

Research Report  
2006

PT Akzo Nobel  
Car Refinishes (ANCR)  
Indonesia

Business Watch Indonesia (BWI)

**SOMO**

**FNV**  
BONDGENOTEN

> *Werkt in je voordeel*



**Business Watch Indonesia (BWI)**

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# Table of Contents

<b>Methodology .....</b>	<b>1</b>
<b>Pt Akzo Nobel Car Refinishes Indonesia (ANCRI) .....</b>	<b>2</b>
<b>Labour Relations.....</b>	<b>4</b>
<i>Freedom of Association and Collective Bargaining.....</i>	<i>4</i>
<i>Access to Information, Relocation, Outsourcing and Restructuring .....</i>	<i>7</i>
<b>Labour Conditions .....</b>	<b>8</b>
<i>Child Labour.....</i>	<i>8</i>
<i>Forced Labour .....</i>	<i>8</i>
<i>Discrimination .....</i>	<i>9</i>
<i>Wages.....</i>	<i>9</i>
<i>Working Hours.....</i>	<i>11</i>
<i>Bonus and Profit-Sharing Schemes .....</i>	<i>11</i>
<i>Health and Safety.....</i>	<i>12</i>
<i>Training.....</i>	<i>12</i>
<i>Social Security and Pension.....</i>	<i>12</i>
<i>Medical Service.....</i>	<i>13</i>
<i>Time Off .....</i>	<i>13</i>
<b>Reorganisation, Flexible Working and Job Security .....</b>	<b>15</b>
<b>Conclusion .....</b>	<b>16</b>
<b>Annex 1 .....</b>	<b>17</b>



## Methodology

This research on PT Akzo Nobel Car Refinishes Indonesia (ANCRI) was carried out with consent from the local management of the company, following a mutual agreement between FNV and the corporate head office of Akzo Nobel. Data collection was done through literature review, that is, collecting secondary data about the company as available on the Internet, publication, or the printed media. Data were also collected through in-depth interview with workers and the union as well as the local management.

Despite early approval from the ANCRI, the research process was not an easy one. The collection of secondary data was difficult since information about the company was rarely published in the Indonesian media. Also, since ANCRI is not publicly listed, it does not release annual reports to the public. As a consequence, the management was not always ready with basic information that researchers requested. The company does not have any website as well.

Change in personnel of the local management personnel was also an obstruction. The President Director, who was a target of the interview because of his deep knowledge of the company and its history, resigned three days before the agreed date of interview and an important source of information was lost. Earlier in January 2006, Ms. Julianti who was the contact person, resigned. Information from the management was collected from interviews with Mr. Juliansyah who has joined ANCRI for less than one year, when this research was carried out, as Quality, Health, Safety and Environment Manager (QHSE) and Ms. Frisca Samosir, who has joined the company for only six months. Despite remarkable openness Mr. Juliansyah and Ms. Frisca showed, information collected was insufficient.

The interviews with workers were done in March and April 2005, involving 12 workers, five of whom are union leaders.<sup>1</sup> Of the seven workers interviewed, three are female and four are male. Interviews with the management should have followed immediately. However, response from the management was delayed until January 2006. Request for research on ANCRI suppliers was turned down from the beginning.

Data were collected only from interviews with workers and union leaders in March and April 2005 and the management on January 26, 2006. The remaining time was very limited and made further verification through direct observation by researchers or confirmation by third parties impossible.

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<sup>1</sup> The management demanded, when commenting on the research report, that names of workers and union leaders interviewed in this research be disclosed. Researchers could not fulfill this demand to respect informal agreement made by field researchers and concerned workers and union leaders that their identity should be kept undisclosed.

# Pt Akzo Nobel Car Refinishes Indonesia (ANCRI)

## Address and contact:

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Jakarta Timur 13930  
Indonesia  
Tel: +62 21 4610191,  
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## Presence in Indonesia

Since 1995,<sup>2</sup> ANCRI is a direct subsidiary (international subsidiary) of Akzo Nobel N.V.<sup>3</sup>

## Shares and ownership

Totally owned by Akzo Nobel (100% shares).<sup>4</sup>

## Products

ANCRI produces automotive paint and thinner and the main products are Sikkens, Lesonal and Miluz.

## Revenues

By the end of the fiscal year 2002 the estimated revenue is \$95.20 M in sales, with revenue per employee being \$462,135.<sup>5</sup>

## Employment

The management revealed in the interview that employment turnover at ANCRI is higher than the average in the chemical industry, which is 6%<sup>6</sup>. This is especially true for the middle and upper management levels, but not for the lower levels. Workers' profile was provided by ANCRI Human Resources and General Affairs (HR-GA) Manager Ms. Frisca Samosir.

