interest in a new kind of international standard: The social accountability standard.

1.2. OVERVIEW OF INTERNATIONAL SOCIAL ACCOUNTABILITY STANDARDS

While there are many social accountability standards, their principles are very similar. They address working hours, pay, discrimination, discipline, forced labor, child labor, health and safety, and freedom of association. Most are based on ILO (International Labor Organization) conventions. Some include environmental principles. Others call for the establishment of management systems. All require, at a minimum, compliance with the national laws of the host country. The major difference between the various social accountability standards is their intended market. Most are designed for large brands or retailers that commit to enforcing standard compliance in their supply chains; few target factories directly. Some standards are sector specific addressing only, for example, the garment industry or agriculture. And, somewhat surprisingly, a large number are designed specifically to apply to suppliers and buyers of university-logo goods. The first standards were intended for third party audit and certification. More recent standards, however, are merely guidelines and formats to help companies report on and improve their social responsibility.

1.3. APPROPRIATE STANDARDS FOR INDONESIAN SMES

Comprehensive internet research found a number of notable social accountability standards, including:

- ETI base code – developed by the Ethical Trade Initiative,
- FLA code of conduct – developed by the Fair Labor Association,
- WRC model code of conduct – developed by the Worker Rights Consortium,
- GRI guidelines for voluntary self-reporting – developed by the Global Reporting Initiative,
- United Nations Global Compact (GC),
- ISO 26000 – a social responsibility standard developed by the International Organization for Standardization, to be published in 2008,
- SA8000 – developed by Social Accountability International (SAI), and
- WRAP apparel code and WRAP-Universal Code of Ethical Conduct (UCEC) – developed by Worldwide Responsible Accredited Production.

ETI, the Ethical Trade Initiative, established in 1988, is one of the oldest social accountability codes. ETI is a British-based coalition of NGOs, trade unions, and companies. It does not, however, certify individual factories; membership is limited to large brands or retailers. In fact, companies must have an annual turnover of at least one million British pounds to qualify for membership. Members include Gap, Inc., Tesco, and Marks & Spencer (ETI website).

The American counterpart to the ETI is the Fair Labor Association (FLA). An alliance of NGOs, companies, and colleges and universities, the FLA was founded by the Apparel Industry Partnership (AIP) in 1999 with encouragement from President Bill Clinton. Like ETI, FLA only certifies brands, retailers, and universities making it unavailable to Indonesian SMEs. Members include H&M, Puma, and Nike (FLA website).

The WRC, created in 2001, certifies colleges and universities that are striving to become more socially responsible. Certified universities must ensure that their suppliers adhere to the WRC code. WRC randomly inspects factories producing university-logo goods for certified and non-certified colleges and universities and publishes its findings.¹ The WRC, then, is also not intended to certify individual factories, but rather to inform universities of the working conditions under which their logo goods are made. Should Indonesian factories produce university-logo goods that fail to meet the WRC code, they would be vulnerable to negative exposure and lost business (WRC website).

The GRI guidelines and the UN Global Compact (GC) are not intended for third-party certification. GRI provides businesses with a structure for reporting on social responsibility. Its guidelines extend beyond labor rights, requiring companies to also report on environmental and economic performance (GRI website). The Global Compact, founded by the United Nations in 2000, offers a series of ten principles, including environmental performance and anti-corruption, which businesses can pledge to aspire to. Members must regularly report on their progress towards complete adherence with the principles (GC website). Both the GRI and GC are intended to complement rather than replace third-party certification standards.² Interestingly, similarities between the GRI and Global Compact have led the two organizations to devise a system allowing businesses to use GRI reports as Global Compact annual reports.

Like the GRI guidelines and the UN Global Compact, ISO 26000 will be a guidance standard rather than a certification standard. ISO aims to publish the standard in 2008, and promises that it will not conflict with ILO conventions or current internationally renowned standards. As a result, if ISO 26000 were to become the norm, certification according to a standard like SA8000 would be a step in the right direction (corporate social responsibility).

After analyzing these notable social accountability standards, it was concluded that only SA8000 and WRAP (including UCEC), are applicable to Indonesian SMEs. These standards are reviewed in detail in the following section.

¹ In Indonesia, the WRC has investigated and published reports on PT Panarub, PT Kolon Langgeng, and PT Dae Joo Leports. Its findings are available at: www.workersrights.org/freports.asp

² "The Global Compact views itself as complementing other voluntary initiatives and regulatory approaches" (From *About the GC*, at the GC website)

"GRI is a disclosure framework for a range of issues that includes labor conditions...SA8000 and GRI are complimentary" (From *GRI and SA8000 at a Glance*, at the GRI website)

2. SA8000 VS. WRAP CERTIFICATIONS

2.1. GENERAL COMPARISON

Social Accountability International (SAI) was founded in 1997 and is the product of an ILO research grant received by the Council on Economic Priorities (CEP). SAI prides itself in being a multi-stakeholder organization of NGO, trade union, and private sector representatives. It is based in New York, but has offices around the world; the closest to Indonesia is in Vietnam. SAI certifies businesses of all sizes at all points in the supply chain, in all industries, and all countries. As of 2004, it had certified 492 facilities in 40 countries and 51 industries. The largest group of facilities (16 percent) is in the apparel industry. Indonesia has five certified facilities: three textile factories, one cigarette filter factory, and one furniture factory. In comparison, Vietnam has 22 certified facilities; China has 140 (SAI website).

Worldwide Responsible Apparel Production (WRAP) was founded in 1998 by the American Apparel Manufacturers Association (now the American Apparel and Footwear Association or AAFA). On 30 August 2007, WRAP announced a change in its name to Worldwide Responsible Accredited Production, in order to reflect their increasing involvement in a diversity of industries seeking to certify ethical working conditions (CSRwire.com). WRAP is an organization of 700 companies who produce more than 85 percent of sewn products sold at wholesale in the US (WRAP website). While WRAP claims that it is also a multi-stakeholder organization, most of its board members are from the private sector (O'Rourke 2003). Their original social responsibility standard, WRAP, applied only to the apparel industry. However, last year the organization published a new standard, the Universal Code of Ethical Conduct (UCEC), which extends eligibility to other labor-intensive industries like home furnishings, pottery, and furniture. Unlike SAI, WRAP only certifies factories; it believes that working conditions will only be improved if responsibility is placed directly on employers at the individual factory level. More than 600 factories are WRAP-certified. As of 2006, there were 21 certified factories in Indonesia, compared with 34 in Thailand and 109 in China (WRAP website). Data concerning the UCEC has not yet been published.

2.2. COMPARISON OF PRINCIPLES

Like all social accountability standards, the principles detailed in SA8000 and WRAP address working conditions and worker rights. There are, however, subtle and significant differences between the two. These can be traced back to the original SA8000 benefactor, the ILO. SA8000 principles are based on and adhere to all ILO conventions (ILO website). SAI even lists these conventions in its preamble and highlights them throughout its text. WRAP does not reference ILO standards or pretend to fashion itself after ILO conventions, but some WRAP principles do comply with them. As a result, the WRAP principles tend to be more lenient than those of SA8000. For a list of ILO conventions ratified by Indonesia see Table 1 in the APPENDIX.

2.2.1. MINIMUM AGE

In accordance with ILO Convention 138 that prohibits the employment of workers under age 15 or compulsory schooling age, if it is lower, SA8000 also requires workers to be at least 15. While it allows 13-15 year olds to work under certain conditions, such conditions (e.g. no more than 2 hours work per day) make young workers undesirable. WRAP sets a minimum age requirement of 14. Indonesian law, however, is stricter than both, requiring workers to be at least 16. Since both standards require factories seeking certification to comply with national law, Indonesian minimum working age eliminates the difference between SA8000 and WRAP child labor clauses.

