



Indonesia

An Overview of Social Compliance

Introduction

Indonesia is a major manufacturer of apparel, textiles, travel goods (including leather), and footwear.

For apparel exports to the U.S. in 2025, Indonesia ranked 5th at \$4 billion USD, and for the EU it ranked 11th at \$1.19 billion USD.



Indonesia has a dominant export position in footwear ranking 3rd in 2025 for exports to the U.S. at \$2.94 billion USD and ranking 4th in exports to the EU at \$655.4 million USD.

In 2025, Indonesia's global footwear exports grew by 9.5% reaching \$7.98 billion USD. For travel goods in 2025, Indonesia exported \$195 Million USD in value to the U.S. ranking 7th, and it exported \$198 Million USD in value to the EU ranking 9th.

As a long-term supplier with a highly skilled workforce, Indonesia has a distinct competitive advantage as a global sourcing destination. Indonesia is the fourth most populous country and has a young and growing pool of potential workers. Indonesia also is a capable vertical manufacturer including synthetic fiber production, spinning, weaving, and dyeing.

Uniquely, Indonesia's 38 provinces can set their own minimum wage (for example, the minimum wage rate in Jakarta is \$342 USD/month versus \$140 USD/month in Central Java as of date of publication) which has shifted high labor cost manufacturing to lower labor cost provinces like Central Java.

Amid current tariff headwinds, Indonesia is relatively better positioned than many peers, though it remains under U.S. scrutiny. It was one of the 60 countries that the Office of the U.S. Trade Representative initiated Section 301 investigations into, as a result of which Indonesia was subjected to additional tariffs of 10% starting in June 2026. This rate is lower than the 12.5% proposed for 46 other countries in the same review. Indonesia qualified for the lower tier in part because it has established or committed to rules restricting forced-labor imports.

Indonesia signed a free trade agreement with Canada—the Canada-Indonesia Comprehensive Economic Partnership (CEPA)—that is expected to take effect later this year. The agreement will gradually phase out tariffs on apparel and footwear exports to Canada from Indonesia (linear phase out over 10 years for most apparel and 15 years for sensitive apparel and footwear). While there is a long phase out period, the rule of origin for apparel is the more flexible cut-and-sew rule without a minimum value add requirement.

Indonesia is also negotiating a free trade agreement with the EU expected to take effect in 2027. The agreement would reduce EU tariffs on apparel and footwear exports to zero on day one. For these and other reasons, Indonesia is considered an increasingly attractive sourcing destination, and buyers are increasing orders as evidenced by the growth in exports of apparel and footwear.



Against this backdrop it is important to assess social compliance risks in Indonesia to ensure facilities comply with local laws and international standards for workplace safety and worker protection.

WRAP is the world’s largest independent facility - based social compliance certification program and has worked to audit and certify facilities in Indonesia since 2000. **WRAP certified its first facility in Indonesia in 2001 and established in-country support for its program in 2017.**

The WRAP Certification Program is based on its [12 Principles](#), with participating facilities undergoing annual audits. Accredited auditors conduct in-depth on-site assessments to identify any non-compliances (NCs) with the 12 Principles, which results in either a Recommendation for Certification (REC), or a Corrective Action Plan (CAP) when non-compliances require remediation.

WRAP data shows that different countries have different patterns of non-compliances. This report will focus on findings for Indonesia, including any unique risks for the country. This report is based on 209 Indonesian audits conducted by WRAP in 2025. Of the 209 audits, 51 or 24% resulted in a CAP. This compares favorably to WRAP’s overall CAP to audit ratio for all audits in 2025 which was 37%.

Between 2024 and 2025, the volume of WRAP audits in Indonesia grew by 59% (from 174 to 277 audits), but there was only a 15% raw increase in non-compliances, with the non-compliance rate per audit improving sharply from 3.42 to 2.47 (a decrease of 28%), indicating genuine compliance improvement per facility.

Indonesia Audit Data

Category	CAPs / Total Audits	Rate
Indonesia (2025)	51/209	~24%
All WRAP Audits (2025)	2,358/6,290	~37%

Indonesia had 53% fewer CAP reports than the 2025 WRAP average. More REC reports and fewer CAP reports indicate cleaner first-time WRAP audits, which lowers overall audit costs by reducing the need for auditors to revisit facilities to verify corrective actions. Fewer CAP reports also shorten the audit-to-certification cycle by minimizing follow-up visits to confirm that corrective actions have been completed.

