

GAJAH TUNGGAL:

**WORKING CONDITIONS
AND LABOR RIGHTS AT
INDONESIA'S LARGEST
TIRE MAKER**



Executive Summary

The Indo-Pacific Economic Framework for Prosperity (IPEF) offers historic opportunities to fuel economic growth and strengthen ties among participating nations, provided the parties unequivocally commit to model labor standards and fair treatment of workers.

Gajah Tunggal (GT), the largest producer of tires in Indonesia, falls far short of these requirements even though one of the parent company's top officials, Cherie Nursalim, portrays herself as a champion of the United Nations Sustainable Development Goals, which include workers' rights. Despite holding itself out as a global model, the company cheats workers out of wages, engages in worker misclassification, forces workers to live in slum housing, and deprives women employees of government-mandated health benefits, all with the aid of a company-controlled union.

As the United States pursues a worker-centered trade policy, it must demand that trade agreements prioritize fair wages and working conditions at home and abroad and ensure that current trading partners like Indonesia demand that global corporations operating within their borders respect workers' rights.

Introduction

The Indo-Pacific Economic Framework for Prosperity (IPEF) offers an opportunity to advance the goal of developing a more open and connected Indo-Pacific region by developing new approaches to trade and strengthening ties with U.S. partners.¹

Workers across the region and in the United States stand to benefit from these connections, but only if the IPEF agreement adheres to worker-centered values and ideals, prioritizing international labor standards and engaging with partners who have the capacity and intent to meet its terms.

The Biden administration identified a number of leading regional partners to be involved in the framework, including Indonesia, one of the largest tire-exporting countries to the United States and home to many of the world's largest global tire manufacturers.²

Tiremakers in Indonesia enjoy special trade privileges with the United States,³ and the nation is the second largest exporter of tires to the United States under the Generalized System of Preferences (GSP) program. In 2022, Indonesian manufacturers imported \$198.6 million in tires under the GSP, accounting for 27.3% of the value of all of the tires imported under this program.⁴

The United Steelworkers union (USW) represents a majority of tire manufacturing workers in the United States⁵ and has successfully filed trade cases to help protect both domestic and foreign workers.^{6,7}

The union supports many of the principles of the IPEF, but it also believes that provisions relating to corporate accountability and workers' rights must permeate all aspects of any potential agreement.

With this aim in mind, the USW sent a team of researchers to Indonesia's Banten Province, the home of Gajah Tunggal. Gajah Tunggal produces the most tires in Indonesia, and it is part of the global tire manufacturing giant, Giti Tire Pte Ltd (Giti). The researchers lived among Gajah Tunggal's workers and learned more about the working conditions at Gajah Tunggal's mega-factory from ethnographic interviews with workers.⁸

¹<https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf>, accessed 12/6/2022.

² "Tariffs Impacted Import Trends," Modern Tire Dealer, January 2022, p. 42. https://issuu.com/10missionsmedia/docs/mtd_0122/1.

³ <https://ustr.gov/sites/default/files/gsp/GSPnumbers2021.pdf>, accessed 1/29/2023.

⁴ Internal analysis based on data obtained from the USITC Dataweb on 8/7/2023.

⁵ Passenger Vehicle and Light Truck Tires from China Investigation Nos. 701-TA-522 and 731-TA-1258 (Review). Publication 5158, Feb. 2021, https://www.usitc.gov/publications/701_731/pub5158.pdf, p. 4 (redacted).

⁶ See "United States Prevails in WTO Dispute about Chinese Tire Imports," <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2011/september/united-states-prevails-wto-dispute-about-chinese> and "USW Commends Preliminary Findings by Commerce Dept. In Trade Case Against Imports of Vehicle Tires from China," <https://m.usw.org/news/media-center/releases/2014/usw-commends-preliminary-findings-by-commerce-dept-in-trade-case-against-imports-of-vehicle-tires-from-china>.

⁷ "The GSP was set up to help bring economically developing countries out of poverty, not allow foreign companies to undermine U.S. jobs," in https://uswlocals.org/system/files/infoalert_gsp.pdf.

⁸ Data in this research was collected through a combination of a desk study as well as field research and in-depth interviews. The desk study was conducted between September and November 2021, and data came mainly from the company's annual reports for the years 2017 through 2021 and from media reports. Field research took place during two periods where the researchers had in-depth interviews with Gajah Tunggal workers, former workers, a landlord from whom Gajah Tunggal workers rent their rooms and food sellers from whom Gajah Tunggal's workers buy food. The first period of interviews was conducted in two weeks in November 2021 and the second period was conducted from December 2021 to January 2022. In addition, we also interviewed two union officers in Tangerang to get their perspective about the role and involvement of SPSI Gajah Tunggal in the labor movement.

What researchers found is disturbing.

Gajah Tunggal, Indonesia's largest tire exporter to the United States, forces its predominantly migrant, Muslim workforce to live in squalid conditions; misclassifies and underpays a significant number of its low-wage workforce; offers its workers substandard healthcare; segregates women to particular departments; and keeps workers from challenging unsafe working conditions through an undemocratic, company-controlled union.

As the United States pursues a worker-centered trade policy, these findings merit additional investigation – to ensure our current trading partners respect labor rights and that any agreements we make with them moving forward include mechanisms to enforce these priorities.

Gajah Tunggal as a case study

Gajah Tunggal provides an important case study because of its significant market share in Indonesia, its relationships with other international tire manufacturers, and its prolific trade relationship with the United States.