2.2.2. FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

In accordance with ILO Conventions 87 and 98 concerning freedom of association and collective bargaining, SA8000 and WRAP both require management to allow workers to join trade unions and bargain collectively. SA8000, unlike WRAP, also requires factories located in countries where freedom of association and bargaining are restricted to facilitate parallel means of employee organization. Theoretically, this makes WRAP more appealing (i.e. lenient) in China, where trade unions are restricted, and gives Indonesia, where trade unions are protected, a comparative advantage for SA8000 certification. In practice, however, this has not prevented 140 Chinese facilities from earning certification (SAI website).

2.2.3. WORKING HOURS

In accordance with ILO Conventions concerning working hours, SA8000 requires that normal working hours be no more than 48 a week, and overtime no more than 12. The WRAP apparel-industry oriented standard sets no limit on working hours or overtime, but merely requires facilities to meet local legislation. The newer, broader WRAP standard, UCEC, requires that working hours not exceed 72 a week or 14 hours a day.

Indonesian law, however, is stricter than SA8000, WRAP, and UCEC. In Indonesia, normal working hours cannot legally exceed 40 hours a week. Because SA8000 and WRAP require compliance with national law, there is no practical difference in Indonesia between their principles concerning normal working hours. There is, however, a difference between their principles concerning overtime hours. The two WRAP standards merely require workers to comply with local maximum overtime hours, which, in Indonesia, is 14 hours a week. SA8000 is stricter, limiting weekly overtime to 12 hours. SA8000 and WRAP require that overtime be voluntary and that workers get one day off in seven.

2.2.4. WAGES

WRAP requires factories to pay workers at least the local minimum wage. The SA8000, citing ILO Minimum Wage Fixing Convention 131³, requires factories to pay workers a living wage, which it defines as one that meets basic needs and provides discretionary income. This appears to distance SA8000 from WRAP. However, living wage is a vague term and very difficult to define. In 2000, three respected bodies gave three very different estimates for the Indonesian living wage. UCM, the Indonesian labor rights NGO, estimated it to be US\$76/month, Indonesian unions estimated US\$100, and Garteks, part of the SBSI union, estimated US\$300 (Finney 2000). With such a wide range of estimates, it is impossible to know how such a wage would differ from the average Indonesian minimum wage, which is currently about US\$75/month.

Many NGOs have developed formulas to estimate living wage. The SAI living wage formula is relatively simple. It calculates the cost of food needed to support half the average Indonesian family (assuming two workers per household) and then adds 10 percent for discretionary income.⁴ SAI also interviews local workers, trade unions, and research institutions to determine a more representative estimate. While there are no available figures on past SAI living wage calculations for Indonesia, in 2005 the Worker Rights Consortium (WRC) calculated the Indonesian living wage to be Rp 2,247,197 (approximately US\$229) per month.⁵

³ Convention 131 states that, “[t]he needs of workers and their families...general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups” should be taken into consideration when calculating minimum wage. At the same time, it recognizes that, “economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment” must also be considered.

⁴ Basic food basket x (1/percentage of average household expenditure spent on food) x (5 x average household size) x 1.1

⁵ Using 2005 exchange rate: US\$1= Rp 9,832.84

According to Indonesian law, minimum wage must provide for food, drink, clothes, housing, education, healthcare, recreation, and old age benefit (Act 13, Chapter X). In Indonesia, minimum wage is set by each provincial government and thus varies from Rp 447,654/month in west Java to 850,000/month in NAD (Nanggroe Aceh Darussalam). While the Indonesian government's definition of minimum wage makes it out to be a kind of living wage, current average minimum wage, Rp 671,837 (approximately US\$75) per month, is only about 30 percent of the WRC estimated living wage.⁶

The WRC estimate may be idealistic and impractical, but it suggests, along with the three 2000 studies cited above, that the living wage calculated by SAI would be higher than the current Indonesian minimum wage. SAI, however, acknowledges that paying a living wage is difficult, and does certify factories that pay less, provided that they plan to pay a living wage in the future.

2.2.5. HEALTH AND SAFETY

On paper, the WRAP and SA8000 health and safety requirements are similar. Both require basic emergency exit plans, fire extinguishers, warning signs on dangerous machines, personal protective equipment (PPE), first aid, access to clean water and clean toilets, ergonomic seating, and a health and safety committee or management structure. SA8000, however, not only requires a factory to meet health and safety standards, but to have a system to ensure continual improvement.

2.2.6. MANAGEMENT

Unlike WRAP, SA8000 devotes an entire principle to management systems. Factories must designate management personnel responsible for SA8000 program design, implementation, and review (including internal audits). Plans and policy concerning SA8000 must be documented and publicly available. Workers must elect a representative as a middleman between workers and SA8000-designed management, and workers must be well versed in all standard principles. WRAP also requires factories to appoint management individuals responsible for adopting, deploying, and monitoring code principles, but its management requirements are not as detailed as SA8000.

2.2.7. SUPPLIERS, SUBCONTRACTORS, AND HOME-WORKERS

In addition to following all standard principles itself, SA8000-certified factories must encourage and enforce compliance in their supply chain. Suppliers, subcontractors, and home-workers must be fully informed of factory policy and formally agree to uphold the same principles at their facilities. Factories must select, train, document, and periodically audit suppliers, subcontractors, and home-workers based on their ability to meet the standard. WRAP does not require a certified factory's suppliers, subcontractors, or home-workers to comply with its principles. The newer WRAP standard, UCEC, does in theory, but, unlike SAI, does not provide its auditors with methods to verify compliance.

2.2.8. OTHER

WRAP inspects factories for compliance with environmental standards, customs laws, and security regulations. SA8000 does not cover these areas.

2.2.9. CERTIFICATION PROCESSES

A factory seeking WRAP certification must first register online and pay a fee of US\$895. After registering, a factory must get certified within the next six months or pay another US\$895 fee. Next, the factory assesses itself using the comprehensive easy-to-use, checklist-style, self-evaluation package

⁶ Using 2007 approximate exchange rate of US\$1= Rp 9,000

provided by WRAP. When the factory is confident that it has complied with all WRAP principles for at least 45 days, it hires a WRAP-accredited auditor. WRAP-accredited auditors with offices in Indonesia are Intertek Labtest, Bureau Veritas, SGS, Accordia, and CSCC. The auditor examines the factory, checks factory documents, interviews workers, and submits a report to WRAP. If the auditor or WRAP believes that the factory does not cohere with a principle, it issues a corrective action request (CAR), in which case the factory must fix the non-compliance and be re-audited. Multiple CARs could put a factory outside of the six-month grace period, forcing it to re-register and pay another US\$895.

In 2006, WRAP established a new, three level certification program that grants a 6-month C-level certification to factories that have minor non-compliances, a B-level certification to factories that fully comply, and an A-level certification to factories that have complied with principles for three consecutive years. B-level factories must renew certification every year while A-level factories must renew every two years.

