

Rekson Silaban

# REPOSITIONING *of* THE LABOR MOVEMENT

*Road Map for the Indonesian Labor Movement after Reformasi*



**FRIEDRICH  
EBERT**   
**STIFTUNG**



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**Friedrich Ebert Stiftung  
2009**

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## **Published by:**

Friedrich Ebert Stiftung (FES) Indonesia Office

**ISBN:** xxxxxxxxxxxxxxxxxxxx

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## **Printed by:**

CV Dunia Printing Selaras (d'print communications)

**First Edition, November 2009**

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This book is dedicated to all labor activists  
who willingly accepted imprisonment  
for the sake of the workers' struggle, as well as to those  
who never allow themselves to succumb to lethargy  
and remain independent labor activists.

“The hottest places in hell are reserved for those who,  
in times of great moral crisis, maintain their neutrality”

Dante

## Foreword

SINCE Indonesia recognized freedom of association in 1998, no book has been written on the agenda of the labor union movement after *Reformasi*, although the situation of the labor movement in the current era is very different from that of the previous era, in terms of labor policy and the industrial relations system.

The author had the opportunity to learn about various international labor movements in many countries over 15 years (1993–2008). Those experiences have been turned into a “road map” to guide the KSBSI in developing its strategy in the current struggle. This book provides a provocative view of the strategy of the labor movement in Indonesia, which is characterized by fragmentation and unfocussed ideas. The book also proposes a number of options to establish the labor unions on a more robust footing.

I would like to thank Mr. Willy Thys, former Secretary General of the World Confederation of Labour (WCL) who has provided the author with many opportunities to meet so many of the world’s leading figures at a number of international meetings, as well as selecting him to sit on the ILO’s Governing Body, not to mention many interesting discussions.

I will also never forget my conversations with members of leftist labor unions, such as CUT Brazil and KCTU Korea, as well as comrades from the Venezuelan, Indian and many other labor unions. Many exciting hours were spent in discussion in cafés, as they patiently explained how the Left still has major opportunities open to it, as well as how the left-wing agenda has started to fade in some labor unions in several countries, particularly those who were members of the World Federation of Trade Unions (WFTU).

A number of people who have influenced the author's ideas, as well as bringing about his deeper involvement in trade unionism, deserve to be mentioned here, including: Muchtar Pakpahan, Anton Westerlaken, CNV Netherlands, Guy Rider, Secretary General of ITUC, Jean Pierre Page, CGT France, and Luigi Cal, CSIL Italy.

Lastly, I would like to thank my beloved wife, Melan, and our two "little champions," Luigi and Morgan Garcia. Many times they have been patient with me when I had to travel, leaving them in Indonesia. They also supported me when I was writing this book, which I should have finished five years ago.

Last but not least, I would like to express my gratitude for meeting *bung* (Indonesian term of endearment meaning something like 'elder brother') Frans Surdiasis, who helped me in writing this book. Without him, the book may never have been finished. *Bung* Frans was very patient in making adjustments to my extremely busy schedule. We had to conduct interviews at fishing ponds, at home, in the office, and in a number of other peculiar places.



I hope this book will be useful for the development of the labor movement in Indonesia and encourage the publication of more – even better – ones. This volume was also written in response to the public's concern that the number of books available on labor unions is still very small.

Rekson Slaban

# Introduction

I remember that day in Geneva, Switzerland, at the beginning of summer in June 1998, at the annual conference of the International Labor Organization (ILO). With a pounding heart, I witnessed the announcement by the chair of the Committee on the Application of Standards concerning the success of the reform movement in Indonesia, which had toppled the military dictator, Suharto. The new president, Habibie, immediately introduced a new policy, ratifying the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87). It was Habibie's first international act after he was elected president.

This announcement was met with spontaneous applause from the conference participants. But when the chair mentioned that the key actor in the struggle was also present at the conference, the audience spontaneously gave a standing ovation, with long, enthusiastic applause. It was natural for them to cheer, because it was the first Committee set up specifically to monitor violations of ILO Conventions. For four years, the Committee had been continuously engaged in 'war' with the Indonesian government to bring to trial violations of freedom of association in Indonesia, particularly with regard to intimidation, imprisonment, and even the murder of labor activists.

Present at the conference, the author felt an incredible sense of pride and relief – proud to see that the SBSI's efforts had been successful in freeing labor from fear of assembling and organizing. The author's five years of travel around the globe, campaigning to promote the Indonesian case to the international community, had not been futile. Habibie's swift move in ratifying Convention No. 87 – only one week after assuming the presidency – was connected to the international campaigns and lobbying conducted by the SBSI, together with two international labor organizations: the International Confederation of Free Trade Unions (ICFTU) and the World Confederation of Labour (WCL). With their headquarters in Brussels, these two organizations contributed a great deal to raising Indonesia's agenda for discussion in various global forums, such as the ILO's International Labour Conference (ILC), UN Human Rights Commission hearings, APEC sessions, Mondial Social Forum, and a range of media publications.

Only three days after being released from Cipinang Prison, Muchtar Pakpahan was strongly urged to deliver a speech before the Committee on the Application of Standards. Muchtar presented his speech passionately and full of emotion. After almost every paragraph, the audience gave him a standing ovation. The author of the present volume listened carefully to Muchtar Pakpahan's speech, to make sure that he was reading the same speech that we had prepared the previous night, with Claude Akvokavie, an old friend, the WCL's Director of Human Rights, who is currently working at the ILO's ACTRAV bureau in Geneva.

It was a monumental contribution by the SBSI to the Indonesian movement. The SBSI was a pioneer in the fight for freedom of association in Indonesia, combining the labor struggle with international campaigns. Ideas previously proposed by other labor unions failed along the way because labor was not involved, providing the required mass support. If the SBSI had not joined the fight in the era prior to *Reformasi*, Indonesia may not have ratified the Convention No. 87, for the same reasons why countries such as Singapore, Thailand and Malaysia have not yet ratified the Convention. Since the struggle, the SBSI has also been successful in gaining recognition of the use of the word “labor,” a word previously alleged to be associated with followers of communism. In the “New Order” administration, the preferred term used to replace the word “labor” was “worker” or “employee,” notwithstanding the fact that the prevailing labor law from the Old Order still used the term “labor.” Law No. 21 of 2000 established the revival of the term “labor” after long debates in the Indonesian House of Representatives on whether to include the word “labor” in the Law.

For the ILO and the international labor movement, the Indonesian government’s recognition of freedom of association in Indonesia was an important achievement, not only because Indonesia is a large country with an enormous labor force but, more importantly, as proof of their latest success after 10 years without anything in particular to celebrate. This contrasts with such success stories of the 1980s as the Solidarnosc Labor Revolution in Poland, the establishment of the alternative labor union KCTU in Korea, and the setting up of the new independent labor union

“Cosatu” in South Africa, following Mandela’s victory over Apartheid.

International campaigns and lobbying were by no means easy, because many other countries experienced similar problems with establishing democracy: one might mention the murder of hundreds of labor activists in Colombia, lack of democracy in Burma, and the prohibition on association in Belarus, Zimbabwe, and dozens of other countries. Lobbyists had to be able to put their case on the priority list, presenting the message of the campaign loud and clear. The ICFTU and the WCL organized the sending of hundreds of thousands of protest postcards to every Indonesian embassy. There were also simultaneous demonstrations in front of Indonesian embassies, TV campaigns, a large advertisement in the *International Herald Tribune* newspaper, when Suharto came to the APEC meeting in Vancouver, Canada, lobbying, educational assistance by the SBSI in Indonesia, and complaints to the ILO and the UN Human Rights Commission. Only six years after the SBSI was established and three years after the SBSI had joined the international labor movement, the campaigns finally brought some results. This success was a combination of tireless struggle by SBSI members in Indonesia and international lobbying. Unfortunately, the case of Marsinah’s death was not followed through by the SPSI in the international arena. In international campaigning and the submission of formal claims to the ILO, the rules state that only the organization of which the person in question was a member may bring up the issue, while other labor unions can only provide support.

In global operations, the ICFTU and the WCL do not get along particularly well, because of their competition over membership and ideological conflicts in the past, but the two have launched joint campaigns in a few special cases, including the abovementioned case of freedom of association with regard to Cosatu in South Africa, Solidarnosc's struggle in Poland, international advocacy of labor unions in Colombia, and the campaign on the ratification of ILO Convention No. 87 in Indonesia.

The experience of cooperation between the two international organizations, however, in addition to the experience of cooperation in the labor confederation at the European level (European Trade Union Confederation), inspired the two organizations to merge in 2007 – in Vienna, Austria – to form the International Trade Union Confederation (ITUC). We can see on the ITUC board, at the global and Asia-Pacific levels, how the SBSI has been able to position some of its representatives in important positions. This is Indonesia's greatest international achievement with regard to the labor movement, at least in the past 40 years. The positions held by the KSBSI at international level are as follows: the KSBSI President was elected Vice-President of the ITUC, as well as to the Executive Board of the ITUC and as a Member of the ITUC's General Council. KSBSI members also represent Asia-Pacific as members of the ILO's Governing Body, 2005–2011. Positions of other SBSI representatives include: Sulistra Sulistri, member of the ITUC-AP's Equality Department; Maria Emeninta, Auditor, ITUC-AP; and Patuan Samosir, Senior Officer, Organising and Projects, ITUC Regional Organization for Asia-Pacific (ITUC-AP).