The company owns and operates the largest, vertically integrated tire manufacturing facility in Southeast Asia,⁹ employing more than 17,000 workers.¹⁰ Due to this great capacity, it produced the most tires of any company in Indonesia as of 2020, both by volume and by tonnage.¹¹ In 2022, Gajah Tunggal had an estimated capacity of 25 million tires per year, still the largest of any company that manufactured tires in Indonesia.¹² It claimed to have a 50% share of the domestic passenger vehicle market and a 47% share of the domestic motorcycle tire market.¹³

Gajah Tunggal exports the most tires of any Indonesian company to the United States. Over the past decade, Gajah Tunggal shipped more than 33.9 million tires, valued at nearly \$2.1 billion, to its U.S.-based importer, Giti Tire (USA) Ltd.¹⁴

This is not surprising considering that Gajah Tunggal's business strategy includes a stated intent to expand sales in the United States and to "leverage the market and regulatory shifts which are favorable to [Gajah Tunggal], such as anti-dumping tariffs imposed on tires manufactured in other Asian countries."¹⁵

Furthermore, Gajah Tunggal has close relationships with other international tire manufacturers in Indonesia. Michelin has a "strategic alliance" and an offtake agreement with Gajah Tunggal, and the company owns a 10% stake in Gajah Tunggal.¹⁶ Additionally, the Giti Group has an offtake agreement with Gajah Tunggal to produce Giti-branded truck and bus radial (TBR) tires for sale at sites around the world.¹⁷ Gajah Tunggal manufactures the Primewell All Season¹⁸ tires that are sold exclusively at Firestone Complete Care stores and repair shops in the United States.¹⁹

Gajah Tunggal is a subsidiary of Giti Tire Pte Ltd, a Singapore-based global tire company with factories in China and one in the United States.²⁰ Giti opened its factory in Richburg, South Carolina, in 2017, in response to tariffs imposed on imports of passenger vehicle and light truck tires from China, where Giti previously sourced a majority of its tires sold in U.S. markets.²¹

Beyond tires

Over the past five decades, longtime owner Sjamsul Nursalim expanded Gajah Tunggal and developed it into the Gajah Tunggal Group, or Giti Group, a global

⁹ <https://www.gt-tires.com/indonesia/corporate.asp?menuid=3&classification=12&language=1#:~:text=PT%20Gajah%20Tunggal%20Tbk&text=The%20Company%20owns%20and%20operates,tire%20manufacturing%20facility%20in%20Indonesia.>

¹⁰ PT Gajah Tunggal 2021 Annual Report, p. 74. <http://gt-tires.com/indonesia/corporate.asp?page=&menuid=3&classification=19&subid=39&id=&language=1&year=2021.>

¹¹ Offering Memorandum for Senior Secured Notes due 2026, issued June 2021, p.1, [https://links.sgx.com/FileOpen/PT%20GAJAH%20TUNGGAL%20TBK%20-%20Final%20Offering%20Memorandum%20\(16%20June%202021\).ashx?App=Prospectus&FileID=52518.](https://links.sgx.com/FileOpen/PT%20GAJAH%20TUNGGAL%20TBK%20-%20Final%20Offering%20Memorandum%20(16%20June%202021).ashx?App=Prospectus&FileID=52518.)

¹² Tire Business Data Book 2022, <https://www.tirebusiness.com/data-lists/market-data-book-2022.> p. 28.

¹³ "Gajah Tunggal Reigns in the Domestic Tire Market," Investor.id, <https://investor.id/industry-trade/188056/gajah-tunggal-rajai-pasar-ban-domestik.>

¹⁴ Based on an internal analysis conducted with data obtained from the USITC Dataweb on 8/7/2023 and PIERS Import Data, downloaded on 8/7/2023.

¹⁵ Offering Memorandum for Senior Secured Notes due 2026, issued June 2021, p.4, [https://links.sgx.com/FileOpen/PT%20GAJAH%20TUNGGAL%20TBK%20-%20Final%20Offering%20Memorandum%20\(16%20June%202021\).ashx?App=Prospectus&FileID=52518.](https://links.sgx.com/FileOpen/PT%20GAJAH%20TUNGGAL%20TBK%20-%20Final%20Offering%20Memorandum%20(16%20June%202021).ashx?App=Prospectus&FileID=52518.)

¹⁶ Offering Memorandum for Senior Secured Notes due 2026, issued June 2021, [https://links.sgx.com/FileOpen/PT%20GAJAH%20TUNGGAL%20TBK%20-%20Final%20Offering%20Memorandum%20\(16%20June%202021\).ashx?App=Prospectus&FileID=52518.](https://links.sgx.com/FileOpen/PT%20GAJAH%20TUNGGAL%20TBK%20-%20Final%20Offering%20Memorandum%20(16%20June%202021).ashx?App=Prospectus&FileID=52518.) p. 4, 104, 119.

¹⁷ Ibid. Offering Memo, p. 3.

¹⁸ [https://primewelltires.com/about-giti-usa/.](https://primewelltires.com/about-giti-usa/)

¹⁹ <https://www.bridgestoneamericas.com/en/company/businesses/products/primewell>, accessed 12/7/2022.

²⁰ While Gajah Tunggal is publicly traded on the Indonesia Stock Exchange, it is controlled by Denham Pte Ltd with 49.5% of its outstanding shares. Denham Pte Ltd is controlled by Giti Tire Pte Ltd., which also controls Giti Tire USA, Giti Tire Manufacturing USA, Giti Tire Corporation, and dozens of other related entities. https://www.idx.co.id/StaticData/NewsAndAnnouncement/ANNOUNCEMENTSTOCK/From_EREP/202105/263c4441ed_f4360f7274.pdf and Company Overview Giti Tire, <https://www.giti.com/en-us/about-us/company-overview>, accessed 9/16/2022. See 'Information of Disclosure to The Gajah Tunggal's Shareholders', <https://www.gt-tires.com/indonesia/images/infoatt20167172443798.pdf>.