SAI does not charge a registration fee. It does, however, charge US\$100 for its guidance document, which elaborates SA8000 principles and describes the factory audit process. After buying the guidance document, a factory seeking certification establishes the required management system and policy for standard implementation. Then the factory hires an SAI-accredited auditor who reviews the management system and makes recommendations. SAI-accredited auditors with offices in Indonesia are Intertek Labtest, Bureau Veritas, SGS, and CSCC. As with WRAP, the certification body audits the factory, makes a recommendation to SAI, and SAI makes the final decision. Factories that receive CARs are certified regardless, but must fix them in the first 60 days. SA8000-certified factories are audited every six months and must renew certification every three years. (* For a complete comparison of SA8000 and WRAP see Tables 2 and 3 in the APPENDIX.)

2.2.10. INTERNATIONAL OPINION

WRAP has been criticized for not complying with ILO conventions. In 2001, the labor union at the WRAP-certified Thai Gina Form Bra Factory filed a complaint with the Thai National Human Rights Commission and WRAP concerning labor rights violations at their factory. In 2003, the Clean Clothes Campaign (CCC) publicly faulted WRAP for failing to follow up on the Gina labor union complaints and many other elements of the WRAP code. The CCC pointed out that WRAP does not comply with the ILO-designated minimum working age of 15, its maximum workweek of 48 hours plus 12 hours overtime, or living wage. Moreover, noted the CCC, WRAP does not list common forms of discrimination or requires factories to facilitate parallel means of worker association if local law restricts this freedom (Zeldenrust 2003).

The SA8000, on the other hand, follows not only to ILO conventions, but also the Universal Declaration of Human Rights, United Nations Convention on the Rights of the Child (CRC), and UN Convention on the Elimination of all forms of Discrimination Against Women (CEDAW), making it less vulnerable to international criticism and arguably more sustainable.

2.2.11. RELATIONSHIPS WITH OTHER INITIATIVES

In 2003, SAI allied with CCC, ETI, FLA, the Fair Wear Foundation (FWF), and WRC to form the Joint Initiative on Corporate Accountability and Worker Rights (a.k.a. Jo-In). Through pilot projects in various Turkish factories, Jo-In members hope to improve working conditions, learn more about code variations and methods for improving factory conditions, and to explore possibilities for closer

cooperation.⁷ Jo-In has drafted a common code to unite the overlapping, but discrepant individual codes of the six members. The code recognizes ILO conventions, sets a minimum working age of 15, establishes a maximum workweek of 48 hours, and requires a living wage – principles that the WRAP code does not currently uphold (Jo-In website).

SAI claims that its standard is highly complementary with the principles set forth by the Global Reporting Initiative and the UN Global Compact. According to SAI, its SA8000 “has been designed from the start to integrate with major CSR (corporate social responsibility) reporting frameworks like GRI and the UN Global Compact.” This compatibility is convenient for factories that wish or expect to expand their social accountability programs beyond code compliance to public reporting. WRAP offers no such advantage.

2.2.12. RELATIONSHIPS WITH BUYERS

As discussed previously, the FLA, ETI, and WRC certify brands, retailers, and universities, but not factories directly. Certified members pledge to select suppliers who comply with FLA, ETI, or WRC codes. As more and more buyers join these three organizations, Indonesian factories seeking social accountability certification should consider FLA, ETI, and WRC principles. For key differences between these codes, SA8000, and WRAP, see Table 4 in the APPENDIX.

In addition to being FLA, ETI, or WRC members, some buyers have written their own social accountability codes. IKEA, for example, created the IWAY. Factories supplying IKEA must comply with IWAY principles and must ensure that their suppliers also comply with IWAY. Similar to SA8000, IWAY sets a maximum 60-hour workweek (including overtime), and a minimum employee age of fifteen. IWAY does not, however, demand that workers be paid more than minimum wage. But, as do WRAP and SA8000, IWAY addresses discrimination, forced labor, health and safety, and freedom of association.

In the apparel industry, Gap, Inc. is leading the way in social responsibility. The Gap, Inc. Code of Vendor Conduct resembles WRAP. It leaves working hours and wages up to national law and its minimum employee age is 14, not 15. Ironically, Gap is a signatory member of the SAI (see below) and, in 2004, asked SAI to assess its social responsibility program. Gap claims that it wants to improve and toughen its principles: “As members of ETI and SAI, we have committed to work to better align our code with ETI’s Base Code and SAI’s SA8000 standard” (Gap website).

Worker rights advocates have questioned the validity of buyer codes like those of Gap and IKEA. It is a conflict of interest, they argue, for a company that writes a code and depends on low prices to audit and verify factory compliance. In Gap’s defense, it stopped buying from 62 factories that violated code in 2005. Nevertheless, company codes cannot replace membership in independent international organizations like the FLA and ETI.

In 1999, SAI joined this wave of brand-certifying organizations when it created its Signatory Program to help large companies like Gap slowly implement SA8000 in their supply chains. Among other requirements, signatory members must give purchasing preference to SA8000 certified facilities. Current members include Charles Voegelé Group,⁸ Dole Food Company, Eileen Fisher, Otto Versand,⁹ Toys “R” Us, and Cutter & Buck.¹⁰ “We seek out factories that understand that happy, healthy workers contribute to a more successful company,” said Cutter & Buck after joining the SAI

⁷ The brands providing Jo-In with test factories are Adidas (FLA), Gap (ETI, SAI), Hess Natur (FWF), Marks & Spencer (ETI), Nike (FLA), Patagonia (FLA), and Puma (FLA)

⁸ Charles Voegelé Group is a Swiss apparel company with 400 outlets around Europe

⁹ Otto Versand is a German apparel company and the largest catalog retailer in the world

¹⁰ Cutter & Buck is a US apparel company with 39 suppliers in Thailand, Peru, India, Turkey, Hong Kong, China, Macau, Philippines, Canada, and Mexico. It has annual revenues of US\$174 million

Signatory Program. SA8000 certification could give Indonesian factories a competitive advantage in accessing buyers who are SAI Signatory Program members.

2.3. STANDARD COMPARISON CONCLUSIONS

Wage, health and safety, management, and supplier requirements of SA8000 make it more demanding than WRAP. As a result, SA8000-certified factories are unlikely to fall short of other standards like the United Nations, the upcoming ISO standard, or future buyers' demands concerning social accountability.

WRAP's ease makes it attractive to factories seeking social accountability certification. However, such ease has also attracted criticism from NGOs and academics like Dara O'Rourke, professor of Environmental and Labor Policy at the University of California at Berkeley, who remarked, "the WRAP principles are widely viewed as the weakest standards of any of these systems and the least transparent monitoring and certification program." In conclusion, the suitability of these two standards for Indonesian SMEs depends on current factory conditions. While SA8000 certification is ideal, it is more difficult to obtain, and could be beyond the reach of SENADA's clients.

3. INTERVIEWS

Interviews were conducted with two different groups: (1) SA8000- and WRAP-certified firms, and (2) SENADA SME clients lacking SA8000 or WRAP certification.

3.1. INTERVIEWS WITH SA8000- AND WRAP-CERTIFIED FACTORIES

Management personnel were interviewed from Indonesian factories with SA8000 or WRAP certification. Aims included determining:

- Foreign buyer demand for certified factories in Indonesia,
- Improvements typically needed to bring an Indonesian factory into compliance with certification code principles,
- Which principles were most difficult to comply with,
- Compliance costs,
- Auditing costs, and
- Benefits to a factory from certification.

This information was collected to provide a more complete comparison between SA8000 and WRAP, and a more informed evaluation of the current gap between Indonesian SMEs and social accountability certification. It was difficult to convince SA8000- and WRAP-certified factories to be interviewed. Besides being few in number (there are only five SA8000-certified firms and twenty-one WRAP-certified firms in Indonesia), they had no incentive to participate in interviews. Moreover, tough interview topics – e.g. child labor and minimum wage – may have deterred a few. Ultimately, just two SA8000-certified factories and two WRAP-certified factories consented to interview.