Visits to many countries have also given the author ample opportunity to learn more about various labor movements all over the world. He has had many opportunities to meet representatives of organizations of every ideology. These include the following. Far-left orthodox communists of CUT Brazil, and from Venezuela, Cuba, Bangalore, India, Vietnam, CGT France, GSEE Greece, and Maoist Nepal, as well as the construction workers union in Sydney, Australia. Revisionist left-wing communists in the FNPR labor union in Russia, CGIL in Italy, Cosatu in South Africa, Zenroren in Japan, and FGTB in Belgium. Social Democrats in Germany's DGB, the UK's TUC, Israel's Histadrut, Australia's ACTU, and Canada's CLC, as well as unions in Spain, France, the Scandinavian countries, and the Netherlands. State corporatism in NTUC Singapore, JTU-Rengo Japan, TUCP Philippines, UMT Morocco, Egypt, Kenya, and other countries. Christian Democrats in CSC Belgium, CSIL Italy, Solidarnosc Poland, Vienna, and the Netherlands. Muslim labor unions can be found in a number of Arab countries, as well as Bangladesh and Sudan. There are also labor unions which take a more pragmatic approach, without any particular ideology. This phenomenon can be found in developing countries in Asia, including labor unions in Indonesia.

Discussions with leading representatives of these organizations were held on many occasions, at seminars, educational courses, and cafés, as well as by living together with labor activists. A number of labor movement prototypes mentioned above finally inspired the shape of the SBSI movement. Initially influenced more by leftist ideology, it has shifted gradually to a more Social Democratic stance,

because it shares a similar spirit to Indonesian culture, which prefers social dialogue to open confrontation in solving problems. This involved long discussions within the SBSI, because some activists wanted to retain a militant, uncompromising stance, with more strike action and demonstrations. But the SBSI experience since 1992 has also created a special awareness that the essence of struggle is to achieve a good result for the workers, enabling them to enjoy the fruits of their efforts. It is not the intention of the SBSI to court popularity in the media, with a leader who cultivates notoriety and is feared for militant mass mobilization, but without securing real victories in the struggle to defend the workers. If efforts to protect them are frequently defeated, workers will inevitably lose interest in joining a labor union.

The option of following the model of “social dialogue” was also based on consideration of the history of social movements in Indonesia, which has proven that a radical social movement can never win a place in the hearts of the majority of Indonesians. Although at times, such movements seemed to win over some Indonesians, they were unable to survive over the long term. Examples include the communist labor movement, the socialist movement, the fundamentalist religion-based movement, and other extremist movements which were introduced in Indonesia at one time or another. There were able to survive for only short periods because, as already mentioned, culturally, Indonesians avoid conflicts instead of solving them properly, hence the fragmentation. The establishment of a large number of labor unions in Indonesia, but with few actual members serves as a particular example. This profusion of labor unions happened



as a result of numerous organizational splits. Many activists known to the author have been members of three different labor unions in the space of only five years. They have moved from one union to another because of the frequency of disputes and break-ups.

The results of the abovementioned studies, in addition to copious international experience, have shaped the current character of the SBSI as a labor union which has opted to prioritize and bring real benefits to the workers. Sustainable victories by the labor movement over the long term will enhance the positive image of labor unions in the eyes of the workers and encourage the latter to become members.

# *Chapter 1*

## **The Urgency Of Repositioning The Labor Movement**

The political freedom of the *Reformasi* era has opened up an opportunity for the revival of social movements in Indonesia. *Reformasi* has given rise to a more open political structure, including a friendlier political atmosphere for the labor movement. Following *Reformasi* in 1998, many labor organizations were established. There were no more political restrictions. Indeed, practically anyone can establish a labor organization.<sup>1</sup> Workers now have considerable freedom to fight for their rights and have staged numerous demonstrations, giving voice to a wide range of demands. The question is, how can such freedom be best used for the benefit of the labor movement?

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<sup>1</sup> Law No. 21 of 2000 concerning trade unions/labor unions makes it easier to establish trade unions or labor unions. Article 5, paragraph 2 of the Law stipulates that trade unions or labor unions can be established by a minimum of 10 workers. Furthermore, six trade unions or more can form a federation, and three federations or more can form a confederation

The political environment and the range of problems confronting the labor movement in the *Reformasi* era are different from those characteristic of the “New Order” era. In the New Order era, one of the biggest issues was how to find some sort of latitude for the labor movement amidst the repressive policies imposed by the ruling administration; in the *Reformasi* era, however, this is no longer considered a major problem. The question now is, how can the labor movement become really effective and more relevant amidst a range of complex labor and employment issues? This reality demands that the labor movement in Indonesia reposition itself. This applies to the platform of the labor movement (ideology), the form of organization (labor union), the issues raised, and the grand strategy of the workers’ struggle.

The idea of repositioning the labor movement assumes that the labor movement is still necessary and must, therefore, be adapted to meet the current challenges. There are two important questions with regard to repositioning.

First, why is it necessary to sustain the labor movement or even to make it stronger? Is the labor movement today more important? If so, what makes it more important in comparison to other movements in the past? With so many NGOs and political parties – not to mention the government – committed to labor issues, why is the labor movement in particular need of support? Why should we not just hand over care of the fate and future of the workers to the aforementioned institutions?

The second important question is: Why does the labor movement in Indonesia today need to reposition itself? What is different about the context and challenges, which makes repositioning so crucial? What would be the implications of such repositioning; how would it shape the ideology, strategy, issues and organization of the labor movement?

### **How the Labor Movement Is Gaining Relevance**

In comparison to the past, the labor movement is today becoming more relevant and necessary. The general situation of workers in Indonesia requires that they seek to strengthen the labor movement. First, more than in the past, workers today are confronted by hostile, more exploitative economic forces, particularly in the form of neoliberalism. Following the end of the Cold War, globalization emerged as a new global world order, marked by efforts to make the world into a single arena – a global market free of barriers. Globalization has extended capital movements and provides giant global corporations or multinational companies (MNCs) with a highly congenial environment.

In Indonesia, we are witnessing a shift due to the growing strength of global capitalism. In the past, global capitalism played a significant role only in relation to large-scale multinational corporations in Indonesia, for example, in mining and a number of other major resources. Now, even the economic resources of the general public, like public utilities, such as water and gas, or mineral resources, are owned by multinational corporations. Hand in hand with this expansion come greater demands in terms of new forms of work organization, involving the introduction of more

flexible employment relations related to outsourcing, such as contract work. Freelance and casual labor or day labor have all grown significantly. All of this is aimed at reaping much larger profits by reducing the social and other responsibilities of the employer or capital owner for their workers. The keyword always raised by employers is “efficiency,” although what it boils down to is capital owners receiving a larger share of the pie.

Unfortunately, labor law in Indonesia is inadequate to the situation. Economic relations are changing rapidly and legislation and similar provisions find it difficult to keep up. Regulations or laws always move more slowly than the constantly arising challenges. As a result, we cannot rely entirely on labor law as a basis for fighting for workers’ interests.

Furthermore, the Indonesian government at present does not have the political will to provide more effective protection for workers. In a number of its policies, the government is perceived to have sided with the employers in the name of attracting foreign investment. For example, the government supports – at least to some extent – the idea of work flexibility. Recently, the government – through the Joint Decision Letter issued by four ministries – tried to control the level of the regional minimum wage to keep it in line with the economic growth rate.

This is where the labor movement is becoming more relevant. The movement consists of people who can directly help the workers, negotiate with management, fight for collective agreements, and provide training and advocacy.

On the other hand, we must also recognize that labor issues in Indonesia are not the concern of the labor movement alone. Other organizations – such as NGOs, political parties, and faith-based organizations – are also fighting for workers' interests. Nonetheless, their contribution is more on the macro level, on the “big” labor issues. On a more micro level, which is more crucial in the struggle for workers' interests – such as direct negotiations with employers or business owners – the latter groups do not have the requisite reach or legitimacy. In this situation, only the labor movement is capable of standing in the front line to directly face labor exploitation in its various aspects. This makes the labor movement more relevant and necessary.

We are also witnessing the emergence of a new challenge which further increases the relevance of the labor movement. In the past, employment relations were more formal and permanent. Labor law clearly protected the interests of workers, and labor was usually grouped in a given company with transparent management, such as Matahari Department Store. Formerly, all employees working for Matahari Department Store were recruited by and under the management. Today, however, there are a number of employee groups under the umbrella of Matahari Department Store. Each department is under a different management: the employees at the Polo counter are recruited and under the management of Polo.

