

Anger in Indonesia over low wage increases

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Wage rises granted by Indonesia's provincial administrations for 2014 have only fuelled widespread anger over low pay. The minimum wage increases followed two days of strikes by hundreds of thousands of workers across the country on October 31 and November 1.

In Jakarta, which sets the benchmark for national wage levels, Governor Joko "Jokowi" Widodo's administration approved an 11 percent increase in the minimum monthly wage, to 2.44 million rupiah (\$US211). After the announcement, on November 1, thousands of workers surrounded the Jakarta administration office. The rise was far short of the 50 percent increase demanded during the strikes and demonstrations that were principally organised by the Confederation of Indonesian Workers Union (KSPI), one of five national trade union federations.

The angry reaction by Jakarta workers forced local union leaders and KSPI chairman Said Iqbal to promise further action at a press conference held last Monday, in addition to their plan to appeal the low pay offer in the courts. Union officials claimed they were planning more rallies and strikes that could begin this week.

Governor Widodo is a possible 2014 presidential candidate for the Indonesian Democratic Party of Struggle (PDI-P) and, according to opinion polls, is the front runner for the election. He has attempted to present himself as a popular figure who is close to working people. This posturing has been exposed by his response to the strikes and demonstrations. Standard Chartered chief economist Fauzi Ichsan approvingly noted that the 11 percent wage rise "shows Governor Jokowi is not as populist as some in the business community had feared earlier."

As in previous wage struggles, the union leaders pledged to mobilise millions, but then limited the protests to two days. The KSPI, formed in 2003, is affiliated with the International Trade Union

Confederation (ITUC). The ITUC, headed by former Australian union chief Sharan Burrow, is composed of union groups that have spent the past three decades betraying and isolating struggles of workers and enforcing pro-business economic restructuring, a process that has intensified since the global crisis began in 2008.

KSPI chief Said Iqbal works with employer and government representatives on the National Tripartite Forum and the National Wage Committee. Earlier this year, in an interview with the *Jakarta Post* on May 1, Iqbal said that he and the KSPI sought to cultivate closer relations with Indonesian big business. "To avoid prolonged industrial conflict, local executives should learn from Japan, South Korea and US and bargain with unions as equals," he told the newspaper. Iqbal praised Indonesia's Panasonic chief executive for setting "a good example as to what business tycoons should do to create harmonious industrial ties and maintain worker loyalty and productivity."

Several corporate spokespeople denounced the Jakarta administration's concession of limited wage rises, warning that foreign investors and businesses could leave Jakarta for the provinces. Other manufacturers, however, expressed relief at the small increases. Jakarta cable maker PT KMI Wire and Cable spokesman Asep Kusno told Reuters: "We were expecting an increase of about 20 percent so we had factored it into our budget for next year. So we won't feel the wage hike so much this year."

The anger of workers has been fuelled by President Susilo Bambang Yudhoyono's administration, which granted exceptions to hundreds of businesses to allow them to evade the 44 percent increase in minimum wages granted last year. Also, in June, the government increased the price of fuel by up to 44 percent, heeding the demands of big business and foreign capital to cut fuel subsidies. As a result, in August the inflation rate

reached a four-year high of 8.8 percent, eroding workers' real wages.

In response to the latest stoppages and protests, national police authorities mobilised over 17,000 police in Jakarta, and 150,000 nationally. Police claimed that about 100,000 workers participated in the two days of demonstrations and strikes. But the real figure was far higher. On November 2, the *Jakarta Post* reported that up to three million workers were involved in the previous day's actions, and that activity was shut down in 40 industrial areas in Java, Sumatra, Sulawesi and Kalimantan. Thousands of workers clashed with police when they closed access to Belawan port near Medan in North Sumatra.

In addition to higher wages, the strike demands included the implementation of a national health care program by January, the phasing out of the outsourcing and contract system that sees many workers employed on wages below the official minimum rates, the enactment of legislation protecting housemaids, and the repeal of a law passed in July restricting "mass organisations," which threatens workplace organisation.

The average monthly wage for the 30 million or so workers in Indonesia's "formal economy" is 2.2 million rupiah (\$193), compared to 2,477 yuan or \$406 in China. Indonesia's fragmented union organisations cover only about seven million workers. About 40 percent of the country's 240 million people depend on the "informal sector" and eke out an existence on \$2 a day or less.

Indonesia continues to be buffeted by the international economic crisis. From July to September, the economy posted a trade deficit of \$US2.9 billion. The value of exports decreased in this period by 6.7 percent, with coal exports especially hit. International coal prices have fallen 16 percent on a year-to-year basis. The central bank now expects the economy to grow by as little as 5.5 percent this year, down from 6.1 percent last year. Official unemployment is already more than 6 percent.

Manpower and Transmigration Minister Muhaimin Iskandar responded to the strikes by warning that the wage demands would bankrupt some weaker firms. Far from conceding any further pay rises, the government, with the assistance of the unions, will make further inroads into the social position of the working class and

will not hesitate to use repressive methods against any opposition.



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