



## Critical Review on Labor Factors and Country Competitiveness: Comparison between Indonesia and Jordan<sup>1</sup>

Sari Wahyuni<sup>2</sup>, David Wilfrid Nadapdap<sup>3</sup>

### ABSTRACT

The purpose of this study is to critically compare labor factors and country competitiveness of Jordan and Indonesia that affecting its country attractiveness in the textile industry. This study is a mix between qualitative quantitative approaches. The data were collected from the published materials of Better Work data, BAPPENAS, and in depth – interview with certified social compliance auditors, factory managers, and some workers to earn more information on textile industry in Indonesia and Jordan. The result of this study indicated that there are several labor factors that could boost up the Indonesian's performance in Textile industry, i.e. working hours, occupational safety and health, compensation and benefits, and also discrimination.

**Keywords:** Country competitiveness, textile industry, working condition.

**Available Online:** May 29, 2015.

**MIR Centre for Socio-Economic Research, USA.**

### 1.0 INTRODUCTION

There are ample of reasons that could explain why companies going global. One of the reasons is to enlarge their market outside of the home country so that their products will be internationally known. To maximize their potential profits, firms are also seeking for countries that have less costly access to the inputs of production (land, labor, capital, etc.), better productivity and more efficient. Furthermore, globalization gives the firms and the host country ample of opportunities to improve the quality of its production process, such as transfer of technology, knowledge, and networks expansion.

Nevertheless, globalization will ultimately create a strive competition among nations country that has high competitiveness than others. Competitiveness usually determined by wages, jobs, and the standard

---

<sup>1</sup> We greatly appreciate thoughtful comments from participants in the ICBMR conference in Kyoto, 24-25 October 2014. This study has been conducted through research collaboration between Better Work Indonesia, Trunk University and University of Indonesia.

<sup>2</sup> Deputy Director Graduate Study in Management, Faculty of Economics, University of Indonesia, Indonesia.

<sup>3</sup> Research Assistant Graduate Study in Management, Faculty of Economics, University of Indonesia, Indonesia.

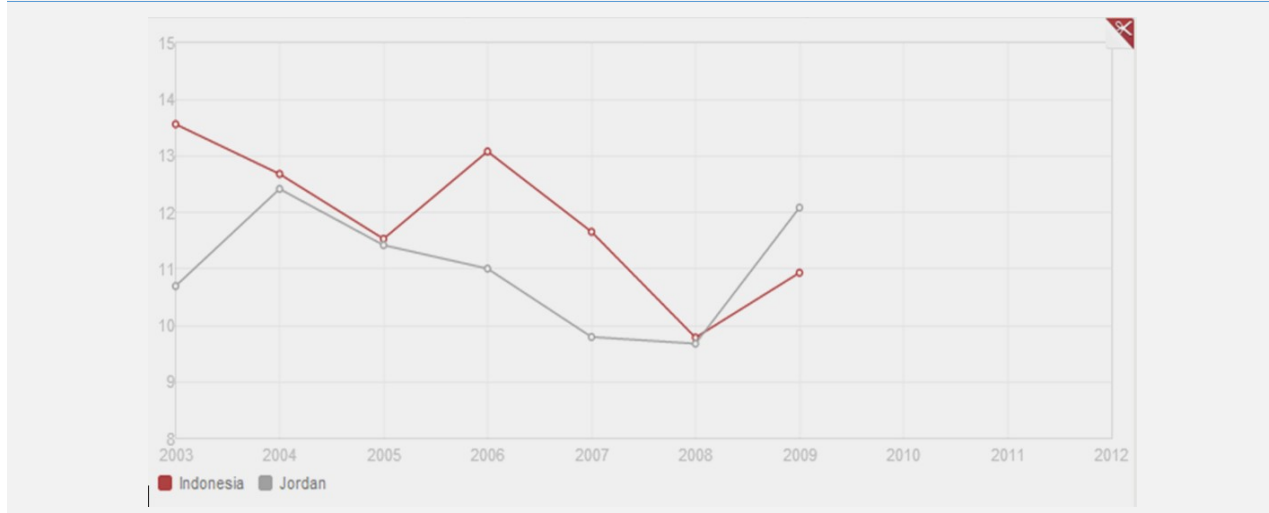
living of people of the country (Porter, 1990). Global Competitiveness Index stated that competitiveness could be determined by how efficient a country in production cost of goods and services.

According to Porter (1990), it is not what industries that a country competes to achieve the prosperity, but how the country competes in those industries. Therefore, Porter concludes that both business and government are related to each other and both of them are playing important roles in boosting the economy productivity. It is because businesses create job opportunities and also wealth to the country, while countries offer the most productive environment for businesses.

In this paper, we are trying to focus on the Textile and products of Textile (TPT) industry. Textiles and its products (TPT) are classified as the basic human needs. The number of textiles and its products consumed are increasing as the number of population is rising (Hermawan, 2011). Moreover, TPT industry is classified as a labor-intensive industry (Osterreich, 2011). It means that this industry requires large amount of labors, especially unskilled labors. Thus, this industry will help countries in reducing their numbers of unemployment and becoming a high contributor to the GDP as well. Based on the study of Brenton et al. (2007), there are some characteristics of TPT industry, such as absorbs large number of unskilled labors, low start up investment costs, and relatively low capital intensity. As this industry absorbs large amount of labors, government should concern on making up better policies in order to boost the attractiveness of this industry.

This study will compare the TPT industry both in Indonesia and in Jordan. Even though the growth of Jordanian textile industry not as well-developed as Indonesian, but we see that Jordan is supported by many free trade agreement, such as Jordan-European Association Agreement, Jordan-United States AFTA, Jordan-EFTA (European Free Trade Association, such as Switzerland, Norway, Iceland, Liechtenstein), Jordan-Singapore Free Trade Agreement, Jordan-Turkey FTA, Agadir Agreement (Egypt, Morocco, and Tunisia), Jordan-Hongkong FTA (Jordan exports were increased by 13.4% in 2012) (Jordan Ministry of Industry, Trade, & Supply, 2012). Moreover, these free trade agreements put Jordan as a potential future competitor for Indonesia.

**Figure 1:** Textiles and Clothing (% of value added in manufacturing)



Source: World Development Indicators (The World Bank, 2012)

The above graph shows that the Jordan's Free Trade Agreement had been successfully boost Jordan TPT industry growth until 12% in 2009. Free trade agreements have automatically enlarged the market size of Jordan textile products. Manufacturers in Jordan could reduce their cost because of the elimination of tariffs and quotas in the international trade between countries within the free trade area. Moreover, the corruption level in Jordan is still high compare to Indonesia (Transparency International, 2012).

