

Up to 50,000 bank workers face retrenchment in Indonesia

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Between 25,000 and 50,000 bank workers in Indonesia are facing retrenchment if the government proceeds with plans for the closure of an estimated 40 banks. The extensive restructuring of the banking system is one of the demands made by the International Monetary Fund, the World Bank and Asian Development Bank in return for loans and aid packages.

Last Saturday the military-backed regime of President Habibie was due to announce a list of banks to be closed if they failed to meet capital adequacy ratio requirements. But at the last minute, the decision was delayed. Economic co-ordinating minister Ginandjar Kartasmita said the process would be postponed for several weeks, as more time was required.

Under the restructuring plans, the country's private banks have been divided into three categories according to their capital adequacy ratio. The 104 banks in categories B and C are at risk of closure unless their owners inject fresh funds to meet the recapitalisation requirements.

Manpower Minister Fahmi Idris bluntly said there was nothing that the government could do for employees of banks in category C. He blithely suggested that the sacked workers could look for jobs overseas or set up their own businesses.

Neither of the two union groupings representing bank workers has opposed the planned sackings. Business, Banking and Insurance Labour Union chairman Bomer Pasaribu has called for the merger of weaker banks with stronger ones and the establishment of tripartite institutions with government and employers to discuss how the retrenchments should be carried out. Indonesian Association of Banking and Finance Labour Unions (Aspek) called for the government to involve the unions in the restructuring process.

The value of the separation fee that the banks are required to pay retrenched employees has plummeted as a result of high inflation over the last year. Retrenched bank workers face a bleak future with few prospects of getting employment elsewhere. According to the latest official figures, 15.4 million people--or 17.1 percent of the workforce--are unemployed and 40 percent of the population is living below the poverty line. In a recent speech, Habibie stated that per capita income in Indonesia had plummeted from \$US1,055 in 1997 to just \$400 last year.

The delay in the bank restructuring has come under immediate attack. Deputy chairman of the Indonesian Bank Restructuring Agency Farid Harianto told a group of economists last weekend that the decision threatened the credibility of economic reform and would hurt the remaining banks. "Political motives are behind the delay. What do the political decision makers really want? From the technical side, we don't have any problems," Farid said.

From Britain, the *Financial Times* reported behind-the-scenes moves to bail out some of the private bank owners by nationalising their institutions as a means of averting outright bank closures. In 1997, the winding up of 16 banks caused a run on all commercial banks. According to one government adviser: "It [the delay] is a very bad sign. It proves that special connections and political factors have been too powerful."

The government is under considerable pressure to proceed with the bank restructuring. Economics minister Kartasmita claimed that the major international institutions had agreed to the postponement. But the World Bank has threatened to hold up aid payments to Indonesia if these and other measures are not carried out. Already approved loans worth more than \$500 million have been delayed. The

IMF is yet to approve a letter of intent with Indonesia, which is required for disbursement of further loans.



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