

Factsheet on Labour Inspection in Indonesia



◆ Labour Inspection: General Condition

Labour inspection is a public function of labour administration that ensures the application of labour legislation in the workplace. Its main role is to convince the social partners of the need to observe the law at the workplace and their mutual interest in this regard, through preventive, educational and, where necessary, enforcement measures. Ever since the appointment of the first labour inspectors in the United Kingdom in 1833, labour inspectorates have been established in almost every country in the world.

In the world of work, labour inspection is the most important instrument of state presence and intervention to design, stimulate, and contribute to the development of a culture of prevention covering all aspects potentially under its purview: industrial relations, wages general conditions of work, occupational safety and health, and issues related to employment and social security.

Nowadays, labour inspectorates perform their duties in a challenging environment involving important changes in the economic and social context, in industrial developments; in the organization of labour and employment relationship; political expectations, and in technology and in the nature of work hazards.

◆ Labour Inspection in Indonesia

The Directorate General of Labour Inspection Development under the Ministry of Manpower is a technical unit assigned to provide labour protection for workers and employers in Indonesia. The vision of the Directorate is to realize prosperous and fair industrial relations by promoting legal certainty. The Directorate also acts as a trusted institution as well as creates safe and productive working environments.

One of the development targets on employment for the period of 2015-2019 is the improvement of enterprises' labour law compliance.

The total working age population (15 years +) of Indonesia in August 2016 was estimated to be 189 million people. Between August 2015 and August 2016 the working-age population increased by 2.9 million. A total of 125.4 million people from the working-age population were economically active or in other words they were considered to be in the labour force. The labour participation rate was 66.3 percent. A little over 7 million people in the labour force were unemployed which translates into an unemployment rate of 5.6 percent. While the national unemployment rate is relatively low, unemployment rate among youth (15-24 years) is as high as 19.4 percent.

Services is the main source of employment (46.7 percent) followed by agriculture (31.9 percent) and trade (22.5 percent). The share of employment in manufacturing was 13.1 percent. Manufacturing sector employs around 15.5 million workers in Indonesia. However, almost 78 percent (12 million) of workers in the manufacturing sector are in Java and Bali.

There are 21, 591,508 enterprises in Indonesia. Of these, more than 90 percent are small enterprises (0-100 workers), 9 percent are mid-size enterprises and about 1 percent are considered to be large enterprises.

Legal Basis for Labour Inspection

- Law No. 3 of 1951 concerning Bringing the Labour Inspection Law No. 23 of 1948 of the Republic Indonesia into operation for the whole territory of Indonesia.
- Law No. 1 of 1970 concerning Occupational Safety.
- Law No. 13 of 2003 concerning Manpower.
- Law No. 21 of 2003 concerning the Ratification of ILO Convention No. 81 on Labour Inspection in Industry and Trade.
- Presidential Decree No. 21 of 2010 concerning Labour Inspection.
- Manpower Ministerial Decree No. 257/2014 concerning Labour Norms Expert/Cadre.
- Manpower Ministerial Decree No. 33/2016 concerning Labour Inspection Procedures.

Data and Information on Labour Inspections in Indonesia

Labour Inspectors (by end of 2016)

- Number of labour inspectors – 1,923 inspectors
- Number of national companies – 21,591,508
- By the end of 2016, the ratio of inspectors to companies in Indonesia was 1: 11,228

Specialties of the labour inspections are the following:

1. Civil Servant Investigator	383 persons
2. Functional Inspectors	984 persons
3. Electrical Installation Safety Specialists	44 persons
4. Fire Safety Specialists	33 persons
5. Steam and Pressurized Safety Specialists	91 persons
6. Occupational Health Specialists	30 persons
7. Working Environment Specialists	23 persons
8. Construction Safety Specialists	16 persons
9. Forklift and Crane Safety Specialists (PAA)	52 persons
10. Chemical Safety Specialist	3 persons

Non-Compliance Areas

Number of inspected companies in 2016: 61,134 companies. Of these, main non-compliance included the obligation for employers to submit employment report, payment of minimum wages to workers and compliance to registering workers to National Social Security Provider on Employment (BPJS Ketenagakerjaan).

Initiatives of the Ministry of Manpower to Improve Compliance

- **Law No. 23/2014 on Regional Government** stated that a number of labour inspection functions will be re-centralized from the district to the provincial level. This is aim to improve the independency of the labor inspectors as they will no longer reports to district/regency government.
- **Labour Norms Expert/Cadre (KNK)**

The KNK was established through the Manpower Ministerial Decree No. 257/2014. The Decree was enacted as a response to shortage of labour inspectors on the ground. The Decree regulates that it is a mandatory for each factory with more than 100 workers to have a certified labour norms expert.