Despite the increasing competition across countries, working condition problems could potentially influence the business. Based on the survey from The Global Competitiveness Index 2011-2012 (2011, p. 30), there are problematic factors for doing business in Indonesia compared to Jordan, such as corruption, inefficient government bureaucracy, inflation, low infrastructure, etc. These factors could affect the business process in a country and provoke foreign investors to reconsider their decision to invest.

Moreover, there are also some critical issues exist in labor matters, such as working conditions, working hours, and the minimum wage. A study conducted by Wahyuni and Fachri (2012) about the labor factors in Jabodetabek (Jakarta-Bogor-Depok-Tangerang-Bekasi), indicated that working condition still an issue that need to be improved immediately.

Poor working condition will lead to declining labors performance which resulted in employee turnover and absenteeism (Hardy, Woods & Wall in Greenberg & Baron, 2008), many labors will resign from current job (Boswell, Boudreau & Tichy; 2008), poor in mental health (Blegen, Kreitner & Kinichi; 2007), bad attitude, difficult to cooperate among labors, and finally decrease its productivity (Ansari in Zhang, DeMichele & Connaughton, 2004). In order to improve the productivity of a country, it is better to put more concerns in improving its human resources, for example maintain labors satisfaction and happiness (Porter, 1990). This research aims to answer the following question: “How Indonesia could improve its labor factors to gain better country competitiveness in TPT industry?”

This paper starts the discussion with literature review and research model, then the methodology that used in this study, followed by results of the study, and conclusion.

## 2.0 LITERATURE REVIEW & RESEARCH MODEL

### 2.01 INTERNATIONAL TRADE

This study is inspired by some international trade theories, such as willingness to gain comparative advantage, gain higher the economies of scale, and willingness to reduce the imperfect competition by exposing firms to the global competition (Ethier, 2009). Country that has greater factor endowments (labor, land, and capital) will more attractive for foreign investor. Factor endowments (land, labor, and capital), technological development, and market size in a host country play an important role. In the international trade, country competitiveness plays an important role (Porter, 1990). It explains how a country could attract foreign investors to invest in, such as low cost production than other countries, access to local market, enlarge market size, stable political condition, and also low trade barriers (Hill, 2012, p. 11). Foreign investors are looking for a country that cheaper in production and also less regulated, so that they could maximize their profit.

### 2.02 COUNTRY COMPETITIVENESS

Based on the Global Competitive Index, competitiveness is defined as a set of institutions, policies, and factors that specify the level of productivity of a country. Porter (2004) highlighted that the national competitiveness is strongly influenced by productivity. Based on Osterreich (2011), the definition of country productivity is an ability to sustain a high level of income; it is also one of the central determinants of its investment that could help foreign investor in explaining the economy’s growth potential, which is important for investors while they are maximizing their profit. Porter said that the measurement of the national competitiveness is focused on its sustain growth. The definition of sustained growth is a growth level that maintained positively in order to help the country to withstand its economy for at least one period.

This study will focus only on countries that categorized as “Efficiency Driven Economics”, that are Jordan and Indonesia. These countries are no longer competing in terms of offering factor endowments, but

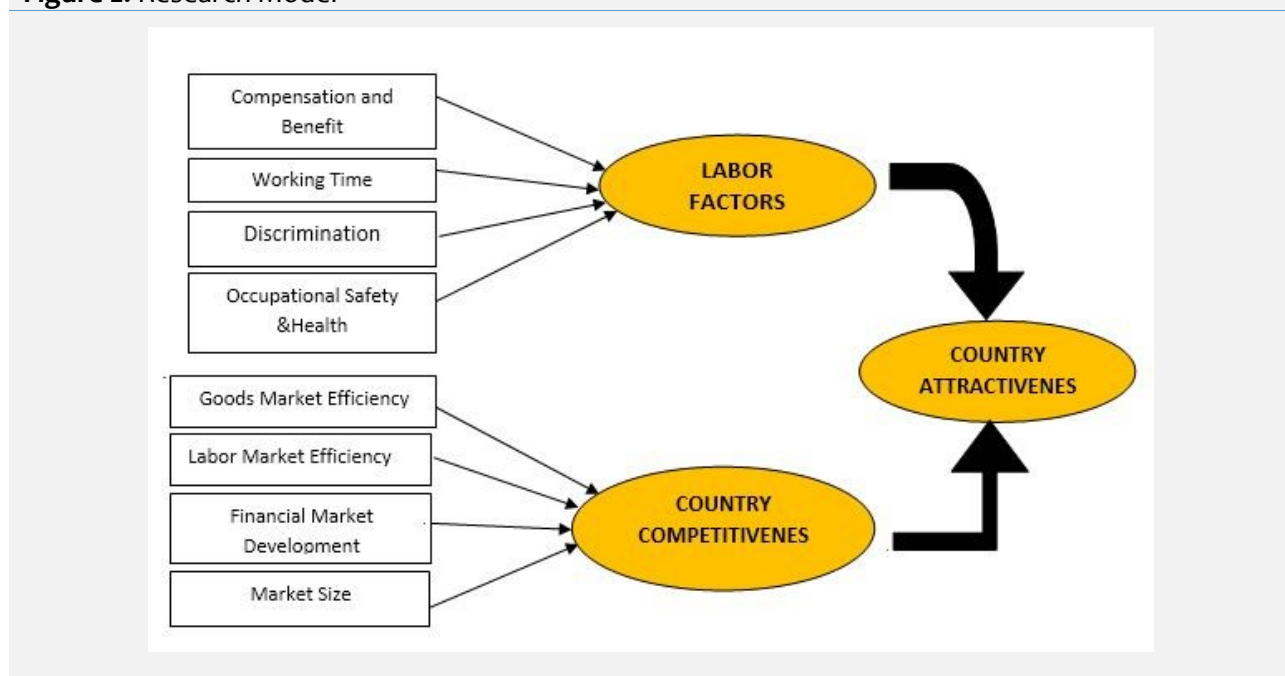
how they can attract investors with its efficiencies in production. By referring to the Global Competitiveness Index (2012-2013), we will focus only on 4 variables, such as: labor market efficiency, goods market efficiencies, financial market development, and market size.

### 2.03 LABOR FACTORS

To improve workers' rights while maintaining trade, both developed and developing countries proposed a range of regulatory interventions. ILO created a unique partnership program with the International Finance Corporation (IFC), so called Better Work program. This program was established to help developing countries protecting their workers' rights while still maintaining trade and to benefit developed countries as the consumers. There are four key aspects of decent work that must be main concern for investors, that are employment (Hussmans, 2004), social protection (Hussmans, 2004), worker's rights (Anker et al, 2003), and worker benefits (Bescond et al, 2003).

Based on the assumption that labor factors and country competitiveness have an influence on country attractiveness, we develop a research model shown in Figure 2.