The two SA8000-certified factories interviewed were PT Fitrona Indonesia (270 employees), the Surabaya branch of the British multinational cigarette filter company Filtrona, and FIT-U (3000 employees), an Indonesian-owned garment factory in Bandung that supplies Gap, Inc. In 2004, Filtrona required all of its factories, including its Indonesian branch, to get SA8000 certified. In 2005, Gap and a few of FIT-U's other buyers asked it to get certified. The two WRAP-certified factories interviewed were PT Dayani (1600 employees), a Japanese-Indonesian owned garment factory in Jakarta whose buyers include Tommy Hilfiger and Polo Ralph Lauren, and PT Berlei Indonesia, an Australian-owned factory in Jakarta that supplies Marks & Spencer and Lane Bryant. Both Dayani and Berlei were certified before Filtrona and FIT-U. Dayani's American buyers requested their certification in 2001. In 2003, Berlei requested that all of its factories get certified.

Besides the fact that none of the factories' buyers subsidized certification, there was no pattern in the help that they received. Filtrona paid the Indonesian consulting company Delta Cipta Mandiri Rp 28 million to train its management and conduct a gap analysis. The other three factories did not hire consultants. FIT-U was assisted by the SA8000 certification body that it hired, SGS. SGS trained factory management and identified factory non-conformities before conducting the certification audit. Dayani staff attended a WRAP-sponsored seminar in Jakarta. The seminar has not been offered since. Berlei trained its own management and used the WRAP self-assessment tool to bring factory conditions into compliance with the WRAP standard.

All four factories found it cheap and easy to meet SA8000 or WRAP requirements, and were certified no more than a year after deciding to seek certification. In fact, the process took Dayani and Berlei a mere three months and one month, respectively. According to Fitrona and Berlei, ISO 9001

certification prepared them for SA8000 and WRAP certification by requiring well-structured and detailed management systems. Such a system is particularly useful for SA8000 certification, as SA8000 has strict management requirements. While WRAP management requirements are not as demanding, a management system, in general, organizes a factory, making it more capable of evaluating and improving factory conditions.

Besides the ISO 9001, strict buyer requirements also prepared the factories for certification. All four factories already had health and safety systems. All insisted that they had been following Indonesian law (Berlei later admitted that it had to reduce overtime to comply with national law). In fact, according to FIT-U, the SA8000 requirements were almost identical with those required by its buyers. The biggest difference was that SA8000 required FIT-U to implement the standard in its supply chain while buyers of FIT-U did not. Ensuring that suppliers pay minimum wage, not hire child workers, and maintain clean and health working conditions was difficult for FIT-U. Fitrona had similar difficulties, and had to drop one supplier who violated SA8000 code.

WRAP-certified factories Dayani and Berlei made small health and safety changes. Dayani cleaned its factory, improved its canteen and locker room, and replaced wooden benches with ergonomic chairs. Berlei installed machine and needle guards. According to Dayani and Berlei, these simple physical changes were not expensive for their large factories.

Auditing costs varied from factory to factory. Fitrona hired BVQI, paid US\$3000 for the certification audit, and now pays US\$650 for every required surveillance audit (every six months). FIT-U hired SGS and paid approximately US\$11,100 for a certification audit and three years of surveillance audits. In comparison, WRAP-certified Dayani paid ITS – another auditing firm – US\$2100 for a surveillance audit and now pays US\$890 for each surveillance audit. Berlei also paid ITS US\$2100 for its first audit, but has since switched to SGS, which also charges US\$2100 for each surveillance audit. According to Berlei, it switched auditors simply because its regular inspector moved to SGS.

None of the factories interviewed received monetary help or advice from their buyers. FIT-U tried to attract new buyers with its SA8000 certificate, but most buyers, especially in America, had not heard of the standard. FIT-U believes this is not because buyers are unaware, but because the personnel in buyers' marketing departments know little about international standards. Dayani and Berlei believe that WRAP certification increased their buyers' confidence and possibly contributed to recent increases in order size. All four factories said that their workers were happy, but it is difficult to attribute such happiness to certification. It was decided that, because the factories had only made small changes and been certified for a short period of time, the four factories were not a good pool with which to measure the benefits of certification on productivity and management-worker relations. It was disappointing to find that certification did not, as our research suggested, replace time-consuming buyer audits. Brands like Gap and Marks & Spencer still insisted on inspecting FIT-U and Berlei even after the factories became SA8000- or WRAP-certified.

3.1.1. CONCLUSIONS

Interviewed certified factories were well prepared prior to certification. They were already in compliance with Indonesian law, fulfilled strict buyer requirements concerning working conditions, and had management systems. SA8000-certified factories found implementing the standard in their supply chains the most challenging aspect. The WRAP-certified factories only had to make minor health and safety adjustments. None of the interviewed seemed overwhelmed by the certification procedure, and none of them were enthusiastic about the benefits of certification. Table 5 in the APPENDIX provides further comparison of Fitrona, FIT-U, Dayani, and Berlei.

3.2. INTERVIEWS WITH SENADA CLIENTS

Interviews with SENADA clients in the furniture, home accessory, garment, and footwear sectors aimed to determine which WRAP and SA8000 requirements are already met, and which have yet to be met. This information helped to define the gap between Indonesian SMEs and social accountability certification, and to determine which standard, if either, is most appropriate.

While social accountability certification is most prevalent in the apparel industry, it is currently expanding into other industries. IKEA's "IWAY" (short for, the IKEA Way) – a formal code of conduct for distributing home furnishing products – is just one example. And, as awareness increases, certification may become just as prevalent in other industries as it currently is in the apparel industry. At the very least, social accountability certification may give Indonesian furniture and home accessory factories a comparative advantage to European and American buyers. Therefore, interviews in this study were also conducted in furniture and home accessory factories.

Interviews of SENADA clients were carried out over a two-week period. The first week was spent interviewing garment, furniture, and home accessory factories in Semarang and Solo. The second week was spent interviewing shoe factories in Surabaya. In total, 11 factories were interviewed: Two garment factories, five footwear factories, and four furniture factories – two of which also produced home accessories. The interview team was based in Surabaya, which led to more footwear sector interviews than garment, furniture, and home accessory sector interviews. For more information on interviewed factories see Table 6 in the APPENDIX.

Information sought during interviews was often sensitive (e.g. factory wages, youngest worker ages, overtime policies) and required tactful questioning. Therefore, a one-hour questionnaire was developed using the SA8000 guidance document and WRAP factory self-assessment checklist. The goal was to gather maximum information from factory personnel without causing discomfort or suspicion, which could lead to refusal to answer, or untruthful or inaccurate answers.

3.2.1. FURNITURE AND HOME ACCESSORY FACTORIES

Of the four factories interviewed, two (PT Bangun Mulia Usaha and CV Rimba Sentosa) produced only furniture, and two (PT Amico and Swastama) produced furniture and home accessories.