²¹ "Giti seeks to strengthen global supply chain with U.S. plant," Rubber News, 7/7/2014. <https://www.rubbernews.com/article/20140707/NEWS/306309992/giti-seeks-to-strengthen-global-supply-chain-with-u-s-plant.>

conglomerate that not only manufactures tires, but also operates business segments in real estate, retail, and other industries.^{22,23}

While Sjamsul Nursalim today holds no official role in running the company, his daughter, Cherie Nursalim, is the Vice-Chair of the Giti Group. Her husband, Enki Tan, is the Vice President Commissioner of Gajah Tunggal and also the Executive Chairman of Giti Tire Pte Ltd.²⁴

In addition to her work in the tire industry, Cherie Nursalim currently serves as a Special Advisor on Climate to the government of Indonesia's Minister of Maritime and Investment Affairs, Luhut Binsar Pandjaitan.²⁵ Pandjaitan plans and coordinates Indonesia's maritime and energy policies.²⁶

Cherie Nursalim also serves on the Leadership Council for the United Nations Sustainable Development Solutions Network. The network advocates for the U.N.'s 17 sustainable development goals, which include eliminating poverty, promoting gender equality, providing decent work, building sustainable communities, ensuring clean water and sanitation, and many others.²⁷

Nursalim also founded United in Diversity, a non-profit that brings together business, civil society, and government to solve problems in Indonesia, and she was a founding member of the Synergos Global Philanthropic Foundation with Rockefeller heirs.^{28,29}

Unfortunately, reports from workers, both in Indonesia and South Carolina, indicate a jarring dissonance between the stated priorities of Nursalim's government-related and philanthropic work and her corporation's labor practices.

Living conditions in the shadow of Gajah Tunggal

More than 17,000 workers operate Gajah Tunggal's sprawling, integrated tire manufacturing complex, the largest in Southeast Asia, consisting of nine tire producing plants in Tangerang Regency.^{30,31}

Workers report that a significant number of Gajah Tunggal workers are migrants from Central Java, East Java, and Sumatra.³² The workers observed that because they live so far from their homes, many Gajah Tunggal workers live in rented rooms in Pasir Jaya, a village close to the Gajah Tunggal industrial complex.³³

Pasir Jaya is a dense settlement with houses lined up close together. The width of the alleys in the complex is approximately 1 to 2 meters, and a small river divides Pasir Jaya from Gajah Tunggal. The river water is black and smelly and stagnant. Workers described the smell that comes out of the river as much more pungent (see pictures 1 and 2 below) during the dry season. The sewers similarly reek.³⁴

Most of the men who have families live alone, or they live together with their co-workers in the same room. Their families usually stay in their hometowns to reduce costs and so they can live in a better environment.³⁵

Rental prices per month are approximately 15% of the minimum wage, with rooms measuring 3x4 m or 4x4 m. Room conditions, in general, are poor with bad air circulation, lots of mosquitoes and not enough sunlight (see picture 3 below). Most of the rented rooms are also close to a foul-smelling sewer, and some are close to the garbage dump.³⁶

²² Giti group. (2023). World Economic Forum. Retrieved January 27, 2023, from <https://www.weforum.org/organizations/giti-group/>.

²³ <https://www.giti.com/news/details/u/gitis-milestones-road-to-success>. For examples in retail, see Mitra Adiperkasa (MAPI), <https://www.map.co.id/>, or for examples in real estate, see Tuan Sing, <https://www.tuansing.com/>.

²⁴ <https://www.giti.com/news/details/u/cherie-nursalim-appointed-as-indonesia-special-advisor-on-climate> and <https://www.gt-tires.com/indonesia/corporate.asp?menuid=3&classification=12&subid=151&language=1>.

²⁵ "A G20 for the Global Good," Cherie Nursalim for Global Action, 1/20/22, <https://sdg-action.org/a-g20-for-the-global-good/>.

²⁶ "Secretary Blinken's Meeting with Indonesian Coordinating Minister for Maritime and Investment Affairs Pandjaitan and Minister of Trade Lutfi" <https://www.state.gov/secretary-blinkens-meeting-with-indonesian-coordinating-minister-for-maritime-and-investment-affairs-pandjaitan-and-minister-of-trade-lutfi/>, 12/14/2021. For further information on Panjaitan, see "Indonesia has a deal to get off coal. But it's building new coal plants," 2/7/23, <https://www.npr.org/2023/02/07/1155186919/indonesia-agreed-to-transition-to-renewable-energy-but-its-unclear-if-itll-happe>; "Indonesian government actively blocking efforts to reform palm oil industry," 5/16/19, <https://www.greenpeace.org/international/press-release/22030/indonesian-government-actively-blocking-efforts-to-reform-palm-oil-industry/>; and "Luhut Binsar Panjaitan's Report of Haris Azhar and Fatia Maulidiyanti is a Serious Threat to Democracy and the Work of Human Rights Defenders," 9/23/21, https://kontras.org/en/2021/09/23/luhut-binsar-panjaitans-report-of-haris-azhar-and-fatia-maulidiyanti-is-a-serious-threat-to-democracy-and-the-work-of-human-rights-defenders/?utm_source=rss&utm_medium=rss&utm_campaign=luhut-binsar-panjaitans-report-of-har.

²⁷ <https://sdgs.un.org/goals#goals>, accessed 10/19/2022.

²⁸ <https://www.worldfuturecouncil.org/p/cherie-nursalim/>.

²⁹ <https://www.unitedindiversity.org/information/35/who-we-are/en>.