**Figure 2:** Research Model



Source: Author's Adaptation

Figure 2 shows us that country attractiveness is influenced by both labor factors and country competitiveness.

### 2.04 METHODOLOGY

This study is a mixed between qualitative and quantitative. In gaining data, we should have taken several processes. First, we conduct surveys on the workers of some textile companies which are located in Jakarta, Bogor, Tangerang, and Bandung. Second, we conduct several interviews with experts from Better Work Indonesia and several managers from the garment industry. There are some questions that had been asked in the data collection, such as:

1. What is the foreign investor looking for before they decide to invest internationally?
2. What is the influence of labor association on company performance?
3. The currently minimum wage for DKI Jakarta was raised significantly which eventually provide an impact to the industry. Then how your company reacts towards this issue?

Third, we compare data in Indonesia with the survey result in Jordan which has been conducted by our research partner (Tufts University, United States) and Better Work International.

The respondents in this study are workers in TPT industry in Indonesia and Jordan, and the information collected was obtained at different times over 2011-2012. The operationalization of variables can be explained as beneath:

**Table 1:** Labor factor Variables

Labor Factor Variables	Indicators	Variable Definition
Occupational Safety and Health	Severe Fatigue	If the workers feel severe fatigue during working in factories.
	Injury	If the workers had suffered an injury and how often it happens.
	Abdominal Pain	If the worker senses abdominal pain
Working Time	Back Pain	Whether the worker had experienced back pain while working.
	Regular working hours	The normal working hours a week as regulated by the Government.
Compensation and Benefits	Break time	How long is the break time as regulated by the Government?
	Payroll System	The intensity of the payroll conducted by the company.
	Salary earned	How much the salary earned by the workers and whether it is complied with the minimum wage as per regulation.
Discrimination	Bonuses and benefits provided	The incentive provided by the company to the workers.
	Discrimination Factors	Factors that will be reviewed are factors that inhibit the promotion and are not related to skill/education/performance such as religion, race or ethnic.

Source: Better Work Indonesia (2011-2012), Better Work Jordan (2011- 2012)

**Table 2:** Country Competitiveness Variable

Country Competitiveness Variable	Indicators	Variable Definition
Goods Market Efficiency	Total Taxes Rate	A compulsory contribution or payments to general government.
	Number of procedures required to start a business	Steps that should be taken by the foreign investors before they start the business in one country.
Labor Market Efficiency	Hiring and Firing practices	It is related to the flexibility of practices of hiring and firing workers in a country.
	Pay and Productivity	Relationship between growth of wage and labor productivity in a country.
Financial Market Development	Availability of financial service	The ability of financial sector in a country to provide businesses with various financial products and services
	Ease of Access to loans	It is related with how easy a business granted a bank loan in a country with only a good business plan and no collateral.
Market Size	Domestic Market Size Index	Sum of gross domestic product plus value of imports of goods and services, minus value of exports of goods and services.
	Foreign Market Size Index	The value of exports of goods or services.

Source: The Global Competitiveness Index (2011-2012, p. 4-7)

### 3.0 RESULTS

#### 3.01 COUNTRY COMPETITIVENESS

Before we compare the competitiveness of Jordan and Indonesia, we will discuss the economic condition of both countries. From Table 4.1, it reveals that within 2010-2011, the population growth of Indonesia and Jordan were remaining stable. It shows that the Indonesian's population growth was 1% per annum, while Jordan was 2.2% per annum (The World Bank, 2010-2011). Textile and its Textile Product (TPT) industry apparently provide major contributions to the GDP of both countries, (see Table 3). Furthermore, the economy of Jordan was starting to increase due to many free trade agreements that this country has in the Textile and its products (TPT) industry since 2001 (Jordan Ministry of Industry, Trade, and Supply, 2012).

**Table 3:** Comparison of GDP Contributors in Indonesia and Jordan (2012)

GDP Contributors (% of GDP)	Indonesia	Jordan
Agriculture	22.2%	4.5%
Manufacturing	44.5%	30.9%
Service	33.3%	64.6%

Source: Central Intelligence Agency (2012)

On the other hand, the Terminal Handling Charges (THC) could have an influence on the competitiveness of a country because a higher rate of THC will lead to difficulties in distributing the products due to higher cost that should be paid by the factory.

**Table 4:** Terminal Handling Charge in 2011

Country	Terminal Handling Charge – 20", US \$
Thailand	63
Malaysia	88
Singapore	120
Jordan	68.76
Indonesia	95

Source: Indonesian TPT Association (API), 2011

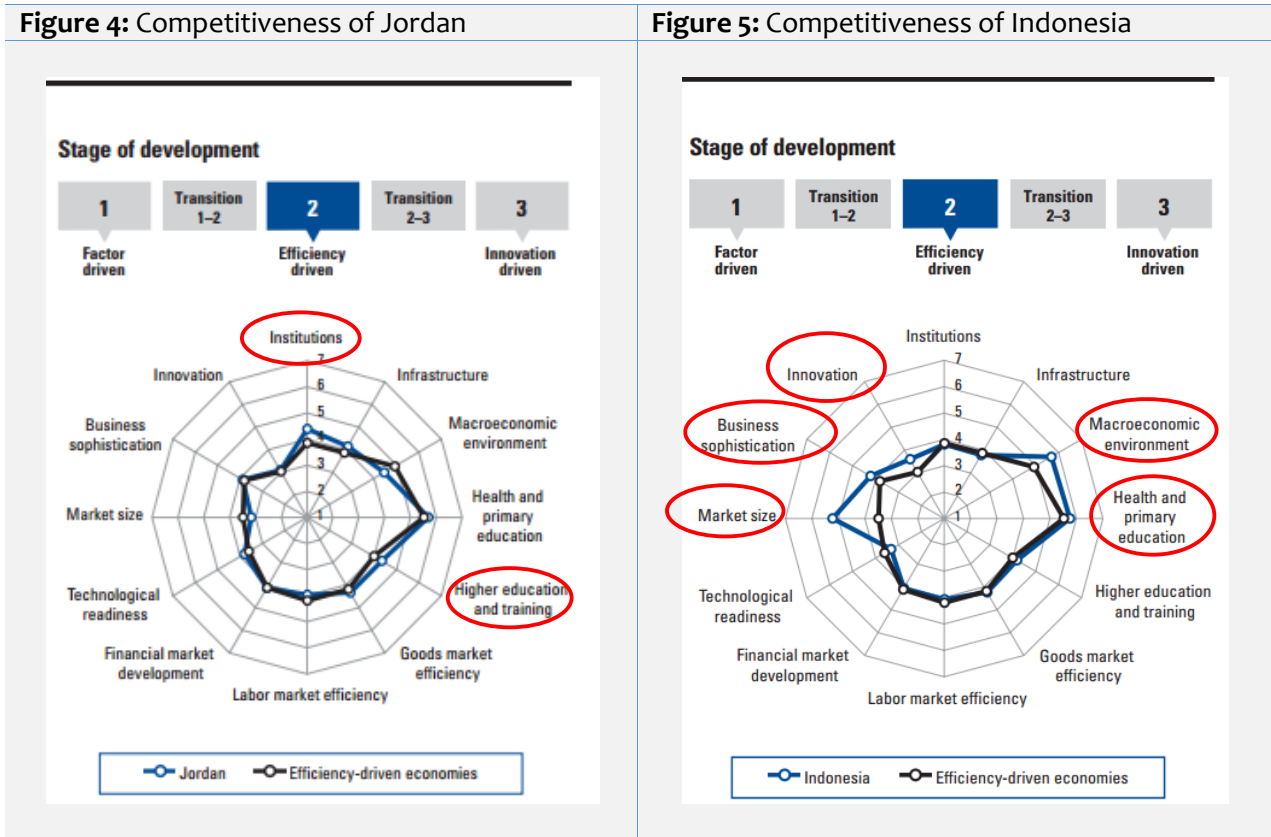
Table 4 reveals that Indonesia's THC is higher than Jordan's. It means that Indonesia charge a higher fee of THC compare to Jordan for the same size of containers, assuming that it will be more cheaper both to export or import goods from Jordan.