- **Swastama.** Swastama supplies IKEA and is IWAY certified. Our interview with Swastama did not reveal any non-compliance with Indonesian law or WRAP principles. Among other things, Swastama pays minimum wage, does not force employees to work overtime, and has a health and safety committee. Swastama could easily get WRAP-certified, and, depending on the SAI definition of an Indonesian living wage, SA8000-certified, as well. However, considering their profitable deal with IKEA and their current plan to get ISO certified, additional certification may be more trouble than it is worth.
- **PT Bangun Mulia Usaha, CV Rimba Sentosa, and PT Amico.** *Health and Safety:* Unlike Swastama, Mulia, Rimba Sentosa, and Amico are far from meeting SA8000 or WRAP requirements. None of the three factories had even a simple health and safety system. Factories provide personal protective equipment (PPE), but, because they do not run health and safety training (required by WRAP and SA8000), employees are unaware of its importance, find it uncomfortable, and chose not to use it. Moreover, factory-provided PPE is insufficient. At Mulia, for example, goggles are so scratched and dirty that they are impossible to see out of, and, as a result, workers operate grinding machines without them. Not surprisingly, most accidents at Mulia are eye-related. At Rimba Sentosa, sanders wear thin, homemade-looking bandanas over

their noses and mouths. Carpenters lift rough logs without work gloves and operate machines without goggles. None of the factories record accidents (which is required by WRAP and SA8000). Most factory facilities are dirty, dimly lit, poorly ventilated, and unorganized.

Working Hours: Normal working hours at all three factories do not exceed the legal Indonesian limit of 40 hour/week. However, all three factories have overtime policies that violate WRAP and SA8000. Overtime is mandatory (a significant violation of all social accountability codes), and factories do not set daily or weekly limits on the number of overtime hours that each employee can work. Average overtime at Rimba Sentosa (4 hours/day) exceeds legal limit.

Wages: All three factories maintained that they paid legal minimum wage. When asked what local minimum wage was, they confidently gave incorrect figures. This could be because the staff we interviewed simply did not know the correct figures. The SA8000 guidance document, however, asserts that such ignorance is a good indication that employee earnings are below minimum wage.

Documentation: Indonesian law requires every business to have either company regulations authorized by the Minister of Labor, or a collective labor agreement signed by management and trade union representatives (Act 13, Chapter XI). Mulia and Amico have neither. Rimba Sentosa has company regulations, but it could not be determined if they were written down or authorized.

Labor: According to Indonesian law, casual and non-permanent employees who work 21 days/month or more must become permanent after three months. Non-permanent workers with short-term contracts must become permanent after three years (Act 13, Chapter IX). In violation of this law, Amico employs casual, non-permanent workers for more than three months during high season. Mulia fires and rehires casual workers every three months, a trick that would not deceive SA8000 or WRAP certification bodies. Fortunately, however, none of the factories were found to employ children. The youngest workers at Amico and Rimba Sentosa are 18, and at Mulia, 17. Amico, however, does not keep copies of employee identification cards and contracts and thus cannot prove employee ages. None of the factories have home-workers, making the SA8000 requirement that a factory enforce code in its supply chain easier to fulfill. Mulia subcontracts, but could not guarantee that its subcontractors do not employ children.

Conclusion: After interviewing management at Mulia, Amico, and Rimba Sentosa and observing factory facilities, it was concluded that both WRAP and SA8000 are too demanding for SENADA furniture and home accessory clients. Policies prohibited by WRAP and SAI, like mandatory overtime and a casual workforce, keep these small factories flexible and profitable. While it is imaginable that proper PPE could make workers more productive, some WRAP and SA8000 health and safety requirements, like ergonomic seating, could make them less efficient. We believe that it would be a better use of these factories' and SENADA's time and money to seek certification that is more applicable to the furniture and home accessories sector, like the Forest Stewardship Council's legal logging certification.

3.2.2. GARMENT FACTORIES

The two garment factories interviewed (PT Mundrian and PT Batik Semar) do not export, but planned to do so in the near future.

- **PT Mundirian and PT Batik Semar.** *Health and Safety:* On arriving at Mundrian and Batik Semar, we noticed that they are much cleaner and more organized than their furniture and home accessory counterparts. Mundrian even had a shaded, open-air cafeteria and garden. They are also much closer to meeting SA8000 and WRAP health and safety requirements. Mundrian not only provides PPE, but records accidents and has a factory doctor. One of the Batik Semar

worker representatives was currently attending a local health and safety workshop, and planned to set up a health and safety committee upon her return to work. Neither factory runs annual health and safety training, but management at both factories were enthusiastic about introducing training, agreeing that it would reduce accidents and hospital bills.

Working Hours: In compliance with Indonesian law, employees at both factories do not work more than 40 hours a week. Overtime is normally voluntary, and only mandatory under urgent business demands, which WRAP and SA8000 both understand and make exceptions for. Overtime is no more than three hours a day (Indonesian law). Neither factory has regulations concerning weekly maximum overtime hours, but they maintain that workers rarely, if ever, work more than the SA8000 12 hours/week limit.

Wage: Both factories pay legal minimum wage.

Documentation: Management at Batik Semar signs collective labor agreements with its two active unions. Mundrian has written and authorized company regulations. In this way, both factories meet Indonesian law concerning regulation documentation.

Labor: Both factories meet legal requirements concerning permanent and casual labor. The youngest worker at both factories is 18 years old, which factories can prove with copies of employee contracts and identification cards. Batik Semar, however, has home-workers, and cannot guarantee that they do not employ children.

Conclusion: Indonesian garment factories are closer to WRAP and SA8000 certification than furniture and home accessory factories. Unlike the latter, interviewed garment factories comply with Indonesian law. They have official factory regulations and a structured workforce.

However, these garment factories are not as prepared as FIT-U, Dayani, and Berlei were prior to their seeking social accountability certification. PT Mundrian and PT Batik Semar lack ISO certification, buyer demands concerning working conditions, or established health and safety systems – elements that made certification easy for FIT-U, Dayani, and Berlei. Therefore, we believe that WRAP, as the less demanding standard, is a feasible option for SENADA's garment factory clients. SA8000 certification would be more difficult to obtain, but it may not be impossible. Additional information, like the state of their suppliers and subcontractors, the SAI living wage estimate for Indonesia, and an overview of factory management systems, is needed to determine how much more difficult SA8000 certification would be than WRAP certification.

3.2.3. FOOTWEAR FACTORIES

Of the footwear factories interviewed, four (CV Mulia, PT Jalur Rejeki, PT Gradial, and PT Halim Jaya) export directly to Europe and are interested in reaching US markets. One (PT Tirtadaya) exports indirectly by selling its shoes to an Indonesian middleman who sends them to Europe.

- **CV Mulia, PT Jalur Rejeki, PT Gradial, PT Halim and PT Tirtadaya.** *Health and Safety:* All five factories have clean and comfortable reception areas and meeting rooms, but the conditions of their facilities vary considerably. Tirtadaya, for example, has recently renovated its factory, labels and organizes its materials, and runs fans to cool workers. Jalur Rejeki, on the other hand, has inadequate lighting, poor ventilation, and is unorganized. Its materials sit in a messy heap on the floor, requiring workers to squat and pick through them. It does not understand the meaning of health and safety, but described its health and safety system as “aerobic exercise twice a week.” Ironically, if such exercise is mandatory or unpaid, it violates WRAP and SA8000.

All factories fail to meet SA8000 or WRAP health and safety system requirements. Three factories do not offer any form of health and safety training. Tirtadaya runs fire safety training, and the Mulia worker representative is trained in first aid. Fortunately, accidents are rare at all five factories and most use two-button cutting machines that reduce cutting injuries. Unfortunately, however, most factories lack simple needle guards, which reduce the risk of accident and are inexpensive to install.

