



# Social Protection in Action: Building Social Protection Floors for All

2022

## *Indonesia: ILO–Fast Retailing project – a public–private partnership to strengthen social security systems in Indonesia and Asia*

### Summary

In September 2019, Fast Retailing and the ILO announced a partnership to strengthen support mechanisms for unemployed workers in Indonesia through the design of an employment insurance system, the expansion of reskilling training and the improvement of public employment services.

The support provided by the project was relevant and timely, and provided evidence on the value of unemployment insurance which supported Indonesian policy reforms related to the enactment of a national employment insurance scheme in November 2020 via the Omnibus Law on Job Creation. This scheme provides eligible unemployed workers with cash benefits for up to six months, access to labour market information and vocational training. The project also provides support in the implementation of the scheme.

In addition, the ILO–Fast Retailing project developed two e-training packages for unemployed workers: one on information and communications technology and another

on entrepreneurship and soft skills. In addition, a training course for employment services staff was developed to build their capacity in offering job-search assistance and career-counselling services.

The provision of basic income security for unemployment persons is one of the guarantees of the Social Protection Floors Recommendation, 2012 (No. 202) that was still missing until recently in Indonesia. The activities of the ILO–Fast Retailing project supported the Government and social partners in the development of a national unemployment protection scheme, contributing to a more comprehensive social protection system in Indonesia and promoting tripartite social dialogue in social protection design and implementation. This was timely in the context of the COVID-19 crisis which highlighted the importance of unemployment benefit schemes to support income security of workers. The scheme is embedded in Law and linked to other policies and measures such as access to employment services and reskilling and upskilling training courses which is aligned with the guiding principles put forward by Recommendation No. 202.

### Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons.

187 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), to achieve universal social protection.

This note presents a successful country experience of expanding social protection.

The activities of the ILO–Fast Retailing project are in line with the principles listed in Recommendation No. 202, in particular supporting the universality of social protection, ensuring that benefit entitlements are prescribed by national law and ensuring that there is coherence between social, economic and employment policies.

## Main lessons learned

- The ILO and Fast Retailing, which is the parent company of the UNIQLO clothing brand, joined forces in 2019 to strengthen the social protection and employment services that are available to workers in Indonesia who face unemployment and job displacement.
- The ILO collaborated with the Government of Indonesia and employers' and workers' organizations to:
  - provide recommendations for the design of an employment insurance scheme to deliver income security to unemployed workers and prevent them from falling into poverty;
  - facilitate a return to employment through improved public employment services; and
  - expand reskilling and upskilling training courses for better employability in a changing labour market.
- The project also promoted South-South<sup>1</sup> cooperation through studies on existing support mechanisms for unemployment in Bangladesh, Cambodia, China, India, Myanmar, Pakistan and Viet Nam.
- The COVID-19 pandemic has shown that sustainable social protection systems, including employment protection measures, are critical in the light of global supply chains, helping preserve business continuity and jobs, and increasing the resilience of workers, enterprises and economies to economic shocks.
- Fast Retailing views the partnership as an investment to ensure sustainable growth in Asia, with improved worker security and skills, increasing productivity and expanding business opportunities. It provided US\$1.8 million in funding over the two-year period from September 2019 to August 2021.

## Context

The private sector contributes to socio-economic development by producing and selling goods and services, creating employment, and paying taxes and social security

contributions. However, increasingly businesses must also place environmental, social and governance impacts at the heart of their business activities as part of their shared responsibility towards the Sustainable Development Goals (United Nations 2015).

► **Earning profits, creating employment and paying appropriate taxes are wonderful social contributions, but companies simply have to do more.**

► **Tadashi Yanai**, , Chairman, President and Chief Executive Office (CEO), Fast Retailing<sup>2</sup>

In order to implement systemic changes, it is important that companies collaborate with governments and employers' and workers' organizations (Global Deal 2018). It is in this context that Fast Retailing, the parent company of the clothing brand UNIQLO, partnered with the ILO in a unique public-private partnership to promote social protection and active labour market policies in Indonesia and other Asian countries with significant UNIQLO sourcing bases (Bangladesh, Cambodia, China, India, Myanmar and Viet Nam).

The project is entitled "Unemployment Protection in Indonesia: Quality Assistance for Workers Affected by Labour Adjustment (UNIQLO)". The project promoted employment insurance in Indonesia and strengthened employment services for jobseekers. It also carried out a comparative study on the support mechanisms available to workers in the other sourcing countries mentioned earlier in order to enrich policy debates in Indonesia and promote South-South and triangular cooperation.