Looking at the competitiveness of both countries (see Figure 4), it shows that Indonesia has much better prospect compare to Jordan in terms of Business Sophistication, Market size, Innovation, Macroeconomic environment, and health and primary education. These five variables are important for foreign investors once they are looking for a country they would like to invest in. On the other hand, Jordan only has two variables which are better than Indonesia: institution and higher education and training.

According to Figure 4 and Figure 5, we could classify Indonesia and Jordan as an "Efficiency-driven" countries. It means that both countries are becoming more competitive and have an increase in wage level and productivity. Therefore, to increase their competitiveness, these two countries should develop a new efficient system and advance their technology to excell their productivity and quality of product. Efficiency-driven country is measured by using several variables used in this research model, such as goods market efficiency, labor market efficiency, financial market development, and market size.

On the other hand, the number of procedures requires to start a business in a country is also an indicator in measuring the Goods Market Efficiency. Based on data from The International Finance Corporation

(2013), there are several procedures that need to be considered by foreign investors before they start to invest both in Indonesia and Jordan. The different procedure of both countries can be seen in Table 4 and Table 5.



Source: The Global Competitiveness Report (2011-2012)

**Table 5:** The Procedures required to start business in Jordan

No	Procedures	Time to Complete
1.	Open bank account, deposit 50% of the capital.	1 day
2.	Execute the company’s formation contract, the memorandum and the articles of association, register the company, obtain registration certificate, and file general assembly meeting and also boards of director conduct a meeting with at the Ministry of Industry.	1 day
3.	Register for corporate tax, salary withholding tax, and VAT (Value Added Tax).	1 day
4.	Register with the chamber of industry or chamber of commerce.	1 day
5.	Obtain a vocational license from the municipality.	8 days
6.	Inspection by municipality on safety and health.	1 day
7.	Register for social security.	1 day
<b>Total days to complete all procedures</b>		<b>14 days</b>

Source: International Finance Corporation (2013)

**Table 6:** Procedures required to start a business in Indonesia

No	Procedures	Time to Complete
1.	Obtain the standard form of the company deed; arrange for a notary electronically; obtain clearance for the Indonesian company's name at the Ministry of Law and Human Rights.	4 days
2.	Notarize company documents before a notary public.	4 days
3.	Obtain a certificate of company domicile from the local municipality.	2 days

4.	Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a bank.	1 day
5.	Apply to the Ministry of Law and Human Rights for approval of the deed of establishment.	7 days
6.	Apply at the One Stop Service for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the company registration certificate (Tanda Daftar Perusahaan/TDP).	15 days
7.	Register with the Ministry of Manpower.	14 days
8.	Apply for the Workers Social Security Program (Jamsostek Program).	7 days
9.	Obtain a taxpayer registration number (NPWP) and a VAT collector number (NPPKP).	1 day
<b>Total days to complete all procedures</b>		<b>55 days</b>

Source: International Finance Corporation (2013)

From both tables, we could identify that Jordan has less procedures, and less time required to finish one activity compare to Indonesia. Investors only need 14 days to complete all procedures in Jordan, while in Indonesia they will need 55 days to complete. This condition will make Indonesia start to losing its competitiveness compares to Jordan because it takes longer time and longer procedures just to start the business in a country. The longer the procedures and time required need to be taken, the less favorable a country will be.

Next, the Labor Market Efficiency is one of the important variables that could affect country competitiveness. Based on the data from The Global Competitiveness Report (2011-2012), it shows that the labor market efficiency in Indonesia was better than Jordan. We choose two indicators out of total indicators available from the competitiveness index, such as Hiring and Firing Practices, Pay and Productivity.

**Table 7:** Labor Market Efficiency

Indicators	Indonesia		Jordan	
	Value	Rank (/142)	Value	Rank (/142)
Hiring and Firing practices	4.2	51	3.5	102
Pay and Productivity	4.5	28	3.9	72

Source: The Global Competitiveness Report (2011-2012)

Table 7 indicated that the hiring and firing process in Indonesia is fairly flexible and determined by the employee compare to Jordan. This flexibility in hiring and firing regulation is positively associated with higher rates of newly growing businesses. The authority of a firm to fire and hire workers is now controlled by government through the new regulation from The Minister of Manpower and Transmigration which is called Regulation No. 19 of 2012 in regards to Terms of Partial Assignment of Work to Third Party Companies.

In contrast, based on the data from World Bank (2008), Jordan has strict employment-protection. The strict protection is related with the severance pay system in Jordan. This strict protection will cause low job creation due to the difficulty of a firm in firing workers (World Bank, 2008). On the other hand, the Pay and Productivity indicator in Indonesia is indicated that Indonesia has a better productivity compare to Jordan. This condition will push companies in Jordan to limit the number of labors.

The next variable is called Financial Market Development. This means the ability of a country in financial sector to transfer resources from savers to investors in order to make the economy resistant from the economy shocks by allocating risks appropriately. There are two indicators that have been used to measure the growth of financial market development: the availability of financial service, and ease of access to loans.



**Table 8:** Financial Market Development

Indicators	Indonesia		Jordan	
	Value	Rank (/142)	Value	Rank (/142)
Availability of Financial Services	4.8	57	4.7	59
Ease of access to loans	3.9	16	2.9	59

Source: The Global Competitiveness Report (2011-2012)

From tables above, we can see that banking sectors in Indonesia give a relatively better access for business in getting loan from banks. Whereas Jordan, they have an opposite situation.