³⁰ PT Gajah Tunggal 2021 Annual Report, p. 74.

³¹ The plants include A, B, C, D, E, F, M, R, and Filamendo Sakti. Offering Memorandum for Secured Notes, p 120. [https://links.sgx.com/FileOpen/PT%20GAJAH%20TUNGGAL%20TBK%20-%20Final%20Offering%20Memorandum%20\(16%20June%202021\).ashx?App=Prospectus&FileID=52518](https://links.sgx.com/FileOpen/PT%20GAJAH%20TUNGGAL%20TBK%20-%20Final%20Offering%20Memorandum%20(16%20June%202021).ashx?App=Prospectus&FileID=52518).

³² Interview with D and B, December 29, 2021.

³³ Interview with D and B, December 29, 2021.

³⁴ Observations made on November 9, 2021.

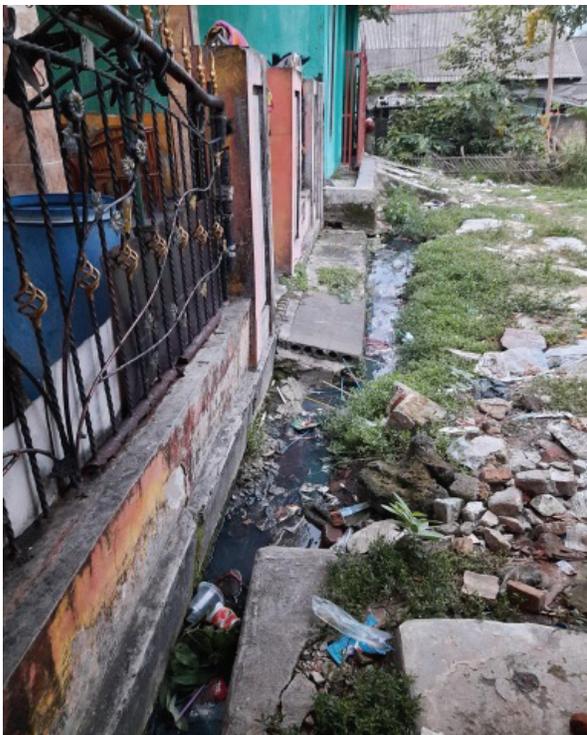
³⁵ Interview with D, December 24, 2021.

³⁶ Observations made on November 9, 2021.



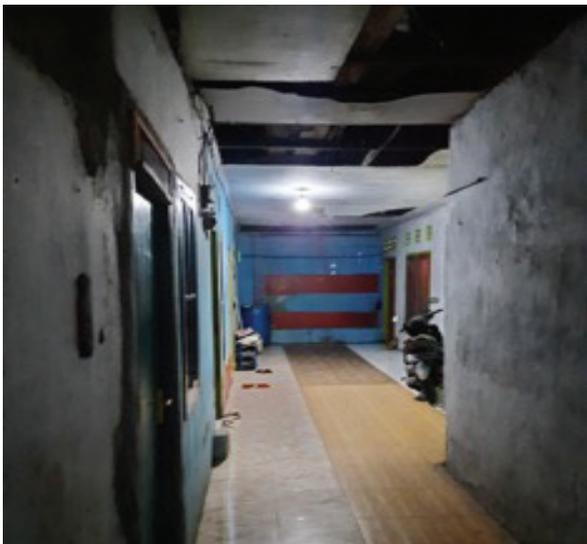
1. POOR DRAINAGE NEAR A WORKER'S RENTED ROOM

Source: Researcher documentation, December 2021.



2. POOR DRAINAGE NEAR A WORKER'S RENTED ROOM

Source: Researcher documentation, December 2021.



3. WORKERS' RENTED ROOMS

Source: Researcher documentation, December 2021.

Many of the workers get their food from stalls and mini markets. The food is not fresh, and the stalls are usually near a foul-smelling sewer. At night, rats come out to fill the food stalls.³⁷

There is no state-owned drinking water company in Pasir Jaya, which means residents must buy drinking water. The water used for bathing and washing comes from wells drilled as deep as 16 to 18 meters. This well water tastes salty. One drilled well is used for four to six houses, and workers must pay a fee to the owner of the well every month.³⁸

Significant number of workers earning less than provincial minimum wage

Workers at Gajah Tunggal fall into one of four categories: daily permanent workers, monthly permanent workers, interns, and outsourced workers. Labor law in Indonesia establishes these categories,³⁹ and the Gajah Tunggal CBA establishes wages⁴⁰ and allowances⁴¹ for each.

Conversations with Gajah Tunggal workers revealed that daily permanent workers are likely getting paid less than the provincial minimum wage,⁴² and the company incorrectly classifies many outside the categories established by labor law in Indonesia. Thus, misclassified workers who should be monthly permanent workers with higher pay and more security⁴³ instead remain as daily permanent workers. It also appears that they sometimes work more than their allotted days without full compensation for those days.⁴⁴

In the Decree of Ministry of Manpower 100/2004, daily employment (daily work) is defined as certain jobs which are changing in terms of time and volume of work, and wages are based on attendance.⁴⁵

Daily work is supposed to be conducted no more than 21 days in one month.⁴⁶ When workers exceed 21 days for three consecutive months or more, the daily work agreement should be annulled and must be changed to a permanent monthly work agreement.⁴⁷ This fails to happen at Gajah Tunggal.