Workers on the Asian continent, particularly those in the textile, garment and footwear (TGF) sector, are at high risk of job displacement due to changing employment needs in the region's evolving economies (Chang et al. 2016). However, current social protection mechanisms and labour laws do not effectively protect workers in case of unemployment. Although China, India and Viet Nam have relatively advanced unemployment protection policies, Cambodia, Myanmar and Bangladesh have no unemployment protection schemes in place.

<sup>1</sup> South-South cooperation refers to the technical cooperation among developing countries in the Global South. It is a tool used by states, international organizations, academics, civil society and the private sector to collaborate and share knowledge, skills and successful initiatives in specific areas.

<sup>2</sup> Shinya Yamanaka and Tadashi Yanai, "Creativity of Individuals and the Private Sector; A Key to Shaping the Future for the Next Generation" (Fast Retailing 2022).

## COVID-19 pandemic: supporting workers in times of crisis

The COVID-19 pandemic introduced unique challenges to business activities around the world. The ILO estimates that the pandemic has resulted in a massive loss of jobs (equivalent to 255 million full-time jobs in 2020). Despite some encouraging signs at the end of 2020, labour market recovery stalled in 2021. The ILO now estimates that global hours worked in 2021 decreased 4.3 per cent below the pre-crisis level – a reduction equivalent to 125 million full-time jobs. The garment industry has been particularly affected due to changes in consumer demand and its highly integrated global supply chain.

### ► Box 1: Unemployment protection

The primary objective of unemployment protection schemes is to guarantee income security in case of the loss of a job or the lack of a job; this can be achieved through unemployment insurance or assistance, employment guarantee programmes or other public employment programmes and/or minimum income guarantee programmes. The Social Security (Minimum Standards) Convention, 1952 (No. 102) requires the provision of cash benefits to unemployed persons capable of and available for work but unable to obtain suitable employment. It sets benchmarks that must be met with respect to the extent of the benefits guaranteed and the qualifying conditions for their provision. In addition, unemployment protection measures are intended to facilitate the return to employment and access to more decent and productive employment through employment promotion programmes, skills development and entrepreneurship support measures. This double objective of unemployment protection schemes is at the core of the Promotion of Employment and Protection against Unemployment Convention, 1988 (No. 168).

► Source: ILO 2017.

The pandemic has had a disproportionate impact on developing economies. In the garment global supply chain, many factories in producing countries have reduced or suspended their activities. Some have closed, leading to partial unemployment of workers or lay-offs. In the

absence of comprehensive social protection systems in these countries, many affected workers did not receive any severance payment or unemployment benefits. This has left a large number of workers, primarily women, without any source of income. The interdependency between global brands and their suppliers means that maintaining these factories is crucial for business continuity and the survival of the garment industry in the long term. Companies have invested years in establishing supplier networks and hope that production can be scaled up quickly as demand rebounds. For producing countries, the garment industry often constitutes a significant share of the national economy. Sustainable social protection systems, which include unemployment protection schemes, are more important than ever. Box 1 provides a brief description of unemployment protection according to international standards.

## Description of the initiative

► Through the ILO partnership, we hope to expand our impact and find solutions to issues faced by all workers in Asia – not just those in our supply chain – through systemic social protection measures and improved working environments across the region.<sup>3</sup>

► **Tadashi Yanai**, Chairman, President and Chief Executive Office (CEO), Fast Retailing

The Indonesian social protection system did not provide any unemployment protection scheme at the start of the project. As a consequence, laid-off workers had to rely on statutory severance pay and lump-sum withdrawal of old-age savings, if available at all, as their main source of income replacement. However, these schemes are not designed to guarantee an adequate level of benefit and in case of insolvency, the employer may no longer be in a position to finance the severance pay. Public employment services (PES) and retraining programmes are also expected to play an important role in facilitating the re-employment of jobseekers and shift workers from a declining sector to emerging sectors.

Under these circumstances, the possibility of establishing a comprehensive unemployment protection system that effectively harmonizes unemployment benefit, PES and

<sup>3</sup> Fast Retailing, “Fast Retailing Partners with International Labour Organization for Social Protection and Improved Environments for Asian Workers”, press release, 4 September 2019.



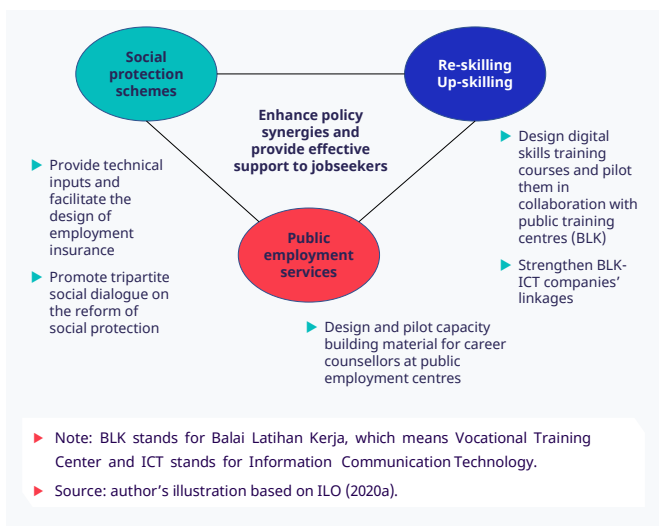
reskilling programmes has gained prominence in Indonesian policy discussions (see figure 1).



