

Indonesia

Private Sector Assessment

A Preliminary Scoping Study

The primary objective of the study is to provide a broad-based overview of the private sector in Indonesia as a stakeholder in combating modern slavery in the country

The Mekong Club

The Mekong Club is a catalyst for change – engaging, inspiring and supporting the private sector to eradicate slavery from their business. Given that the majority of modern-day slavery exists in the private sector, these companies are ideally placed to help turn the tide of this global epidemic.

The only organisation of its kind, The Mekong Club steers away from the approach taken by other players in this space, which is to ‘name and shame’ companies – ousting bad behaviour or issues related to this subject. Instead, we believe in starting and ending with collaboration.

In fact, The Mekong Club originally formed as a direct response to the growing number of companies looking to develop strategies to address forced labour risk through a professional forum. Divided into industry-specific working groups, these networks meet regularly to learn, share best practices, and network with other like-minded professionals. Member companies also work together to achieve an annual deliverable which will work towards producing tangible results in the fight against forced labour.

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2. Objectives of the Study

The primary objective of the study is to provide a broad-based overview of the private sector as a stakeholder in combating modern slavery in the country. More specifically the study aims to generate a knowledge base from which The Mekong Club can approach the private sector in order to create awareness and offer cooperative solutions for the eradication of modern slavery in corporate supply chains; the core focus of the Mekong Club’s mission.

The following secondary objectives specify the details of the data that need to be gathered in order to fulfil the scope of the study:

- Give an overview of the demographic landscape and economic conditions in Indonesia
- Detail the characteristics of the labour force in Indonesia by looking at factors such as size, average income, distribution, key issues
- Provide a detailed analysis of the private sector in terms of size of industries, number of workers and key players
- Provide in-depth reports on the Banking/finance, Manufacturing, Construction, Agriculture and Retail and hospitality industries
- Identify the current state of modern slavery in Indonesia



3. Definition of Terms

Throughout the report the following definitions will apply to the use of the terms human trafficking, forced labour, bonded labour and contract slavery, as specified by The Mekong Club.

HUMAN TRAFFICKING	FORCED LABOUR	BONDED LABOUR AND CONTRACT SLAVERY
<p>An act (1) carried out by a third party, through different means (2), for the purpose of exploitation (3).</p> <p>For children under age 18 it is sufficient to demonstrate the act of moving a child for the purpose of exploitation.</p>	<p>All work or service which is extracted from any person under the menace of any penalty and for which the person has not offered themselves voluntarily.</p>	<p>Bonded labour begins when a worker borrows money from an employer and commits themselves to work for the employer in return.</p> <p>Contract slavery involves deceiving or illegal contracts signed by victims who cannot understand them, and used to justify forced labour.</p>
<p>1. Act of:</p> <ul style="list-style-type: none">• Recruitment• Transportation• Transfer• Harboring• Receipt <p>2. By means of:</p> <ul style="list-style-type: none">• Threat• Force or coercion• Abduction• Fraud• Deception• Abuse of power• Abuse of vulnerability <p>3. For the purpose of:</p> <ul style="list-style-type: none">• Exploitation• Slavery or similar practices• Servitude• Prostitution• Removal of organs• Forced labour and service	<p>Threat of penalty</p> <ul style="list-style-type: none">• Physical and/or sexual violence.• Imprisonment or physical confinement.• Withholding of wages, unreasonable fees or financial penalties.• Withholding of identity documents.• Unfair dismissal or exclusion from future employment.• Deprivation of food or shelter.• Exclusion from community, social life or denunciation to community/family.• Intimidation and other threats. <p>Lack of Valid Consent</p> <ul style="list-style-type: none">• Worker deceived about the wages they would receive.• Worker cannot leave employment as they must remain for an undefined period to repay debts to employer.• Worker made to work by family.• Deception or fraud during recruitment stages.	<p>Common features of Bonded Labour</p> <ul style="list-style-type: none">• The employer manipulates interest rates or charges excessive rates.• The employer imposes high charges for food, accommodation, transportation, or tools.• The employer charges workers for shortfalls in business output or days missed due to worker sickness. <p>Common features of Contract Slavery</p> <ul style="list-style-type: none">• Contracts are in a language the victim does not understand.• Contracts are presented to victims who cannot read.• Victim is told fines and penalties will follow if he breaks the contract.
<p>HUMAN TRAFFICKING emphasizes the movement of victims</p>	<p>FORCED LABOUR is often a consequence of human trafficking and emphasizes the exploitative condition the victim suffers</p>	<p>BONDED LABOUR CONTRACT SLAVERY are two forms of forced labour</p>

4. Demographic Overview & Key Social Trends

4.1. Summary

Population	262 million
Rural	45%
HDI	0.694
Poverty Rate	9.82%
GINI	39.5

4.2. Population Distribution

The total population of Indonesia was estimated at 262 million in 2017¹ and is evenly divided between genders with a ratio of 101 males to 100 males². According to World Bank estimates³, about 45% of the total population resided in rural areas in 2017.

Population Distribution by Gender and Location in 2017

	2017
Total	261 890900
Male	101 males
Female	100 males
Rural	45%

The population is widely spread across the archipelago, with the biggest concentrations in Sumatera Utara, DKI Jakarta, Jawa Barat, Jawa Tengah, DI Yogyakarta and Jawa Timur.⁴