Specification		Number
Staff	Male	40
	Female	13
Workers	Male	153
	Female	25
Permanent workers/staff		
	Male	186
	Female	42
Temporary workers/staff		
	Male	2
	Female	1

<sup>2</sup> Interview with Mr. Juliansyah, 26 February 2006.

<sup>3</sup> <http://goliath.ecnext.com/coms2/product-compint-0001155894-page.html>

<sup>4</sup> Interview with Mr. Juliansyah, 26 February 2006.

<sup>5</sup> <http://goliath.ecnext.com/coms2/product-compint-0001155894-page.html>

<sup>6</sup> Interview with HR&GA Manager Ms. Frisca Samosir. She referred to a study, but was unable to mention the source.

## **CSR Policy**

Interviews with the management, in this case Ms. Frisca Samosir and Mr. Juliansyah, indicate that CSR is understood as something the company does towards external parties rather than something integrated within daily operation of the company. Last year (2005) Akzo Nobel NV initiated a corporate wide campaign regarding engagement with the community. Through this initiative, Akzo Nobel global management encourages its employees around the world to create programs to contribute to communities. Such programs are called “Community Program”. ANCRI tried to promote such endeavour in Indonesia, but found the least enthusiasm among its workers.

ANCRI divided CSR into two categories, external and internal. The external CSR takes the form of “Community Programs”, while internal CSR is the implementation of Car Refinishes Draft Code of Business Conduct, available in the Indonesian language. The latter addresses topics such as discrimination and anti-bribery, but hardly touches upon the specific labour rights. Since the Draft Code of Business Conduct belongs to Car Refinishes as a business unit of Akzo Nobel, it may be said that ANCRI does not have its own locally formulated CSR standard, let alone standard of labour practice, in accordance with the local condition.

Workers and union leaders interviewed did not know about the existence of the Draft Code of Business Conduct. CSR policies concerning labour practice are only found in the Company Regulation, which, in Indonesia, replaces and therefore holds the same status as Collective Agreement in companies where the latter is non-existent. Despite being carried out only with two personnel, the interviews gave the impression of the interviewees being unfamiliar with international standards, such as The UN global Compact and OECD Guideline.

## Labour Relations

### Freedom of Association and Collective Bargaining.

Union tradition in Indonesia is commonly considered weak. The long process of de-politicization during the New Order era may be mentioned as its main cause. All Indonesian Labour Union (*SPSI*) was the only union formally recognised, while others were harshly oppressed, often through presence of security personnel at workplaces and imprisonment of union leaders. The effect is grave: only 3% of workers nationwide are unionised (this figure still needs confirmation/verification), little awareness of labour rights and labour standards (let alone CSR), little solidarity across companies, let alone co-ordinated trans-sectoral solidarity and actions.

To date, there are at least 41 confederated unions (three confederations) and 40 non-confederated unions are formally registered at the Ministry of Manpower and the number of the non-registered ones is estimated to be much higher.<sup>7</sup> This fact, however, does not mean strong organising. The same serious problems remain. At the same time, labour market flexibility promoted by the IMF and the World Bank has been legally formalised through the Labour Act No.13/2003, which chooses to rely on tripartite and bipartite forum for solutions of problems. The law, therefore, requires even stronger workers and unions to constantly negotiate with the management of companies, a condition hard to realise.

It is a common phenomenon that multinationals that have operated Indonesia since the New Order era choose to accept and maintain one union, that is *SPSI*, which in the past functioned more as an instrument to suppress workers (this does not mean that *SPSI* remains totally the same as it was). It is also a common company policy that staff (administrative and managerial) is prohibited from joining unions, a practice beginning in the 1980s, when Sudomo was the Ministry of Manpower.

Still, the prolonged economic crisis put workers in even weaker position. In many cases, workers struggle is driven toward pragmatic, short-term objective such as minimum wage rather than that of broader, ideologically/politically-determined ones.

**ILO conventions C87 and C98.** Ratified.

### **National Legislation**

The right to organise, that is to form labour union and to join a union, is stated in the **Act No. 13 Year 2003 concerning Manpower** (hereafter, Labour Act) Article 104. This umbrella law recognises the *freedom to establish trade/labour union and to become or not to become member of a trade/labour union as one of the fundamental rights of workers/labourers* (Explanatory Note to Article 104 Subsection 1).