Instead, wages are calculated daily and whenever workers miss a day of work, the day's absence is deducted from their pay, reducing their monthly wages below the minimum wage standard. Additionally, when they work more than 21 days (which should not be allowed for daily permanent workers) they still only get paid the standard monthly minimum wage. These practices result in many workers being significantly underpaid.⁴⁸

Interns at Gajah Tunggal are particularly vulnerable to underpayment. In 2020, Gajah Tunggal began an internship program called Peserta Program Pemagangan.⁴⁹ Only high school graduates between the ages of 18 to 20 can apply and those who pass the selection process will get a one-year contract as an intern. Based on interviews with workers from Plants A and B, there are at least 100 intern workers in each plant.⁵⁰ However, researchers were unable to find any official record on the total number of interns across all the plants.

The working hours and types of work performed by interns are the same as for permanent workers in the production lines. Interns have to work seven to eight hours a day, five days a week, 21 to 24 days a month. However, the wages they receive, 2.5 million Indonesian Rupiah (IDR) or 170 U.S. dollars (USD),⁵¹ are half of the wages of permanent workers, leaving them well under Tangerang City's

³⁷ Observations made on November 17, 2021.

³⁸ Observations made on November 17, 2021.

³⁹ Manpower Law No. 13/2003 concerning Manpower, <https://www.ilo.org/dyn/travail/docs/760/Indonesian+Labour+Law+-+Act+13+of+2003.pdf>.

⁴⁰ Collective Bargaining Agreement between Pengurus Unit Kerja Serikat Pekerja Kimia Energi Dan Pertambangan and Gajah Tunggal 2020-2022, Article 21-25.

⁴¹ Ibid. CBA 2020-2022, Article 20(2), Article 21(3), and Article 38(1,2,6).

⁴² Interview with D and B, December 29, 2021.

⁴³ Ibid. CBA 2020-2022, Article 21.

⁴⁴ Interview with D and B, December 29, 2021.

⁴⁵ Decree of Ministry of Manpower 100/2004 Concerning Provisions On The Implementation of Certain Time Work Agreement. Article 1(2) and Article 10. https://www.jobexpect.com/assets/docs/Manpower-Decree-100-Year-2004_English.pdf.

⁴⁶ Decree of Ministry of Manpower 100/2004 Concerning Provisions On The Implementation of Certain Time Work Agreement. Article 10(2). https://www.jobexpect.com/assets/docs/Manpower-Decree-100-Year-2004_English.pdf.

⁴⁷ Decree of Ministry of Manpower 100/2004 Concerning Provisions On The Implementation of Certain Time Work Agreement. Article 10(3). https://www.jobexpect.com/assets/docs/Manpower-Decree-100-Year-2004_English.pdf.

⁴⁸ Manpower Law No. 13/2003 concerning Manpower, Article 89, Article 90. <https://www.ilo.org/dyn/travail/docs/760/Indonesian+Labour+Law+-+Act+13+of+2003.pdf>.

⁴⁹ <https://career.gt-tires.com/vacancies/factory-tangerang>, accessed 2/9/2021.

⁵⁰ The research did not identify the number of interns working in other plants.

⁵¹ Interview with M and K November 14, 2021. Interview with H,F,N, January 3, 2022. Interview with R, November 19, 2021.

⁵² <https://decentworkcheck.org/labour-laws-per-country/minimum-wages-indonesia/provincial-and-regencies-minimum-wage-in-banten>, accessed 2/10/23.

minimum wage of 4.262 million IDR.⁵² Paying sub-minimum wages to interns while offering them short-term contracts makes these jobs precarious for interns.

Lastly, the requirement for daily permanent workers and interns to work 24 days a month strongly indicates that Gajah Tunggal does not appear to be respecting workers' rights to badly needed days off.

Unsafe working conditions

Lax health and safety training puts Gajah Tunggal workers at risk on the job. The Gajah Tunggal workers interviewed also described working conditions that appear to be either illegal or violations of their contract, and are, in all events, a danger to plant employees.

Workers reported that Occupational Safety and Health (OSH) training is only held during the probation period, leaving significant gaps in workers' understanding of essential processes and protocols.

Additionally, management does not provide training and information for workers on how to handle chemicals or their components, like the often-used solvents special boiling point (SBP) Toluene and Propylene.⁵³ Without access to vital information about these chemicals and their risks via accurate labeling and Safety Data Sheets, workers remain vulnerable to chemical exposure and other dangers.

A worker was even reported to have accidentally consumed SBP liquid that was placed in a water bottle because the color and the smell of SBP were similar to water.⁵⁴

A failure to create processes for container labeling is clearly a hazard that compounds the dangerous and potentially deadly lack of training.

No health insurance for interns

In interviews, workers said Gajah Tunggal does not register interns in the Indonesia National Health Insurance System, or any other insurance program, leaving them vulnerable if they get injured on the job.^{55,56} Indonesia's BPJS Agency (Badan Penyelenggara Jaminan Sosial) administers the national health care, inclusive of "private sector workers who work for an employer and receive a salary or wage at a business entity."⁵⁷ Manpower Act 7 of 2021 requires all workers and laborers to be registered in the system, and those "who work for large and medium enterprises, shall be registered with the health insurance, JKK [work injury benefit], old age benefit, pension benefit, and JKM [death benefit] programs."⁵⁸

The Indonesia National Health Insurance System is a national system where employed people receive a higher level of care, "first class" or "class I," than unemployed or indigent patients who receive class III. While it is not an egalitarian model of health care delivery, the program is the access point for workers, their spouses, and children to receive class I service.⁵⁹ As the Manpower Act requires registration, workers from many classes of employers are entitled to this health insurance coverage.

Furthermore, hospital care in Indonesia is provided based on a tiered system tied to employment status or indigence. Workers reported that Gajah Tunggal employees were insured under BPJS, Indonesia's universal health care program, for Class I service and paid monthly premiums of 100,000 IDR through deductions from their pay.^{60,61}

⁵³ Interview with R, November 19, 2021 .

