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The Politics of Wages and Indonesia's Trade Unions

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EXECUTIVE SUMMARY.

- In 2015, all unions opposed a new regulation on wages that restricted the use of the dignified standard of living condition.
- In the 2017 Jakarta gubernatorial elections, a coalition of unions signed a Political Contract with one set of candidates who promised wage increases above those mandated by recent government regulations.
- The new Governor of Jakarta has not adhered to the Political Contract he signed, causing tensions with some unions.
- Indonesia's two largest union confederations have now become aligned to competing political blocs.
- It is likely that there will be no serious union challenge to the new regulations. However, de-escalated campaigning and strong alignments with existing political blocs may open up space for some of the many other unions to grow.

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THE WAGES POLICY IN INDONESIA AND ITS POLITICS

On 1 April 2017, 13 trade unions, having formed a coalition, signed a “Political Contract” with two candidates in the Jakarta gubernatorial elections¹. These 13 unions then gave their support to Anies Baswedan and Sandiaga Uno, candidates nominated by the Partai Keadilan Sejahtera (PKS) and Gerindra, the party headed by the 2014 Presidential candidate, Prabowo Subianto. These unions included the Konfederasi Serikat Pekerja Indonesia (KSPI), Federasi Serikat Pekerja Metal Indonesia (FSPMI), dan Serikat Pekerja Nasional (SPN),² among others. The KSPI and FSPMI leaderships had been supporting the Gerindra-PKS coalition since the 2014 Presidential elections. Between 2010 and 2013, the KSPI and FSPMI had been the vanguard of a series of annual campaigns for increases in the minimum wage and an ending of the widespread use of labour hire (called ‘outsourcing’).

The points included in the Political Contract covered wages, labour hire, housing, public transport, unemployment social insurance, education, the Jakarta Bay reclamation,³ teachers’ status, health insurance and workers cooperatives. The one point made on wages policy was as follows:

To decide the Jakarta DKI minimum wage higher than that determined by Government Regulation No 78 2015 about Wages, through the Wage Council mechanism, and to set sectoral wage scale and structure based on Law 13 2003 on Labour.⁴

Anies Baswedan and Sandiaga Una won the elections – for many reasons beyond the wages issue – and were sworn in as Governor and Vice-Governor on October 16, 2017. Two weeks later, on November 1, the new Governor signed off on the minimum wage for 2018. He did not conform to the wages policy point in the Political Contract but determined a wage increase based on Regulation 78/2015, not higher. The new minimum wage was determined as Rp 3.648.035, an 8.7% increase on the previous year. The unions were asking for Rp 3.917.398.⁵

As a consequence of this decision, the 13 unions held a press conference and declared that they were withdrawing their support for Anies Baswedan. The President of the KSPI and FSPMI, Said Iqbal, even compared Baswedan unfavourably with former Governor and now

¹ <https://news.detik.com/berita/d-3462402/13-organisasi-buruh-jakarta-dukung-anies-sandiaga> ; <https://www.merdeka.com/peristiwa/anies-sandi-teken-kontrak-politik-dengan-koalisi-buruh-jakarta.html> ;

² <http://nasional.republika.co.id/berita/nasional/politik/17/04/01/onq2fk384-buruh-sejakarta-deklarasi-dukung-aniessandi>

³ The Jakarta Bay Reclamation issue was an issue used by the opposition to Governor Purnama and adopted by these unions.

⁴ <http://jakarta.bisnis.com/read/20171110/77/707977/10-kontrak-politik-buruh-jakarta-dengan-anies-sandi>

⁵ <http://megapolitan.kompas.com/read/2017/11/02/09323181/penetapan-ump-dki-2018-dan-asas-keadilan-menurut-anies-sandi>

prisoner Basuki Basuki Tjahaja Purnama, saying that the latter was a more honourable man than Baswedan.⁶ During the Gubernorial campaign, Iqbal had been very critical of Purnama on a range of issues,⁷ and had merged his unions with major protests that were calling for Purnama to be arrested for humiliating Islam.⁸ Iqbal had also been critical of Purnama's policy on wages, criticising the fact that wages in Jakarta under Purnama were lower than that in Karawang District, outside Jakarta. However, after the Baswedan decision, Iqbal acknowledged that Purnama himself, in 2016, had determined a wage increase *above* that based on Regulation 78/2015. Purnama did comply with Regulation 78/2015 in determining the minimum wage for 2017.