Working Hours: In compliance with Indonesian law, workers at all five factories work no more than 40 hours a week. Overtime at all factories is mandatory (violation of SA8000 and WRAP), but is usually no more than two hours a day (compliance with law, WRAP, and SA8000). Because electricity is expensive, Gradial requires overtime workers to leave before dark.

Wages: Three of the five factories, Tirtadaya, Halim Jaya, and Mulia, pay at least minimum wage. Tirtadaya and Halim Jaya award bonuses to employees who have worked at their factories for more than a year. Gradial and Jalur Rejeki do not meet SA8000 or WRAP wage requirements. Gradial pays new, unskilled workers less than minimum wage, and compensates with free training. Jalur Rejeki pays workers based on output rather than attendance, a method SA8000 and WRAP disapprove of. SA8000 and WRAP require factories that pay per-piece to guarantee workers minimum wage, regardless of output. Workers at Jalur Rejeki make more than minimum wage during high season, but their salaries drop below minimum wage during low season. Jalur Rejeki insisted that per-piece payment is better for factory profits and efficiency.

Documentation: Each of the footwear factories has either a collective labor agreement or company regulations. All have copies of Indonesian law, employee information, and employee contracts.

Labor: None of the factories employ workers younger than age 18, but Mulia and Jalur Rejeki have subcontractors and home-workers, whom they cannot guarantee are older than 15. All have a high percentage of non-permanent workers, and do not follow Indonesian law concerning non-permanent labor. Halim Jaya avoids making casual workers permanent by firing and rehiring them every three months. Gradial employs workers for a month before signing any form of contract with them (a violation of Indonesian law). At Jalur Rejeki, all of the workers are non-permanent, allowing management to fire and hire in accordance with unpredictable buyer demands.

Conclusion: Illegal treatment of non-permanent labor, inadequate health and safety systems, and mandatory overtime are the most common violations of SA8000 and WRAP standards by footwear companies. Beyond this generalization, the five footwear factories interviewed for this study are impossible to encapsulate. Some footwear factories are much closer to meeting SA8000 and WRAP requirements than others. Jalur Rejeki is as unprepared for social accountability certification as the furniture and home accessory factories that were interviewed, while Tirtadaya is more prepared than either garment factory. This variability likely exists in the garment sector as well, but the small sample size of this study (two garment factories) prevented its documentation. Considering such variance, SENADA must be selective about the garment and footwear factories it chooses to assist.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1. CONCLUSIONS

Answers to the research questions posed at the beginning of this report (See Executive Summary) are summarized below:

1. Two sets of social accountability standards were found to be most applicable to Indonesian SMEs: Those developed by WRAP – which include the original WRAP code for the apparel industry and their UCEC for other industries, and SA8000 developed by SAI for all industries.
2. SA8000 has earned international respect and is more demanding than WRAP (and UCEC). A factory with SA8000 certification meets other social accountability standards and is likely to meet future buyer social accountability demands. WRAP does not have the reputation of SA8000, but its certification process is easier.
3. Interviews of four SA8000- and WRAP-certified factories found that they did not need to make extensive or expensive improvements to meet standards. Prior experience with ISO certification, buyer demands, and compliance with Indonesian law left them well prepared for certification. Their biggest certification costs were and are for audits.
4. The feasibility of social accountability certification for Indonesian SMEs varies from sector to sector. The furniture and home accessory factories interviewed for this study are relatively unprepared; however, some of the interviewed garment and shoe factories could become WRAP-certified, and could possibly become SA8000-certified.
5. The answer to research question number five (i.e. “Is it profitable for Indonesian SMEs to be certified?”) is not certain. While certification would give factories access to socially responsible foreign buyers like Gap and IKEA, there is no guarantee that they would buy from certified factories. It is therefore recommended that SENADA identify buyers willing to contract with certified Indonesian SMEs prior to investing time and money helping factories meet SA8000 or WRAP requirements.

4.2. RECOMMENDATIONS

While WRAP certification is more feasible for Indonesian garment and footwear factories, SA8000 certification is not impossible. When deciding which standard to implement, SENADA should consider the demands of the foreign buyers it wishes to connect factories with, the SAI estimated living wage for Indonesia, and individual factory conditions like suppliers, subcontractors, and home-workers. SENADA should be open to implementing different standards in different factories, if necessary, and remember that WRAP and SA8000 principles overlap, making WRAP-certification a step towards SA8000-certification. SENADA should also investigate ISO 26000 when it is published in 2008.

When deciding which factories to assist, SENADA should bear in mind that the ability of a factory to comply with SA8000 and WRAP principles depends not only on its current working conditions and policies, but on its attitude. Creating a health and safety committee, training workers, and establishing an anonymous complaint system are easier for factories that are committed to improving and understand the benefits of certification. In order to find enthusiastic factories, it would be beneficial if SENADA were to offer a social accountability training session to garment and footwear factory representatives. The workshop would need to explain the benefits of social accountability certification, describe specific criteria required for certification, and provide factories with self-evaluation worksheets that would extract information that our interviews could not.

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APPENDICES

TABLE 1. ILO CONVENTIONS RATIFIED BY INDONESIA.

Number	Convention	Aim	Date Ratified
29, 105	Forced and Bonded Labor	Suppression and prohibition of forced or bonded labor (including wage bondage)	1950, 1999
87	Freedom of Association	Allows workers to organize for their interests, if desired	1998
98	Collective Bargaining	Non-interference by employers in workers' organizations, protection of workers who chose to organize, allowance of collective bargaining by workers' organizations, if desired	1957
100, 101	Non-discrimination	Equal wages work of same value regardless of sex, prohibition of discrimination in employment and treatment	1958, 1999
135	Workers' Representatives Convention	Protection against discrimination or punishment for representatives of workers' organizations	
138, 146	Minimum Age	Prohibition of employment of workers under compulsory schooling age (usually 15). [146 is an exception for developing countries.]	1999 (138 only)
155, 164	Health and Safety	Improve working conditions, reduce hazards	n/a
159	Vocational Rehabilitation & Employment/ Disabled Persons	Equal opportunity of employment for disabled workers	n/a
177	Home-work	Equal protection (in remuneration, working conditions, freedom of association, etc.) to home-workers	n/a
182	Worst Forms of Child Labor	Prohibition of employment of workers under age 18 in jobs that adversely affect health, safety, or morals	2000

TABLE 2. COMPARISON OF SA8000, WRAP, UCEC, AND INDONESIAN LAW.

Standard	SA8000	WRAP	UCEC	Factories must comply with Indonesian law
Organization	Social Accountability International	Worldwide Responsible Accredited Production	Worldwide Responsible Accredited Production	Indonesian Government Act Number 13 Year 2003 Concerning Manpower
Year Founded	1997	1998	2006	2003
History	Created by Social Accountability International, an organization founded by the Council on Economic Priorities.	Created by the American Apparel and Footwear Association, whose member companies (700+) produce 85% of sewn products in the US market	Created by the American Apparel and Footwear Association to expand applicability of its WRAP standard to non-apparel, labor intensive industries	
Target	All size businesses and factories, in all industries (except industries like oil and marine that violate working hour principle)	Factories producing sewn goods	Factories producing sewn goods, home furnishings, pottery, glassware, furniture, electronics, or agricultural products	All site businesses and all factories in all industries
Minimum Working Age	13-15 under certain conditions (2 hours a day maximum, 10 hours a day maximum school, work, transportation time), 15 (or minimum schooling age, whichever is higher) under normal conditions, 18 under hazardous conditions (exceptions made for some developing countries)	14, or local compulsory schooling age, or local minimum working age, whichever is higher	SAME AS WRAP	13-15 under certain conditions (3 hours a day maximum, parental permission, outside of school hours), 16 (minimum schooling age) under normal conditions (Chapter X, Article 68, 69) 18 under risky conditions. (Act No. 20, 1999)