⁵⁴ Interview with R, November 19, 2021.

⁵⁵ Interview with S, L, Y, December 2021 and January 2022.

⁵⁶ This practice violates the Regulations of Manpower 6/2020 Article 13e and 16e, which states that every apprentice must be registered by the company in the social security program. https://jdih.kemnaker.go.id/asset/data_puue/Permenaker_6_2020_eng.pdf Further ILO Convention 121, the Employment Benefits Convention, sets a standard for insurance coverage for apprentices or interns. https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C121 .

⁵⁷ Manpower Act 7 of 2021, Article 2(3). <https://www.ilo.org/dyn/natlex/docs/MONOGRAPH/111571/139101/F-2057408716/IDN111571%20ENG.pdf>.

⁵⁸ Manpower Act 7 of 2021, Article 2(3). <https://www.ilo.org/dyn/natlex/docs/MONOGRAPH/111571/139101/F-2057408716/IDN111571%20ENG.pdf>.

⁵⁸ <https://www.bpjs-kesehatan.go.id/bpjs/index.php/pages/detail/2014/11SemarangBustani>.

⁵⁹ Interview with S, December 2021. Interview with D, December 2021. Interview with S and W, December 2021.

⁶⁰ Interview with H, F, and N, January 2022. Interview with L, January 2022. Interview with Y, December 2021.

⁶¹ Interview with S and W, December 2021.

By failing to register interns for the Indonesia National Health Insurance System, Gajah Tunggal is excluding a set of workers from healthcare coverage, exposing them to the challenges of being uninsured. The sub-minimum wages paid to interns would make the IDR 100,000 deduction a burden to them, but this underscores the need for all workers to be paid living wages for their work.

For other Gajah Tunggal employees, the company fulfills the registration requirement and extends the option to enroll in a private health insurance plan. This option would present an additional cost or payroll deduction to employees who elect it.⁶²

It appears that Gajah Tunggal also fails to register its interns in the national social security program,⁶³ which provides benefits such as accident insurance, death benefits, or job loss insurance.⁶⁴ This puts workers and their families in jeopardy when it comes to workplace accidents, occupational disease, and layoff.

From workers' reports, the company fails to protect workers from injury.⁶⁵

This is especially concerning because interns are not included in the occupational safety and health training offered to other employees during orientation and may ultimately need these extra protections.⁶⁶

Exploiting workers during the pandemic

In mid-2020, when the pandemic started to hit Indonesia, Gajah Tunggal's management made the decision to limit operations, cut workers' wages, and furlough some workers. In interviews, workers confirmed that they were laid off and their pay was reduced.⁶⁷ Gajah Tunggal reported to bondholders that the company also made wage reductions for the month of June 2020 and for certain senior management personnel in May 2020.⁶⁸

According to Indonesian labor law, all wage reductions must be written into the collective bargaining agreement, even though in a few cases they may proceed without consent from the workers.⁶⁹ However, working hours during a pandemic are not one of these exceptions, and any wage policy requires written agreement and must be negotiated with the consent of the workers according to the collective bargaining agreement.⁷⁰ From interviews, it appears that the company implemented this policy unilaterally, depriving workers of the opportunity to discuss the changes with management or mitigate the impact of lost wages.

During the pandemic, Gajah Tunggal also failed to provide adequate personal protective equipment (PPE) to its workers. The company claimed that it had taken serious steps to protect the health and safety of workers⁷¹ and even donated nearly 6 million masks to the government of Indonesia⁷² through United in Diversity,⁷³ Giti Group Vice Chair Cherie Nursalim's nongovernmental organization.⁷⁴

Workers, however, told a different story.

They said that the number of masks they received each month was different and inconsistent. Some workers stated that the company gave them a single box of masks containing only 50 pieces.⁷⁵ Others said they only received two to three washable cloth masks, leaving workers vulnerable to infection and forced to navigate pandemic risks on their own.⁷⁶

⁶² Interview with R, December 2021.

⁶³ Interview with S and W, December 2021.

⁶⁴ National Social Security Program of Indonesia (Dewan Jaminan Sosial Nasional), <https://djsn.go.id/>, accessed 10/20/2022.

⁶⁵ Decree of Minister of Manpower 7/2021, Article 1(2), "Worker/Laborer shall be any person who works by receiving wages or other forms of remuneration." <https://www.ilo.org/dyn/natlex/docs/MONOGRAPH/111571/139101/F-2057408716/IDN111571%20ENG.pdf>.

⁶⁶ Interview With Y, December 2021.

⁶⁷ Interview with A, November 10, 2021.

⁶⁸ Final Offering Memo Memorandum, Gajah Tunggal, 6/16/2021, [https://www.google.com/url?q=https://links.sgx.com/FileOpen/PT%2520GAJAH%2520TUNG-GAL%2520TBK%2520-%2520Final%2520Offering%2520Memorandum%2520\(16%2520June%25202021\).ashx?App%3DProspectus%26FileID%3D52518&sa=D&source=docs&ust=1657785118278907&usg=AOvWaw3uzYv8vPpO-CQP2-53Vo-4p](https://www.google.com/url?q=https://links.sgx.com/FileOpen/PT%2520GAJAH%2520TUNG-GAL%2520TBK%2520-%2520Final%2520Offering%2520Memorandum%2520(16%2520June%25202021).ashx?App%3DProspectus%26FileID%3D52518&sa=D&source=docs&ust=1657785118278907&usg=AOvWaw3uzYv8vPpO-CQP2-53Vo-4p), p. 8.