Population Distribution by Province in 2017

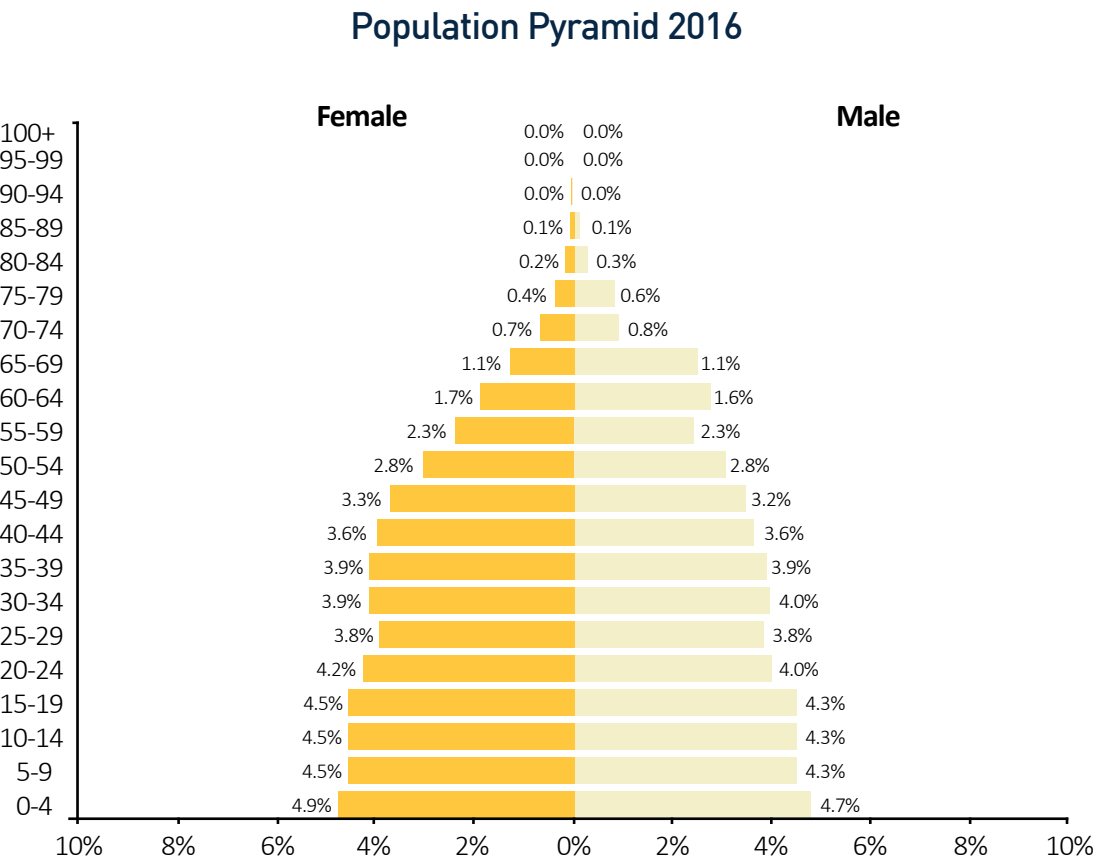
Province	Population (000)
Aceh	5189,5
Sumatera Utara	14262,1
Sumatera Barat	5321,5
Riau	6657,9
Jambi	3515,0
Sumatera Selatan	8267,0
Bengkulu	1934,3
Lampung	8289,6
Kepulauan Bangka Belitung	1430,9
Kepulauan Riau	2082,7
DKI Jakarta	10374,2
Jawa Barat	48037,6
Jawa Tengah	34257,9
DI Yogyakarta	3762,2
Jawa Timur	39293,0
Banten	5189,5
Bali	14262,1
Nusa Tenggara Barat1	4955,6
Nusa Tenggara Timur	5287,3
Kalimantan Barat	4932,5
Kalimantan Tengah	2605,3
Kalimantan Selatan	4119,8
Kalimantan Timur	3575,4
Kalimantan Utara	691,1
Sulawesi Utara	2461,0
Sulawesi Tengah	2966,3
Sulawesi Selatan	8690,3
Sulawesi Tenggara	2602,4
Gorontalo	1168,2
Sulawesi Barat	1331,0
Maluku	1744,7
Maluku Utara	1209,3
Papua Barat	915,4
Papua	3265,2

1.2. <https://www.bps.go.id/publication/2018/07/03/5a963c1ea9b0fed6497d0845/statistik-indonesia-2018.html>

3. <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>

4. <https://www.bps.go.id/publication/2018/07/03/5a963c1ea9b0fed6497d0845/statistik-indonesia-2018.html>

The Indonesia population is expected to reap the benefits of a population dividend in the next few years, in which the size of the working population increases dramatically due to a booming youth market, while dependants decrease⁵. Some commentators argue that “the so-called demographic bonus could instead turn into a disaster”⁶ if the economy doesn’t recover from the current slump. The following population pyramid⁷ clearly shows the size of the youth market that will enter the economically active population in the next ten years.



4.3. Social Indicators

4.3.1. Human Development Index (HDI)

According to the UNDP Human Development Report of 2016⁸, “Indonesia’s HDI value for 2017 is 0.694—which put the country in the medium human developmentcategory—positioning it at 116 out of 189 countries and territories. The rank is shared with Viet Nam.” The Human Development Index (HDI) is a statistic measuring human development based on life expectancy, education, and per capita income indicators.⁹

Indonesia Human Development Index (HDI)

	Life Expectancy at birth	Expected years of schooling	Mean Years of Schooling	GNI per capita (2011 PPP\$)	HDI Value
1990	63.3	10.1	3.3	4,293	0.528
1995	65.0	10.1	4.2	5,861	0.564
2000	66.3	10.6	6.7	5,430	0.606
2005	67.2	10.9	7.4	6,503	0.632
2010	68.2	12.2	7.4	8,210	0.661
2015	69.0	12.7	7.9	10,037	0.686
2016	69.2	12.8	8.0	10,437	0.691
2017	69.4	12.8	8.0	10,846	0.694

In South East Asia, Indonesia ranks behind Malaysia and Thailand. When the HDI is corrected for inequality, Indonesia “looses” less in human development than other South East Asian countries, indicating moreequal access to basic services and income generation across the population.

Indonesia’s HDI Value and component measures compared to countries in the region¹⁰

	HDI Value	HDI Rank	Life Expectancy at birth	Expected years of schooling	Mean Years of Schooling	GNI Per Capita (PPP USD)	IHDI Value
Vietnam	0.683	115	75.9	12.6	8	5,335	0.562
Philippines	0.682	116	68.3	11.7	9.3	8,395	0.556
Thailand	0.740	87	74.6	13.6	7.9	14,519	0.586
Indonesia	0.689	113	69	12.9	7.9	10,053	0.563
China	0.738	90	76	13.5	7.6	13,345	**

5. UNFPA 2015
6. <http://www.thejakartapost.com/academia/2018/03/05/commentary-are-we-heading-toward-demographic-bonus-or-disaster.html>
7. <https://www.populationpyramid.net/indonesia/2018/>
8. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/IDN.pdf
9. Wikipedia; see also UNDP