The last variable in the country competitiveness is Market Size. There are two indicators used to measure the market size in a country: Domestic Market Size Index, and Foreign Market Size Index. Domestic market size means sum of gross domestic product plus value of imports of goods and services, minus value of exports of goods and services (Global Competitiveness Index, 2011-2012). The result is ranging between 1 until 7, which 7 means the best. The other indicator is Foreign market size, it means the value of total exports of goods or service. Looking at the Table 9, Indonesia has a better position in terms of Domestic and Foreign Market Size. In Table 10, we can also see that Indonesian competitiveness as a supplier is also much higher (17.88%) compared to Jordan (2.71%).

**Table 9:** Market Size

Indicators	Indonesia		Jordan	
	Value	Rank (/142)	Value	Rank (/142)
Domestic Market Size	5.1	16	3.0	91
Foreign Market Size	5.5	23	3.7	91

Source: Global Competitiveness Report (2011-2012)

**Table 10:** Comparison of Average Duties on Textile/Apparel Exports to the US Market (2005)

Preferential Suppliers	%	Former Asian Large Quota Holders	%
Mexico	0.58	Taipei, China	19.41
Israel	0.94	Hong Kong, China	18.29
ATPDEA	1.14	Macao, China	17.52
Colombia	2.45	Korea, Rep. of	17.51
Jordan	2.71		
AGOA	4.72	Small Asian Suppliers	
CAFTA-DR	4.78	Mongolia	18.32
Egypt	7.89	Lao PDR	16.08
		Maldives Islands	8.10
		Nepal	15.41
Competitive Asian Suppliers		Other Major Non-Preferential Suppliers	
Indonesia	17.88	Turkey	15.72
Philippines	17.00	European Union	13.29
Viet Nam	16.97		
Bangladesh	16.37		
Cambodia	16.35		
Sri Lanka	16.08		
Pakistan	15.40		
India	14.88		
Thailand	13.17		
PRC	11.33		
Malaysia	9.92		

Source: Fias (2006)

### 3.02 LABOR FACTORS

Jordan labor condition is dominated by foreign migrants, such as Arab, Israel, Egypt, Bangladesh, India, etc. Whereas in Indonesian labor force is dominated by local laborers.

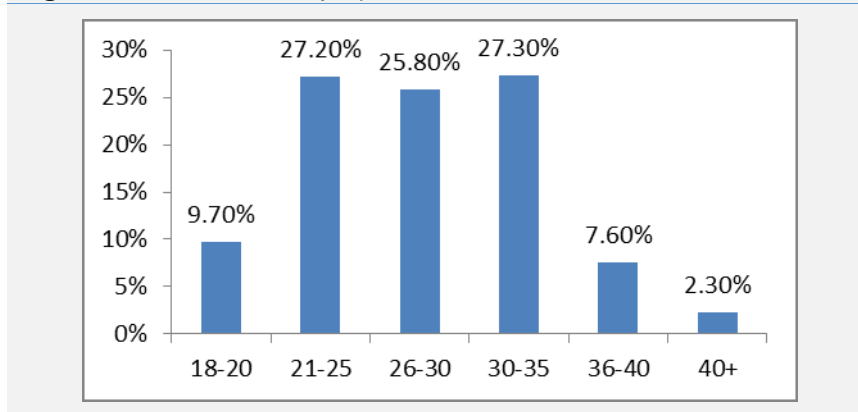
Labor force in Indonesia and Jordan are consist of various group of age, starting from 15-19 years, until 65+years old. From table 11, we can see that Jordan’s labor force is dominated by young people at group age of 25-39 years old (50.8% of the total labor force). This group age consists of 60.5% female workers and 48.9% male workers.

**Table 11:** Jordanian Employed Persons Age 15+ Years by Sex and Broad Age

Broad Age Groups	الجموع Total	أنثى Female	ذكر Male	فئات العمر العريضة
15 - 19	3.2	0.8	3.7	19 - 15
20 - 24	13.5	12.5	13.7	24 - 20
25 - 39	50.8	60.5	48.9	39 - 25
40 - 54	26.7	24.7	27.1	54 - 40
55 - 64	4.6	1.4	5.3	64 - 55
65 +	1.1	0.2	1.3	+ 65
<b>Total</b>	<b>48214</b>	<b>8082</b>	<b>40131</b>	الجموع
<b>Percentage</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	النسبة

Source: Jordan’s Department of Statistics (2011)

**Figure 6:** Indonesian employed Persons +15 Years



Source: Better Work Indonesia (2011-2012)

Figure 6 indicated that the labor force in Indonesia also dominated by young people at group age 30-35(27.30%) and only small percentage of people above 40 years old that employed (2.30%).

**Table 12:** Demographic Data from Indonesia and Jordan

LABOR FACTORS		INDONESIA (%)	JORDAN(%)
Gender	Female	92.2	71.4
	Male	7.8	28.6

Source: Better Work Indonesia and Jordan (2011-2012)

Table 12 reveals that female labors are dominating in both countries, especially in Indonesia where there are 92.2% female from total labor force who works in the TPT industry.

**Table 13:** Educational Level in Jordan and Indonesia in 2011

	No Education (%)	Formal Elementary (%)	Junior School (%)	High School (%)	Senior School (%)	High School (%)	University (%)
Indonesia	0.3	18	43.8		37.3		0.7
Jordan	5.4	13.9	19.3		25.3		1.8

Source: Better Work Indonesia and Better Work Jordan (2011-2012)

Table 13 shows that education is not a main concern for our labors. It is because 43.8% of Indonesian labors finished their educational level until Junior High School and only small percentage of labor that

continuing to University (0.7%). After labors finished Junior High school, they are told by their parents to work to help family in fulfilling their daily needs (Rahmawati – PT Graha Karya Tekstil, 2013).

According to the Table 14 below, most of their workers in TPT industry in Indonesia and Jordan are work as a sewer. As we can see the percentage of sewer in Indonesia was 51.4% while Jordan has 42.1% workers work as a sewer as well.

**Table 14:** Work Role in the TPT Industry

Work Role	Indonesia	Jordan
Sewer	51.4	42.1
Checker	2.1	2.9
Cutter	6.4	7.0
Spreader	0.4	2.3
Quality Control	9.7	9.9
Mechanic	0.3	1.8
Supervisor	0.7	2.3
Helper	9.7	25

Source: Better Work Indonesia and Better Work Jordan (2011-2012)

Furthermore, according to the research model, there are several labor factors that need to be compared between Indonesia and Jordan, such as: compensation and benefit, working time, discrimination, and occupational safety & health.