The Law also recognises Collective Labour Agreement (Section Seven: Article 116 – 135). Collective Labour Agreement shall be formulated by means of deliberation, written using the Latin alphabet and in the Indonesian language. Only one Agreement is allowed in one enterprise, which applies to all workers working in the company. A Collective Agreement is valid for two years and can be extended only for one year. Its

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<sup>7</sup> [www.nakertrans.go.id](http://www.nakertrans.go.id)

content should not contradict the higher laws and regulations. The employer is obliged to print the text of the Agreement and distribute it to all workers.

When there is no union in a company, or the existing union does not represent more than 50% of the workers in the company, Collective Agreement cannot be formulated, and the employer must formulate, by taking into account recommendations and considerations from worker's representatives, a Company Regulation (Labour Act Section Six: Article 108 – 115), which is legalised by the Minister of manpower or the appointed official. A Company Regulation, therefore, holds the same legal strength as that of a Collective Agreement, and is valid for two years and may be renewed after its period of effectiveness ends.

### **Company Policy**

No document containing statement of commitment of ANCRI regarding labour union and support for it was made available, although Akzo Nobel NV has a corporate policy on labour performance stating the commitment regarding the rights to organise and collective agreement.<sup>8</sup>

### **Company Practice**

In ANCRI only one union exists. It is an in-house Union, which is not affiliated to any federation/confederation. Majority of its members are from the production unit. The Union condition gives the least indication of promising prospect. The union was inactivated for two years, from 2002 to 2004. According to union leaders interviewed, union leaders at that time found themselves helpless after a series of failure in negotiating with ANCRI management, after the latter always said that things were to be decided by the Singapore-based regional office. This, in their view, implied that they had to negotiate with the Singapore office, if they wanted to influence policies. The inactivation was in the form of union leaders voluntarily withdrew from their position. The union chief eventually resigned from ANCRI after finding job with another company. After two years of vacuum, some members, including those interviewed in this research, took the initiative to revive the union, but the prospect remains bleak. Even now, the union chief has also resigned from his position, leaving the leadership to the Secretary. The Union lacks the vim and vigour necessary for a struggle for workers rights.

As to union membership, union leaders interviewed stated that all members were regarded as union members. However, this may be seen more as a claim rather than a fact. Regarding all workers to belong to the union was a common practice in the New Order era and is still common even now. Also, union leaders interviewed stated that they had not formal procedure and requirements that workers should follow and fulfil in order to join the Union, even after the reactivation. This may also be seen as an indication of weak organising. In the interview, HR&GA Manager Ms. Frisca Samosir stated the management support for the union, and workers and union leaders interviewed confirmed the formal support for labour union from the management as well as the absence of barriers to joining the Union. Formal support, however, has no significance when matched with weak organising. Though Ms. Frisca Samosir stated that only one third of the total number of workers join the union<sup>9</sup>, this statement also

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<sup>8</sup> Akzo Nobel, Corporate Social Responsibility Report 2004, Annex 4. [www.akzonobel.com](http://www.akzonobel.com)

<sup>9</sup> Interview with HR &GA Manager Ms. Frisca H. Samosir.

lacks its basis because exact number of union members is difficult to verify by the union, let alone by the ANCRI management.

Regarding the union, claim on membership reflects poor organising. It is necessary to notice here that although the current union is only at its start-up phase, after the reactivation, union leaders do not take serious effort to organise; even membership which justifies its existence and representative function is not taken seriously. Interview with union leaders reveals that they have not, up to date, engaged with any activity with other unions, even within the same industry sector, neither with workers in the suppliers of ANCRI, thus being an isolated one.

To some extent, such claim could also be associated with disinterestedness in the union on the part of workers. According to union leaders interviewed, this might have been a result of failures in negotiations with the management, up to 2002.<sup>10</sup> Workers and union leaders interviewed indicated that the previous leaders, in 2002, decided to inactivate the union after such failures, especially in negotiation on wage level. The management responded to workers demand by stating that decisions on wage, bonus, and information on profit were in the authority of the regional office in Singapore. Workers and union leaders see this more as a pretext to avoid demands. The management did not responded to this finding, which was included in the written pointers delivered by researchers. Ms. Frisca Samosir only stated in the interview that ANCRI operates independently and reports to the Singapore office, without any further explanation. Disinterestedness may also be understood in relations with the weak union tradition, a common fact in Indonesia, where workers are more concerned with short-term pragmatic ends and pay little attention to long-term political goals. The shaky economy, with high unemployment, reinforces the pragmatic ends even more.