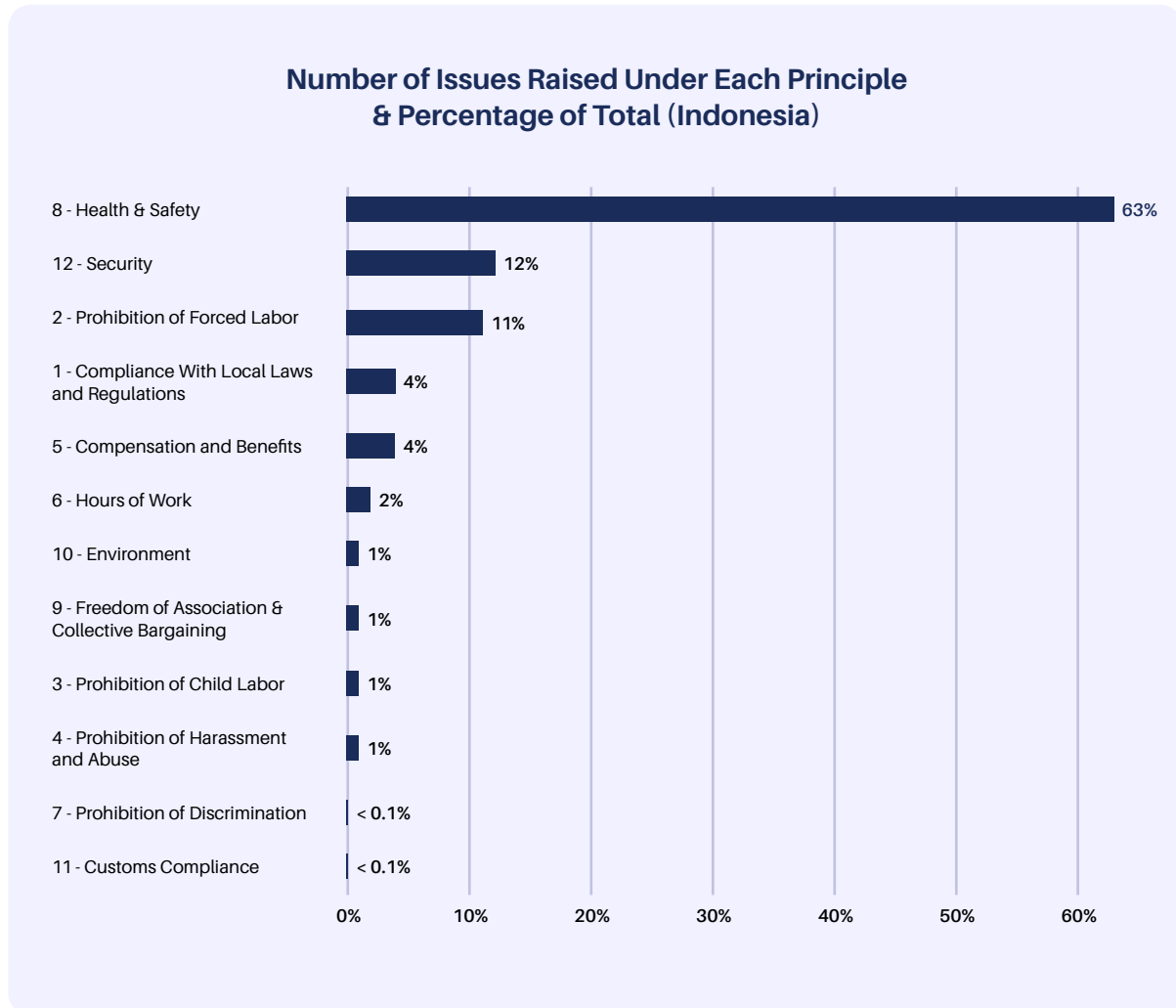
While the overall CAP to audit rate was 24%, there were multiple non-compliances cited in each CAP report with 637 total non-compliances.



The WRAP Principles cited most often for non-compliances in WRAP’s 2025 audits in Indonesia were, Principle 8 - Health and Safety, Principle 12 - Security and Principle 2 - Forced Labor.

With regards to Forced Labor, as the report will make clear, the violations relate to insufficient contracts which is one the International Labour Organization (ILO)’s forced labor indicators, but there were no findings that would suggest involuntary labor or related to any of the more pernicious indicators.

Principle 8: Health & Safety and Principle 12: Security as the top two categories align with WRAP's overall results for the most cited principles among non-compliances. This also tracks with the results for [Bangladesh previously reported by WRAP](#).



PRINCIPLE 8

Health and Safety

63% of all non-compliances in Indonesia in 2025 fell under the Health and Safety Principle, which requires facilities to prioritize worker health and safety above all and proactively address any safety issues that could arise.

Principle 8 is the principle under which non-compliances are most frequently identified in nearly every country. Common health and safety non-compliances include issues related to personal protective equipment (PPE), machine guarding, and emergency egress.



Principle 8: Health & Safety

- Emergency doors kept open during working hours
- Machine safety and warnings in local language
- First aid supplies available and accessible to all working areas

Top categories under Principle 8



14%

Emergency Exits



9%

Machine safety warnings in local language



8%

Restricted access to emergency exits



6%

First Aid kits not accessible in all areas

Analysis

Emergency exits are a critical focus in WRAP audits, as ensuring safe access is paramount. In Indonesia, there were 56 non-compliances related to emergency exits being inaccessible during working hours. The positive aspect is that each of these non-compliances was identified in a CAP and subsequently resolved in follow-up audits. WRAP auditors adhere to Principle 8, which requires that any exit doors that are locked or obstructed by materials be documented as findings in the audit report. Follow up audits verify that clear pathways to emergency exits are appropriately marked and accessible during working hours, thereby safeguarding the well-being of all personnel.