⁶⁹ Government Regulation Number 8/1981. <https://bphn.go.id/data/documents/vcv.pdf> and Government Regulation Number 36/2021 https://jdih.kemnaker.go.id/asset/data_puue/2021PPENG36.pdf.

⁷⁰ Gajah Tunggal CBA 2020 - 2022, Article 20(1) and Article 20(2).

⁷¹ <https://tangerangonline.id/2020/09/08/tim-sat-gas-covid-19-kabupaten-tangerang-kunjungi-pt-gajah-tunggal/>.

⁷² <https://www.gt-tires.com/indonesia/corporate.asp?menuid=3&classification=21&subid=68&language=1>.

⁷³ <https://www.unitedindiversity.org/post/86/gajah-tunggal-group-donates-6-million-masks-to-uid-facing-covid-19/en>.

⁷⁴ <https://www.unitedindiversity.org/information/425/coronavirus-or-covid-19/en>.

⁷⁵ Interview with D, S, December 2021 and January, 2022.

⁷⁶ Interview with D, S, December 2021 and January, 2022, This appears to be both a violation of guidelines in the Ministry of Health Circular Letter Number HK.02.02/1/385/2020 and Decree of the Minister of Health number HK.01.07/MENKES/328/2020, which state that masks are considered basic and general personal protective equipment (PPE) both in the home and work environment. https://www.iccc.or.id/wp-content/uploads/2020/08/Minister-of-Health-Decree-HK.01.07_MENKES_328_2020-SSEK-Translation.pdf and <https://setkab.go.id/en/health-minister-issues-guidelines-on-covid-19-prevention-at-workplaces/>.

Gajah Tunggal management undemocratically controls the workers' union

Simply having a union at a workplace is not enough to guarantee that workers have a voice or representation on the job if the company engages in acts of interference against union democracy. In many countries, management is able to set up company-controlled, or management-dominated unions where workers do not have freedom to establish and run their own organizations. In these cases, workers have no real means of addressing issues such as low wages, dangerous working conditions, and exploitation.⁷⁷

Based on interviews, this appears to be the case at Gajah Tunggal.

Gajah Tunggal workers belong to PUK SP KEP SPSI, a local of the All-Indonesian Workers Union (FSP KEP SPSI), a union that historically has close ties with management and the repressive Suharto government.⁷⁸ Workers interviewed did not have much trust in the union because it was “management controlled,” as workers described it.⁷⁹ Some consider the existence of their union nothing more than a formality to comply with Indonesian labor law.⁸⁰

According to workers, all of their union officials are directly or indirectly selected by management. Management selects union representatives on each production line called the Bakor. These representatives then choose the union chairman, who then appoints union officers.⁸¹

This makes a mockery of basic notions of workplace democracy. The company controls who is selected to lead the workers' union, and ordinary workers are excluded from holding office or even having voting rights unless they have close ties with management.

This also affects the negotiation process. Workers are not involved in bargaining and heard nothing about the bargaining process for their collective bargaining agreement.⁸² Workers reported that a CBA was agreed to without their feedback taken into consideration.⁸³ Workers had no printed, physical copy of their CBA, a means for improving popular understanding of their contractual rights and benefits. To access the text of the CBA, workers must use a smartphone application to view a digital copy. Instead of providing a check on management, the union instead functions as a rubber stamp for corporate policy.

Management's interference in the union also has detrimental effects on workers' participation in civil society. Based on information from different union leaders in Tangerang, whenever unions or civil society groups organized demonstrations, SPSI Gajah Tunggal was actually tasked with preventing workers and their members from participating.⁸⁴ This not only deprives workers of a voice inside their workplace but stifles their involvement in shaping government policy surrounding labor issues.

Failing to respect the rights of women at work

There is no official record of the workforce's gender composition at Gajah Tunggal, but based on interviews with workers, only a few workers in the production line are women. Instead, most of the women workers are assigned to the office and packing divisions.⁸⁵

Of the women working in the production line, most are concentrated in Plant B, especially at the splicing and packaging department. This is because only Plant B still uses hand packing, while the other plants use machines.⁸⁶

⁷⁷ This problem was addressed in the negotiations for the U.S.-Mexico-Canada Agreement (USMCA) which now protects the right of Mexican workers to organize, form, and join the union of their choice; prohibits employer interference in union activities, discrimination, or coercion against workers; and provides for the exercise of a personal, free, and secret vote of workers for union elections and agreements. <https://crsreports.congress.gov/product/pdf/IF/IF11308>.

⁷⁸ Human Rights Watch, Indonesia: Charges and Rebuttals Over Labor Rights Practices Analysis of Submissions to the U.S. Trade Representative" January 1993, Pp. 3. <https://www.hrw.org/reports/pdfs/i/indonesia/indonesi931.pdf>.

⁷⁹ Interview with R, November 19, 2021. Interview with S and W, December 25, 2021. Interview with B and D, December 29, 2021. Interview with D, December 24, 2021.

⁸⁰ Interview with D, R, November and December, 2021; Interview with D, December 24, 2021.

⁸¹ Interview with R, November 19, 2021. Interview with D, January 2022.

⁸² Interview with D, January 2022. Interview with R, November 19, 2021.

⁸³ Interview with B, L, November 2021 and January 2022.

⁸⁴ Interview with M and K, November 14, 2021.

⁸⁵ Interview with R and A (both in Plant D), December 19, 2021.

⁸⁶ Interview with S, December 25, 2021.