This shift has a number of implications for the labor movement. The supervision which used to be performed under one management is now carried out by a number of

managements, all with their own characters and rules. In the past, the labor movement needed to deal only with one management in fighting for workers' interests at Matahari: now, they have to face a whole clutch of them. In practice, the real problem is that relations between workers and management are becoming more and more unclear, because the actual work is carried out in one place, but the management is located in another. The workers do not generally encounter their managers. They tend to be recruited through newspapers and their wages are paid by yet another entity. Under this model of employment and industrial relations, it is very difficult to imagine how workers can fight for better employment conditions. The labor movement is more vital than ever because it has greater bargaining power, enabling it to sit at the same table and demand attention from employers for the benefit of the workers' interests.

### **The Need for Repositioning**

The labor movement today is confronted by a number of important changes.

First, the changes in the political environment. As previously mentioned, since the *Reformasi* in 1998, the labor movement in Indonesia finds itself in a new and more democratic political field. In the past, the government represented a monolithic political power, but today political power is more fluid and fragmented. This new field demands that the labor movement create strategic alliances with other social and political powers to create a political system which is more friendly to the workers' interests.

Secondly, there are changes brought about by the new and increasingly complex forms of employment. We have witnessed changes in the labor market, revisions of the law, and interventions in the labor market by multinational corporations through international organizations, such as the IMF. Unfortunately, responses to these changes so far have tended to take the same old approach. At the organizational level, for instance, we still see the old-style structure of central government, provincial government, and local government. This geographical model is no longer flexible enough.

The labor market has undergone many changes. For example, formerly we rarely had to deal with foreign companies whose representatives had not mastered Bahasa Indonesia, not to mention the fact that they did not understand our laws and today's corporate social responsibility was still unknown. Today, many foreign companies understand our regulations well.

The labor movement will be effective if it comes to understand how all these things are interlinked. The labor movement must acquire a proper understanding of all the issues it faces, but also develop an adequate approach to individual companies. Important questions include: Where does the capital owner come from? Does the company acknowledge corporate social responsibility (CSR)? Has it signed any international agreements? In this respect, the labor movement must be more advanced in its approach in comparison to the past and develop the ability to analyze fundamental labor issues. The previous militant labor movement is longer sufficient for today's situation. We need



a professional labor movement, a movement which properly understands all the complexities of the issues and is able to conduct negotiations.

Thirdly, the domestic labor movement is more integrated with the international labor movement. In the past, local factors had much more impact, but since the 1990s, the international labor movement has been confronted with the same set of problems in the wake of globalization. In facing the same problems, labor movements in various countries share the need to fight together and to develop a common strategy.

These changes call for a number of adaptations.

The first adaptation is at the organizational level. Trade unions at present retain the old hierarchical model based on geography, with an executive board at the central level, in addition to provincial and district levels. However, this organizational model hinders flexibility in response to labor issues, since it is bureaucratic and rigid. This kind of structure, with central and regional offices, is also inefficient in cost and decision-making terms. For instance, when a meeting is going to be held, notice must be sent to all parties, and the costs incurred include communication costs, as well as the costs arising from holding the meeting. Today, labor organizations must be managed in such a way that they can be flexible, professional, competent, and financially robust.

The second adaptation is related to the skills and know-how of labor activists. To date, most labor activists have

dealt with issues at the normative level. such as wage demands. They have not yet addressed – and still do not fully understand – matters more characteristic of the macro level. Labor activists tend to prefer a reactive rather than a proactive approach, for example, in relation to proposals on changes in the wage system and on social security for workers. In the face of the many changes happening today, the labor movement and its activists need to further develop their alternative proposals and not merely protest against government policies. In this way, the labor movement can become a good partner for the employers, the government, and other groups in society seeking the right solution on a range of issues of interest to the workers.

The third adaptation concerns the “ideology” professed by the labor movement. Often, this is unclear. In the face of the complex issues of today, the labor movement must return to its core task: to strongly defend the labor movement without discrimination. The labor movement must possess four basic characters. It must be: *non-discriminatory, democratic, independent, and solidaristic.*

### *Non-discriminatory*

An ideal labor movement must be open (plural), allowing anyone to be a member. In this context, there must not be religion-based labor unions in Indonesia, apart from anything else because workers in factories adhere to a variety of religions. It would be inappropriate to have labor agreements signed by trade unions that represent only workers of the same religion. Such religion-based trade unions would face particular obstacles in regions in which

that religion is in a minority. For instance, an Islam-based trade union would face obstacles in Bali or in Papua. Such a trade union would only serve to bring into being unnecessary barriers in the fight for workers' interests. Basically, labor organization should be pluralistic.

The supporters of religion-based trade unions argue that religion serves only as a platform, while the struggle is still open to other groups – in other words, even though the organization is based on a particular religion, it will defend other groups, too. One simple answer to such arguments is that, if the struggle is intended to include everyone, why narrow it down in the first place with reference to a particular religion? The case is different in relation to Islam-based political parties, whose constituency is clearly voters of that religion. Labor unions are different. The existence of religion-based labor unions can in no sense be perceived as an instance of pluralism or democracy in the labor movement. Although it is certainly permissible in a democracy, if the broader labor movement is to be strengthened, organizations must be open to everyone from the very beginning. All must benefit from collective agreements and no resentments should be created. In contrast to political movements which sometimes rely on religious sentiments in recruiting supporters, labor unions must abjure this approach, both in recruitment and the implementation of their struggle.

In Indonesia today, however, religion-based trade unions are not part of the mainstream and do not have significant prospects.

### *Democratic*

The labor movement and trade unions must be democratic. At the organizational level, democracy means that the election of members of the executive board must reflect the true wishes of the workers and not be the result of backroom agreements with political parties. In addition, the members of trade union executive boards should not owe their places to nepotism or cronyism, based on the dominance of particular groups.

### *Independent*

The labor movement must be independent, but without isolating itself from other movements. It will acquire legitimacy based on its ability and willingness to fight for the best interests of the workers. Whether or not individual labor activists are also involved in other organizations, independence will allow them, and the labor movement as a whole, to stand up for the workers most effectively. Even though trade union activists hold other positions in political parties, NGOs or companies, or if they also represent particular ethnic groups or religions, in the end they must put the workers first. Labor unions must not be a stepping stone for other interests, which may eventually come to dominate the labor movement.

It is important to note that independence does not mean that labor organizations should not enter into political alliances. Alliances with other societal forces, including political parties, are necessary. However, in every alliance of this kind, the question must be, which one is the

independent party: the labor organization or its partner? The crucial issue is whether the labor movement determines what programs are to be implemented or it is subservient to a partner.

There are two layers of independence. First, independence at the institutional level concerns the overall orientation of the organization. Secondly, there is independence at the level of labor activists. A labor union which is able to safeguard the workers' interests against external forces seeking to exploit them must be independent at both levels.

*Solidaristic*

Ultimately, the labor movement must defend all workers, regardless of union membership. When workers experience difficulties, the labor movement must be able to provide assistance, whether in Indonesia or elsewhere. The solidarity of the labor movement has three strands: internal solidarity, in terms of which the members of a particular labor union express their solidarity with fellow members; solidarity between labor organizations, in terms of which labor organizations support each other; and international solidarity, in terms of which the labor movement also shows concern for labor movements in other countries, sharing the same fate.

The labor movement in Indonesia has shown solidarity. In 1995, the labor activists who, at that time, were under the coordination of the SBSI, staged a protest against Myanmar's repression of the labor movement in that country, which was demanding higher wages and freedom

of association. Labor alliances from various unions in Indonesia lodged protests and staged a demonstration in front of the Myanmar Embassy in Jakarta. This action was part of the international solidarity of the labor movement.

Such solidarity has also been demonstrated in coordination between international labor unions in a number of special actions. For instance, when the labor movement in Indonesia engages in protests against employers and companies from other countries, we ask labor activists in the employers' country of origin to do the same.

As another form of solidarity and support, the labor movement in Indonesia – among others, the KSBSI – provides training for workers in Cambodia on establishing a strong and independent labor movement. The democratic transition in Cambodia has moved more slowly than in Indonesia; our experience of forming stronger labor unions is still a step ahead of them.

Cooperation can also take the form of relaxing the rules of membership, whereby workers from one country can become members of trade unions in other countries. Members of trade unions registered in the United States, for example, can become members of the SBSI, and workers in Indonesia can also apply to become members of trade unions in the States. Under the banner of solidarity, the labor movement recognizes no geographical boundaries.

## ***REPOSITIONING OF THE LABOR MOVEMENT***

# ***Chapter 2***

## **From Opposition to the Repositioning of the Labor Movement**

As described in Chapter 1, the repositioning of the labor movement is necessary today because the labor movement finds itself in a significantly different environment in comparison to the past. The challenges it faces are also different. In order to better understand the context of the necessity for repositioning, we need to understand the dynamics of the labor movement over recent years, from pre- to post-*Reformasi*, starting in the 1990s. There are two reasons for this.