At ANCRI, a Company Regulation exists instead of a Collective Agreement. ANCRI Management formulated a Company Regulation, which was legalised by the Ministry of Manpower (Director of Labour Requirements on behalf of Director General of Industrial Relations). Being legalised, the Company Regulation holds the same legal power as that of a Collective Agreement and becomes the highest policy and reference in terms of labour performance in ANCRI. The latest Company Regulation is **Peraturan Perusahaan (PP) PT Akzo Nobel Car Refinishes Indonesia Tahun 2004 – 2006**, signed by President Director Adiwan Djohanli and Union Chief Immanuel and ratified by Decision of Director General of Industrial relations No.449/PHI/PK/2004.

Regarding the use of Company Regulation in place of Collective Agreement, ANCRI management cling to its claim, that the union represents only one third of the total number of workers, as the basic reason. In the case of the last Company Regulation, it was formulated when the union was inactive. Yet, Company Regulation has become a preferential option over Collective Agreement along the existence of ANCRI. Union leaders interviewed revealed that talks over the possibility of a Collective Agreement rarely crossed their mind, let alone expecting an initiative from the management to start Collective Bargaining. The existence of Company Regulation in place of

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<sup>10</sup> An account from interviews with workers and union leaders stated that failures in negotiations occurred before 2002. The union was inactivated, due to vacuum of formal leaders, during the period of 2002-2004. Only in mid-2004, the union was reactivated.

Collective Agreement is not only legally justified under the Labour Act but also acceptable to workers, to some extent.

The current leaders are pessimistic about demanding labour rights because of their weak bargaining position against the company (ANCRI), when they come to think that they have to negotiate with the Singapore office. If it is true that policies and decisions labour performance are made in the regional office in Singapore, not in Jakarta, the problem of disinterestedness may lie more on the structure and system of corporate management.

### *Access to Information, Relocation, Outsourcing and Restructuring*

#### **National Legislation**

Nowhere in the labour Act can one find any provision on the obligation of the management to disclose strategic information to Union and workers.

#### **Company Policy**

No policy on information disclosure to workers was made available to researchers; neither does the Company Regulation make any provision on this issue.

#### **Company Practice**

ANCRI management stated that information is normally passed to workers<sup>11</sup> but was not able to point at specific classification of labour-related information necessary to disclose, neither was it able to point at specific mechanism and procedures nor the specific personnel/department in charge of this matter or handling request of information from workers. Ms. Frisca Samosir could only mention the release of memos and announcement on the bulletin board as ways of passing information to workers.<sup>12</sup>

Workers interviewed stated that the management has never proactively disclosed strategic plans and company performance to workers. According to workers, the management only informs them of the losses the company suffers, normally losses at regional level. This would mean that profit and losses are reckoned at regional level, hardly at company level. Workers and union leaders interviewed consider this as a problem, at least they can use it as a basis to evaluate their wage level, but they do not know what to do with it.

Ms. Frisca Samosir stated that the management organises a forum for dialogue with workers twice a year, at the beginning and the end of the year, as well as “talk session”, which is held weekly at department level.<sup>13</sup> Workers did not confirm this information.

The company never disclose information of profit to workers and profit sharing scheme is the prerogative of the management. Decision on bonus is in the authority of the Singapore-based regional office.

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<sup>11</sup> Interview with HR&GA Manager Ms. Frisca Samosir

<sup>12</sup> Interview with HR&GA Manager Ms Frisca Samosir

<sup>13</sup> Interview with HR&GA Manager Ms Frisca Samosir

# Labour Conditions

## Child Labour

**ILO conventions C138 and C182.** Ratified

### **National Legislation**

The Labour Act (Chapter X, Section One, Subsection 2) Articles 68 – 75 concern child labour. The Law forbids child labour, with exemption that children of 13 to 15 years old may be employed for light works, with permission from the parents or the guardians of the child, based on a work agreement signed by the employer and parents/guardians of the child, for a maximum three hours per day, without disturbing the school time. Children of 14 years old and over may work at a workplace as part of their school education curriculum or training, which is legalised by the authority.

### **Company policy**

Company Regulation explicitly requires new workers to submit document verifying their age and a copy of identity card (Rule 4).

### **Company Practice**

Interviews with Ms. Frisca Samosir of the management and workers confirm that the company does not employ children. The minimum age of workers is 18 years old, which means that the youngest workers have passed senior high school. The submission of copies of ID card implies that only those who are entitled to hold ID card are accepted in ANCRI<sup>14</sup>, which further implies that they are over 17 years of age. Workers interviewed confirm the practice.