KNK is personnel/member of staff within a factory who is trained about labour norms to assist employers in conducting factory self-assessment as an effort to control employment risks and to improve the factory's labour law compliance.

KNK is developed for business sustainability and covered 354 companies by the end of 2016, covering the protection of more than 500 thousands workers.

Main factory sectors participating in the KNK are labour intensive industries such as export-oriented garment and footwear industries.

◆ **Labour Nnorms Expert/Cadre (KNK) (by 2016)**

- 21 Provinces with the highest number of KNK is West Java (165 persons), followed by East Java (146 persons), DKI Jakarta (81 persons), Banten (57 persons) and Central Java (43 persons).
- 354 enterprises
- 90 percent from the management level (manager to director position)
- 569 persons are basic KNK, 166 are intermediate-level KNK, and 133 are advanced-level KNK
- Number of KNK by year – 21 persons in 2014, 376 in 2015 and 444 in 2016

◆ **New Development on Labour Inspection: Labour Compliance Programme (PROKEP)**

The Government of Indonesia is now in the process of developing a Labour Compliance Programme (PROKEP) which will be conducted through the KNK. It is expected that each factory would be evaluated through labour compliance indexes.

The PROKEP plays an important role as (1) it measures concrete achievements of government's working plan and programme related to the protection of workers and the law enforcement; (2) it reduces working load and shortages of labour inspectors and improves labour compliance; and (3) it is part of the Sustainable Development Goals (SDGs), particularly Goal 8.8 on protection of labour rights and promotion of safe and secure working conditions for all workers, including migrant workers, in particular women migrant and those in precarious employment.

The three objectives of PROKEP:

- Improvement of the implementation of labour norms at the workplaces.
- Improvement of operational control of the labour inspection.
- Improvement of behaviours of relevant stakeholders.

The scope of PROKEP:

- Programme planning
- Programme implementation
- Self-assessment
- Compliance rank
- Public reporting
- Evaluation and monitoring

◆ The Role of the ILO in Strengthening Labour Inspection Services in Indonesia

ILO Convention No. 81, which applies to industry and commerce, remains the principal international reference for labour inspection services and is as relevant today as it was over 60 years ago. It has become one of the most widely ratified of all ILO Conventions (141 countries, including Indonesia) and has served as a model for most national laws and regulations creating modern inspection systems. Convention No. 81 and Recommendation No. 81, taken together, clearly constitute the rules to be applied in the field of labour inspection.

ILO Convention No 129, which applies to agriculture, repeats in essence the provisions of Convention No 81 while enlarging the scope of the enterprises and workers covered as well as the areas of competency of the labour inspection system. ILO Convention Nos. 81 and 129 define the functions, duties and responsibilities of labour inspection systems, requirements for the recruitment of staff, means of action for inspectors, enforcement powers and obligations of inspectors in relation to ethics and reporting on activities.

They also provide for the reporting of accidents and diseases. The Labour Inspection Recommendation 1947 (No. 81) gives further details as to what information should be included in annual reports and contains further guidance for collaboration between inspectors, employers and workers, mainly in the area of safety and health.

In recent years, the ILO has supported the Ministry of Manpower in strengthening the country's labour inspection system. In 2011 for example, the Ministry together with the ILO organized the first High Level Dialogue on Strengthening Labour Inspection Coordination in Indonesia in support of the implementation of Presidential Decree of Indonesia No. 21 of 2010.

The ILO subsequently supported the adaptation and dissemination of a training package for Indonesian inspectors on Building Modern and Effective Labour Inspection Systems. This was complemented by the creation of a training tool on soft skills for labour inspectors as well as a training manual on labour inspection and gender equality adapted to the Indonesian socio-legal context. Hundreds of inspectors were trained using these materials.

Currently, the ILO is planning work with the Ministry of Manpower to pilot an assessment tool on labour inspection in the fishing sector with a view to develop a training program on inspection in fishing in line with ILO Convention No. 188 and drawing on ILO guidelines for flag and port state inspections from recent experts meetings.

The ILO also supports Indonesia through the implementation the ILO's Better Work Indonesia (BWI). BWI is part of the Better Work global programme, which is a unique partnership between ILO and the International Finance Corporation (IFC). BWI aims to improve compliance with labour standards and promote competitiveness in Indonesia's apparel industry by assessing current workplace conditions and offering customized advisory and training services to factories to address their individual needs. It is funded by the Australian Government (AusAID), the Netherlands Ministry of Foreign Affairs, the Swiss State Secretariat for Economic Affairs (SECO) and Germany (Federal Ministry for Economic Cooperation and Development/BMZ; Deutsche Gesellschaft für Internationale Zusammenarbeit/GIZ).

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