10. UNDP: Human Development Report 2016: Human development for everyone

Malaysia	0.789	59	74.9	13.1	10.1	24,620	**
Cambodia	0.563	143	68	10.9	4.7	3,095	0.436
Myanmar	-	-	-	-	-	-	-
East Asia & Pacific	0.720	-	74.2	3,423	0.617	12,125	0.581
Medium HDI	0.631	-	68.6	4,314	0.655	6,281	0.469

4.3.2. GINI Coefficient

The distribution of inequality is further illustrated through the GINI coefficient, which was calculated at 39.5 in 2013¹². Indonesia's GINI is higher than Vietnam (35.6) but lower than Malaysia (46.2) and the Philippines (43.0)

4.3.3. Poverty Rate

According to Indonesia Investments:¹³

"Poverty in Indonesia declined to the lowest level ever in March 2018 (Indonesia's Central Statistics Agency, or BPS, releases poverty figures twice per year, covering the months March and September). Based on the latest data, Indonesia's relative poverty figure fell to 9.82 percent of the total population. Thus, 25.95 million Indonesians are now categorized as poor."

12. <https://tradingeconomics.com/indonesia/gini-index-wb-data.html>

13. <https://www.indonesia-investments.com/news/news-columns/poverty-in-indonesia-fell-to-the-lowest-level-ever-in-march-2018/item8899>

5. The Labour force

5.1. Employment and Income

5.1.1. Employment Distribution

According to the Statistical Yearbook of Indonesia 2018¹⁴, the working population stood at 121 million in 2017 with a further 7 million being unemployed, bringing the total Economically Active population to 128 million. The employment distribution per industry is as follows:

Employment Distribution by Industry

	Million
Agriculture, Forestry, Hunting and Fishing	35.9
Mining and Quarrying	1.39
Manufacturing	17
Electricity, Gas and Water	0.39
Construction	8
Wholesale, Retail, restaurants and hospitality	28
Transport and Communication	5.7
Finance	3.7
Social	20.4
Total	121

5.1.2. Income

The Living Wage per Individual in Indonesia increased to 1456700 IDR/Month in 2018 from 1174300 IDR/Month in 2017. The Living Wage per Individual in Indonesia averaged 1374925 IDR/Month from 2015 until 2018, reaching an all time high of 1476300 IDR/Month in 2016 and a record low of 1174300 IDR/Month in 2017¹⁵.

Wages for Higher Skilled workers in Indonesia increased to 5017000 IDR/Month in 2018 from 4768500 IDR/Month in 2017, while wages for Low Skilled workers increased to 3427900 IDR/Month in 2018 from 3086900 IDR/Month in 2017^{16,17}.

14. <https://www.bps.go.id/publication/2018/07/03/5a963c1ea9b0fed6497d0845/statistik-indonesia-2018.html>

15. <https://tradingeconomics.com/indonesia/living-wage-individual>

16. <https://tradingeconomics.com/indonesia/wages-high-skilled>

17. <https://tradingeconomics.com/indonesia/wages-low-skilled>

5.1.3. Employment Status

Despite considerable development, significant portions of the population are still employed in insecure jobs that makes them vulnerable to trafficking and slavery, especially own account workers, family workers/unpaid workers and casual workers.¹⁸

Employment Status 2017

	Million
Own account workers	23
Employers assisted by temporary worker/unpaid workers	18
Employers assisted by permanent/paid workers	3
Employee	48
Casual agricultural	6
Casual non-agricultural	7
Family worker/Unpaid	18

5.2. Gender Gap

According to the World Economic Forum report 2017¹⁹, Indonesia ranked 84th, out of 145 countries measured on its Gender Gap index. Women on average earn only 71% of the average male salary when performing the same work.

Apart from income disparity, women face significant obstacles in the male dominated society. Some of the issues include:²⁰

- Inequality in the workplace
- Physical and Sexual Violence
- Child Marriage
- Lack of Education
- Health Welfare

18. <https://www.bps.go.id/publication/2018/07/03/5a963c1ea9b0fed6497d0845/statistik-indonesia-2018.html>
19. http://www3.weforum.org/docs/WEF_GGGR_2017.pdf
20. <https://theglobepost.com/2018/06/18/gender-inequality-indonesia-women/>

5.3. Comaparative Minimum Wage

Compared to the rest of Asia, Indonesia’s current minimum wage structure puts it at the high end of ASEAN, but significantly below the East Asian and OECD economies.

Comparative Minimum Wages in Selected Countries in Asia (As of 30 June 2017)²¹

Country/City	Daily Minimum Wage		Monthly Minimum Wage		Exchange Rate Per US\$1*
	In Country Currency	In US\$	In Country Currency	In US\$	
Bangladesh (Taka)	176.67 ^{b/}	2.23	5,300.00 ^{1/}	66.88	79.2430
Mongolia (Tugrik)	6,400.00 ^{a/}	2.73	192,000.00 ^{2/}	81.95	2,342.8400
Myanmar (Kyat)	3,600.00 ^{a/}	2.68	108,000.00 ^{3/}	80.32	1,344.6100
Lao PDR (Kip)	30,000.00 ^{a/}	3.71	900,000.00 ^{4/}	111.39	8,079.9800
Pakistan (Rupee)	333.33-400.00 ^{a/}	3.22-3.86	10,000.00-12,000.00 ^{5/}	96.62-115.95	103.4940
Cambodia (Cambodia Riel)	18,666.67 ^{a/}	4.67	560,000.00 ^{6/}	140.00	4,000.0000
Vietnam (Region I & II Dong)	103,333.33-116,666.67 ^{a/}	4.60-5.20	3,100,000.00-3,500,000.00 ^{7/}	138.07-155.89	22,452.4000
Philippines/XI (Peso)	340.00 ^{8/}	6.74	10,200.00 ^{b/}	202.20	50.4451
Philippines/VII (Peso)	308.00-366.00 ^{9/}	6.11-7.26	9,240.00-10,980.00 ^{b/}	183.17-217.66	50.4451
Philippines/III (Peso)	329.00-380.00 ^{10/}	6.52-7.53	9,870.00-11,400.00 ^{b/}	195.66-225.99	50.4451
Philippines/IV-A (Peso)	293.00-378.50 ^{11/}	5.81-7.50	8,790.00-11,355.00 ^{b/}	174.25-225.10	50.4451
Indonesia (Jakarta-Jawa-Timur-Surabaya) (Rupiah)	38,333.33-103,333.33 ^{a/}	2.88-7.77	1,150,000.00-3,100,000.00 ^{12/}	86.52-233.23	13,291.8000