First, the 1990s were an important period in the history of the labor movement, but also for Indonesia as a whole. Under the New Order regime, it was during this period that the labor movement was able to establish a strong presence, without having to stay underground as the opposition political power against the repressive regime under Suharto.



Secondly, the labor movement's struggles during this period served as the foundation for the birth of a relatively free labor movement after *Reformasi*. It is difficult to understand the labor movement and the establishment of a range of labor unions after *Reformasi* without looking at how the movement started in the 1990s. The freedom and courage of the labor movement after *Reformasi* did not appear out of nothing, as if it was only a ripple in the *Reformasi* wave. Rather it started to grow even before *Reformasi*, in the early 1990s.

### **The Labor Movement as the Political Opposition**

Two important questions need to be raised about the labor movement in the 1990s. First, what was the situation of the labor movement at that time? Secondly, how did the situation in the 1990s influence the labor movement at that time and as it stands today?

At the start of the 1990s, the issue of transparency began to gain ground in Indonesian politics, referring to the need for the government to provide more room for the growth of democracy. This political transparency was characterized by an easing in the government's attitude towards the opposition.

One result of this new transparency was the expression of a desire to set up an alternative or rival labor union to the SPSI (All Indonesia Workers' Union), the only – government-sponsored – labor organization which was permitted to exist. A central question raised by the labor movement at that time was whether it was the right moment to set up

labor unions. This question became an important topic of debate before the establishment of the SBSI (Indonesian Prosperity Labor Union).

At that time, two major poles of opinion dominated. The first centered around those who took a pessimistic view of the development of democracy in Indonesia. For this group, it was not the right time to set up a new, alternative labor union. The government, it thought, was not ready to accept a labor union other than the SPSI. The establishment of a new union would be viewed as political dissent or opposition and thus would be subjected to government repression. Labor activists would be victimized and criminalized. This would make things very difficult for the labor movement, since the judicial system in Indonesia at that time was not independent. It was almost certain that the establishment of a labor union would constitute a fast track to ending up in the prisons of the New Order regime. If labor activists decided to set up an alternative labor union the entire labor movement would be jeopardized. It would be better, therefore, to wait for a more suitable opportunity.

The second group viewed the political situation more optimistically. The founders of the SBSI belonged to this group, which also included a number of NGO representatives. In its opinion, no momentum would ever be created if no measures were taken to set things in motion. Momentum had to be created and maintained: it would not simply fall from the sky. The involvement of the workers also depended on such momentum.

This group's optimistic view was based on an analysis of the current situation, the upshot of which was that it was time to push for freedom of association in Indonesia by establishing a new labor union. Indonesia's dependence on oil and gas revenues was diminishing and a shift was under way to the non-oil and gas sector. As a consequence of this shift in the main source of state income, Indonesia was opening its markets to international trade. Hence, sooner or later, Indonesia would eventually have to accept international standards if it wanted its products to be accepted on international markets. These standards included respect for human rights, acceptance of and compliance with ILO Conventions, and respect for environmental standards. Indonesia would undoubtedly make international concessions. The government would not be able to act as it used to do when it still relied heavily on the oil and gas sector, enabling it, to some extent, to flout international opinion. Indonesia's dependence on international markets would only increase as new oil and gas discoveries diminished in Indonesia. If Indonesia wanted its products to be accepted in international markets, particularly Europe, at least two conditions had to be met. First, environmental problems would have to be addressed; secondly, human rights must be given a clean bill of health.

When Indonesia received aid and cooperation packages from Western countries, as well as from organizations such as IGGI, or when Indonesia became a beneficiary country of the Generalized System of Preferences (GSP), it took on board the attached conditions, such as recognition of human rights, at least in principle, notwithstanding many violations and deviations on the ground.

This situation was considered to have generated enough momentum for the establishment of an alternative labor union. At that time, the founders of the SBSI realized that this would be positive lunacy.

With this rationale, a National Labor Meeting – or PBN – was held at the Hotel Cipayung Bogor, Jawa Barat, attended by 106 participants: 90 workers, mostly from the leadership of the SPSI at the enterprise level, and 16 activists/labor advocates from 10 provinces. This National Labor Meeting was facilitated by the LPBH-FAS (Legal Aid and Awareness-raising Institution – Just and Prosperous Forum), which was led by Sukowaluyo and Yakom (Communication Foundation), headed by Sabam Sirait. On the second day of the meeting, on Saturday, April 25, 2009, the participants agreed to establish a new labor organization, to be called *Serikat Buruh Sejahtera Indonesia* or the Indonesian Prosperity Labor Union.<sup>2</sup> Those present at the meeting included Muchtar Pakpahan, Sabam Sirait, and K.H. Abdurahman Wahid. Pakpahan was elected the first Chair of the SBSI. After *Reformasi*, at the 4th Congress, the organization was transformed into *Konfederasi Serikat Buruh Sejahtera Indonesia* or the KSBSI – the Confederation of Indonesia Prosperity Labor Union.

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<sup>2</sup> Three alternative names were proposed: SBSI, SBS (Prosperous Labor Union), and SBI (Indonesian Labor Union). The participants chose the first. After its establishment, the SBSI was registered as a mass organization at the Ministry of Home Affairs, in compliance with Law No. 8 of 1985, and was registered as a Labor Union at the Ministry of Manpower, in compliance with Law No. 21 of 1954 and Law No. 18 of 1956. But the New Order administration at that time did not register the organization because it was deemed incompatible with the New Order administration's policies.

Aside from the external factors, internal factors also strongly encouraged the establishment of an alternative labor union. The situation of the workers was deeply worrying. Employers were able to act arbitrarily, summarily firing or otherwise abusing workers. Workers also received very low wages. In Jakarta, at that time, the wage was IDR 2,000 per day. The employers also imposed long working hours without compensation for overtime and if any workers refused, they would be laid off. Other workers were forced to work on Sundays and holidays. Other rights, such as vacations and menstrual leave for women were not granted. It was also a frequent occurrence that workers were abused by the army when they demanded their rights.

The SPSI, hitherto the only labor organization, never stood up for the workers. When conflicts of interest between employers and workers arose, the SPSI took the side of the employers. At a higher level, in conflicts of interest between the government and the workers, the SPSI took the side of the government.

The establishment of the SBSI at that time was a major breakthrough, an act of resistance against the state corporatism that the New Order had successfully practiced to date. If we look back, the New Order established the FBSI (All Indonesia Labor Federation) on February 20, 1973, marking the end of the plural labor unions era in Indonesia, to be succeeded by the era of the single organization.<sup>3</sup> In 1985, the FBSI was transformed into the SPSI (All Indonesia Workers' Union) by Sudomo. This transformation also marked a change in the system of the New Order's labor union, namely from the federative system, in which each

group of workers would have its own organization, according to sector, and then form a confederation. By establishing the SPSI, Sudomo changed the system into a unitary one, with only one labor union. Every worker was to be a member.

We rejected this monolithic system in principle and created an alternative in the form of the SBSI. From the workers' perspective, the establishment of an alternative labor union was deemed urgent. At that time, the workers had virtually no protection at all. The SPSI was acting more as a government organ than as an organization fighting for the interests of the workers. Also, unlike today, the minimum wage was not increased annually and there was no clear timeframe for minimum wage increases. This differs considerably from today, when the minimum wage is increased each year.

Aside from the wage issue, workers in many enterprises at that time faced intimidation by the armed forces, whose considerable powers enabled them to effectively repress workers fighting for their interests.

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<sup>3</sup> The establishment of the FBSI was initiated one year earlier when the Indonesian Workforce Foundation (YTKI), in cooperation with the Friedrich Ebert Stiftung (FES), held a seminar on October 21–28, 1971, which was intended to bring up the idea of establishing a single labor organization at the national level. The seminar recommended that the labor union must be independent of any political power and focus on socio-economic activities. This became the principle of the FBSI and, later, of the SPSI labor union. A comprehensive review of this can be found in Edi Cahyono's article, "Labor: from Dutch colonialism to the New Order" (Indonesia, 1998).

Many workers lived at subsistence level, earning a wage sufficient only to provide them with the basics. The ruling regime had little concern for this. There was no likelihood of any upward movement in terms of workers' prosperity; at best, things would remain the same. Thus, the situation of 10 years previously would be the same as the present day.

The labor movement in the 1990s was marked particularly by the spirit of fighting against the government (labor opposition). This characteristic of the labor movement during this period set it apart from the labor movement in the 1970s or even in the 1980s. In this period, more "wild cat strikes" were witnessed, neither organized nor controlled by a labor union, but rather spontaneous actions by workers in pursuit of their interests. The major strikes held in a number of cities, such as Bogor, Medan, and Surabaya, were out of the hands of the SPSI. This showed that there was open opposition to the government. The founders of the SBSI viewed this as potential support which needed only to be better organized. Resistance among the workers escalated, since they no longer feared the threat of losing their jobs, as well as from the police or the military.

