Working Hour and Wages

By Fauzi ABdullah

Since the beginning, of the new order regime has set the economic growth as the priority of government attention. Its development trilogy is : economic growth, political stability, and social justice. Therefore, the economic growth is the priority number one.

As the wheel of development turned, Indonesia entered a new era, that is an industrial era. The workforce are abundant, both fresh graduates and those who are driven off the villages due to green revolution.

The changes in economic development pattern force the government to prepare laws and regulations that govern the industrial relationship. All the policies are no longer inspired by the constitution, but by the development trilogy.

The rapid economic growth demanded the availability of large capital. The government tried to come up with this capital using national and international sources. The government interest happens to be parallel with the interest of the developed countries. Therefore, since the 1970s, foreign investments started to enter Indonesia.

The government firstly needs to show the national capital in order to attract foreign capital. Here, Indonesians, numbered more than a hundred million, have become the capital used to attract foreign capital. The people of Indonesia are potential to become workers in the factories as well as market for their products. The other national capital that can be used to attract foreign investment is the natural resources.

The abundance of obedience workforces and government policy on low wages, surely attract foreign investor to put their capital in Indonesia.

The government does not explicitly stated the low wages policy in the constitution, regulations, or other legal products, but there are some indications of the policy that are very obvious, such as :

1. The promotion that the government did abroad on the comparative advantage of Indonesia

2. The wages that are much lower that the workers basic needs.

3. The percentage of worker's wages that is only 5-10% of the production cost (meanwhile the hidden cost may reach to 20-30% of production cost).

On 1970s the government passed the regulation on the formation of DPPD and DPPN. The board formulated the level of wages and then made recommendations to the government. Here, the government is very dominant by naming many of its members from government sectors, and the process to calculate determine the level of wages is concealed by defining all the documents to be classified government documents. This reflects the strong interest of the government to apply low wages policy.

One of the manifestations of the low wages policy is the definition of Regional Minimum Wage (UMR) which later becomes Sector-Regional Minimum Wage (UMSR). The definition of UMR has changed but bring no improvement for the workers. Initially UMR only define base salary, later it also defines base salary and regular incentive. The reference to calculate the UMR has changes, from the minimum physical needs to minimum living needs. This change can not conceal the fact that in reality the worker salary has decreased. The workers are now came up with their own measure, which is more realistic, called "proper wages". Here, the references are the need of single worker (noting that female worker needs are different than male workers).

Even though the name is minimum wage, in the reality the number is used as standard. A company felt to have fulfill its obligation if it has paid its worker up to this amount. This practice is supported by the ministry of manpower by establishing "normative and non-normative demand" terminology. Here, the UMR is defined as normative.

The UMR has been bad enough as a lower limit of wages. In practice, the wages received by the worker are even worse. There are so many violations of the UMR, such as :

- Many companies do not want to give wages according to the UMR before the workers make protest

- Worker who take a leave, does not receive wages according to the UMR

- The company will deduct the UMR if the worker absent of late for about 15 minutes

- Paying the workers according to the UMR has become the legitimization to determine production target

In addition to that, the UMR still have many tolerance and exceptions. The government give many companies tolerance to postpone the application of UMR, and let intensive-workers companies not to pay according to the UMR.

Lately, the government determine the UMSR, as a respond to the complaints from workers and companies who thinks that the UMR put too much generalization on the company capacity and worker productivity. The UMSR is defined to be 15% higher than the UMR. However, this seems to have very little effect since many companies do not want to apply the UMSR, which is defined by bipartite institution.

Due to the many worker unions formed after 1998, and the application of local autonomy, the government decided to change the process in determining minimum wage.

The minimum wage is defined by the wage commission in province and regency or city level, which consists of representative from government, companies and listed unions. The policies on UMR is no longer the authority of the minister of manpower, but the authority of governor or mayor or regent. Therefore, the terminology is changed to Province Minimum Wage (UMP).