21. http://www.nwpc.dole.gov.ph/pages/statistics/stat_comparative.html

Malaysia (Ringgit)	30.67-33.33 ^{a/}	7.14-7.76	920.00- 1,000.00 ^{13/}	214.23- 232.86	4.2944
Thailand (Baht)	300.00 ^{14/}	8.84	9,000.00 ^{b/}	265.29	33.9245
Philippines/NCR (Peso)	454.00-491.00 ^{15/}	9.00-9.73	13,620.00- 14,730.00 ^{b/}	270.00- 292.00	50.4451
China (Yuan Renminbi)	33.33-73.00 ^{a/}	4.90-10.73	1,000.00- 2,190.00 ^{16/}	147.04- 322.02	6.8008
Taiwan (Taiwan Dollar)	920.00 ^{17/}	30.25	27,600.00 ^{b/}	907.54	30.4120
Hongkong (\$HK)	260.00 ^{18/}	33.32	7,800.00 ^{b/}	999.70	7.8024
South Korea (Won)	51,760.00 ^{19/}	45.37	1,552,800.00 ^{b/}	1,360.99	1,140.9300
Japan (Japan Yen)	5,424.00- 7,280.00 ^{20/}	48.36- 64.90	162,720.00- 218,400.00 ^{b/}	1,450.66- 1,947.04	112.1700
New Zealand (New Zealand Dollar)	97.60-122.00 ^{21/}	71.19- 88.99	2,928.00- 3,660.00 ^{b/}	2,135.67- 2,669.58	1.3710
Australia (Australian Dollar)	141.60 ^{22/}	107.73	4,248.00 ^{b/}	3,231.97	1.3144

*For more full details of how the wages are determined see: http://www.nwpc.dole.gov.ph/pages/statistics/stat_comparative.html

5.4. Competitiveness

According to the Deloitte Global Manufacturing Competitiveness Index²², as measured on 500 survey responses from senior manufacturing executives around the world, Indonesia ranks 19th out of a sample of 40 manufacturing countries (see below).

Deloitte Global Manufacturing Competitiveness Index 2016

Rank	Country	Index
1	China	100
2	United States	99.5
3	Germany	93.9
4	Japan	80.4
5	South Korea	76.7
6	United Kingdom	75.8
7	Taiwan	72.9
8	Mexico	69.5
9	Canada	68.7
10	Singapore	68.4
11	India	67.2
12	Switzerland	63.6
13	Sweden	62.1
14	Thailand	60.4
15	Poland	59.1
16	Turkey	59.0
17	Malaysia	59.0
18	Vietnam	56.6
19	Indonesia	55.8
20	Netherland	55.7

22. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Manufacturing/gx-global-mfg-competitiveness-index-2016.pdf>

Rank	Country	Index
21	Australia	55.5
22	France	55.5
23	Czech Republic	55.3
24	Finland	52.5
25	Spain	50.6
26	Belgium	48.3
27	South Africa	48.1
28	Italy	46.5
29	Brazil	46.2
30	United Arab Emirates	45.4
31	Ireland	44.7
32	Russia	43.9
33	Romania	42.8
34	Saudi Arabia	39.2
35	Portugal	37.9
36	Colombia	35.7
37	Egypt	29.2
38	Nigeria	23.1
39	Argentina	22.9
40	Greece	10.0

For a detailed discussion of the Index see:

<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Manufacturing/gx-global-mfg-competitiveness-index-2016.pdf>



6. Political Risk Assessment

According to the UK's Department of International Trade²³, Indonesia's political risk can be assessed as follows:

Indonesia is the world's third largest democracy, the largest economy in south-east Asia, and the only member of ASEAN in the G20. It is a role model for a successful political transition. Indonesia is stable politically and has a Presidential system of democracy. A comprehensive push for decentralisation has seen much power transferred to the regions.

President Joko Widodo took up office on 20 October 2014. He is the first leader of Indonesia to come from outside the political and military elite. The next Presidential election is due in 2019.

Parliament is constituted by the House of Representatives and the Regional Representational Council. The House of Representatives contains members from 10 different political groupings. The Regional Representational Council includes representatives from each of Indonesia's 34 provinces.

Laws are passed by Parliament or by Presidential decree. A Presidential decree must be confirmed by Parliament for it to take effect

23. <https://www.gov.uk/government/publications/overseas-business-risk-indonesia/overseas-business-risk-indonesia>

7. The Private Sector

7.1. Overview

According to the World Bank Indonesia Economic Quarterly:²⁴

Real GDP grew 5.3 percent in the second quarter of 2018 from the previous year, as domestic demand strengthened. Private and government consumption accelerated thanks to higher subsidy and personnel spending, a pick-up in credit growth, higher agricultural incomes, and stable inflation. Strong job markets also helped: the employment rate reached a two-decade high of 65.7 percent in February, with the unemployment rate falling to 5.1 percent....

Economic growth is forecast to reach 5.2 percent this year and in 2019 ...and to gradually strengthen to 5.3 percent in 2020. Domestic demand is expected to continue to drive growth in the near-term. The modest acceleration in private consumption is expected to be sustained due to stable inflation, strong labor markets, and lowering borrowing rates. Government consumption is also projected to strengthen as revenue growth creates space for both fiscal consolidation and additional spending. Investment growth is expected to remain robust, initially as the momentum of public and mining investments continue, and later with reduced political uncertainty post elections.