The seeds of resistance began to sprout everywhere, although they were rather sporadic, because they were not under the control of a labor union. It is also important to note that the situation developed as the manufacturing sector was growing, increasing the number of workers in Indonesia.

Amidst this grave situation, the government made no policy changes at all to improve workers' lives. The government responded to workers' aspirations in the same manner as before, relying on repression, with the armed forces as their spearhead. Wages were not increased. Labor dispute settlements were protracted and largely benefited only the employers' interests.

The presence of the SBSI in this context brought about important changes, both for Indonesia as a whole and for the labor movement.

The SBSI also broke through the political stalemate. At that time, the authoritarian political system of the New Order was considered to be firmly entrenched. The emergence of the SBSI represented a form of resistance to the system. This inspired other forces to undertake reform, such as the limitations on the number of political parties and professional associations – only a single organization was possible in each category. The SBSI movement was the start of the fall of the New Order's political system, which later collapsed like a house of cards. The labor movement was the first to make an impact, to be followed by other political movements. Other changes to monopolistic organizations followed afterwards, including AJI, Peradi, and so on.

At the union level, the existence of the SBSI constituted a correction to the New Order regime's belief that a single labor union can solve all labor issues. The emergence of the SBSI gave workers a boost in their efforts for more freedom of association. What happened after *Reformasi*, when many labor unions were established, did not happen overnight.



The seeds of the breakthrough had developed long before, including the establishment of the SBSI. People began to find courage that they had not believed themselves capable of before. Although the existence of so many labor unions may be viewed as counterproductive, since it does not necessarily mean that the lives of the workers will improve, it gave rise to a new spirit, an understanding that the oppressed labor unions could also manage things themselves. This was one of the critical contributions of the SBSI's establishment.

At that time, the SBSI encouraged the establishment of labor unions at the enterprise level. This has become an important goal, alongside the demand for more freedom at the national level. In order to have their struggle recognized, the SBSI must have real representation at the enterprise level. It would be impossible for the SBSI to obtain government recognition if it did not really represent the workers. By increasing its membership, the SBSI will enhance its bargaining position in relation to the government.

The agenda of the SBSI at that time did not differ from those of many other labor unions: namely, to improve workers' lives through wages, social security, employment protection/status, and freedom of expression. In Triparta, a company partnered with Caltex, the SBSI was able to achieve the status of permanent employee for many workers who previously had contract worker status.

## **The Main Labor Issues in the 1990s**

There were at least two main labor issues in the 1990s: first, freedom of association and, second, the labor problems arising from the shift of Indonesia's economy away from oil and gas to the industrialization of new sectors.

Many people who formerly worked in the agricultural sector then went to the cities to work in industry. However, workers had little legal protection, either from the labor courts or from labor unions. Wages were also an issue. In this period, industrial disputes were rampant in Indonesia. The labor movement was unable to contain its dissatisfaction. The number of labor demonstrations increased sharply. While in 1989, there were only 19 labor demonstrations, involving a total of 1,168 workers, in 1990 the number leapt to 69, involving 27,839 people. Indeed, the number of labor demonstrations continued to increase, with 350 in 1996, involving 209,257 workers.<sup>4</sup>

From the perspective of the Indonesian government, Indonesia started to open up because its main source of income – from the oil and gas sector – was diminishing. More and more anti-government NGOs were being established, in various sectors. Demands for a free press also started to grow. Stories about resistance started to be published in the mass media, which added to the

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<sup>4</sup> Data obtained from Akiko Kodama, "The participation of women workers in the Indonesian labor opposition movement in the 1990s," *Southeast Asian Studies*, a journal of the Southeast Asian Studies Student Association, Vol. 3 (Fall 1999).

momentum. There was a conviction that it was time for the government to accommodate alternative ideas.

The demand for a free press was mirrored, in the context of the labor movement, by calls for the freedom to establish independent labor unions, which was the predominant narrative of the labor movement in the 1990s. In this period, the primary demand was freedom of association and a more democratic political situation. This became the main theme of workers' demands. It was believed that workers could not enjoy freedom if human rights and freedom in general were unavailable. Thus, civil liberties had to be established prior to labor rights.

In the 1990s, normative labor issues such as wages became minor issues for the labor movement. Together with other activists, workers were at that time involved in voicing major demands for democracy. For example, they were actively involved in protesting against the ban on *Tempo* magazine, *Detik* (a tabloid newspaper), and *Editor* (a magazine) in 1994. Workers, together with other social groups, were actively involved in a number of demonstrations protesting against the government's arrest of activists. Workers were also involved in demanding the revision of the five "political laws" on which the current political system is based (the laws on mass organization, the House of Representatives (DPR), the People's Consultative Assembly (MPR), political parties, regional administrations, and elections). Labor activists, together with university students, NGOs, and the Indonesian Democratic Party were involved in establishing the Indonesian People's Council (MARI).

In the 1990s, there were two important events pertaining to labor issues which had strong national reverberations. The first was the murder of Marsinah in 1992; the other was the mass workers' demonstration in Medan in 1994. Of the two events, the workers' demonstration in Medan was the one which most affected the labor movement and the structure of national politics in general. The momentum of Marsinah's death must be acknowledged to have had wider reverberations, but the waves resulting from the incident created a stir only in media reports. The death of Marsinah was not used to maximum effect to strengthen the labor movement.

In contrast, the event in Medan – in which the SBSI was the “driver” – strengthened the labor movement considerably. The repressive actions of the government did not stop the struggle, but rather increased the workers' determination. The fight spread to other regions and cities. Three years later, in 1998, the labor movement finally got its just reward: freedom of association. This was the first major campaign staged by the SBSI. Approximately 105 labor activists were imprisoned, including Mochtar Pakpahan himself.

### **Contribution to *Reformasi***

Some have questioned the contribution of the workers and the labor movement to *Reformasi* in 1998 and during the period leading up to it.

Vedi R. Hadiz,<sup>5</sup> for instance, in an interview, expressed the view that the labor movement did not play an important role in building up the momentum which led to *Reformasi*. Even after *Reformasi*, in his opinion, the labor movement has not become an effective large-scale movement, particularly with regard to the major issues facing Indonesia.

In my view, however, the labor movement during this period played a significant role in the making of *Reformasi*. The great political changes experienced in 1998 did not come out of the blue, but were the result of previous struggles, which had gathered sufficient momentum to find proper release in the crisis in 1998. For example, it was the labor movement which first raised the issue of plurality with regard to social and political organizations. We staged mass demonstrations long before the students had begun to do so, although at the end the students did indeed take their place in the frontline. The labor movement's important contribution to *Reformasi* has been recognized by the government in the reform era. The first international policy adopted by Habibie was to ratify the ILO's Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87).

The view presented by Vedi R. Hadiz is correct to the extent that, when *Reformasi* occurred, the students rather than the labor movement were in the frontline. However, it is

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<sup>5</sup> Dr. Vedi Renandi Hadiz, "The labor movement is highly fragmented," interview with Coen Husain Pontoh. Available at: [Indoprogress.blogspot/2007](http://Indoprogress.blogspot/2007)

important to note that *Reformasi* was somehow centralized in Jakarta and a number of other large cities. At that time, the workers did not have the option of joining forces with the students – who were perhaps more politically aware – because the latter's agenda was not clearly related to their own calls for wage increases. The main issues raised at that time were relatively distant from labor issues, such as the double function of the military and reform of the five political laws. But the labor movement's demand for freedom of association was an essential contribution at the sectoral level.

Following ratification of ILO Convention No. 87, numerous labor unions sprouted like mushrooms after rain. The emergence of so many labor unions gave considerable color to *Reformasi* in 1998.

The most important question in this regard concerns whether so many labor unions can somehow be brought together to establish the labor movement as a significant force in post-*Reformasi* politics and able to help determine the course of *Reformasi*?

It must be recognized that the labor movement is not yet in a position to become an important political catalyst because of its low membership: only 8 percent of workers – five million people – in the formal economy are registered members of a labor union.

Aside from that, the labor movement is fragmented at the national and regional levels. There is no common goal or common political platform which can serve as a basis for

the labor movement. As a result, the unions' bargaining position is weak when it comes to expressing an opinion on macroeconomic and important social issues. At present, the labor unions tend to concentrate more on sectoral level issues, such as wages and social security. Ideally, however, the labor unions' struggle should not stop at the sectoral level. Labor activists must also talk about such issues as investment, income tax and special economic zones. Similar to unions in other countries, labor unions in Indonesia should be actively involved in campaigning on these issues.

Looking back, however, it is clear that the labor movement has made significant progress. Union recognition, for example, has greatly improved. Labor activists have more involvement in decision-making, especially concerning employment issues, together with the Indonesian House of Representatives (DPR), the government and international institutions, such as the IMF and the World Bank.