## Forced Labour

**ILO conventions C29 and C105.** Ratified.

### **National legislation**

The Labour Act does not make any specific provision on the prohibition of forced labour, neither does it give any clear definition of forced labour. This gives ways to any interpretation possible, depending on one's individual understanding and idea of forced labour.

### **Company policy**

Management stated that, in line with the General Business Principles and Business Principles Specifications, forced labour is not allowed in any form. Overtime is voluntary and avoided.<sup>15</sup>

### **Company practice**

Workers interviewed confirm that forced labour is not a practice at ANCRI. When production target is still ahead, workers are demanded to work overtime. Normally, workers expect to work overtime to pad up their income. And since demand for overtime gets consent from workers, it does not necessarily mean forced labour. Overtime does not normally exceed the limit set by the law; workers normally take 10

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<sup>14</sup> Interview with HR&GA Manager Ms Frisca Samosir

<sup>15</sup> Interview with HR&GA Manager Ms Frisca Samosir

to 12 hours overtime per week in average. However, since the low wage level (though still comply to the law) is the reason for workers to work overtime, overtime may be said to be conditioned. Workers at ANCRI call it “routine overtime”.

### Discrimination

**ILO conventions C100 and C111.** Ratified.

#### **National legislation**

Labour Act does not mention prohibition of discrimination, but contain provisions concerning non-discrimination principles. Such provisions concerns equal rights and opportunity in job placement and in workplace (Article 31, 32).

#### **Company policy**

The local Company Regulation does not make any provision on the issue (in addition to the General Business Principles).

#### **Company practice**

Workers and union leaders do not see any act or case of discrimination in any affairs on any basis. It was revealed, however, in the interview with workers that regarding wage and healthcare, female workers, even if they have got married, are considered as singles. This implies that their wages may not include benefits or financial aid to their children. Neither confirming nor denying the data, Ms. Frisca Samosir stated that such practice is justified by the current regulation.

### Wages

#### **National legislation**

Labour Act recognises the right to earn a living that is decent (Article 88). To assure that workers get a wage for decent living, the government determines the minimum wage that employer must pay. The governor determines the minimum wages, considering recommendation from Provincial Wages Councils and/or district head/city mayor (Article 89). Employers are obliged to pay wages lower than the minimum one, but those who are not able to do so may postpone the payment of minimum wages.

Since the minimum wage is determined by the governor. It is widely called “Provincial minimum wage” and varies in amount between provinces. The minimum wage in Jakarta is Rp 876,500 per month. The base wage should not be less than 75% of the total wage.

#### **Company policy**

The Company Regulation states the ANCRI commitment to pay decent wage to workers, balancing their needs against company performance, worker performance and worker achievement and market value. Wage adjustment is done annually, under the prerogative of the management.

Base wage is considered to include transport allowance. In addition to base wage, workers are entitled to:

- Subsidised meal: Upon presence at workplace, every worker is entitled to one meal per day at the company cafeteria, which is subsidised by the company. Portion of the subsidy was not disclosed to researchers.
- Meal allowance: When performing duties or work outside the compound, workers are entitled to compensation pay for the meal or meal allowance (amount of meal allowance not available) (Rule 67).
- Religious holiday benefit: one month wage for workers having joined the company for more than 12 consecutive months (Rule 62-64).
- Reward on presence: workers with 100-percent presence in a month are entitled to reward on presence at workplace (amount not available) (Rule 34).

The overtime pay is counted with the formula provided by the law

$$1/173 \times (\text{one month base salary})$$

### **Company practice**

Workers confirmed the above policies. However some points need addressing. It is not normal in Indonesia to reveal one's wage or salary, including in the interviews with workers for this research. Workers could only reveal that wages at ANCRI is normative, meaning just the minimum set by the law, in this case the Labour Act. It may be assume, therefore, that the wage level at the company is the same as that of the Jakarta regional minimum wage, which is Rp. 876,500 or a little higher. The highest take-home pay for a worker, which may already include overtime pay, may be assumed to be a little higher than Rp 1,000,000 (one million rupiah). This rate hardly matches the living expenses by Jakarta standard. The majority of workers at ANCRI are in the category of young family, married with children of the age range up to those in elementary school. House rent (housing expense) for a small family is Rp 300,000 at the minimum, nearly 30% of the wage. When daily meal, electricity bill, water meter, children's monthly school tuition are counted, at the end of the month, workers hardly have savings.<sup>16</sup>

There are three cases in which workers have to find additional earning. A worker needs to open a small retail shop (more exactly, booth) selling daily necessities. His wife takes care of this additional activity, many times helped by their children. The daily turnover of the shop is about Rp 100,000 with a profit margin of 10 to 20 percent. Another worker offers motorbike transport service outside working hours and makes additional earning between Rp 15,000 and 20,000 per day. Another worker chooses to work as part-time drafter with a construction company in Jakarta and earns Rp. 100,000 per a piece of work he draws. Demand for drafting is low and at a maximum he makes additional earning of Rp 200,000 per month.