WAGE REGULATIONS IN INDONESIA

The primary aspect of wages regulated in Indonesia is the level of the minimum wage. Law No 13 on Labour 2003 legislated that the government, at national and local levels, would set a minimum wage. This minimum wage was to be “based on [an assessment of] dignified living needs and paying attention to productivity and economic growth (berdasarkan kebutuhan hidup layak dan dengan memperhatikan produktivitas dan pertumbuhan ekonomi).⁹

Between 2003 and 2014, the assessment of the minimum wage occurred annually. The review began usually in October-November and the results were announced in December or January 1 for the year.

The Law also established a Wages Council at the national and provincial, and at district/city level.¹⁰ A minimum wage was to be set for each province and also, assessing productivity, for each economic sector in each province. The membership of the council was appointed by the President, Governor, *Bupati* or Mayor, depending on the level. The membership comprised two representatives of the Ministry of Labour (who would act as chair and secretary), one representative of a trade union and one of an employers' association. These councils could also appoint expert members.¹¹

These Councils would make recommendations to local governments, such as governors, *bupatis* or mayors. The local government heads would make the final decision. Their

⁶ <http://megapolitan.kompas.com/read/2017/11/02/18545951/said-iqbal-ternyata-ahok-jauh-lebih-ksatria-ketimbang-anies-sandi>

⁷ [https://www.koranperdjoeangan.com/sinetron-hukum-gubernur-ahok/;](https://www.koranperdjoeangan.com/sinetron-hukum-gubernur-ahok/)
[https://www.koranperdjoeangan.com/10-kegagalan-gubernur-ahok-memimpin-jakarta/;](https://www.koranperdjoeangan.com/10-kegagalan-gubernur-ahok-memimpin-jakarta/)

⁸ <https://www.koranperdjoeangan.com/mogok-nasional-2-desember-buruh-bantah-dompleng-umat-islam/>

⁹ Section 88, Clause 4: UNDANG-UNDANG REPUBLIK INDONESIA NOMOR 13 TAHUN 2003 TENTANG KETENAGAKERJAAN.

¹⁰ Section 98, *ibid.*

¹¹ The detail of these Wages Councils are set out in the following Presidential Decision: KEPUTUSAN PRESIDEN REPUBLIK INDONESIA NOMOR 107 TAHUN 2004 TENTANG DEWAN PENGUPAHAN.

position was, and still is, central. However, Governors usually accepted recommendations coming from the Bupatis and Mayors, making these officials also crucial.

Since 2003, these committees would receive inputs from trade unions, employers associations and the government as to what was an acceptable Kebutuhan Hidup Layak (KHL – Dignified Living Needs). Assessment of productivity and economic growth was usually based on official statistics, with productivity reportedly also sometimes disputed. The main focus of disputation was the KHL. Trade unions and employer groups often had very different assessments, often reflected in different baskets of goods used to assess the cost of living and the quality of product deemed necessary. Crucial also was the unions' assertion that wages had been neglected for a long-time and had been under the KHL, and therefore needed large catch-up increases.

Over the seven-year period between 2004 and 2010 inclusive, after the new legislation was passed, the official minimum wage for Jakarta increased from Rp. 671,000 to Rp. 1.118.009. Wages increased even further during the shorter period 2011-2014, especially in areas where factory workers were concentrated. The main factory belt near Jakarta is spread through the districts of Bekasi, Tangerang and Karawang.