Although it remains limited, union recognition has led to an increase in bargaining power with the abovementioned institutions. The difference between the current situation and the past is palpable. Today, the unions are frequently involved and called upon to participate in exchanges of ideas: for instance, on the issue of a fuel price hike and its impact on workers or the Joint Decision Letter of the Five Ministers concerning changes in the operating hours of industry for the sake of energy efficiency. In all these ways, union recognition has clearly increased. Nevertheless, the labor unions could be more involved in more general issues. It would be a major step forward to involve them in public policy consultations.

The fragmentation of the labor movement has been largely non-ideological and primarily the result of euphoria. The labor unions' programs are almost the same. At the same time, many people are involved in labor unions only for personal gain, without a genuine commitment to the workers' cause. As long as such fragmentation persists, regardless of the reasons for it, the labor movement will not be able to establish itself as a major power. Another problem is the movement's lack of resources, which hinders its efforts to contribute to the development of larger purposes.

Furthermore, the more fragmented the labor movement, the more easily it can be broken. This threatens to reduce even more the bargaining power of the labor movement as a whole and its influence on crucial public issues.

Recognition and acceptance of the labor movement has also occurred at the enterprise level. A particularly useful way of gauging the labor union presence at this level is the existence of a collective agreement between the workers and the enterprise. Many collective agreements have been reached since *Reformasi*, which is perhaps the ultimate expression of a labor union's success. A failure to obtain such an agreement undermines the unions' foundations and legitimacy. No other benchmark has such significance. However many demonstrations and strikes a union might initiate, they mean little if they do not result in a collective agreement.



## **Milestones of the Struggle**

As already mentioned, the apex of labor's struggle for freedom of association was reached in 1998, when the government ratified ILO Convention No. 87 on freedom of association and the right to organize, adopted on June 17, 1948. This ratification can be considered the first major success in the struggle of the labor movement and other pro-democracy forces after the end of the New Order era, and encouraged the emergence of numerous labor unions, alongside the SPSI.

Habibie ratified the ILO Convention through Presidential Decree No. 83 (1998), only two weeks after becoming president. Ratification was an interesting move, considering the context and priorities at that time. With many other urgent tasks at hand, why did the government prioritize ratification of that particular convention? It was the first international action taken by Habibie and its speed can be taken as a good indication that the government considers freedom of association to be an important issue. It had been debated for years and its acknowledgement at this point shows that labor was regarded as a leading group in society, alongside the students, in demands for reform.

The ratification of the ILO Convention was a symbol of victory of the labor movement in the 1990s. It was a kind of trophy won by the workers who had been willing to fight in the face of repression. It was as a result of their efforts that the government conceded freedom of association. The support of the international labor movement must also be

noted in this context.<sup>6</sup> The international labor unions have also contributed financially, for example, to capacity-building training for workers in Indonesia. They have also provided assistance in international lobbying. For example, with their assistance, the author of this volume was able to meet the Managing Director of the IMF, Michael Camdessus, and the President of the World Bank, James D. Wolfensohn, in 1998. This meeting may also have been a significant factor in persuading the government to ratify the ILO Convention.

In his capacity as the SBSI's Head of International Relations, the author was asked to give his views on the attitude of workers to the two institutions' plans to provide Indonesia with financial assistance to help it to overcome the economic crisis. At the meeting, we declared that the two institutions should include the demand for freedom of association in the package. If the program was to be well run, it would have to be properly overseen, for which purpose the existence of independent labor unions was crucial. And if the demand could not be made in writing, in a Letter of Intent (LoI), it should at least be conveyed verbally to the Indonesian government. When the IMF visited Jakarta in 1998, another meeting was held at the Grand Hyatt hotel. At that time, there was an intensive exchange of communication between workers in Indonesia and the IMF and the World Bank.

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<sup>6</sup> The government's ratification of ILO Convention No. 87 was viewed by Anne Banwell (case study on the role of the Indonesian Prosperity Workers' Union (SBSI) in drafting Law No. 21 of 2000) as "a result of both national and international pressures, one of the first acts of the incoming government was labor law reform." (Anne Banwell, "SBSI and the Trade Union Bill," Case Study II, Jakarta: 2001, p. 1.)

At the Grand Hyatt meeting, we also asked them to urge the Indonesian government to speed up reform of the “five political laws” and to release political prisoners, including Muchtar Pakpahan. These requests were successful. It turned out later that Pakpahan was the first political prisoner to be released as a result of the discussions with the IMF and the World Bank. Those discussions probably also explain why Habibie then ratified the ILO Convention: the government would not have responded so quickly in the absence of international pressure. Not long after his release, Pakpahan was invited to come and speak at an ILO forum, where the audience gave him a standing ovation.

Apart from its positive impact on the labor movement, ratification also had a number of negative implications. Maria Dona<sup>7</sup> noted five such implications of ratification. First, since the government ratified Convention No. 87, horizontal conflicts have arisen between labor unions in individual enterprises as they struggle to be acknowledged as the sole representative union. Previously, non-SPSI labor unions confronted the government and enterprises solely in fighting for workers’ interests. Secondly, workers in individual enterprises have been affiliated in a number of labor unions, thereby diluting membership. This has adversely impacted on the position and bargaining power of labor unions in relation to the enterprise. Thirdly, ratification of ILO Convention No. 87 has so far not automatically resulted in freedom for the executive committees of non-SPSI labor unions to be active at the

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<sup>7</sup> Maria Dona, “Democratic Labor Union amidst Changes in the Labor Situation 1997–2004,” *SEDANE Journal*, Vol. 3, No. 1, 2005.

enterprise level. Fourthly, the emergence of non-SPSI labor unions, each with their own characteristics, “banners,” and issues, has created difficulties in reaching agreement on issues within the labor movement (labor unions and labor NGOs) at the local and national levels. Fifthly, a split in the labor movement has emerged, between the labor unions and the labor NGOs. However, because the labor unions still need the NGOs, especially with regard to education on labor laws, the debate on this split has yet to really get under way.

By means of Law No. 22 of 1999 on regional government, Indonesia entered an era of regional autonomy. From a political perspective, this was obviously progress. With the implementation of regional autonomy, delegation of authority to regional governments increased, including decision-making on the minimum wage, which was previously the responsibility of the DPPN (National Remuneration Research Council) at national level and of the DPPD (Regional Remuneration Research Council) at the provincial level. Since regional autonomy was introduced, the Minister of Manpower has delegated authority to the provinces and districts/cities to decide on and implement minimum wages. The minimum wage, which used to be called the UMR (“regional minimum wage”) was renamed the UMP (“provincial minimum wage”) and the UMK (“district/city level minimum wage”). This change in minimum wage policy has also affected the mechanisms for formulating wages in general, as well as the parties involved in the wage boards, at the provincial and district/city level.

Another important milestone in the development of the labor movement took place in 2000, when the government enacted Law No. 21 of 2000 on labor unions/trade unions. This Law introduced the freedom for workers to establish organizations to represent their interests. Only 10 workers are needed to establish a labor union at the enterprise level.

On the other hand, the Law also has a number of negative implications. As already mentioned, the emergence of so many labor unions has exacerbated conflicts between labor unions, triggered by competition to attract members within an enterprise and competition to obtain legitimacy as the workers' representatives. To take one example, at a large cigarette company in Central Java – Gudang Garam – there were more than 18,000 workers, represented by more than five different labor unions, all competing to represent the workers (Hemasari Dharmabumi, 2000: 21).

In 2002, the issue of most concern to the labor movement was its rejection of the Draft Bill on industrial relations, dispute settlement, and the development and protection of the workforce. The main focus of this rejection was the regulation legalizing the delegation of work in the form of outsourcing and subcontracting. The labor movement argued that this would reduce employment security and labor rights.

In 2003, the government and the House of Representatives (DPR) passed Law No. 13 on employment. Although not everything in the law reflects workers' aspirations, it is still considered to be pro-labor: for instance, the provisions

limiting the type of work which can be performed on a part-time basis. The law clearly stipulates that work agreements for a fixed period (PKWT) – that is, contract work – can be made only for particular jobs, according to their nature or when the job will come to an end in a specified period. Thus, if a job is basically a permanent job, it may not be performed under a work agreement for a fixed period. The provision on severance pay in the case of employment termination is also fairly good for workers in comparison to the previous era.

Workers' demonstrations between 2003 and 2005 mostly concerned enforcement of the Law. Companies continued to employ workers on fixed contracts rather than taking them on as permanent employees. There were also demonstrations against employment termination and on the issue of severance pay.

After a relatively calm period in 2005, in 2006 a major labor demonstration was staged. This time, the workers were incited by the government's plan to revise Law No. 13 of 2003. In some quarters, the Law was considered too pro-labor and detrimental to employers. The government, therefore, felt that a number of amendments were necessary, which the workers believed would harm their interests. The plan to revise the Law was the clearest sign yet that the SBY (Susilo Bambang Yudhoyono) administration was not on the side of labor. The tendency of the planned revision was to liberalize employment policy to attract foreign investment, at the expense of the workers.