7.2. Key Players in the Private Sector

To get an overview of the biggest companies in Indonesia, a look at the companies in the LQ45 index, a capitalization-weighted indices calculated from the top 45 listed companies, is a good starting place, as listed below:²⁵

- Astra Agro Lestari – Sector: Plantations
- Adhi Karya – Sector: Infrastructure / Real Estate
- Adaro Energy – Sector: Mining
- AKR Corporindo – Sector: Petrochemicals & Chemicals
- Aneka Tambang – Sector: Mining
- Astra International – Sector: Conglomerate
- Bank Central Asia – Sector: Finance
- Bank Negara Indonesia – Sector: Finance
- Bank Rakyat Indonesia – Sector: Finance
- Bank Tabungan Negara – Sector: Finance
- Bank Mandiri – Sector: Finance
- BPD Jawa Barat dan Banten (Bank BJB) – sector: Finance
- Global Mediacom – Sector: Media
- Barito Pacific – sector: Petrochemicals & Chemicals
- BumiSerpongDamai – Sector: Real Estate

- BumiResources – sector: Mining
- XL Axiata – sector: Telecommunications
- Gudang Garam – Sector: Tobacco
- HM Sampoerna – Sector: Tobacco
- Indofood CBP SuksesMakmur – Sector: Food & Beverages
- Vale Indonesia – Sector: Mining
- Indofood SuksesMakmur – Sector: Food & Beverages
- Indocement Tungal Prakarsa – Sector: Construction Materials
- JasaMarga – Sector: Infrastructure
- Kalbe Farma – Sector: Pharmaceuticals
- Lippo Karawaci – Sector: Real Estate
- Matahari Department Store – Sector: Commerce
- PP London Sumatra Indonesia – Sector: Plantations
- Media Nusantara Citra – Sector: Media
- Hanson International – Sector: Real Estate
- Perusahaan Gas Negara – Sector: Energy & Utilities
- PP Properti – sector: Real Estate
- Tambang Batubara Bukit Asam – Sector: Mining
- PT PP (Persero) – Sector: Construction
- PakuwonJati – Sector: Real Estate
- Surya Citra Media – Sector: Media
- Semen Indonesia – Sector: Construction Materials
- Summarecon Agung – Sector: Real Estate
- Sri Rejekilsman – Sector: Textile
- SawitSumbermasSarana – Sector: Plantations
- Telekomunikasi Indonesia – Sector: Telecommunications
- United Tractors – Sector: Commerce
- Unilever Indonesia – Sector: FMCG
- Wijaya Karya – Sector: Construction
- WaskitaKarya – Sector: Construction

24. <http://documents.worldbank.org/curated/en/498361537371495086/pdf/130014-REVISED-IEQ-Sept-2018-ENG-for-web-revised.pdf>

25. <https://aseanup.com/top-45-companies-indonesia-lq45/>



7.3. Transparency

Transparency International ranks Indonesia 90th out of 175 countries on its Corruption Perceptions Index of 2016²⁶, an index based on expert opinion from around the world that measures the perceived levels of public sector corruption worldwide.

Corruption Transparency Index 2016 for Asia-Pacific Region

Country	CPI2016	Rank
New Zealand	90	1
Singapore	84	7
Australia	79	13
Hongkong	77	15
Japan	72	20
Bhutan	65	27
Taiwan	61	31
Brunei	58	41
Korea (South)	53	52
Malaysia	49	55
Solomon Islands	42	72
China	40	79
India	40	79
Mongolia	38	87
Indonesia	37	90
Maldives	36	95
Sri Lanka	36	95
Philippines	35	101
Thailand	35	101
Timor-Leste	35	101
Vietnam	33	113
Pakistan	32	116
Laos	30	123
Nepal	29	131
Myanmar	28	136
Papua New Guinea	28	136
Bangladesh	26	145
Cambodia	21	156
Afghanistan	15	169
Korea (North)	12	174

26. https://www.transparency.org/news/feature/corruption_perceptions_index_2016#regional

8. The Mekong Club Target Sectors

For the purpose of this study, which aims to generate a knowledge base from which The Mekong Club can approach the private sector in order to create awareness and offer cooperative solutions for the eradication of modern slavery in corporate supply chains, attention will be given to the following core target sectors:

- Agricultural
- Retail trade
- Manufacturing
- Accommodation and Food service industry
- Banking and financial services

8.1. The Agricultural Sector

8.1.1. General

Agriculture in Indonesia is an important part of the economy with value added to GDP estimated at 13.4% in 2017.²⁷

Agriculture is structured as follows:²⁸

... rural income is predominately generated by small-scale growers who lack access to finance and technology, which hinders their commercial viability. In terms of the labour market, agriculture has historically played a pivotal role in the economy, though data from Statistics Indonesia (BPS) indicates that the percentage of Indonesians working in the sector is decreasing, falling from 55.1% in 1990 to 31.9% in February 2017. This is a significant drop from 1976, when two-thirds of the population depended on agriculture for their income, according to World Bank figures.

Thanks to Indonesia's tropical climate and large stretches of arable, fertile soil, a wide variety of crops can be found across the countryside. In terms of production, some of the more important commodities include palm oil, natural rubber, cocoa, coffee, tea, cassava, rice and spices. Palm oil is by far the most important crop contributor to GDP, accounting for between 1.5% and 2.5% on an annual basis. Indonesia is the world's largest producer and exporter of the oil, providing half of global supply. The majority of palm oil exports go to China, India, Pakistan, Malaysia and the Netherlands, among other countries. In spite of fluctuating prices in recent years, Indonesian crude palm oil (CPO) production continues to reach new heights.

27. https://www.theglobaleconomy.com/Indonesia/Share_of_agriculture/

28. <https://oxfordbusinessgroup.com/overview/breaking-new-ground-small-scale-farming-and-mechanised-production-set-unlock-sector%E2%80%99s-economic>

8.1.1. The Palm oil industry:

With regards to the palm oil industry:²⁹

According to the Indonesian Palm Oil Association (GAPKI) and the MoA, 31.1m tonnes of crude palm oil was produced in 2015, of which 26.4m tonnes was exported, contributing up to \$15.4bn in export revenue. Around 70% of plantations are located on the island of Sumatra, while the remaining 30% are situated in Kalimantan on the island of Borneo. In total, the segment accounts for 11.3m ha, and is expected to reach 13m ha by 2020, according to GAPKI. In terms of market share, private plantations are dominant with 58.5% of production, followed by smallholders which produce a combined 33.9% and state-owned plantations with 7.6%, according to figures from investment research firm Indonesia Investments.

The palm oil industry has increasingly come under scrutiny for forced labour, child labour and other modern slavery practices.^{30,31,32}

8.2. FMCG Retail

The size of Indonesia's retail trade makes it an important player in the economy, as it employs 28 million people.