THE POLITICS OF WAGE CAMPAIGNING: 2010-2013

During 2010, a new coalition of trade unions, non-government organisations and a few activist members of parliament ran a successful campaign, combining large union-based protest mobilisations, litigation and lobbying, to pressure parliament to pass legislation to advance the implementation of social, especially health, insurance. This campaign came after approximately ten years of consolidation of a spectrum of new union formations. The success of the campaign boosted confidence among some unions in public industrial campaigning. The focuses for the campaign were demands for substantial wage increases and the suppression of illegal labour hire practices, known as “outsourcing”.

There were various different combinations of unions participating in the campaigns each year. However the Indonesian Trade Union Confederation (KSPI – Konfederasi Serikat Pekerja Indonesia), which contained the very well organised Federation of Indonesian Metal Unions (FSPMI – Federasi Serikat Pekerja Metal Indonesia), was the leading force in these mobilisations.

Between 2011 and 2013, these campaigns achieved some substantial wage increases, but little in reducing “outsourcing”. This period was also the lead up to parliamentary elections, including in electorates within the factory belt area on the edge of Jakarta. Given the crucial role of the Bupati in wage determination for their districts, they came under heavy pressure in the face of the combination of large-scale campaigning – protests, demonstrations, strikes – and electoral campaigning. One of the most popular politicians in the region, Rieke Diah Pitaloka, a member of parliament in one of the affected electorates, was a supporter of the

union campaigns. The issue was high up on the agenda of electoral politics, even if, in the end, it was not the only major issue.

The campaigns were large scale and began with assemblies of tens of thousands of workers on May Day in Senayan, Jakarta's biggest sports stadium. There were warm up actions between May and October, mostly involving mobilisations, and also actions to close down major highways. The largest mobilisations, with some strikes, would take place in October-November.

The largest increase was that announced at the end of 2012 for 2013. 2013 would be the year before parliamentary and then presidential elections. In Karawang, the minimum wage went from Rp. 1.269.227 to Rp 2.102.000 and then up to Rp 2.447.450 for 2014.¹² The increases in other nearby factory belt electorates were similar. By 2014, the minimum wage in Jakarta had risen to Rp. 2,441,000 from Rp1.118.009 in 2010.¹³ In 2013, Joko Widodo became Governor of Jakarta and was already looking towards standing for President in 2014.

CAMPAIGN DE-ESCALATION: PRELUDE TO NEW WAGE REGULATION.

The period of intense industrial campaigning ended with the signing of the Bekasi Industrial Harmony Declaration on November 8, 2013.¹⁴ The declaration contained six points. Although they were all formulated in very general terminology, it was clearly a declaration against conflict and militancy. The final points emphasized the need to create a climate in which enterprises could be productive and develop in a competitive environment. The emphasis was on consensus, cooperation and developing industrial relations in which all benefited. Representatives of the unions were: Obon Tabroni, president of the Bekasi branch of the FSPMI; R. Abdullah, Bekasi head of the KSPSI; Joko Tugimin, Bekasi president of the Serikat Pekerja Nasional (SPN – National Workers' Union); and Sepriyanto, Bekasi head of the Gabungan Serikat Pekerja Manufaktur Independen Indonesia (GSPMII – Indonesian Independent Manufacturing Trade Unions Combination).

Employer representatives were Sutopo, head of the Bekasi branch of the Indonesian Employers Association (Apindo - Asosiasi Pengusaha Indonesia); Dedi Wijaja, head of the West Java Apindo; Obing Fachruddin, head of the Bekasi Chamber of Commerce and

¹² See

<http://regional.kompas.com/read/2013/11/22/0323461/Ini.Upah.Minimum.di.Kabupaten.Kota.Jawa.Barat> Also see KEPUTUSAN GUBERNUR JAWA BARAT, NOMOR : 561/Kep.1540.Bangsosl2011 TENTANG UPAH MINIMUM KABUPATEN/KOTA DI JAWA BARAT TAHUN 2012 at https://mantanburuh.files.wordpress.com/2011/12/sk_umk-jabar_tahun_2012.pdf

¹³ For minimum wages across the country between 1997-2016 see official statistics at

<https://www.bps.go.id/linkTableDinamis/view/id/917>

¹⁴

<http://megapolitan.kompas.com/read/2012/11/08/17052399/Deklarasi.Harmoni.Industri.Bekasi.Di.dukung.>, Kompas, November 8, 2012.