Regarding transport allowance, Ms. Frisca Samosir stated that transport allowance is included as part of base wage, while workers stated that such allowance is non-existent. For workers, inclusion of transport allowance in the base wage means reduction of the latter, and has imposed additional financial burden to workers. ANCRI is located in the centre part of Pulogadung Industrial Estate, which makes it inaccessible by public transport. Meanwhile, the company does not provide any transport facility. To reach the company site from the gate of the industrial estate, one

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<sup>16</sup> In discussions regarding minimum wage in Greater Jakarta (Jakarta, Bogor, Tangerang, Bekasi, Depok) workers would say it to be Rp. 1,200,000, while Indonesian Association of Employers (Apindo) set it at Rp. 900,000

should spend Rp 3,000 and the same sum for motorbike transport services to get back to the gate of the estate. A worker thus spends Rp 6,000 only to get from the gate of the estate to the company site, when going to work and to get from the company site back to the gate of the industrial estate, after the working hours.

Most workers, therefore, have motorbike, but they would say, “Don’t take this motorbike as a sign of better welfare, please.” They acquire the motorbike through credit scheme, normally of five-year term, which require them to pay at least Rp 500,000 each month to the motorbike vendor agencies. The credit scheme is an additional financial burden, obviously, but with it, a worker can arrange to cut much of his monthly transport expense. He may only spend Rp 10,000 for the gasoline to keep himself mobile for five to six days.

### Working Hours

#### **National legislation**

Labour Act regulates the normal working hours as the following: 7 hours a day for 6 workdays per week, and 8 hours a day for 5 workdays per week. The maximum working hour per week is 40 hours (Article 77). As to overtime, the Law stated that overtime work should be carried out with approval from workers and overtime pay is an obligation of the employer. The maximum overtime work is 3 hours per day, and 14 hours per week.

#### **Company policy and practice**

The Company Regulation stated 8 working hours per day for five workdays in a week, thus 40 hours in a week; 30 minutes rest; and applies two shifts (Rule 19 – 22):

Shift I	6 a.m. – 2.30 p.m.
Shift II	2 p.m. – 10.30 p.m.

Maximum overtime is 3 hours per day. When production target is still ahead, workers are requested to work overtime. Those who have urgent personal business to do may refuse. Overtime does not normally exceed the limit set by the law. However, workers in general expect to work overtime for additional income.

### Bonus and Profit-Sharing Schemes

#### **National legislation**

Non-existent. The Labour Act does not make any provision on profit sharing.

#### **Company policy and practice**

Bonus is rewarded not as part of profit sharing and it is the prerogative of the management regarding its scheme and amount. ANCRI provides employment bonus to workers (Rule 65), bonus given after certain time of employment, as the following:

5 consecutive years	1 month salary/wage
10 consecutive years	2 month salary/wage
15 consecutive years	3 month salary/wage
and so on.	

<b>Fixed pay (wage)</b>	<b>Non-fixed pay</b>	<b>Bonus</b>
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Base wage	Overtime	Bonus
Subsidised meal	Reward on presence	
Annual Religious holiday benefit	Employment bonus	
	Meal allowance	

## Health and Safety

### **National legislation**

Labour Act makes provisions on Occupational Health and Safety in Chapter X, Section One, Subsection 5. The Law provides that every worker is entitled to protection in terms of occupational health and safety, morality and decency, and fair treatment based on respect to human dignity (Article 86); the employer is obliged to apply an H&S management system that is integrated in the company management (Article 87).

### **Company policy and practice**

Regarding occupational health and safety, the Company Regulation stated the company commitment and obligation to provide equipment, facilities and procedures necessary (Rule 58-59). The management stated that the company always try to meet the chemical industry standards.<sup>17</sup> To join ANCRI, it is an absolute requirement that a candidate pass the medical check up that the company ministers. On working days, the company provide nutrient meal for workers, served in the afternoons. ANCRI enrolls all workers in JAMSOSTEK (see Social Security and Pension) for insurance against accidents at workplace.<sup>18</sup>

Workers confirmed that such policies are put into practice, but verification by observation, particularly concerning facilities and equipment in the workplace was not possible due to limited time available for researchers.

