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Carrefour Indonesia

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2. CARREFOUR INDONESIA

The Economic Crisis started in 1997 has forced the Indonesian government to sign a Letter of Intent as a part of the recovery programme designed by IMF. The programme requires Indonesia to open its market more widely, including the retail sector, to foreign investors. As a result, since 1999 hypermarkets, mostly belong to multinational corporations, grow rapidly in Indonesian cities and towns. According to the data provided by the Association of Food and Beverage Companies in Indonesia (GAPPMI), during 2001-2005 hypermarkets in Indonesia grow as high as 34 %.

The presence of hypermarkets has been controversial from the outset. Having power of multinationals with modern management and huge capital, hypermarkets can easily take over the market share of the traditional local markets which accommodate small traders of the local communities. A survey conducted by the Association of Indonesian Traditional Market Traders (APPSI) indicates that whilst hypermarkets increase by 35% in the last 5 years, traditional markets decrease by 8%. The operation of a traditional market involve a large number of people from the local community, including those of small shop keepers, suppliers who are basically small business actors, farmers and daily workers. In a country with a high rate of unemployment and limited industrial job opportunities, the role of traditional markets is important for the welfare of the local community. The downsizing of a traditional market, therefore, significantly affects the economic performance of the local community.

The proponents of hypermarket argue that hypermarkets do not actually threaten the local economy. They just change the shopping way and location, since hypermarkets also sell the same products sold in traditional markets in partnership with small business suppliers. That theory assumes that even if it is true that traditional markets are downsizing, it does not necessarily result in impoverishment of the people involved, since hypermarkets provide an alternative opportunity and even create new ones for them to continue working either as employers or suppliers.

The largest hypermarket chain in Indonesia is Carrefour Indonesia (CI) which operates 32 hypermarkets by October 2007. Our interest in studying that company is stimulated not only by its position as the market leader, but also by the frequency of complains of its customers as appeared in the media. The complains, which are mostly about the dissatisfaction regarding the way the hypermarket personnel do their jobs in service of the customers, rise questions about how the employees themselves are treated by the management. Thus, one point of our survey focuses on the work condition in Carrefour Indonesia.

The second point of our survey is regarding the way the company treat its suppliers, particularly the small business ones. We concern about small business actors, because they represent the relatively poor people of the local community who attempt to overcome economic difficulties through entrepreneurship. Realising the limitation of employment, the government encourages the people to run small businesses as an effective and practical way to survive economically. However, in the situation where giant investors play roles in the local economy, the position of small business actors, and therefore the economy of the local people, are seriously challenged. Our survey intends to verify the claim issued by the hypermarket camp that hypermarkets do not damage the business opportunities which used to be available in the traditional local market.

1. Work Condition

We made an observation by visiting a Carrefour store in Yogyakarta, to have a depiction on how tight the schedule of those working in the front line, such as cashiers and customer service officers. We then selected 6 employees who were willing to participate in a series of in depth interviews on the agreement that their identities will not be disclosed publicly. We conducted both individual interviews and group interview, as well as an observation to verify the findings. Most questions we asked in the interviews were open-ended to encourage interviewees provide details and examples. To ensure the accuracy of their answers, we asked particular questions repeatedly to the same interviewees.

CI workers are categorised into three grades: trainee, contract worker, and permanent employee. The term for trainees is 3 month, extendable to the total 6 month. A trainee is normally upgraded to the status of a contract worker after completing his/her term, but it is not guaranteed to be the case for everyone. The status of a permanent employee can be obtained after minimum 1 year working in CI.

All workers of all grades sign letters of contract. According to the Indonesian law, a contract of employment must describe in detail the rights and obligations of both the employer and the employee. Yet, regarding the contract with trainees, the letter of contract provided by CI does not mention the rights of the trainees apart from those concerning salary and meal allowance. Job description is not included in the contract.

All workers must pass the manual physical inspection every time they leave the store. The inspection includes physical touch that demonstrates a high level of distrust. The employees are not allowed to have a pocket on their clothes. Since the inspection and non-pocket rules are not clearly informed, new trainees, not expecting such rules, are often forced to let their pockets stitched in the store.

A trainee is assessed by his/her supervisor, but the standard of assessment is unclear for the trainee. There is no transparent information about the competency expected from a trainee apart from the fulfilment of the work time.

The normal work time for a worker is 40 hours with one day off per week, which is in accord with the Indonesian Labour Law. However, the workers are often encouraged to work extra time with extra pay, particularly on weekends and public holidays. Trainees working overtime are exempted from extra pay, but their overtime is compensated with loyalty points which increase their chance to be promoted to the grade of contract worker. In practice, most workers work between 48 to 50 hours per week. However, the problem lies not in the length of the work time, but in how the workers must spend the time effectively. For instance, cashiers are not allowed to take a seat during their 7 hour work

time. As a result, several cashiers have suffered from foot swelling, and there is even an incident where a cashier fainted.

