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Indonesia: Minimum Wage Changes Unacceptable

Brussels, 16 October 2015 (ITUC OnLine): The ITUC has strongly criticised the decision of the Indonesian Government to change the minimum wage fixing system, eliminating any role for unions in the process. The reforms announced on October 15, 2015 mean that minimum wages will be adjusted automatically, without any possibility for social dialogue.

ITUC affiliated unions in Indonesia and a large number of smaller trade unions have launched a protest campaign against the reforms.

Sharan Burrow, ITUC General Secretary, said “These reforms contravene ILO Convention 131 on Minimum Wage Fixing which requires full consultation with trade unions and employers on the establishment, operation and modification of minimum wage machinery. The Government has done a back-room deal with big business to eliminate any role for the unions in minimum wage fixing. This is a fundamental attack on workers’ rights. It will hurt living standards and suppress economic demand.”

For several decades Indonesia has operated a comprehensive system of minimum wage fixing that has proven to be compatible with strong economic growth, increased employment, high levels of investment and declining poverty.

“It makes no sense to destroy a system that has delivered fair outcomes and strong economic results. This demonstrates that the reforms are motivated by ideological concerns rather than any sensible economic rationale. **The** concentration of business and political power in the hands of a few is the greatest threat to political stability and economic success in Indonesia,” said Burrow.

Indonesia is among the countries with the highest levels of income inequality in the world. In the last decade the benefits of strong economic growth have gone to a small but very wealthy elite in the business community. This group has powerful political connections. The recent reforms to the minimum wage system will increase these income gaps further.

The ITUC urges the Government of Indonesia to reconsider these reforms and return to the negotiating table. All sides need to work together to promote inclusive growth, decent work and a better distribution of income.

The ITUC represents 176 million workers in 162 countries and territories and has 328 national affiliates.

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