Retail Sales in Indonesia increased 4.80 percent in September of 2018 over the same month in the previous year. Retail Sales YoY in Indonesia averaged 11.16 percent from 2006 until 2018³³.

In terms of grocery retail, sales reached US\$109.17 billion (IDR1,462.7 trillion) in 2017 of which traditional Grocery Retailers held 83% share. This is an important qualification as traditional markets and mom and pop stores have no control over the suppliers, making them ideal outlets for produce from farms with dubious labour practices.

Top Food Retailers in Indonesia³⁴

Retailer Name and Outlet Type	Sales	No. of Outlets 2017	Locations
Trans Retail Indonesia, PT • Carrefour/Trans Mart	N/A	110	Nation-wide
Hero Supermarket Tbk, PT • Giant • Hero	Sales of Hero retail group in 2017: US\$973 million (IDR 13.034 trillion)	198	Nation-wide
Matahari Putra Prima Tbk, PT	Net Sales of PT.Matahari Putra	157	Nation-wide

29. <https://oxfordbusinessgroup.com/overview/breaking-new-ground-small-scale-farming-and-mechanised-production-set-unlock-sector%E2%80%99s-economic>

30. <http://www.fairlabor.org/content/assessing-forced-labor-risks-palm-oil-sector-indonesia-and-malaysia>

31. <https://www.humanrightsfirst.org/blog/slavery-palm-oil-industry>

32. http://www.ilo.org/jakarta/areasofwork/WCMS_126206/lang--en/index.htm

33. <https://tradingeconomics.com/indonesia/retail-sales-annual>

34. https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Jakarta_Indonesia_6-25-2018.pdf

<ul style="list-style-type: none"> Hypermart Food Mart Smart Club FMX Convenience Store 	Prima Tbk in 2017: US\$940 million (IDR 12.6 trillion)		
Lotte Shopping Indonesia, PT • Lotte Grosir • Lotte Mart • Lotte Supermarket	N/A	46	Nation-wide
Midi Utama Indonesia, Tbk, PT • Alfa Midi • Alfa Midi Super • Lawson	Net revenue in 2017: US\$729 million (IDR 9.767 trillion) from Alfa Midi, Alfa Midi Super & Lawson	1,444	Java, Sumatera, Sulawesi and Kalimantan
Lion Super Indo, PT • Superindo	N/A	157	Jakarta, West Java, Central Java, Yogyakarta, East Java, Bandar Lampung and Palembang
Supra Boga Lestari Tbk, PT • Ranch Market • Farmers Market	Net revenue in 2017 from Framers Market & Ranch Market: US\$210 million (IDR 2.819 trillion)	34	Jakarta and its surroundings, Cikarang, Surabaya, Malang, Balikpapan and Samarinda
Swalayan Sukses Abadi, PT • The Foodhall • Daily Foodhall	N/A	26	Jakarta and its surrounding
Sumber Alafaria Trijaya, Tbk. PT • Alfamart	Net revenue 2017: US\$4.58 billion (IDR 61.464 trillion)	13,477	Nation wide
Indomarco PrismaTama, PT • Indomart	N/A	14,846	Nation wide

8.3. Manufacturing

8.3.1. General

Indonesia's manufacturing sector was reported to contribute 21.27% to GDP in 2016³⁵. The current state of the manufacturing sector is as follows³⁶:

Operating conditions in Indonesia's manufacturing sector strengthened at the joint-strongest rate since July 2014, driven by solid growth in total new orders from domestic clients. Responding to rising new business, Indonesian manufacturers raised output in August at the strongest rate since May (albeit still modest overall), while raising their staffing levels for the third consecutive month. The rate of jobs growth in Indonesia's manufacturing industry was the strongest in nearly 7.5 years.

However, new export orders actually continued to decline, falling for the ninth consecutive month in August. This means foreign demand for Indonesian manufactured products remains subdued.

Indonesia's main manufacturing products are:³⁷

- Footwear
- Textile Products
- Paper Products
- Automobiles
- Furniture
- Electronics

8.3.2. Garment and Textile Industry

The structure of the industry are as follows:

Indonesia is among the top 10 textile producing nations in the world. The country is also the 12th largest textile and apparel exporter, with major exporting destinations, including the United States, EU and Middle-East. The country's exports were relatively stagnant during the four year period of 2012-2016. The biggest increase in exports was witnessed in yarn and garments during 2011-2016. The exports to the United States and Japan fell by 2% each in 2017, while it fell by 3% to the European Union. According to API, these declines were offset by rising textile demand in Southeast Asia and the Middle East. However, despite the global decline in the textile demand, the overall textile exports of the country rose by 5 % on a year-on-year basis in 2017, according to the Indonesian Textile Association (API). The United States still maintained top market destination for Indonesian textiles. With around 36% of the country's textile shipments. This was followed by the Middle East (23%) and the EU (13%). Such factors are driving the textile industry in Indonesia.

The Indonesia textile industry is expected to grow at a CAGR of 5.09%, in terms of revenue, during the forecast period, 2018-2023. The major factors driving the growth of the market are growing textile exports to United States, Middle East, and European Union.

For more information about the industry go to <http://www.indotextiles.com/>

35. <https://tradingeconomics.com/indonesia/manufacturing-value-added-percent-of-gdp-wb-data.html>

36. <https://www.indonesia-investments.com/business/business-columns/growth-in-indonesia-s-manufacturing-sector-picks-up-in-august-2018/item8963>

37. <https://www.indonesia-investments.com/culture/economy/general-economic-outline/industry/item379>

8.4. Banking Industry

Approximately 49% of the Indonesian population over 15 years of age have bank accounts compared to only 31% in the Philippines and Vietnam³⁸. This makes the banking industry an important ally in the fight against modern slavery and human trafficking.