### 3.03 COMPENSATION AND BENEFIT

The payroll system in Jordan is stated under Jordanian Civil Service Regulations (No.30 of 2007), while payroll in Indonesia is stated under Act no. 13 Year 2003 Section 2 (Article 88 and Article 90). In addition, the salary of workers in both countries are paid in the monthly basis. Table 15 shows that the Indonesian laborshave major concern on the compensation and benefit, such as Excessive Deduction, Low Wage, and confussion about the piece rate.

**Table 15:** Compensation in Jordan and Indonesia

Labor Factor	INDONESIA (%)	JORDAN (%)
<b>Compensation</b>		
Pay concern - Late Payment (Yes)	69.47	23.21
Pay Concern – Excessive Deduction (Yes)	83.85	18.76
Pay Concern – Low Wage (Yes)	82.2	31.96
Pay Concerns – Confusion about Piece Rate (Yes)	58.67	38.2
Information on Pay Slips	95.5	93.96

Source: Better Work Indonesia and Jordan (2011-2012)

To overcome these issues, most of Indonesian workers have several options, such as discuss it with manager, Labor Union, or co-workers. This condition is not eminently available in Jordan.

The fact that many Jordan labor force are immigrant. Therefore, it might be the reason why they are not so outspoken compare to Indonesian workers. Nevertheless, their confusion about the piece rate are higher compare to Indonesia.

**Table 16:** Solutions for in Compensation and Benefits

	Indonesian (%)	Jordan (%)
--	----------------	------------

Late Payment	Not a concern	28.5	52.2
	Discussed with Manager	29.8	8.9
	Discussed with Labor Union	23.3	1.1
	Discussed with co-worker	12.6	23.3
Low Wage	Not a concern	16.8	41.1
	Discussed with Manager	17.6	11.1
	Discussed with Labor Union	41.6	3.3
	Discussed with co-worker	14.4	24.4
Excessive Deduction	Not a concern	15.9	55.3
	Discussed with Manager	30.4	17.1
	Discussed with Labor Union	30.4	2.6
	Discussed with co-worker	21	21.1
Confusion about the Piece Rate	Not a concern	41.7	61.8
	Discussed with Manager	29.8	10.5
	Discussed with Labor Union	14	1.3
	Discussed with co-worker	9.8	11.8

Source: Better Work Indonesia and Better Work Jordan (2011-2012)

### 3.04 WORKING TIME

Based on the Act No. 13 of 2003, the maximum working hour in Indonesia is 40 hours in a week. In contrast, Jordan has a maximum working hour allowed which is 48 hours in a six-day week. Additional working hour will be considered as overtime and employers should pay workers' overtime for 125% of his/her remuneration (Better Work Jordan, 2013). However, the labor law in Jordan is not strict; therefore there are many workers that are pushed to work for unlimited amount of working hours (Better Work Jordan, 2011).

**Table 17:** Working Hours in Jordan and Indonesia

Labor Factor	INDONESIA (%)	JORDAN (%)
<b>Working Time</b>		
Work Hours Concern - Overtime (Yes)	21.4	32.11
Work Hours Concern - Sunday's work	43.8	N/A
<b>How Is Your Pay Determined</b>		
Hourly Pay	79.1	N/A
Piece Rate	3.3	3.82

Source: Better Work Indonesia and Jordan (2011-2012)

### 3.05 DISCRIMINATION

Based on the report from Better Work Indonesia (2011), there was only small percentage of discrimination that occurred in Indonesia. Discriminations in Jordan are much higher compare to Indonesian, especially in the area of religion, nationality, and political views.

**Table 18:** Discrimination at the Workplace

LABOR FACTOR	INDONESIA (%)	JORDAN (%)
<b>Discrimination</b>		
Gender (woman)	1.5	4
Religion	0.2	4
Ethnic Minority	0.1	12
Nationality	0.1	12
Supervisor Relation	0.3	N/A
Political Views	0	12

Source: *Better Work Indonesia and Jordan (2011-2012)*

According to the Compliance report (*Better Work Jordan, 2011*), it revealed that there was a discrimination in gender, which is usually related with sexual harassment.

**Table 19:** Sexual Harassment in workplace

	Indonesia (%)	Jordan (%)
Sexual Harassment		
Not a concern	14.8	53.6
Discuss with manager	32.1	9
Discuss with Labor Union	30.1	1.8

Source: *Better Work Indonesia and Jordan (2011-2012)*

Table 19 shows us that Indonesian workers tend to discuss sexual harassment cases with their manager. On the other hand, sexual harassment is not a main concern for Jordanian, as the percentage of this issue is too small compare to other issues. There were also discrimination in Race and Origin. For example, only Jordanian workers that eligible to get an attendance bonus which is subject to working all day. In addition, only Jordanian and Chinese workers that eligible receive bonus once the daily production quotas have been achieved, while other nationalities were not (*Better Work Jordan, 2011-2012*).

### 3.06 OCCUPATIONAL HEALTH AND SAFETY

In this labor factor, there are some health symptoms that had been asked to workers both in Indonesia and Jordan, such as severe fatigue, dizziness, severe thirst, and severe headache. Moreover, occupational also related to worker productivity (*Better Work Indonesia, 2011*).

Table 20 enlightening that the working condition in Indonesia is not as good as Jordan's. It is reflected from high percentage of workers who were concerned about several issues in the Occupational Safety and Health, such as dizziness, thirst, and fatigue at the workplace, dangerous equipment, and injuries (*Better Work Indonesia and Jordan (2011-2012)*)

**Table 20:** Occupational Health and Safety

LABOR FACTOR	INDONESIA (%)	JORDAN (%)
<b>Occupational Health and Safety</b>		
Severe Fatigue Symptoms	79.1	40
Dizziness Symptoms	85.4	49
Severe Thirst	83.9	47
Concern with Dangerous equipment (Yes)	59.2	37.20
Concern with injuries (Yes)	72.7	45.31
Availability of the Health Clinic	N/A	98.2
<b>Health Service Available in the Factory</b>		
Pregnancy Check Up	5.02	1.8
General Health Check Up	18.23	36.8
Health Care for My Family	18.56	2.9

Source: *Better Work Indonesia and Jordan (2011-2012)*

Table 20 indicated that Indonesian workers are having some issues in severe fatigue symptoms, dizziness symptoms, severe thirsts, concern with dangerous equipment, and concern with injuries. These issues have higher percentage compare to Jordan's.

#### 4.0 CONCLUSION AND RECOMMENDATION

The result of this study shows that Jordan has more free trade agreement with countries that have large market size which could attract foreign investors to invest in. However, in overall, Indonesia's competitiveness is still better off compare to Jordan, especially in the area of Labor Market Efficiency, Finance Market Development, and Market Size. These areas have successfully lead Indonesia into better productivity and also more competitive compare to Jordan. By summarizing all of those variables in Country Competitiveness and Labor Factors, we will then able to figure out which country that is more attractive, as shown in Table 21 and Table 22.