Standard	SA8000	WRAP	UCEC	Factories must comply with Indonesian law
Discrimination	No discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age.	No discrimination in employment, payment, promotion, or termination based on personal characteristics or beliefs	No discrimination in employment, payment, promotion, or termination based on the bases of race, color, national origin, gender, sexual orientation, religion, disability, or other similar factors (pregnancy, political opinion, social status)	No discrimination in employment, rights, or responsibilities based on sex, ethnicity, race, religion, or political orientation. Equal treatment to the disabled (Chapter III, Articles 5,6)
Health and Safety	Safe and healthy working environment, safe and healthy housing if provided, prevent injury and accident, administer and record regular health and safety training, must appoint senior management representative in charge of health and safety	Safe and healthy working environment, safe and healthy housing if provided, health and safety committee	SAME AS WRAP	Safe and healthy working environment, respect to human dignity and religious values, must establish a health and safety management system (Chapter X, Articles 86, 87)
Wages	Legal or industry minimum wage, must be sufficient to meet basic needs, must provide some discretionary income (living wage)	Legal minimum wage	SAME AS WRAP	Wage must meet workers basic needs, minimum wage is province-specific (Chapter X, Articles 88, 89). Current average monthly minimum wage: Rp 671,836.81

Standard	SA8000	WRAP	UCEC	Factories must comply with Indonesian law
Working Hours	Comply with local and industry laws, hours cannot exceed 48 hours plus 12 hours overtime per week, one day off every seven days, overtime is voluntary unless under exceptional labor-union agreement concerning urgent business needs applies	Comply with local and industry laws, one day off every seven days except as required to meet urgent business needs, overtime is voluntary	Comply with local and industry laws, hours cannot exceed 72 hours in six days or 14 hours per calendar day except in extraordinary circumstances, minimum of eight hours of rest between workdays, one day off every seven days, overtime is voluntary	Hours will not exceed 7 a day, 6 days a week or 8 a day, 5 days a week (=40 hours). Overtime is voluntary and will not exceed 3 hours a day or 14 hours a week, 30 min rest every four hours (Chapter X, Articles 77, 78, 79)
Treatment of Workers	No corporal punishment, mental or physical coercion, or verbal abuse, or sexual harassment No forced labor or wage deductions for disciplinary behavior.	No harassment, abuse, or corporal punishment in any form. No sexual harassment. No forced labor.	SAME AS WRAP	
Free Association and Collective Bargaining	Respect workers' right to form and join trade unions and bargain collectively, facilitate parallel means if freedom is restricted by law	Respect workers' lawful rights of free association and collective bargaining	SAME AS WRAP	Every worker has the right to form and join a trade or labor union and to make collective labor agreements (Chapter X, Articles 91, 104, 116) Minimum labor-union size is 10 workers (Act No. 21, 2000)
Environment	Not addressed	Must have an environmental management system that prevents and controls harmful emissions	SAME AS WRAP	Factories must operate and dispose of their waste in such a way that does not hurt the environment (Act 23, Chapter V, Articles 14, 15, 15)
Customs Compliance	Not addressed	Must comply with customs laws, especially those regarding illegal transshipment of products	SAME AS WRAP	

Standard	SA8000	WRAP	UCEC	Factories must comply with Indonesian law
Security	Not addressed	Must maintain facility security procedures to guard against introduction of drugs, explosives, bio-hazards, and other contrabands into outbound shipments	SAME AS WRAP	
Management	Management defines policy, appoints a senior management representative to enforce principles, allow workers to elect a worker representative to facilitate communication concerning standard between management and workers, workers must be regularly trained (annually) on policy	To demonstrate adoption of principles, it is suggested that individuals are designated to address policy implementation and compliance, workers must be trained on policy	SAME AS WRAP	
Suppliers	Evaluate and select suppliers and subcontractors, including labor suppliers, based on ability to meet standard, audit suppliers, keep written proof of suppliers commitment to conform to standard		Subcontractors and suppliers must comply with local laws and standard.	
# Certified Firms	1200 representing 59 countries (Dec. 31, 2006): 16% Apparel, 3% Footwear, 1% Furniture, 1% Housewares	600 (Nov. 2004)	Unknown	
# Certified Indonesian	5 (Dec. 31, 2006) China: 140	20 (2006) China: 109	Unknown	

Standard	SA8000	WRAP	UCEC	Factories must comply with Indonesian law
Firms	Thailand: 22 USA: 1	Thailand: 34 USA: 7		
Size of Certified Firms (# Workers)	>1000: 14% 251-1000: 25% 51-250: 30% 1-50: 29% (2% missing)	All size factories	Unknown	
% Applicants Certified	Unknown	43% (Nov. 2004)	Unknown	

TABLE 3. COMPARISON OF CERTIFICATION PROCESSES FOR WRAP AND SA8000. (COSTS ARE IN US\$ UNLESS OTHERWISE NOTED.)

Standard	WRAP (and UCEC)	SA8000
Ease	Guidance document includes a comprehensive, checklist-style self-evaluation document, multiple in-country auditors available, WRAP offers training courses for factories	Multiple in-country auditors available, SAI offers training courses for workers and managers
Time	Contingent on initial factory conditions, 6-month minimum	Contingent on initial factory conditions
Cost	Guidance document: Free Registration: \$895 Certification audit: \$2100 (Interviews) Subsequent audit: \$890-2100 (Interviews) Other: Cost of changes necessary to bring factory into compliance with principles Renewal: \$895 renewal fee, cost of re-audit,	Guidance document: \$100 Registration: Free Certification audit: \$3000 ¹¹ Subsequent audit: \$650 ¹² Other: Cost of changes necessary to bring factory into compliance with principles Renewal: cost of re-audit
Post-certification	Factories are subject to unannounced inspections during 1-year certification period, B-level certification must be renewed every year, A-level certification must be renewed every 2 years	Factories are subject to announced (1-month warning) inspections every 6 months, factories that receive no corrective action request (CAR) during certification are audited once a year, certification must be renewed every 3 years
Publicity	WRAP maintains a list of certified factories on its website	SAI maintains a list of certified factories on its website but does not disclose names of factories that fail or lose certification, certified factories required to publicize certification

¹¹ Estimate was quoted as Rp 27 million.

¹² Estimate was quoted as Rp 6 million.

TABLE 4. COMPARISON OF SA8000 AND WRAP WITH OTHER SOCIAL ACCOUNTABILITY INITIATIVES.

Standard	FLA	ETI	WRC	SA8000	WRAP, UCEC
Freedom of Association and Collective Bargaining	Recognize right, facilitate parallel means where right is restricted by law	Recognize right, facilitate parallel means where right is restricted by law	Recognize right	Recognize right, facilitate parallel means where right is restricted by law	Recognize right
Minimum Working Age	15 or 14 if manufacturer allows or compulsory schooling age	15, under-18s not to be employed in hazardous conditions	15	15	14 or compulsory schooling age
Maximum Working Hours Per Week	48 hours and 12 hours overtime, 1 day off in 7	48 hours and 12 hours overtime, 1 day off in 7	48 hours, 1 day off in 7	48 hours and 12 hours overtime, 1 day off in 7	WRAP: 1 day off in 7 UCEC: 72 hours or 14 hours per day, 1 day off in 7
Wages	Legal minimum wage or prevailing wage, must meet basic needs, provide discretionary income	Living wage	Legal minimum wage, meet basic needs	Legal minimum wage, must meet basic needs, provide discretionary income	Legal minimum wage

TABLE 5. DATA FROM INTERVIEWS WITH WRAP- AND SA8000-CERTIFIED FACTORIES. (COSTS ARE IN US\$ UNLESS OTHERWISE NOTED.)