Industry (Kadin); Sanny Iskandar, Bekasi head of the Himpunan Kawasan Industri Kabupaten Bekasi; and Deddy Harsono, chairperson of the Forum Investor Bekasi.

The declaration was also signed by the governor of West Java, Ahmad Heryawan, the Bupati of Bekasi, Neneng Hasanah Yasin, as well as village heads, members of parliament and an Islamic community figure. Two military officers with the rank of colonel heading up local army commands also signed, as did the head of the Bekasi police.

This Declaration at the end of 2013 occurred during the same period that the President of the KPSI and FSPMI declared his support for the candidacy of Prabowo Subianto for the Indonesian Presidency. The FSPMI stood candidates in the 2014 parliamentary elections in local seats under the banners of several different parties. The open declaration of support for Subianto went beyond this approach aligning the KPSI and FSPMI with Subianto, and with the parties supporting Subianto, primarily Gerindra and the Islamist-oriented Party of Justice and Welfare (PKS – Partai Keadilan Sejahtera.) Iqbal himself had stood as a PKS candidate in the 2009 parliamentary elections.

As the leading union formation of 2010-2013 de-escalated industrial campaigning in accord with the 2013 Declaration, and saw a clear alignment with one political bloc, the political terrain of labour relations altered dramatically. The other large union Confederation, the All Indonesia Confederation of Trade Unions (KSPSI – Konfederasi Serikat Pekerja Seluruh Indonesia)¹⁵ supported the Joko Widodo presidency. The two biggest unions were aligned each with one of the two major political blocs. KSPSI had been a part of the coalition that had joined the industrial campaigning coalition in its early phase, but by 2012-2013, it was no longer a serious participant.

NEW WAGE REGULATION: PRESIDENTIAL REGULATION 78/2015.

Industrial campaigning around the minimum wage during 2014 and 2015 was considerably weaker than in previous years. 2014 was also dominated by the parliamentary and presidential elections, where the major union confederations had aligned themselves. There was another round of wage increases set at the end of 2014 for 2015. However, in October 2015, the Government issued a new regulation which substantially changed the system for setting the minimum wage. This change was opposed, and is still opposed, – at least formally – by all the unions,¹⁶ but to no effect. With industrial campaigning de-escalated and being aligned to political blocs who either supported or accepted the new regulation, the unions became ineffective.

The new regulation was PERATURAN PEMERINTAH REPUBLIK INDONESIA, NOMOR 78 TAHUN 2015 TENTANG PENGUPAHAN, referred to as regulation 78/2015.

¹⁵ The KSPSI was not party to the Political Contract with Anies Baswedan and Sandiaga Una. Central members of its leadership have been close to the PDIP.

¹⁶ This includes the unions, such as KSPSI and KSBSI, which supported Joko Widodo in the 2014 elections.

This regulation ended the annual review of the minimum wage and replaced it with a combination of automatic annual increases, based on an official formula, and five-yearly reviews of wages by the Wages Council, as currently composed. The formula that was designated to set the minimum wage removed the Dignified Living Needs (KHL) calculation from wage setting, using only the official statistics for productivity and economic growth. Wages would be increased by a percentage equivalent to productivity and economic growth added together.

The Political Contract between the Jakarta Union Coalition and Anies Baswedan during the 2017 Jakarta gubernatorial campaign agreed to an increase beyond the new formula, implying taking into account to some extent the KHL, as mandated by the 2003 legislation. There were no exact figures agreed to.

