

Executive Summary

The Asian Labor Network on International Financial Institutions/Indonesia (ALNI/I) is a coalition of trade unionists, NGO activists, and academics concerned about the affects of international financial institution (IFI) policies on workers in Indonesia. ALNI/I maintains close relations with ALNI coalitions in the Philippines and Thailand, as well as with other NGO's throughout Asia that address IFI policies. ALNI/I strongly supports the implementation and enforcement of the Core Labor Standards stated in the ILO's Declaration of Fundamental Principles and Rights at Work.

In several documents, the World Bank (WB) also formally stated their support for the Core Labor Standards (CLS): freedom of association; freedom from forced labor; freedom from workplace discrimination; and freedom from child labor. The primary objective of this research study is to examine the application of CLS on a specific major infrastructure project funded by the World Bank in Indonesia.

The Bali Urban Infrastructure Project (BUIP) began in 1997, and includes numerous public works construction sites spread throughout the island of Bali. This study was conducted through questionnaires and interviews with workers at multiple sites in the project. In addition to CLS, the study analyzes social security coverage, workplace safety and health, wages, and working hours. The sites included in the study were *Kabupaten* (District) Ubud, *Kabupaten* Jembrana (Gilimanuk), *Kabupaten* Kuta (Seminyak), *Kabupaten* Gianyar (Kintamani), and *Kabupaten* Bedugul.

Both a physical inspection by the ALNI research team, and questionnaire results found children (under 18) working on the projects as heavy laborers, on tasks such as hauling stones, sand, and water, and also on road and bridge construction, plumbing, and brickwork. Even though some child respondents said they only assist adult workers, ALNI observed that the work of some children is not significantly different from adult workers in the same job, although the child workers receive much lower pay. Several aspects of the child labor policy are in violation of Indonesia's Labor Act no.13/2003.

The research also found that BUIP workers have been employed on "limited-term" contracts for up to 72 months. Indeed, nearly all BUIP workers are on "limited-term" contracts. Indonesian labor law does not permit such "limited-term" contracts for more than three years. The wages of over one-third of the respondents' are below the legal minimum wage for the province.

Almost half of the respondents (49.7%) said their work involves safety risks, and 37.3% had a work accident. At least one worker was killed in a trench cave-in. While the risk level is closely related to the task assigned, 66.3% of respondents said the company does not provide proper safety equipment, and 26% said sufficient training is not provided for the safety equipment that is provided. Despite these safety issues, 70.4% of respondents said they are not covered by JAMSOSTEK, the government program that provides medical benefits in case of workplace injuries. Medical and death benefits for workplace accidents are apparently determined by the local supervisor on each job within the project.

Many workers migrated to Bali to work on the BUIP, but company provided housing is substandard – in some cases only plastic tarpaulins providing cover from rain, often housing nearly double the number of people under one cover compared to reasonable standards.

None of the workers on the BUIP is represented by a trade union, and their working conditions are not protected by a collective bargaining agreement. Employees said the main reasons for lack of union representation are their own lack of knowledge about such rights under the labor law, and fear that they would lose the job if they attempted to organize.

This study found that the World Bank, the Government of Indonesia, and the local government do not monitor the labor conditions provide by local construction companies on this World Bank funded project. The lack of inspection and procedures from the World Bank, and the central and local governments on labor standards permits rampant legal violations to go unchecked. The study team estimates that labor costs are only 3% of the total project, an extremely low proportion compared to most large construction projects.

The ALNI study team makes the following recommendations:

1. A system and procedures for proper use of human resources should be implemented on this project, and future World Bank funded projects, by the World Bank or Government of Indonesia, following labor laws and ILO Conventions ratified by Indonesia.
2. The World Bank, Government of Indonesia, and local government should conduct interventions and positive monitoring on labor issues at these workplaces, and other worksites funded by the World Bank.
3. The World Bank should monitor the exact percentage of a grant allocated for labor costs, and take action where the actual percentage falls below a rate which obviously does not sustain normative rights under Indonesian law.

The ALNI/I study team wishes to express its appreciation to the World Bank/Indonesia for its cooperation with the team in conducting this research. ALNI/I expects the World Bank to make progress toward its commitment for the improvement of implementation of Core Labor Standards at World Bank funded projects.