Daily wage for a trainee is IDR 20,600 (US\$ 2.2) plus a meal voucher of IDR 5,500 (US\$ 0.60). Total income of a trainee ranges from IDR 652,500 to IDR 678,600 per month, which is above the minimum regional wage (IDR 500,000). The monthly salary of a permanent worker is between IDR 800,000 to IDR 1,000,000. plus transport, meal vouchers, medical allowance and medical check up allowance for pregnant workers. The company participates in the 'social insurance for workers' (*jamsostek*) for its permanent employees, but not for trainees and contract workers. Female workers who are recommended by a doctor to take a sick leave, are allowed to do so with full payment. Pregnant workers are released from the obligation to work in the evening shift. In terms of religious facility, CI provides a prayer room in its store for Muslim workers. Our interviewees consider the facility sufficiently meets their need.

In lunch time workers take 1 hour break in groups by turns. They are not allowed to leave the store, but the company provides a small room where the workers are supposed to enjoy their lunch. Our interviewees consider the lunch room too small and crowded with the workers' belongings, and therefore does not support the rest atmosphere.

Our interviewees do not find it easy to channel their aspirations, let alone complains concerning the policy of the company. A workers' union does not exist in CI. The weak position of workers in Indonesia, given the high rate of unemployment, restrain them from struggling for a better work condition.

Conclusion:

1. The wage rate of CI employees is slightly above the standard minimum of regional wage set by the government. The company also provide allowances that help the employees maintain their basic health and safety.
2. The company also pays enough attention to female workers who are pregnant and sick, as well as to those fulfilling their religious obligation during work hours.

- However, the regulation requiring employees to stand up for long hours should be improved to avoid illness and extreme tiredness of employees.
3. The position of trainee employees is vulnerable to exploitation. The company should provide a clearer contract and job description, defining the competency required and a certain process of promotion that guarantee the permanent position for those meeting the conditions. The company should also provide more proper training system to help trainees increase their capacity.
 4. The company should find a more humane way of inspecting employees, that respect them as members of the community rather than treat them as potential thieves.
 5. The company should create an atmosphere that eases the employees to channel their aspiration.
 6. We do not find an indication of gender discrimination or child labour in CI.

Treatment of Small Business Suppliers

CI was brought to the special court for business competition upon the charge of its supplier, PT Sariboga Snack, a small business firm producing local brands of light refreshment products. Proven guilty for violating the Indonesian law no.5/1999, concerning anti-monopoly and unhealthy competition, the company was punished by a penalty of IDR 1,500,000,000 (US\$ 1700,000).

Based on the facts found in a series of investigations involving 17 witnesses and 5 experts, the court considered CI has put a pressure on its suppliers to accept the conditions of contract that prevent them to sell the same products with the same prices to other retailers. The items of the contract singled out by the court were the 'listing fee' and 'minus margin' conditions. Listing fee is the money to be deposited by a supplier to guarantee the continuation of supply and order provided the goods are in demand. In practice, the amount of the listing fee has limited the financial capacity of small business suppliers so that they are unable to extent their business to reach another retailer. The listing fee charged by CI to Sariboga Snack was IDR 47,000,000, which makes the small firm unable to increase its production to serve another buyer. Minus margin is a

guarantee that the suppliers have offered the cheapest prices for their products, so that CI can also offer the cheapest prices to its customers. According to the minus margin condition, a supplier has to pay a penalty if one can find the same product as that supplied cheaper in another retailer. Apart from listing fee and minus margin, CI also requires opening fee, fix rebate, promotion fee and various kinds of penalty. The court was convinced that CI has made use of its market power as a giant international retailer to push its suppliers to accept additional items of the trading terms which were disadvantageous for the suppliers.

We interviewed 2 key people from different CI suppliers whose answers indicate that the penalty does not change much the behaviour of the company. Apart from Sariboga Snack, most small business suppliers do not dare to disclose the matter publicly at the fear of losing the hypermarket's orders. Our interviewees are willing to talk to our research team, thanks to the personal relations that had already established between them. Therefore we agree not to disclose the identity of our interviewees.

Most suppliers cannot avoid offering their goods to CI since the amount of its orders compensate the lessening demand of the traditional market. Yet in dealing with CI, the suppliers have to sacrifice their liberty to do the same business at the same condition with other outlets. An interview with Mr. Susanto, chairperson of the Association of Modern Market Suppliers (AP3MI) demonstrates that CI does not offer an equal let alone better opportunity than the traditional market to small business suppliers. Instead of being treated as partners, small business suppliers feel much pressure and potential hostility if they refuse to follow the condition set by the hypermarket chain. Being a multinational company, CI is able to confront local small business players against importers of similar products. In negotiation, thus, the position of small business suppliers, which represent the position of the local community's economy, is much weaker than that of the hypermarket.

Conclusion:

1. CI as a leading hypermarket in Indonesia does take over a significant portion of the market share of the traditional market sellers.
2. Whilst it is true that CI offers an opportunity to the small business suppliers to sell their products to compensate the reducing order from the traditional market, the suppliers gain less profit and less liberty than when trading with the traditional.
3. It is doubtful that the way the hypermarket manages the business benefits customers, since its luxury and multinational ownership demand a level of profit higher than that normally satisfies traditional market traders.
4. CI should improve its relations with its suppliers, particularly those of small business within the local community. It also needs to be more sensitive to the impact of its operation for broader stakeholder contexts, including the traditional local market.