The Indonesia banking industry is structured as follows:

With rising levels of public participation, a robust regulatory framework and high profitability at most institutions, Indonesia's banking sector performed strongly in 2015-16, building on nearly a decade of expansion and rapidly increasing returns. The sector comprises 118 commercial banks and more than 1600 rural regional banks – the latter of which are allowed to operate only in a relatively small, predetermined geographical area. The industry boasted combined assets of Rp6198.15trn (\$452.5bn) at the end of January 2016, the majority of which were held in a handful of leading institutions.³⁹

Top Ten Indonesian Banks in Terms of Assets (Q2-2018)⁴⁰

Bank	Assets (IDR trillion)	Growth (Y/Y)
Bank Rakyat Indonesia	1,097.4	3.06%
Bank Mandiri	1,003.5	6.11%
Bank Central Asia	776.6	4.23%
Bank Negara Indonesia	684.2	5.48%
Bank Tabungan Negara	268.0	3.59%
Bank Panin	189.5	-4.27%
Bank Danamon	182.4	18.61%
Bank OCBC NISP	170.3	5.41%
Bank Maybank Indonesia	159.0	-1.16%
Bank Tabungan Pensiunan Nasional	90.4	3.88%

38. <http://datatopics.worldbank.org/financialinclusion/>

39. <https://oxfordbusinessgroup.com/indonesia-2017/banking>

40. <https://www.indonesia-investments.com/news/todays-headlines/what-are-indonesia-s-biggest-banks-in-terms-of-assets/item8923>

8.5. Tourism & Hospitality

8.5.1. Tourism

According to the Asian Bank's Tourism Sector Assessment, Strategy, And Road Map for Cambodia, Lao People's Democratic Republic, Myanmar, And Viet Nam (2016–2018) report, international visitor arrivals in Indonesia amounted to 10.4 million in 2015, giving it a share of tourism in ASEAN of 9.6%.

International Visitor Arrivals, 2008–2015 ('000)⁴¹

	2010	2012	2014	2015	Average Annual Growth Rate (%)	ASEAN Share (%)
Cambodia	2,508	3,584	4,503	4,775	12.3	4.4
Lao PDR	2,513	3,330	4,159	4,684	15.2	4.3
Myanmar	792	1,058	3,081	4,681	57.7	4.3
Viet Nam	5,050	6,848	7,874	7,944	9.5	7.3
Subtotal	10,863	14,820	19,617	22,084	15.1	20.3
Brunei Darussalam	214	209	201	218	-0.5	0.2
Indonesia	7,003	8,045	9,435	10,407	9.5	9.6
Malaysia	24,577	25,033	27,437	25,721	3.5	23.6
Philippines	3,521	4,273	4,833	5,361	8.2	4.9
Singapore	11,639	14,491	15,095	15,231	5.8	14.0
Thailand	15,936	22,354	24,780	29,881	10.9	27.4
Subtotal (ASEAN-6)	62,890	74,405	81,781	86,819	7.1	79.7
Total (ASEAN)	73,753	89,225	101,398	108,903	8.4	100

41. <https://www.adb.org/sites/default/files/institutional-document/227186/clmv-tourism-sector-assessment.pdf>

The outlook for the industry is as follows⁴²:

Currently, Indonesia's tourism sector accounts for approximately four percent of the total economy. By 2019, the Indonesian government wants to have doubled this figure to 8 percent of GDP, an ambitious target ... which implies that within the next four years, the number of visitors needs to double to about 20 million. In order to achieve this target, the government will focus on improving Indonesia's infrastructure (including ICT infrastructure), accessibility, health & hygiene as well as enhancing online promotional (marketing) campaigns abroad. The government also revised its visa-free access policy in 2015 (for further elaboration, see below) to attract more foreign tourists.

8.5.2. Hospitality

In a recent article⁴³ it was noted that: "Indonesia is among the biggest players in the Asia-Pacific hotel industry, according to HVS Asia-Pacific Hotel Operator Guide 2018....Indonesia .. own 6 percent of the market share with 356 existing and 228 pipeline properties.

Bali and Jakarta were among the top 15 markets based on number of properties. Bali ranked sixth with 96 branded properties, while Jakarta ranked ninth with 80 branded properties.

As for the top 15 markets based on number of rooms, Jakarta ranked eighth with 17,575 and Bali ranked ninth with 17,257. (jes/wng)"

The top hotel groups in Indonesia are listed below:⁴⁴

- Accor (6 Hotels)
- Accor Hotels (54 Hotels)
- Anantara Hotels, Resorts & Spas (3 Hotels)
- Autograph Collection (1 Hotels)
- Banyan Tree Hotels & Resorts (7 Hotels)
- Belmond (2 Hotels)
- Best Western (30 Hotels)
- Bulgari Hotels & Resorts (3 Hotels)
- Centara Hotels & Resorts (2 Hotels)
- Citadines (6 Hotels)
- Clarion (2 Hotels)
- Conrad (2 Hotels)
- Courtyard (4 Hotels)
- Crowne Plaza (3 Hotels)
- Design Hotels (6 Hotels)
- Doubletree by Hilton (1 Hotels)
- Dusit International (1 Hotels)
- Fairmont (2 Hotels)
- Formule 1 (2 Hotels)
- Four Points by Sheraton (10 Hotels)
- Four Seasons (8 Hotels)
- Fraser Place (1 Hotels)
- Fraser Residence (2 Hotels)
- Furama International (4 Hotels)
- FX Hotel Group (1 Hotels)
- Golden Tulip (13 Hotels)
- Gran Meliá Hotels & Resorts (1 Hotels)
- Grand Hyatt (4 Hotels)
- Grange (1 Hotels)
- Hilton Garden Inn (3 Hotels)
- Holiday Inn (6 Hotels)
- Holiday Inn (Express 11 Hotels)
- Holiday Inn Resort (4 Hotels)
- Hotusa Hotels (2 Hotels)
- Hyatt Hotels (4 Hotels)
- Hyatt Regency (4 Hotels)
- ibis (34 Hotels)
- ibis budget (13 Hotels)
- ibis Styles (21 Hotels)
- Indigo (3 Hotels)
- InterContinental (7 Hotels)
- JW Marriott Luxury Hotels (4 Hotels)

42. <https://www.indonesia-investments.com/business/industries-sectors/tourism/item6051>

43. <http://www.thejakartapost.com/travel/2018/06/30/indonesia-among-biggest-players-in-asia-pacific-hotel-industry.html>

