

To: WRC Affiliate Universities and Colleges  
From: Scott Nova and Jessica Champagne  
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Re: Severance as Seed Money: Kahoindah Workers Weather the Pandemic

In a time when millions of garment workers in Indonesia and around the world have faced furloughs and layoffs, the story of the former employees of PT Kahoindah Citragarment Tambun-Bekasi (Kahoindah) serves as a bright spot.

Kahoindah, a factory in Indonesia producing collegiate logo apparel, closed its doors in 2018. While the factory initially failed to provide the full legally mandated terminal compensation to workers, the company provided an additional US\$4.5 million to its 2,001 employees the following year in response to an investigation and engagement with the factory and its key buyers by the WRC.<sup>1</sup> This fulfilled the factory's legal requirements and provided welcome relief to the workers.

The closure of Kahoindah was a bitter pill for these workers, many of whom feared that they would only be able to find temporary jobs with few job protections or that age discrimination would prevent them from finding any jobs at all in the sector. Many chose to set up small businesses, like small food stalls, food vending carts, or mending clothes.

These small businesses, which the workers started using their severance pay, have enabled them to continue providing for their families in a time when many garment workers have found themselves without any income. According to a recent report drawing on WRC research,<sup>2</sup> 80 percent of Indonesia's 2.6 million garment workers have faced furloughs since the pandemic began, with 40 percent of furloughed workers receiving no pay while off the job and the remainder receiving reduced pay, which often totaled less than half of their normal wages.

This memo shares the stories of three former Kahoindah workers who were able to use the severance pay won for them through university codes of conduct to set up the next chapters of their lives. The stability this has provided for them is a reminder of the impact that successful enforcement of university codes of conduct and national law can have on workers' lives even in uncertain times.

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<sup>1</sup> For more on this case, see Worker Rights Consortium, "Case Summary: PT Kahoindah Citragarment Tambun-Bekasi," <https://www.workersrights.org/factory-investigation/pt-kahoindah-citragarment-tambun-bekasi/>.

<sup>2</sup> Clean Clothes Campaign, *Un(der)paid in the Pandemic*, 2020, <https://cleanclothes.org/news/2020/garment-workers-on-poverty-pay-are-left-without-billions-of-their-wages-during-pandemic>.

## Eti

Eti, who is 41 years old, sewed clothes at Kahಿಂದah for 12 years; her husband also worked at the factory for the final four years, in the warehouse. When the factory closed, the family lost both of their incomes. They have two children, ages seven and nine. “I was a worker there from the beginning,” she says, having worked at the factory in the years before it changed its name to Kahಿಂದah in 2006.



Eti and her husband and child in front of her small business

After Eti and her husband received their severance, she reports, she considered her mortgage and her children’s school fees, which are required even for public school in Indonesia. She thought, “if we don’t open a business, that kind of money won’t last long.” She first opened a small spare parts business and then decided to sell cold drinks, with her husband joining in to help. She bought a cart, an indoor space to set it up and serve customers, a refrigerator, and a freezer, so that she could make the cold, sweet blended fruit drinks that are a common treat in Indonesia. She began promoting her fruit drinks through the WhatsApp messaging platform and building a customer base among families attending a nearby school. Once establishing this customer base, she began to cook and sell food as well.

“When we worked in the factory, we could get a regular income, but the pressure is heavy,” said Eti. “If you try your own business, you can manage your load and working hours, and you will not be insulted. Another advantage is that I can take care of my children directly and drop them off at school.” Eti’s income is smaller with her new business than it was at the factory, but she appreciates that money comes every day, relieving the cash flow pressure created by the monthly payment cycle at the factory.

“If workers are laid off and get severance pay, they can continue their lives by running a small business,” Eti says. “I cannot imagine the workers who are laid off and don’t get severance pay. With minimum wage salaries they certainly don’t have savings. How can they start a business with no severance? And to work in another place, age can be an obstacle.”

While Eti’s income has decreased during the pandemic, particularly when the nearby school closed down, she was still able to bring in some money. “We have not had difficulty eating,” she says, a simple statement that sadly contrasts with the situation of many Indonesian garment workers over the past five months.

## Maemunah



Maemunah and her daughter  
in front of her kiosk

Maemunah, who is 43 years old, sewed clothing at Kahoindah from 2002, before the factory took the name Kahoindah, until 2018, when the factory closed. A single mother, she has one 19-year-old daughter, and she also provides for her parents. “As the backbone of my family, my mind was stressed” when the factory closed, she reports. She was afraid that her age would make it impossible to find work and that, even if she did find a position, it would be only a short-term contract with no guarantee of ongoing employment.

Across the two severance payments, one before and one after the WRC’s intervention, Maemunah received about 94 million rupiah (US\$5,640) in severance. With her first payment, she was able to pay off the debts she had accrued since losing her job and to pay for a space and goods to open a small kiosk selling coffee, snacks, and daily basics to her neighbors. When she was frustrated by the slow pace of finding customers, her sister advised and encouraged her, saying, “if we are patient and consistent, we will succeed.” This gave her

spirit and now, she says, “the income has gradually increased, thanks to God.” Now, the income from her kiosk is able to fulfill her family’s rent, electricity, and other daily needs.

Prior to the pandemic, Maemunah was earning more income from the food stall than she had as a garment worker. While the impact of the pandemic decreased the income from the food stall, she has been able to set up a second business to ensure that she can still support her family.

Maemunah had saved the second portion of her severance payment and used that money to buy a sewing machine. “At first, I was afraid to open a sewing service, because even though I used to work in a garment factory I was afraid to damage people’s clothes. But I have to do something in this situation,” she said. Now, she has successfully begun altering customers’ clothes and sewing masks in her home, and she splits her time between her home sewing machine and the shop.

## Siti

Siti worked at Kahoindah for 12 years, initially in the packing section and ultimately in quality control. Her husband also worked at the factory, with 11 years of service in the packing section, so when it closed they lost both of their incomes. Siti is 36 and has two children, aged two and 11.

“Once I received the severance pay, I thought hard about how my life would be after that and how I would meet my family’s daily needs,” she says. Siti and her husband began seeking factory jobs again. She eventually found one, but the long commute through the area’s notorious traffic jams meant that the salary was not worth the time and expense to get to the job. “I had to leave home at 5 a.m. and didn’t arrive home until sometimes 10 or 11 p.m.,” she says. “When I went to work, my children were still sleeping, and when I came home, they were already asleep.” She resigned after a month. Her husband found work at an automotive factory, but only as a day laborer, with no guarantee of work on any given day.

Siti then decided to open a food stall serving grilled chicken. The severance paid for a cart, a spot to set it up, cooking equipment, and the ingredients they needed to get started. She did not consider herself much of a cook, so she began spending each day learning from her sister-in-law’s techniques until she was confident.

“In the early days, it was very sad. We only sold five pieces of chicken,” Siti reports. Sometimes she would end up giving unsold chicken to her neighbors. “I kept motivating myself that I have to be patient and persevere,” she said, and after a “tiring” first year, her business is doing well. “When compared to my wages when I worked at Kahoindah, it is very different,” she says; she now earns more and is able to set aside some savings for the future. While the pandemic period has been challenging, she began selling food online and delivering it to customers’ homes. While many customers are buying less chicken during this difficult economic period, she has been able to maintain her business and an income from her and her family.



Siti grilling chicken at her food stall



Siti and her family in front of her food stall

Her severance pay also bought an embroidery machine that her sister has used to earn a living in the family’s home village.

“We did not want to waste the opportunity to make the best use of the results of our struggle,” she says of her decision to use the severance pay to start her business. “We do this for the sake of our children and families.”