WAGES, UNIONS AND POLITICS

The decision by Governor Baswedan to set the wage increase at 8.7% was met with criticism and protest from the KSPI and FSMPI, articulated by union president Said Iqbal. Baswedan, and his Deputy, Sandiaga Una are from the political bloc that the KSPI had aligned with since 2014.¹⁷ The question arises then as to whether this difference over wages policy is undermining the KSPI/FSPMI alignment with that bloc. This question may only be answered definitely in the coming period and into the 2019 elections. However, it can be noted that the FSPMI newspaper, *Koran Perjoengan*, published an article entitled “Exposed. So This is What Frightened the Governors Who Then Persisted in Implementing PP 78/2015”¹⁸ (Terbongkar. Ternyata Ini Yang Ditakutkan Gubernur Sehingga Ngotot Terapkan PP 78/2015)”. This article refers to an official letter sent by the Minister of Home Affairs on 30 October 2017 to all Governors reminding them that they were obliged to conform with and implement national policy and national government regulations.¹⁹ The letter from the Minister sets out a series of sanctions, beginning with written warnings and ending with temporary suspension and then dismissal, if there is no compliance. The letter makes no mention of Regulation 78/2015 or any other specific regulations. *Koran Perjoengan* with this article shifts at least some of the blame back onto the national government of President Widodo. This is possibly an indication that the FSPMI will retain its current alignment.

¹⁷ Interestingly, in local elections in 2014, the FSPMI did field one candidate as an independent. It is not clear yet whether this was a significant experimentation with a non-aligned strategy.

¹⁸ “Terbongkar. Ternyata Ini Yang Ditakutkan Gubernur Sehingga Ngotot Terapkan PP 78/2015” in *Koran Perjoengan*, 4 December, 2017 at <https://www.koranperdjoeangan.com/terbongkar-ternyata-ini-yang-ditakutkan-gubernur-sehingga-ngotot-terapkan-pp-782015/>

¹⁹ The article refers to “Surat Edaran Menteri Dalam Negeri Republik Indonesia Nomor 561/7721/SJ”.

Meanwhile, the other large union leadership, the KSPSI, appears to remain aligned with President Widodo, although some regional branches are still condemning Regulation 78/2015.

It is likely that given the political alignments and industrial campaigning tactics that have evolved since 2013, there is little immediate threat to the continuation of the Government's new wages policy as manifested in Regulation 78/2015. It is less clear what the medium-term impact will be on union politics. The KSPSI and KSPI are not the only union confederations in Indonesia, and there are also federations and individual workplace unions that are not aligned to either of the two major electoral political blocs operating at national level politics. One growing confederation is Confederation of Indonesian Trade Unions Alliances Congress²⁰ (KASBI Kongfederasi Kongres Aliansi Serikat Buruh Indonesia) which has been campaigning for an across-the-board 31% increase in the minimum wage.²¹ KASBI claims to represent around 130,000 members. Another new confederation, the Indonesian Workers United Confederation (KPBI – Kongres Persatuan Buruh Indonesia),²² which includes port-based drivers and others, is also unaligned to a political bloc and continues to raise concerns around the KHL. Individual federations, such as the newly formed Popular Democratic Union Federation²³ (Sedar – Federasi Serikat Demokratik Kerakyatan) has also organised successful campaigns in individual workplace. KASBI, KPBI and Federasi Sedar are just a few examples of the many confederations, federations and individual unions that have emerged and are still emerging in Indonesia since the end of the New Order and which have not aligned with any political bloc. There are many others.²⁴ If the bigger union's alignments continue to hem in their room to manoeuvre and campaign, there will be increased space for other unions to grow.

²⁰ See the KASBI website at <https://kasbi.or.id/>

²¹ https://news.detik.com/berita/d-3706167/tuntutan-massa-buruh-kenaikan-upah-hingga-hapus-outsourcing?utm_medium=oa&utm_campaign=detikcomsocmed&utm_source=facebook&utm_content=detikcom

²² See buruh.co/tentang-kpbi for the KPBI website

²³ See fsedar.org.

²⁴ There are probably also smaller unions that are aligned with parties in the two big national electoral blocs, through connections to individual parties – although they do not yet have any significant national profile.

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