## Training

### **National legislation**

Labour Act makes provisions on job training, but this relates to manpower or workforce in general rather than to workers in particular.

### **Company policy and practice**

The Company Regulation states that workers with capability and high achievement may be enrolled in training to improve knowledge and skill and to prepare for promotion.

## Social Security and Pension

### **National legislation**

The Labour Act stated that every worker and every member of their family is entitled to social security (Article 99) and the employer is obliged to provide welfare facilities, taking into account the needs of workers and weighing such needs against the ability of the company (Article 100). The Law does not define welfare; neither does it

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<sup>17</sup> Interview with Mr. Juliansyah

<sup>18</sup> Interview with Ms. Frisca Samosir

specify a priority scale of welfare facilities. Provision of social security and welfare facilities is up to the company to decide.

However, Act No. 3 Year 1992 regarding Workers Social Security (Jaminan Sosial Tenaga Kerja/JAMSOSTEK) requires employers to workers in the program, which covers safety insurance, life insurance, and pension.

#### **Company policy and practice**

ANCRI enrolls all workers in JAMSOSTEK for safety insurance, life insurance and pension (Rule 56). The company also enrolls workers in a separate insurance against accidents not occurring at workplace. Although the Company Regulation stated that the retiring workers are entitled to pension provided by the company, such scheme was not made available to researchers for verification.

### Medical Service

#### **National legislation**

Non-existent.

#### **Company policy and practice**

ANCRI provides healthcare services for workers and their dependent (wife or husband and the first, second and third children) in terms of the following:

- Inpatient expenses
- Outpatient expenses
- Dental care
- Eye care (only for workers)
- Aid to birth giving to the first, second and third children.

### Time Off

#### **National legislation**

The Labour Act provides for (Article 89):

- Daily period of rest: rest of at least 30 minutes (half an hour) should be given in every four consecutive hours of working.
- Weekly period of rest: One-day rest after six days of work in every week or two-day rest after five days of work.
- Yearly period of rest: 12-day rest after working for 12 consecutive months.
- Long period of rest: no less than 2 month of rest period after working 6 years consecutively (one month rest in the seventh year and another in the eighth year)
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It also states that workers may be off work without losing their rights to pay under the following conditions (Article 93):

- Workers being ill
- Female workers having menstruation (first and second day of menstruation)
- Workers getting married

- Workers having their children getting married, circumcised, baptised, wife giving birth, wife being suffering from miscarriage, death of any family member (including death of parents and parents-in-law)
- Workers performing religious obligations
- Workers exercising their rights to rest
- Performing union duties (especially for union leaders)
- Workers undergoing educational program required by the company.

### **Company policy and practice**

The Company Regulation provides that workers may be off work in the following schemes:

- Birth-giving leave: one and a half month before and one and a half month after birth giving (Only for female workers)
- Miscarriage leave: one and a half month (only for female workers)
- Annual leave: 12 day per year.
- National and religious holidays.
- Special leave: period unspecified, only for workers doing haj pilgrimage.
- Additional leave: those who have worked for 5, 10, 15 years (and so on in the multiplication of five) are entitled to five-day leave in the sixth, eleventh, sixteenth (and so on) year.
- Others: leaves on death of family members (2 days) and relatives (1 day), on wife giving birth or having miscarriage (2 days), worker getting married (3 days), worker having children getting married (2 days), worker's children getting baptised/circumcised/receiving sacrament (2 days).

## **Reorganisation, Flexible Working and Job Security**

Both Mr Juliansyah and Ms Frisca Samosir stated that as far as they know, there has not been any major reorganisation within ANCRI in the last five years. There has not been massive lay-off either. However, the company is beginning to adopt flexible employment relations, recruitment of workers through a third party. Outsourcing is limited to cleaning service (indoor and outdoor/gardening), restaurant, and labelling. The management stated in the interview that outsourcing might be expanded to other kinds of work as long as such kinds of works do not require skilled workers.

Workers and Union leaders interviewed stated that the management takes any decision on outsourcing without consulting the Union and workers. Interview with the management confirmed the statement. Though the management did not give any further explanation on the absence of consultation, such policy may stem from the quasi-existence of the Union, which means that the union exists but fails to operate by normal standard of an organisation, e.g. union leaders claim all workers are union members, but provide no mechanism at all to ascertain such claim. This gives ways to quasi-recognition of the union by the management. The management recognises the existence of the union, although Ms. Frisca Samosir stated in the interview that she could not regard the latter as legitimate representative of the majority of workers. Labour Act stated that if only one union exists in a company, the union has the right to represent workers in Collective Agreement if more than 50% of workers becomes its members (Article 119 point 1) or more than 50% of the workers support it (Article 119 point 2). Though the article addresses only Collective Agreement, the problem is in legitimacy of representation. Regardless of whether or not more than 50% of workers become member of the union, the management disqualifies the union in terms of legitimacy of representation, which makes it easy to leave the union out of the decision making process, especially in issues that affect workers interests.