Factory	PT Fitrona Indonesia (SA8000)	PT FIT-U (SA8000)	PT Dayani (WRAP)	PT Berlei Indonesia (WRAP)
Factory Info	Ownership: 100% British	Ownership: 100% Indonesian Buyers: Gap	Ownership: 80% Japanese and 20% Indonesian Buyers: Mostly American and Japanese, some from Europe Buyers include Tommy Hilfiger, Sarah Lee, Polo, and YSL Factory specializes in boxers	Ownership: 100% Australian Buyers: 40% American, 40% Australian, and 20% Canada Buyers include Marks & Spencer and Lane Bryant
Reason	Fitrona (multinational filter company) required all factories to get certified.	Several buyers urged factory to seek certification	American buyers requested factory to be certified	Berlei required all its factories to get certified.
Timeframe	2004: Informed that it must get certified 2005: Certified	2005: Decided to seek certification 2006: Certified	2001: Informed must get certified 2002: Certified	2003: Decided to get certification 2003: Certified (6 months later)
Consultant	Delta Cipta Mandiri	Did not hire	Did not hire	Did not hire
Consultant Fee	\$3,100¹³ (for 6 months)			

¹³ Estimate was quoted as Rp 28 million.

Factory	PT Fitrona Indonesia (SA8000)	PT FIT-U (SA8000)	PT Dayani (WRAP)	PT Berlei Indonesia (WRAP)
Outside Help, Advice	<p>All help came from Delta Cipta Mandiri:</p> <ul style="list-style-type: none"> - General SA8000 management training - Trained management to conduct SA8000-required internal audit - Gap Analysis 	<ul style="list-style-type: none"> - Factory-chosen SGS certification body conducted one day of training to familiarize management with standard and requirement - SGS also provided factory with a pre-assessment that highlighted non-conformities, gap - NGO Global Alliance provided factory with free working-condition training and consultation 	<ul style="list-style-type: none"> - Documentation system, internal evaluation, and changes were done by management - Management attended a free WRAP seminar in Jakarta (has only been offered once) 	<ul style="list-style-type: none"> - Evaluation and changes were conducted by management - WRAP self-assessment packet was useful
Closing Gap	<ul style="list-style-type: none"> - Safety and housekeeping were main changes - Dropped one supplier 	<ul style="list-style-type: none"> - Implementing standard in supply chain was most difficult change (especially minimum wage, health and safety) - Slight management change: worker representative previously chosen by management, now chosen by workers 	<ul style="list-style-type: none"> - Cleaned factory, improved canteen and locker room - Replaced wooden chairs with ergonomic chairs (required under Indonesian government regulation) - Communication between management and staff made principles easy to implement 	<ul style="list-style-type: none"> - Installed machine and needle guards - Most difficult part was to meet government regulation concerning maximum overtime during high season
Closing Gap Costs	Negligible	Negligible	Negligible	Negligible

Factory	PT Fitrona Indonesia (SA8000)	PT FIT-U (SA8000)	PT Dayani (WRAP)	PT Berlei Indonesia (WRAP)
Closing Gap: Degree of Difficulty	<p>Easy</p> <ul style="list-style-type: none"> - Because factory was ISO 9001 and 14002 certified, it already had a management system, strong connections with its suppliers (via ISO questionnaire), and complied with Indonesian government regulation concerning manpower - Already did not hire workers under age 18 - Already had health and safety committee - Wage already above minimum wage - The difficult part was educating suppliers and enforcing code 	<p>Easy</p> <ul style="list-style-type: none"> - Buyer requirements were already strict so factory did not have to change much - Already had management system even though not yet ISO certified - Already had Health and safety department - Already had Environment department 	<p>Easy</p> <ul style="list-style-type: none"> - Factory already clean and organized - Already had CTP security certification - Already had health and safety committee - Communication between management and staff made principles easy to implement - Already followed Indonesian environmental standards, which fulfilled WRAP's environmental requirements 	<p>Easy</p> <ul style="list-style-type: none"> - Factory already reasonably clean, organized, and had a management system (certified ISO 9001) - Buyer requirements were strict so factory did not have to change a lot - Already have own code of ethical conduct (Pacific brands) - Already had health and safety committee - Already followed Indonesian government regulations - Management commitment made principles easy to implement
Time to Close Gap	4 months	<1 year	2-3 months	1 month
Certification Body	BVQI	SGS	ITS	ITS, later changed to SGS
Corrective Action	Factory received 2 minor non-conformance during the first audit, and brought factory into compliance within 60 day grace period	None	None	None

Factory	PT Fitrona Indonesia (SA8000)	PT FIT-U (SA8000)	PT Dayani (WRAP)	PT Berlei Indonesia (WRAP)
Certification Audit Fee	\$3000 ¹⁴	\$11,100 ¹⁵ (includes three years of surveillance audits)	\$2100	\$2100
Post-certification (Surveillance Audit) Fee	Has been inspected 4 times with no problems	Have not received a CAR	Have not received a CAR, awarded A-level certification in 2006	Have not received a CAR, recently awarded A-level certification
Surveillance Audit Fee	\$650 ¹⁶ (every 6 months)	6 surveillance audits included in above price	\$890/audit (every 1 or 2 years)	\$2100/audit (every 1 or 2 years)
Benefits	<ul style="list-style-type: none"> - Yearly worker survey reveals that they are happy - Absentee rates were low before and after certification - Sales have increased in past 4 years (ISO, SA8000 and/or other) - Promoting code among suppliers is good for factory image - Interviewed seemed proud of system 	<ul style="list-style-type: none"> - Did not lead to reduction in audit frequency as buyers inconveniently continue to conduct their own audits - Factory tried to use certification to attract new buyers, but many buyers (especially in America) had not heard of SA8000 - No direct impact on sales, but employees seem happier 	<ul style="list-style-type: none"> - Increased buyers' confidence in factory leading to an increase in order size - Buyers still conduct their own audits, but focus on product quality rather than working conditions 	<ul style="list-style-type: none"> - Increased buyers' confidence in factory leading to an increase in order size - Buyers still conduct their own audits, but focus on product quality rather than working conditions

¹⁴ Estimate was quoted as Rp 27 million.

¹⁵ Estimate was quoted as Rp 100 million.

¹⁶ Estimate was quoted as Rp 6 million.

TABLE 6. INTERVIEWED SENADA CLIENTS.

Factory	Export	Number of workers	2006 Sales (in Rp 10,000s)
Furniture			
PT Bangun Mulia Usaha	Yes	63	510,079
CV Rimba Sentosa	Yes		
Furniture & Home Accessories			
PT Amico	Yes	61	288,609
Swastama ¹⁷	Yes	750	
Garments			
PT Mundrian	No	600-700	
PT Batik Semar	No	427	10,226,900
Footwear			
CV Mulia	Yes		
PT Jalur Rejeki	Yes	306	2,337,089
PT Gradial	Yes	299	832,866
PT Halim Jaya	Yes	1000	2,351,810
PT Tirtadaya	Only through middle man	457	693,929

¹⁷ IWAY certified.

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