44. <https://www.lookingforbooking.com/hotel-chains/indonesia>

- Kempinski (1 Hotels)
- Kyriad(12 Hotels)
- Le Meridien Hotels & Resorts (3 Hotels)
- Mandarin Oriental (1 Hotels)
- Mantra (1 Hotels)
- Marriott (10 Hotels)
- Marriott Executive Apartments (1 Hotels)
- Meliá(8 Hotels)
- Mercure (36 Hotels)
- MGallery(5 Hotels)
- Millennium (1 Hotels)
- Modena by Fraser (1 Hotels)
- Montana (2 Hotels)
- Mövenpick Hotels & Resorts (1 Hotels)
- Novotel (40 Hotels)
- Oakwood Worldwide (4 Hotels)
- Oberoi Hotels & Resorts (4 Hotels)
- Outrigger Hotels & Resorts (2 Hotels)
- Pan Pacific Hotels and Resorts (3 Hotels)
- Peppers (3 Hotels)
- Preferred Hotels & Resorts (1 Hotels)
- Premier Inn (2 Hotels)
- Pullman (8 Hotels)
- Ramada (8 Hotels)
- Regent (1 Hotels)
- Santika Indonesia Hotels & Resorts (60 Hotels)
- Seaside (9 Hotels)
- Shangri-La Hotels and Resorts (2 Hotels)
- Sheraton (11 Hotels)
- Sofitel (4 Hotels)
- St. Regis (2 Hotels)
- Starwood Hotels (1 Hotels)
- StayWell Hospitality Group (2 Hotels)
- Sterling Hotels (1 Hotels)
- Swiss-Belhotel International (57 Hotels)
- The Luxury Collection (2 Hotels)
- The Ritz-Carlton (6 Hotels)
- Tune Hotels (3 Hotels)
- Warwick (1 Hotels)
- Westin (4 Hotels)
- Worldhotels(3 Hotels)
- Wyndham Hotels & Resorts (4 Hotels)

9. Modern Slavery and Human Trafficking in Thailand

9.1. Overview

According to the Global Slavery Index 2018⁴⁵ an estimated 1,220,000 people are living in modern slavery in Indonesia or 4.73 people out of every 1000. This puts Indonesia at number 74 out of 167 on the Prevalence Index Rank.

Government response data is measured by the Global Slavery Index as an assessment of composite factors of the survivors supported, criminal justice, coordination & accountability, addressing risk and government & business. They also provide a measurement of vulnerability to modern slavery based on civil and political protections, social health and economic rights, personal security, refugees and conflict (higher scores mean greater vulnerability).

9.2. USA Department of State “Trafficking in Persons” Report

According to the USA Department of State’s

“Trafficking in Persons” report of 2018⁴⁶, the Government of Indonesia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government demonstrated increasing efforts compared to the previous reporting period; therefore Indonesia remained on Tier 2. The government demonstrated increasing efforts by investigating, prosecuting, and convicting more traffickers, and identifying more victims compared to the previous year. It also repatriated and provided services to more Indonesian victims from overseas; implemented new regulations to prevent trafficking in the fishing industry; negotiated initiatives with the private sector to reduce vulnerability of Indonesian overseas workers; and conducted training for officials

....

As reported over the past five years, Indonesia is a major source, and to a much lesser extent, destination and transit country for women, men, and children subjected to forced labor and sex trafficking. Each of its 34 provinces is a source and destination of trafficking. The government estimates 1.9 million of the 4.5 million Indonesians working abroad—many of whom are women—are undocumented or have overstayed their visas, increasing their vulnerability to trafficking. The actual figure is likely higher, as a significant number of migrant workers traditionally circumvent government overseas placement and permitting requirements, often at the instigation of traffickers. A significant number of Indonesians are exploited in forced labor and debt bondage in Asia and the Middle East, primarily in domestic service, factories, construction, and manufacturing, on Malaysian palm oil plantations, and on fishing vessels throughout the Indian and Pacific Oceans. Malaysia remains the top destination for Indonesian migrant workers; the government estimates more than one million of the 1.9 million Indonesian workers in irregular status are in Malaysia.

45. <https://www.globallslaveryindex.org/2018/data/country-data/indonesia/>


46. <https://www.state.gov/documents/organization/282801.pdf>

Indonesian women and girls are subjected to sex trafficking, primarily in Malaysia, Taiwan, and the Middle East. Domestic workers account for the biggest group of Indonesian women who work in Indonesia as well as Singapore, Malaysia, Hong Kong and the Middle East, but they are not considered formal workers and are unprotected under local labor laws. Excessive working hours, lack of a formal contract, and unpaid wages are some of the most common abuses Indonesian domestic helpers face. NGOs estimate labor recruiters are responsible for more than half of Indonesian female trafficking cases overseas.

Migrant workers often accumulate significant debt from both Indonesian and overseas labor recruitment outfits, making them vulnerable to debt bondage. Some companies use debt bondage, withholding of documents, and threats of violence to keep migrants in forced labor. Endemic corruption among government officials facilitates practices that contribute to trafficking vulnerabilities in the travel, hospitality, and labor recruitment industries. In Indonesia, women, men, and children are exploited in forced labor in fishing, fish processing, and construction; on plantations, including palm oil; and in mining and manufacturing. Many women and girls are exploited in domestic servitude and sex trafficking. Victims are often recruited with offers of jobs in restaurants, factories, or domestic service, but are subjected to sex trafficking. Debt bondage is particularly prevalent among sex trafficking victims.

Women and girls are subjected to sex trafficking near mining operations in Maluku, Papua, and Jami provinces. Child sex tourism is prevalent in the Riau Islands bordering Singapore, and Bali is a destination for Indonesians traveling to engage in child sex tourism. Indonesian fishermen working on foreign-flagged vessels reported pervasive abuse, forced labor, unpaid salaries, and, in some cases, allegations of murder. They worked on Taiwan, Thai, Malaysian, and Philippines-flagged fishing vessels operating in Indonesia and in the waters of Thailand, Sri Lanka, Mauritius, and India. Dozens of recruitment agencies in Burma, Indonesia, and Thailand hire fishermen, assign them fake identity and labor permit documents, and force them to fish long hours in waters for low or unpaid salaries while incurring severe physical abuse. The fishermen were prohibited from leaving their vessels and reporting these abuses by threats of exposing their fake identities to the authorities or by detaining them on land in makeshift prisons. More than 7,000 Indonesian fishermen per year sign in and out of foreign vessels at the port in Cape Town, South Africa, reportedly facing dire working conditions, particularly on vessels owned by Taiwan, Korea, and Japan

 info@themekongclub.org

 www.themekongclub.org