At the end of 2008, the workers joined forces to reject the Joint Decision Letter produced by four ministers recommending that wages be determined by Governors or District Heads to ensure that wage rises did not exceed productivity growth. According to the government, this policy was intended to serve as a safety net for workers in the face of possible job losses as a result of the economic downturn. The workers believed, however, that the proposal was unrealistic, given that their burden must also increase. Limitations on wage increases like this could only harm the interests of the workers.

A whole range of important developments with regard to labor issues after *Reformasi* make it clear that the labor movement must reorganize its course, vision, strategy, and focus. In the 1990s, before *Reformasi*, its oppositional characteristics were the labor movement's key attributes. After *Reformasi*, however, the labor movement must reposition itself so that it can become more relevant and effective in fighting for the best interests of the workers.

# ***Chapter 3***

## **A Road Map for the Labor Movement in Indonesia**

### **I. Main Labor Issues after *Reformasi***

After *Reformasi* in 1998, labor issues became more complex in Indonesia. The long-drawn-out economic crisis contributed significantly to this, with issues ranging from unemployment to legal certainty. Since Suharto was toppled, Indonesia has undergone four changes of government. In the space of only six years, Indonesia had four presidents, each with a relatively short term of office. However, for all these changes in national leadership, the economic crisis did not seem to end. In Asia, Indonesia was the last country to be hit by the crisis, but also the one that took the longest to finally get out of it.

In this chapter the outlines of the main labor issues in Indonesia are drawn, particularly in the wake of *Reformasi*,



and how those issues have affected or shaped the labor movement in Indonesia is considered.

## **Unemployment**

Unemployment has been one of Indonesia's major problems over the past few years. The number of jobs being created has not matched the number of those looking for work.

According to data from Statistics Indonesia (Badan Pusat Statistik – BPS), the unemployment rate has been decreasing. BPS notes that the open unemployment rate in Indonesia in August 2008 stood at 8.39 percent or 9.39 million people out of a total workforce of 111.95 million. This represented a fall in unemployment in comparison to August 2007, when it stood at 9.11 percent or 10.01 million.<sup>8</sup> However, this claim is questionable. According to the statistical definition used by PBS, if a person works fewer than 35 hours per week then they are categorized as in disguised unemployment, not open unemployment, which is confined to those who do not work at all.<sup>9</sup> This means that a person who works as little as one hour per week is not categorized as openly unemployed.

Under this definition, persons are considered as in employment even if they cannot make a living from their

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<sup>8</sup> Antara News Agency, 23 January 2009

<sup>9</sup> According to the Central Bureau of Statistics (BPS), unemployment in Indonesia is classified into two groups. The first one is open unemployment, i.e. all workforce looking for a job, either new job seekers (first time job), or those who have worked previously. The second one was underemployment, i.e. those who work less than 35 hours per week.

job. With such a loose definition, a low unemployment rate can be statistically maintained while the poverty rate continues to rise. But whether the unemployment rate is rising or falling, the real issue in Indonesia is those persons who shift from formal employment and a decent standard of living to the informal sector. The number of informal workers today is higher than that of formal workers and this tendency will only continue.

What is needed to solve the problem of unemployment is not only technical adjustments but also – and more importantly – a change of paradigm in economic strategy. Indonesia remains too attached to the theory of economic growth, with its assumption that high economic growth will automatically create jobs. In reality, the high economic growth driven by capital markets and capital intensive activities will not create many jobs. Given the current high rate of unemployment, what we need is high economic growth driven by labor intensive industry. Economic stimulation is needed to create jobs; we cannot just wait for the economy to grow and hope that jobs will be created in its wake.

What Indonesia has experienced since the 1970s illustrates the paradox of economic growth accompanied by unemployment. A study by Dhanani Shafiq in 2004<sup>10</sup> found that one paradox of this kind is the fact that the unemployment rate in Indonesia was relatively high and stable alongside high economic growth. As already mentioned, the reason for this is the fact that this economic growth was driven primarily by capital markets and capital intensive industry, which does not always create new jobs.

A particular weakness of Indonesian governments in driving national economic growth has been their dependence on large economic actors. However, if more attention was paid to small and medium-sized enterprises, the effect on overall economic growth would be enormous. This would also do a great deal to improve the unemployment situation. Government programs offering micro and low-interest credit to such companies must be properly implemented. The Indonesia government estimates that there are around 40 million medium-sized enterprises in Indonesia: if the government offered long-term micro credit facilities to these businesses – say, IDR 10 million – accompanied by an obligation to take on one new worker, it would solve the unemployment problem overnight. Under such a scheme, the issue of open unemployment could also be addressed, for instance, by offering formal or informal jobs. More impor-

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<sup>10</sup> Dhanani Shafiq, *unemployment and underemployment in Indonesia, 1976 - 2000: Paradoxes and Issues*, Geneva, International Labour Office, 2004. Dhanani noted some paradoxes in relation with the reality of unemployment in Indonesia. (1). Unemployment in the urban areas is three times higher than unemployment in the rural areas. The number of open unemployment in Jakarta is the highest in Indonesia. (2). Open unemployment among youth is higher than adults, although corporations or government organizations always recruit new graduates instead of people who are over 30 years old. (3). Open unemployment among women is higher than men, although corporations and all modern sectors including labor intensive manufacturing industries, supermarket, department store, restaurant, banks and hotels recruit more women as their workers. (4). Open unemployment among educated workers is higher than the uneducated. The 1997 data shows that graduates of senior secondary school and university predominate the figure of open unemployment i.e. 60 percent. (5). Indonesia's economic growth since mid 70s has reached 7-8 percent per year, but the rate of open unemployment has always reached 2-6 percent per year.

tant is the development of economically productive business activities, however. In this way, the government would not need to rely so much on big business.

### **Informal Employment Increasing**

Still closely related to the unemployment issue, over the past five years there has been a major decline in formal employment, matched by a major increase in informal employment. In comparison to 34 million formal workers in 2005, the figure is only 28 million in 2008. In 2006, the number of informal workers, according to BPS estimates, was 60.6 million, with only 25 million in formal employment. By August 2008 the number working in the informal sector had reached 69 percent of the workforce.

The increasing migration of workers from the formal to the informal economy over the past five years has been caused by a number of factors. First, the protracted economic crisis and the lack of jobs. Companies laid off workers to maintain operations. Second, migration is also the result of improved technology: fewer workers are now needed. Third, companies are increasingly inclined to outsource or to use day laborers or seasonal workers. The situation is further complicated by the fact that a number of companies have relocated their businesses abroad.

To address this problem, what we need is more labor-intensive enterprises which would be able to absorb a significant proportion of the workforce. At least 2.7 million new school graduates join the workforce every year, ready to enter the labor market. This harsh reality makes the

development of labor intensive industry an urgent priority, so that a large number of workers could be employed quickly. The service industries alone will be unable to absorb the new labor market entrants. In the author's opinion, for the next several years, prioritizing labor-intensive industry should be adopted as the main policy for addressing the issues of unemployment and poverty.

In the past five years, a number of companies have relocated to China, Cambodia or Vietnam, in search of lower wages. This relocation has, of course, led to more unemployment in Indonesia, further increasing the number of informal workers. The policy or practice of low wages has become an important tool for survival.

In general, there are three models of competition which may be adopted by different industries in different countries, based on (i) wages, (ii) technology or (iii) services.

Some enterprises entering Indonesia have chosen to seek competitiveness on the basis of low wages. This means that wages are usually lower than wages in other countries. If wages rise, however, these companies relocate elsewhere, perhaps to another district: if wages in East Java are higher, employers will move to Central Java or even abroad. This type of industry does not have a long-term commitment; it may be described as footloose because it is easy for such enterprises to move – the costs of relocation are also low because they lease everything.

With so many industries competing on the basis of wages, protection for Indonesian workers will be jeopardized over

the long term. If wages in Indonesia no longer provide a comparative advantage, industry will relocate to countries with lower wages. We need to rethink Indonesia's long-term economic strategy, including how we can deal with this easily-moving, footloose industry. With abundant workers, what we need is to develop labor intensive industry, but with comparative advantage no longer built merely on wage margins. We need to do more to enhance our industry's competitiveness. We must seek to excel in efficient bureaucracy, conducive taxation and banking regulations, interest rates, legal certainty and security. We must build a legal infrastructure which creates general advantages for industry. It is no longer the time to sell our labor cheaply to attract foreign investment. In any case, in future, this practice will not be sustainable as global markets increasingly converge and the same standards come to be applied everywhere.