**Table 21:** Conclusions Based on Country Competitiveness

Variables	INDONESIA	JORDAN
<b>Country Competitiveness</b>		
Goods Market Efficiency	Negative (-) High Tax rate and longer time required in starting new business → Indonesia less competitive than Jordan.	Positive (+) Low tax rate and shorter time in starting new business.
Labor Market Efficiency	Positive (+) Larger number of labors, the existence of outsourcing recruiting system make flexible for firms in hiring and firing workers.	Negative (-) Strictness of employment - protection in Jordan, → firms more difficult to fire and hire workers → Jordan less competitive than Indonesia.
Finance Market Development	Positive (+) Indonesia offers foreign investors with 4 types of financial services on the market and also easy access to loans.	Negative (-) Jordan is offering foreign investor with lesser financial services compare to Indonesia.
Market Size	Positive (+) Indonesia is better than Jordan in terms of domestic market size and foreign market size → Indonesia has higher productivity based on total exports.	Negative (-)

The above table highlight a message the most important variable in the country competitiveness that could attract Foreign Direct Investors to invest in TPT industry is market size. It consists of domestic market size and foreign market size. Domestic and Foreign market size can be defined as how easy products absorbed by market both in domestic and foreign, and how good a country's performance in fulfilling consumers demand in the international market. Productivity is important to improve the market size by producing more products efficiently; therefore it could attract FDI to invest in.

**Table 22:** Conclusions Based on Labor Factors

Variables	INDONESIA	JORDAN
<b>Labor Factors</b>		
Compensation & Benefit	<ul style="list-style-type: none"> <li>Negative (-)</li> <li>Indonesia has higher minimum wage rate.</li> <li>Indonesia has some issues in this variable, such as late payment, excessive deduction, low wage, and piece rate.</li> </ul>	<ul style="list-style-type: none"> <li>Positive (+)</li> <li>Jordan is more attractive due to its low minimum wage. Even though it has lower minimum wage than Indonesia, but there is no issues occurred in the workplace.</li> </ul>

Working Hour	<ul style="list-style-type: none"> <li>• Positive (+)</li> <li>• Working hours in Indonesia is shorter than Jordan due to strict Indonesian regulation, thus it leads Indonesia become more attractive to investors than Jordan.</li> </ul>	<ul style="list-style-type: none"> <li>• Negative (-)</li> <li>• The Jordan's regulation is strict less regarding the working hours cause unlimited working hours.</li> </ul>
Discrimination	<ul style="list-style-type: none"> <li>• Positive (+)</li> <li>• No issues which is related to race or origin due to inexistence of foreign immigrant workers.</li> <li>• Indonesian is more attractive to foreign investor due to small number of complaints in discrimination related to gender, but it is not significant.</li> </ul>	<ul style="list-style-type: none"> <li>• Negative (-)</li> <li>• High percentage in some issues, such as gender, religion, ethnic minority, nationality, and political views.</li> <li>• Investors less attractive because they should provide workers with some protections in workplace to avoid discriminations to happen.</li> </ul>
Occupational Safety and Health	<ul style="list-style-type: none"> <li>• Negative (-)</li> <li>• High number of complaints show low quality of occupational safety and health system in Indonesia which lead Indonesia losses its attractiveness compare to Jordan.</li> </ul>	<ul style="list-style-type: none"> <li>• Positive (+)</li> <li>• Data from Better Work shows us there is no complaint in regards to occupational safety and health system in Jordan, which leads Jordan to gain higher attractiveness.</li> </ul>

Based on above analysis, we may conclude that Indonesia is more competitive than Jordan in terms of the availability of labor, financial market development, and market size. Indonesia also has a better labor condition, such as working hour and discrimination than Jordan. Nevertheless, to increase country attractiveness Indonesian government should pay more attention to several crucial issues that potentially could lower Indonesian competitiveness, such as inefficient government bureaucracy, corruption, low occupational safety and health, compensation and benefits.

## REFERENCES

- Basri, C. and Soesastro, H. (2005). The political economy of trade policy in Indonesia. *Economics Working Paper Series*. Retrieved from [http://www.eaber.org/sites/default/files/documents/csis\\_soestastro\\_2005\\_4.pdf](http://www.eaber.org/sites/default/files/documents/csis_soestastro_2005_4.pdf).
- Better Work Indonesia. (2012). *Indonesia baseline data discussion paper: worker perspectives on the factory and beyond*. Indonesia: Better Work.
- Better Work Indonesia. (2012). *Jordan baseline data report, Tufts University, Better Work monitoring and evaluation*. Jordan: Better Work.
- Better Work Jordan. (2011). *Jordan baseline data report, Tufts University, Better Work monitoring and evaluation*. Jordan: Better Work.
- Better Work Jordan. (2013). Guide to Jordanian Labor Law for The Garment Industry. Retrieved from [http://www.ilo.org/wcmsp5/groups/public/--arabstates/--ro-beirut/documents/publication/wcms\\_218390.pdf](http://www.ilo.org/wcmsp5/groups/public/--arabstates/--ro-beirut/documents/publication/wcms_218390.pdf).
- BPS (2010). *Indikator Ekonomi, Buletin Statistik Bulanan*. Badan Pusat Statistik, Jakarta.
- BPS (2009). *Statistik Indonesia 2008*. Badan Pusat Statistik, Jakarta.
- Boeditomo, P. T. (2012). Labor factors within country competitiveness: A Study in Indonesia and Vietnam Textile Industries.
- Brenton, P and Hoppe, M. (2007) Clothing and Export Diversification: still a route to growth for low income countries? World Bank Policy Research Working Paper 4343.
- Carroll, R. and Prante, G. (2012). Long-run macroeconomic impact of increasing tax rates on high-income taxpayers.
- Cascio, Wayne F. (2006). *Managing human resources* (7th ed). New York: McGraw-Hill International Edition.