The ILO–Fast Retailing project aimed to strengthen support mechanisms for unemployed workers in Indonesia by working with the Government and employers’ and workers’ organizations to:

- provide recommendations for the design of an effective employment insurance (EI) scheme;
- expand reskilling training; and
- improve PES.

**Figure 1: Graphical representation of the main ILO–Fast Retailing project areas**



The project made a significant contribution to improving the situation of women, who are over-represented in garment factories, by helping them acquire new skills or develop their own business. The project also learned from existing unemployment protection schemes in Japan and the Republic of Korea and carried out scoping studies into existing support mechanisms for garment workers in Bangladesh, China, Cambodia, India, Myanmar and Viet Nam (see box 2).

**Box 2: Detail on ILO–Fast Retailing project outcomes**

**Outcome 1: National capacity and knowledge improved towards the establishment of an EI scheme**

The project conducted background studies to create a reliable basis for policy dialogues on EI. This included labour market analysis, legal reviews, reviews on institutional/financial framework and a series of international comparative benchmarking studies compiling information on existing unemployment protection systems and other existing social protection schemes.<sup>a</sup>

The project worked with employers’ and workers’ representatives to promote tripartite policy dialogue on the suitable design options of the EI system in Indonesia. This involved facilitating internal and tripartite discussions, providing technical assistance for the drafting of workers and employers’ position papers, and organizing expert meetings and workshops.<sup>b</sup>

An actuarial assessment was conducted on the different design options, which also covered labour market and economic implications. The feasibility study also assessed the management and governance aspects, linkages with employment services and vocational training, and the monitoring and evaluation system. The study was considered by the key stakeholders in finalizing the details of the scheme design of the EI system. In addition, 27 national experts (56 per cent of whom were female) received actuarial training under the project.

All these activities contributed to increased momentum towards the development of a new branch of social security in Indonesia and preceded the adoption of an omnibus law (Law No. 11 of 2020 concerning Job Creation of 3 November 2020) on unemployment insurance. This law establishes an unemployment benefit scheme and assigns BPJS Ketenagakerjaan (Social Security Organization in charge of income security, officially using the nickname JAMSOSTEK), to administer the scheme. It also establishes cash benefits for up to six months for eligible unemployed workers and provides them with access to labour market information and vocational training. Subsequently, a government regulation was adopted that specifically covers the unemployment insurance scheme.

The introduction of a new branch of social security is a major step towards the achievement of universal and

comprehensive social protection in Indonesia. Nonetheless, some of the labour regulations introduced by the law were opposed by several confederations of trade unions; they successfully pleaded their case to the country's Constitutional Court in 2021, which ordered the Government to amend the law within two years.

**Outcome 2: Reskilling training and employment placement services are strengthened to assist workers, especially women retrenched from the TGF sector**

The project piloted training programmes that helped retrenched workers to move from the TGF sector to other sectors, especially towards the growing information and communications technology (ICT) sector. The Ministry of Manpower (MoM) developed e-learning courses on ICT, entrepreneurship and technical as well as soft skills, with support from the ILO–Fast Retailing project. The curriculum was established through round-table discussions on workers' needs with human resources managers in the ICT sector, with the support of ICT experts. Thereafter, instructors were trained and the courses were piloted.

In addition, a training package on job search assistance and career counselling for PES staff was developed to build their capacity. The package included online and in-person sessions, with the involvement of MoM and PES in their design and development and a subset of 11 MoM and PES officials participating in the pilot.

**Outcome 3: National discussion on protection against unemployment is enriched by knowledge-sharing**

Country papers were commissioned in Bangladesh, Cambodia, China, India, Japan, Myanmar, the Republic of Korea and Viet Nam to document existing support mechanisms in the TGF sector in case of unemployment and to address gender-based issues in the workplace. The studies in Japan and the Republic of Korea assessed national unemployment systems and informed policy debates in Indonesia. The remaining country papers allowed the ILO and its partners to identify areas where support could be needed in the future.

More information on the project and its activities can be found on its website at [fastretailing-social-protection.org](http://fastretailing-social-protection.org).