On its face, the failure to employ women in other departments and placing them only in these areas appears to be occupational segregation by gender. Occupational segregation describes the overrepresentation or underrepresentation of a demographic group in a particular job classification or category.⁸⁷ Occupational segregation is a major source of the wage gap across studies and countries.⁸⁸ It also tends to impair equality of opportunity in the workplace, relegating demographically similar workers to less desirable jobs and classifications. These are employer practices that suppress pay by crowding similar workers into similar classifications, as distinct from the societal barriers that influence gender or race composition within an occupation.⁸⁹

Additionally, women workers reported having difficulty taking the maternity leave to which they are entitled by Indonesian law and the CBA.^{90,91} Based on interviews, workers said that the company often violates the established policy, shortchanging workers before and after they give birth.⁹²

Women workers in Indonesia⁹³ and other Southeast Asian nations like Japan, South Korea, and Taiwan are permitted to take some amount of paid or unpaid leave when they are menstruating.⁹⁴ At Gajah Tunggal, menstrual leave is also included in the CBA.⁹⁵

However, it is difficult for women workers to actually take menstrual leave because of the cumbersome requirements, like submitting a report to the company physician.⁹⁶ Further, when a woman takes menstrual leave, her production target will not be reduced, forcing her co-workers to work extra in order to meet the target.⁹⁷

Whether Gajah Tunggal is systematically discriminating against women, or whether its disregard for women's workplace protections and apparent segregation of women workers in certain jobs dissuade women from working at the facility, it is clear that the company struggles with gender equity for workers.

Conclusion and recommendations

Gajah Tunggal is arguably the largest and most politically prominent tire manufacturer in Indonesia, and problems there like unsanitary living conditions, unsafe working conditions, and gender discrimination merit additional attention as the United States seeks to build economic, diplomatic, and civil society relationships in the region.

Further, if the United States plans to formalize these relationships through the IPEF and other avenues, it will also be essential to determine if Gajah Tunggal is unique in its willingness to skirt local labor laws, or if there is a more widespread problem endemic to Indonesian manufacturing.

This is especially important given that the U.S. trade deficit in goods with Indonesia hit a record \$24.7 billion in 2022.⁹⁸

One way to ensure workers' rights are respected is to build a Rapid Response Mechanism into the GSP program and other trade-related actions like the IPEF.⁹⁹ First put into place in the USMCA trade agreement, this mechanism allows stakeholders to flag facility-specific labor violations and seek redress. This not only leads to real consequences for firms that abuse workers, but also provides a reliable form of accountability and oversight that empowers workers to continue making positive changes in their workplaces.

⁸⁷ <https://www.americanprogress.org/article/occupational-segregation-in-america/>.

⁸⁸ Yunisvita, Y., Teguh, M., Chodijah, R., Imelda, I., & Kurniawan, A. (2021). Labor Market Structure in Indonesia: Segregation or Integration of Occupations? *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi Dan Pembangunan*, 22(1), 42–53. https://www.researchgate.net/publication/359765870_Labor_Market_Structure_in_Indonesia_Segregation_or_Integration_of_Occupations.

⁸⁹ Hegewisch, A., & Hartmann, H. (2014). Occupational segregation and the gender wage gap: A job half done. Institute for Women's policy research. <https://iwpr.org/wp-content/uploads/2020/08/C419.pdf>.

⁹⁰ Indonesia Manpower Act of 2003, Article 82, available from <https://www.ilo.org/dyn/travail/docs/760/Indonesian+Labour+Law+-+Act+13+of+2003.pdf>.

⁹¹ CBA 2020-2022, Chapter V Article 17 to 18 .

⁹² Interview with S, December 2021. Interview with Y (in Plant B), December 2021. Interview with S and W, December 25, 2021.

⁹³ Indonesia Manpower Act of 2003, Article 81, available from <https://www.ilo.org/dyn/travail/docs/760/Indonesian+Labour+Law+-+Act+13+of+2003.pdf>.

⁹⁴ "Explained: What is menstrual leave and which countries allow it?", FirstPost, <https://www.firstpost.com/world/explained-what-is-menstrual-leave-and-which-countries-allow-it-10666791.html>, accessed 9/18/2022.

⁹⁵ CBA 2020-2022, Article 18.

⁹⁶ Interview with S, December 25, 2021. Interview with R, November 19, 2021.

⁹⁷ Interview with S, December 25, 2021. Interview with R, November 19, 2021.

⁹⁸ <https://www.census.gov/foreign-trade/balance/c5600.html>, accessed 8/16/2023.

⁹⁹ <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/august/united-states-announces-successful-resolution-rapid-response-labor-mechanism-matter-auto-parts>, accessed 10/18/2022.

Reforming the Generalized System of Preferences (GSP) program to improve labor rights and expanding the import sensitivity list to include tire product, will also ensure any tariff reductions to firms that use the program go back into the salaries of affected workers.

Finally, the host of concerns over labor relations that researchers identified while living among workers in Indonesia find echoes in its U.S. operation, Giti Tire.¹⁰⁰

Much like their Indonesian counterparts, workers in South Carolina also report unsafe working conditions, lack of adequate time off, gender and racial discrimination, occupational segregation, and other concerns under Enki Tan and Cherie Nursalim's management.¹⁰¹

If the U.S. truly hopes to have a worker-centered trade policy, it will be necessary to improve workers' rights both in Indonesia and at home. This includes holding corporations and their leaders accountable for paying fair wages, providing adequate time for rest, ensuring safe working conditions, and allowing workers to form free, independent labor unions.

¹⁰⁰ https://www.usw.org/assets/pdfs/organizing/WorkersRightsBoardReport_2022.pdf, accessed 10/18/2022.

¹⁰¹ https://m.usw.org/assets/pdfs/organizing/WorkersRightsBoardReport_2022.pdf.