## Conclusion

In a general view, it should be noted first that ANCRI has not created any specific CSR policy as long as it concerns labour rights. Lack of understanding of CSR in terms of labour rights may be the first cause to the overall labour performance of the company, which may still be high by the local standard, but relatively low by international standard. The weak union tradition in Indonesia is also a causal factor, especially in the case of disinterestedness of workers to unionise, together with poor organising on the part of union leaders, and the worsening economic condition.

In any issue, ANCRI tries to meet and perform a little better than the national standard as provided by the Labour Act. Regarding the fulfilment of the right to organise and collective bargaining, the problem has been the disinterestedness to unionise. Union leaders acknowledge the formal support from the management, but they also stated that disinterestedness is due to repeated failure in negotiations with the management. In their view, the local management may be accommodative, but it hardly helps, because decisions are made by the regional office. In this case, not only workers but also the local management are in weak position to initiate any improvement, genuine from below. The weak union and industrial relations governed with Company Regulation is not a good condition to force the employer to heed workers interests. Regarding the right to information, which the Labour Act does not make any provision upon, companies just neglect it. As to labour condition in general, ANCRI does not seem to perform below what the Labour Act requires.

The general performance of ANCRI in terms of labour issues has not come to what is expected by Akzo Nobel International. Corporate CSR policy on labour rights, as appears in Annex 4 of Corporate CSR Report 2004, does not permeate the local companies.

## Annex 1

### Akzo Nobel's Final Comments

After the report had been reviewed by ANCRI and the feedback from the management had been processed, Akzo Nobel expressed some doubts and requested to remove certain findings from the report that it had not commented on during the review process. In accordance with the standard review procedure for this project, these final comments are mentioned in full the table below (excluding a spelling correction).

<b>Report findings</b>	<b>Final comment of Akzo Nobel</b>
By the end of the fiscal year 2002 the estimated revenue is \$95.20 M in sales, with revenue per employee being \$462,135. <sup>19</sup> (page 2)	We're not a public listed company and we're authorised to publish any figures except for statutory reporting to government...so please take this out.
ANCRI tried to promote such endeavour in Indonesia, but found the least enthusiasm among its workers. (page 2)	How could this claim coming up? Please take this out.
Since the Draft Code of Business Conduct belongs to Car Refinishes as a business unit of Akzo Nobel, it may be said that ANCRI does not have its own locally formulated CSR standard, let alone standard of labour practice, in accordance with the local condition. (page 2)	This remark really bias since the code of business conduct is global guideline for every single Akzo Nobel entity around the world ...so how could this statement coming up.? Please take this out
The current leaders are pessimistic about demanding labour rights because of their weak bargaining position against the company (ANCRI), when they come to think that they have to negotiate with the Singapore office. If it is true that policies and decisions labour performance are made in the regional office in Singapore, not in Jakarta, the problem of disinterestedness may lie more on the structure and system of corporate management. (page 5)	Comment: Akzo Nobel This could be misleading for the statement of "if it is true...". Please take this out
Workers interviewed stated that the management has never proactively disclosed strategic plans and company performance to workers. According to workers, the management only informs them of the losses the company suffers, normally losses at regional level. This would mean that profit and losses are reckoned at regional level, hardly at company level. Workers and union	Akzo Nobel comment: We had our annual meeting...it makes us wonder that this statement is not valid. See the next paragraph.

<sup>19</sup> <http://goliath.ecnext.com/coms2/product-compint-0001155894-page.html>

<p>leaders interviewed consider this as a problem, at least they can use it as a basis to evaluate their wage level, but they do not know what to do with it. (page 5)</p>	
<p>[Next paragraph] Ms. Frisca Samosir stated that the management organises a forum for dialogue with workers twice a year, at the beginning and the end of the year, as well as “talk session”, which is held weekly at department level.<sup>20</sup> Workers did not confirm this information. (page 6)</p>	<p>Comment Akzo Nobel: This is strange, How come this statement lead us that we never have this meeting? So, that’s why we would like to know who made this confirmation.</p>

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<sup>20</sup> Interview with HR&GA Manager Ms Frisca Samosir