► Notes: <sup>a</sup> These studies are available on the project website at [fastretailing-social-protection.org](http://fastretailing-social-protection.org). <sup>b</sup> See ILO, "ILO Discussed Trade Unions' Concerns of New Unemployment Protection Programme", press release, 1 December 2020.

## Collaborating with the ILO: a win-win approach

► **Our company sees this project as a way to proactively drive positive change in the communities where we operate. We believe that these types of multi-stakeholder initiatives are very much needed today to meet the 2030 Agenda for Sustainable Development.**

► **Tukihiro Nitta**, Group Senior Vice President of Sustainability, Fast Retailing<sup>4</sup>

In today's environment, more and more businesses are placing social and environmental sustainability as a priority, together with economic performance (UN Global Compact–Accenture Strategy 2019). Companies recognize the importance of being accountable to all stakeholders – customers, employees, suppliers, communities, governments, workers and employers organizations, as well as investors – in order to achieve sustainable social and economic growth (Sundham and Starr 2020).

Collaborating with governments and social partners through an ILO project provides companies with the unique opportunity to contribute to the development of national social protection floors and help achieve their sustainability goals and strengthen their role as responsible employers, buyers and leaders in society.

## Customers

Customers are increasingly making purchasing decisions based on company values, with purpose-driven business now a core driver of growth and differentiation (Accenture 2018). For Fast Retailing's main brand, UNIQLO, its LifeWear concept is about "clothes made for all, with long lasting design, high quality and functionality...including who made the clothes and how" (Nitta 2019). It is important to Fast Retailing that their customers feel confident that the people who made their clothes did so in an environment

<sup>4</sup> Yukihiro Nitta, "ILO Global Social Protection Week, Day 1", video, 25 November 2019.

“where their health, safety, and human rights are respected and upheld”.<sup>5</sup> Partnering with the ILO to support the development of national social protection policies shows customers that companies are committed to fair employment practices and tackling social and systemic challenges.

## Workers, suppliers and communities

It can be difficult for companies to guarantee access to comprehensive and adequate social protection for all workers in their supply chains in the context of fragmented and underdeveloped national social protection systems. These gaps in social protection risk lowering efficiency, as research has shown lower levels of productivity for workers without social protection (Lee and Torm 2017; Artz 2010, Jeatha et al. 2015). In addition, companies face a reputational risk if public perceptions are undermined by the evidence of poor working conditions in their supply chains (Ryder 2018).

By collaborating with the ILO, Fast Retailing is helping not only to provide protection to workers in their own supply chains but also to improve the level of social protection available to all workers in Indonesia and across the region. In addition, the COVID-19 pandemic has shown that coordinated approaches among social protection, active labour market policies and job creation programmes are essential for achieving strong, speedy and sustainable recovery (ILO 2020b).

## Investors

Investors have a growing expectation of companies meeting their human rights due diligence requirements and are using more environmental, social and governance metrics to determine a company’s value. BlackRock CEO Larry Fink has said that “within five years all investors will measure a company’s impact on society, the government, and the environment to determine it’s worth”.<sup>6</sup> The 2030 Agenda for Sustainable Development calls for the development of national social protection systems,

including floors, (target 1.3 of the Sustainable Development Goals (SDGs)). SDG targets 17.16 and 17.17 it also calls on effective public, private and civil society partnerships to support the achievement of the SDGs in all countries. This project contributed to these targets and has provided Fast Retailing with concrete evidence of its contribution to the SDGs on social protection.

## Way forward

► **By contributing to ILO country projects on social protection or to new innovative sustainable funding mechanisms, you can help to ensure that your supply chains are strong, your business risk is reduced, and that people are protected.**

► **Guy Ryder**, former ILO Director-General, 2018.

The ILO–Fast Retailing project is a unique type of partnership that allows public and private stakeholders to join efforts towards achieving the SDGs. Since the COVID-19 pandemic has brought into sharp focus the gaps in national social protection systems, the ILO–Fast Retailing initiative showcases that partnerships between companies, governments and social partners along the value chain can be a win–win for all parties. The project also contributed to the implementation of the guiding principles of Recommendation No. 202. In particular, it enabled the progressive realization of universal social protection systems and promoted coherence between social protection and employment policies.

To find out more about how the private sector can collaborate with the ILO to extend social protection, please visit the website for the Global Business Network for Social Protection Floors at [business.social-protection.org](https://business.social-protection.org).

<sup>5</sup> Fast Retailing, *Sustainability Report 2020*, 2020.

<sup>6</sup> Richard Feloni, “BlackRock CEO Larry Fink Says within the Next 5 years All Investors Will Measure a Company’s Impact on Society, Government, and the Environment to Determine its Worth”, *Business Insider*, 1 November 2018.

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