- Central Intelligence Agency (2013). *World Factbook*. 20<sup>th</sup> May 2013. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html>.
- Ethier, W. J. (2009) Princeton: Princeton University Press. *Economies of Scale*.
- European Commission (2013). *EU Bilateral Trade and Trade with the World*. 31<sup>st</sup> May 2013. [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113391](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113391)
- Elias, S. & Noone, C. (2011). *The Growth and Development of the Indonesian Economy*. Australia: Reserve Bank of Australia.
- Fachry, M. (2011). *Analisis compliance rate perusahaan yang bergerak di bidang industri garmen di jabodetabek*. Jakarta: University of Indonesia
- FIAS. (2006). *Improving Indonesia's Competitiveness: Case Study of Textile and Farmed-Shrimp Industries*. IFC World Bank Group: New York.
- Gereffi, G. & Korzeniewicz, M. (1994) *Commodity Chains and Global Capitalism* (Westport: Greenwood Press).
- Global Business Guide Indonesia. (2012). *Challenges in Indonesia's FTG Industry*. Retrieved from [http://www.gbgingonesia.com/en/manufacturing/article/2011/challenges\\_in\\_indonesia\\_s\\_ftg\\_industry.php](http://www.gbgingonesia.com/en/manufacturing/article/2011/challenges_in_indonesia_s_ftg_industry.php)
- Hermawan, I. (2011). *Analysis of the impact of macroeconomic policies on textile industry and its products in Indonesia*. *Bulletin of Monetary, Economics and Banking*.
- Hellerstein, R. (1997). "The Impact of Inflation," *Regional Review*, Winter 1997, Vol. 7, No. 1
- Hill, C., Wee, C., Udayasankar, K. (2012). *International Business, An Asian Perspective*. Singapore: Mc-Graw Hill.
- Husmanns, R. (2004) *Measuring the Informal Economy: From Employment in the Informal Sector to Informal Employment*, Policy Integration Department Working Paper (Geneva: International Labour Office)
- Indonesian Textile Association (API). (2007). "The Indonesian Textile and Clothing Outlook: Prospect and Challenge on Global Competitiveness Era" [www.unescap.org/tid/mtg/weaving\\_indo.pdf](http://www.unescap.org/tid/mtg/weaving_indo.pdf), accessed 22 September 2011.
- Indonesian Textile Association (API). (2011). *Indonesia Facts Sheets*, Jakarta: API.
- The International Finance Corporation. (2013). *Doing Business in Indonesia*. Retrieved from <http://www.doingbusiness.org/data/exploreeconomies/indonesia>.
- The International Finance Corporation. (2013). *Doing Business in Jordan*. Retrieved from <http://www.doingbusiness.org/data/exploreeconomies/jordan>.
- International Labor Organization (ILO) (1998). *ILO declaration: Home page*. July 11, 2012. Retrieved from <http://www.ilo.org/declaration/lang--en/index.html>.
- International Labor Organization (2009) *The Financial and Economics Crisis: A Decent Work Response* (Geneva: International Labour Office).
- International Monetary Fund (IMF) (2009). *World Economic Outlook Update January 2009*. Washington: International Monetary Fund.
- International Monetary Fund (IMF) (2010). *World Economic Outlook Update January 2010*. Washington: International Monetary Fund.
- International Monetary Fund (IMF) (2011). *World Economic Outlook Update January 2011*. Washington: International Monetary Fund.
- Jordan's Department of Statistics (2011). *Statistical Year Book 2011: Home page*. 28<sup>th</sup> [http://www.dos.gov.jo/dos\\_home\\_e/main/](http://www.dos.gov.jo/dos_home_e/main/) May 2013.
- The Hashemite Kingdom of Jordan Ministry of Industry, Trade, and Supply (2012). *Jordan Free Trade Agreements*. Retrieved from <http://www.mit.gov.jo/EN/The%20Center/ForeignTrade/Pages/Free-trade-agreements.aspx>.
- Khalil, T. M. (2000). *Management of technology: the key to competitiveness and wealth creation*, Singapore: McGraw-Hill Companies Inc
- Kotabe, M. & Helsen, K. (2011). *Global Marketing Management* (5th ed). New York: John Wiley & Sons, Inc.
- Kuncoro, M. (2011) *Recent Development of The Indonesian Apparel Industry*
- Malhotra, K. (2010). *Marketing research-an applied orientation* (6th ed). New Jersey: Pearson
- Manning, C. & Roesad, K. (2007) *The Manpower Law of 2003 and its implementing regulations: genesis, key articles and potential impact*, *Bulletin of Indonesian Economic Studies*, 43, pp. 59–86



- Massimo, C. (2001) "Investment and the Persistence of Price Uncertainty," *Research in economics*, Vol. 55.
- Ministry of Trade (Depdag). (2011). "Recent Review of Trade in Indonesia". <http://www.depdag.go.id>, accessed 18 September 2011.e: Institute of Southeast Asian Studies.
- Ministry of Manpower and Transmigration (2005). *Major Labor law of Indonesia*. Ministry of Manpower and Transmigration, Jakarta.
- Osterreich, S. T. (2011) *Precarious Work I Global Exports: The Case of Indonesia*.
- Porter, M.E. (1985). *Competitive advantage: creating and sustaining superior performance*. New York: Free Press.
- Porter, M. E. (1990). *The competitive advantage of nations*. *Harvard Business Review*.
- Porter, M.E. 2004. 'Building the microeconomic foundations of prosperity: findings from the business competitiveness index', In Sala-i-Martin, X. (ed.), *The Global Competitiveness Report 2003–2004*. Oxford University Press: New York.
- Rethinam, G. & Ismail, M. (2008). Constructs of quality of work life: A perspective of information and technology professionals. *European Journal of Social Sciences – Volume 7, Number 1*.
- Sakumoto, N. (2010). *Development of environmental law and legal reform in Indonesia*.
- Suryahadi, A., Widyanti, W. & Perwira, D. & Sumarto, S. (2003) Minimum wage policy and its impact on employment in the urban formal sector, *Bulletin of Indonesian Economic Studies*, 39, pp. 29-50.
- Transparency International. (2012). *Corruption By Country/Indonesia*. Retrieved from <http://www.transparency.org/country/#idx99>
- Wahyuni, S. & Fachry, M. (2012). *Bagaimanakah compliance rate perusahaan Indonesia? kajian kritis perusahaan garmen di Jabodetabek RI*. Jakarta: University of Indonesia.
- Transparency International. (2012). *Corruption By Country/Jordan*. Retrieved from <http://www.transparency.org/country/#JOR>
- The World Bank. (2012). *Textiles and Clothing (% of value added in manufacturing)*. Retrieved from <http://data.worldbank.org/indicator/NV.MNF.TXTL.ZS.UN/countries/ID-JO?display=graph>
- The World Bank. (2010-2011). *World Development Indicators (Indonesia)*. Retrieved from <http://databank.worldbank.org/data/views/reports/tableview.aspx>
- The World Bank. (2010-2011). *World Development Indicators (Jordan)*. Retrieved from <http://databank.worldbank.org/data/views/reports/tableview.aspx>
- The World Bank. (2008). *Hashemite Kingdom of Jordan Resolving Jordan's Labor Market Paradox of Concurrent Economic Growth and High Unemployment*. Retrieved from <http://datatopics.worldbank.org/hnp/files/edstats/JORpubo8.pdf>.
- World Economic Forum (2011). *The Global Competitiveness Report 2011 -2012*, p. 30. Retrieved from [http://www3.weforum.org/docs/WEF\\_GCR\\_Report\\_2011-12.pdf](http://www3.weforum.org/docs/WEF_GCR_Report_2011-12.pdf).