PRINCIPLE 12

Security

12% of all non-compliances in Indonesia in 2025 fell under Principle 12: Security. This Principle tracks the U.S. Custom and Border Protection's Customs and Trade Partnership Against Terrorism (CTPAT)'s Minimum Security Criteria (MSC), which requires importers to demonstrate they have assessed and verified their suppliers' supply chain security measures including a secure shipping area, use of proper seals on containers, and maintenance of accurate shipping logs.

Top category under Principle 12



7%

Cyber Security
Training



10%

Annual Risk
Assessment

Analysis

The MSC has three focus areas: Corporate Security, Transportation Security, and People and Physical Security.

Corporate Security mandates facilities to conduct a comprehensive security risk assessment to identify and resolve threats internally and externally. CBP has provided a detailed five-step risk assessment guide to assist facilities in this process. It is essential that these assessments are reviewed annually to ensure ongoing effectiveness and relevance. This annual risk assessment requires mapping cargo flow and identifying business partners. This includes identifying security threats throughout the process, mitigating vulnerabilities by addressing the weaknesses through a written action plan and documenting the action plan and reviewing it annually. If facilities do not conduct their risk assessments, findings are issued that require follow-up for closure.

People and Physical Security requires facilities to identify and provide needs-based training. Effective training is essential for personnel involved in the security process.

Specifically, training must be offered to:

- Teams responsible for conducting risk assessments
- Personnel engaged in security inspections
- Individuals tasked with incident investigations
- Staff members focused on cybersecurity to protect IT infrastructure

Training programs should be conducted on a regular basis to ensure personnel remain informed and equipped to fulfil their security responsibilities. Failure to meet these training requirements can lead to the issuance of non-compliance notices with resolution contingent upon the completion of a systematic training process.

PRINCIPLE 2

Prohibition of Forced Labor

11% of all non-compliances in Indonesia fell under Principle 2: Prohibition of Forced Labor.

Analysis

Nearly all of the Principle 2 non-compliances were for contract insufficiencies. Indonesian law requires either written contracts or appointment letters, depending on whether the position is considered temporary or permanent. Both the contract and the appointment letter must be in the local language, Bahasa, be signed, and identify the worker, job title, work location, wages, payment method, and start date.

The major issue identified under Principle 2 relates to contract terms that do not meet legal requirements, particularly the use of fixed-term contracts for roles that are permanent in nature. This is a common practice in Indonesia. These positions should be classified as permanent; however, some facilities issue written contracts ranging from six to 36 months. As long as these contracts are registered with local authorities, the practice has not been challenged. This issue is noted as an observation in WRAP audits.

WRAP requirements:

- Workers must have written contracts in the local language
- Contracts must be registered with local authorities
- Workers must be paid at least the legal minimum wage, including overtime premiums, and be entitled to statutory benefits

WRAP includes contract review within Principle 2 because insufficient, nonexistent, or deceptive contracts align with two of the ILO's 11 forced labor indicators: deception (including contract substitution and false promises) and abuse of vulnerability, where workers with limited options are compelled to accept poor working conditions. WRAP audits assess compliance against all 11 ILO forced labor indicators.

It is important to note that a violation of an individual ILO forced labor indicator does not by itself mean a facility has engaged in or permitted forced labor. A thorough audit will assess both the type of finding and the frequency. If necessary, facilities may be required to update individual contracts and potentially revise hiring practices to address Principle 2 non-compliances.

Top Categories under Principle 2



96%

Employment Contracts

Outlook for Indonesia

Indonesia is an increasingly attractive location for sourcing of apparel, footwear, travel goods, and accessories. It has a large, experienced, and growing population. The permitted variation in minimum wage levels creates a strong incentive to relocate production from higher cost, more crowded areas, to lower cost regions ensuring Indonesia remains competitive.



The Indonesian government has pursued free trade agreements with Canada and the EU and it has proactively worked with the U.S. to achieve tariff outcomes comparable to other major supplier countries. As a vertical supplier with experienced producers, Indonesia does not have to compete solely on lower wages to be successful.

Indonesia producers generally have a good social compliance record. WRAP data shows that the percentage of audits resulting on CAPs in Indonesia is 53% less than all other WRAP countries. The 28% drop in the average number of non-compliances per audit between 2024 and 2025 highlights clear progress, with facilities in Indonesia demonstrating stronger overall compliance.

Concerns remain however at the frequency of non-compliances related to Principle 2: Prohibition of Forced Labor. For Indonesia, these non-compliances were driven by insufficient contracting practices with workers including the practice of holding long-term workers in temporary status. P2 non-compliances can potentially rise to the level of forced labor raising the risk that exports could be detained or denied by countries like the US and Canada under their forced labor regulations.

Overall, Indonesia offers a compelling combination of scale, capability, and competitiveness that positions it as a strategic sourcing destination. While continued attention to labor practices—particularly around contract management—is essential to mitigate compliance risks, the country’s positive trade stance, improving supplier performance, and adaptable cost structure reinforce its long-term attractiveness for global buyers seeking both value and reliability.



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