If Indonesia were able to increase its competitive advantage in these ways, it would be possible to overcome the reluctance shown so far by foreign investors with regard to investing in Indonesia due to problems with infrastructure, high costs, and overlapping bureaucratic regulations. If a solid policy framework can be established, investment will come, even when wages have ceased to be the competitive variable. The author's experience in meetings with foreign investors confirms that their main grievance is not wages, but the other problems mentioned above. The main barriers to investment frequently mentioned are inadequate infrastructure, including electricity, roads, clean water and technology, together with tangled and opaque bureaucracy: sometimes a regulation already applied at the central level

is applied again at the local level, causing double costs. The bureaucracy is also very slow moving. Security issues are also important in increasing Indonesia's attractiveness to investors. Without security assurances, it is difficult for investors to predict the risks attached to investment in the country. Industrial relations issues, such as wages, are ranked as of lower importance by investors.

To date, there has been a misconception that labor issues are the main barrier to more foreign investment in Indonesia. As a result, the government has adopted a number of policies to control wages. However, only in industries whose very survival depends on wage margins is this a crucial issue. Such industries or companies will tend to relocate – or at least threaten to do so – if labor unions ask for decent work, decent pay and decent living standards for workers. They are not ready to compete in other ways and therefore opt to migrate to places where the wage structure seems to be more beneficial. As already mentioned, relocation can take place between provinces or between countries.

### **Educational and Skills**

One of my main criticisms of the high unemployment rate is the fact that for so long we have failed to adopt the right strategy to address unemployment in Indonesia. One problem is that the education system still does not meet the needs of the labor market. What is taught in universities or schools often takes little account of the labor market. The curriculum is not designed appropriately.

Another issue is the lack of vocational education. Secondary schools are dominated by general schools whose main orientation is to prepare students for higher education. However, many of our young people go no further than secondary school and enter the labor market without the skills they need. The national and international media are full of stories about skills shortages – in Indonesia, vacancies cannot be filled due to lack of competence and experience. What is needed in the future is more and more young people graduating from vocational schools and polytechnics. The government needs to pay more attention to this. In order to better equip our youngsters for the world of work, the government must, for instance, set up more Vocational Training Centers. School curricula must also be adapted. Enterprises, too, must take more responsibility for developing a skilled workforce. Participation of enterprises in giving additional work experience to young people must be enhanced through well planned apprenticeship programs.

In order to promote Vocational Training Centers, their establishment should be based on a Presidential Decree, which would be implemented in all regions up to sub-district level. If the number of Vocational Training Centers was increased systematically, the effect on the provision of a skilled workforce would be remarkable. By means of a Presidential Decree, furthermore, Vocational Training Centers could be established not only in urban areas – particularly, big cities – but also in the regions. This would help to overcome labor market deficiencies. Local government should take more initiative and be more responsible for preparing citizens to acquire the skills



required by the labor market. With high training standards, the outcome of vocational training in a given region would be competitiveness at the national level as workers would be able to enter the domestic labor market anywhere.

It is important to underline the fact that Indonesia today is suffering not only from a lack of jobs, but also from shortages of skilled workers. In other words, jobs are available, but there are not enough skilled workers to take them. This problem will become ever more apparent as global competition increases, with every country increasingly required to open up its labor markets. Several years ago, people in Sumatera competed only with their compatriots in Java for jobs; today, they have to be ready to compete with fellow workers in China, India, Japan, Korea and other developed countries. In 2015, ASEAN countries will open up to form a single market. This means that young Indonesians will have to be prepared to compete with workers, not only in Indonesia but also in other countries. When the labor market becomes more open and competitive, there is no other way for Indonesia to participate in it than by developing the right skills. This is a huge challenge for the future, and we need to start thinking about it now. If we do not, Indonesia will be unable to do much more than send people to work as domestic staff in other countries.

The establishment of Vocational Training Centers, consequently, must also take place within the framework of a long-term vision: preparing workers who are sufficiently skilled and able to compete in the global labor market. In meetings with a number of foreign investors, the author was made aware that one of the main problems

investors face when seeking to invest in Indonesia is the lack of experts. Bringing in experts from other countries would clearly increase their costs. For example, in Indonesia, the Internet reaches only 3 percent of the population. IT-based industries are sometimes put off coming to Indonesia because of the lack of adequate expertise. Another obstacle is foreign language skills. If Indonesian workers are to integrate into the global labor market, mastery of foreign languages is a basic prerequisite, not only for working in other countries but also in Indonesia itself. Without preparing ourselves properly, we will become victims of globalization. One of the main issues of globalization today, for workers, is how they can secure a place in the global market, which is becoming flat. The biggest challenge, as well as the main duty of the government is to provide quality human resources, thereby helping Indonesian youngsters to secure a place in global competition.

### **Wage Issues**

Wages are one of the main labor issues in Indonesia. The wages of many workers are not sufficient to allow them to meet their daily living costs, so enabling them to lead a decent life. Wage increases have repeatedly failed to keep up with the real cost of living.

Wages in Indonesia are better than in Vietnam, Cambodia, and Bangladesh, it is true, but below those in the Philippines, Singapore, Malaysia, Thailand, and China (Shanghai and Beijing).

Aside from insufficient wage levels, another problem with wages in Indonesia is enterprises' frequent failure to pay them. Although the amount of the minimum wage is formally agreed in the tripartite forum (workers, employers, and government), on the ground, many companies fail to implement it. Only 30 percent of enterprises pay the minimum wage in compliance with the regulations. The majority of workers have to take what they can get, under the pressure of high unemployment, and often much less than the official minimum wage. For instance, most workers in shopping centers and SMEs in Jakarta are paid below the minimum wage. This is also the case in other regions and sectors, such as workers on government plantations or in the urban commercial sector, as well as private security guards. Many enterprises at the district or city level do not comply with the minimum wage. The figures i.e. the actual amount of wage received by labors are increasing every year in nominal terms but are eaten up by inflation, even more so as a result of poor state supervision. Not all regions have good, professional supervisory personnel who do not take bribes. Some regions do not even have labor inspectors.

Wages are particularly inadequate for workers with families. They often have to work overtime, even during holidays, just to meet their daily needs.

A number of factors make it possible for enterprises to avoid compliance with minimum wage regulations.

First, the current wage system is not fair, in the sense that wages are the same for all enterprises, regardless of whether they are large or small, export- or domestic market-oriented,

a five star hotel or a basic hotel, a giant corporation or a small company. Under this system, enterprises making high profits benefit particularly, although they could afford to pay higher wages. In contrast, small companies or craft shops are required to pay the same standard wage as much larger companies. As a result, some employers fail to pay the agreed minimum wage because of the unfairness of the system. Indonesia needs to realign its remuneration system to follow the model implemented in many other countries, where wages are classified into three types: first, wages for small/micro businesses (marginal businesses) and SMEs; second, wages for labor intensive industries; and third, wages for white-collar workers. In Indonesia, wage calculations apply equally to all classes of business, hence the deviations and inconsistencies.

Second, the high unemployment rate in Indonesia does not provide workers with many options; they simply have to accept unfair wages because they need the job. Many workers still receive wages lower than those prescribed in the UMR provision (*Upah Minimum Regional* – Regional Minimum Wage) and their living conditions are very poor.

The minimum wage system must be changed to take into account the scale of the business unit and each enterprise's ability to pay. Enterprises must be categorized on the basis of size, demonstrated on the basis of truthful and transparent bookkeeping. If necessary, the government can send in independent auditors if the workers suspect fraud. In setting wages, the government must not evade its responsibilities; it must remain involved in decision-making on minimum wages in districts and municipalities (safety

net wage). Companies must not pay below the level of the safety net wage as prescribed by the government (through tripartite discussions). Thus, more profitable enterprises should pay workers above the safety net minimum wage (5 percent or 10 percent higher, depending on profits and productivity). Under such a system, the minimum wage should be the lower limit, functioning as the minimum reference amount in all regions. Wage levels in each enterprise should be negotiated separately and transparently. Therefore, a more advanced enterprise with higher profits can pay higher wages. At the other extreme, enterprises which are about to go bankrupt must be treated appropriately. This also means that subsidies should not be given to large companies because the practice is detrimental to small companies, as is the case today. The author has, on a number of occasions, proposed that the government realign the wage system. This will require significant changes in the law and must be at the top of the labor movement's agenda for the foreseeable future.

The new remuneration system proposed here assumes that employers and workers must be transparent in negotiating wages in the enterprise. Without transparency, it is very likely that conflicts will occur.

Reference is sometimes made to the classical dilemma with regard to wages and employment. On the one hand, workers demand higher wages, while on the other hand, there is a high rate of unemployment. It is argued that higher wages may reduce the capacity of companies to maintain, let alone increase employment, and so the market should be allowed to determine wages.

It is true that some enterprises compete on the basis of low wages. However, there are also enterprises which invest in Indonesia because of the country's natural resources, good market, manpower, and infrastructure. This is what Indonesia must emphasize in its pursuit of foreign investment. The main attraction for investing in Indonesia can no longer be the promise of low wages. If companies are not willing to invest in Indonesia for any other reason, the country should not worry. It should be public investment policy not to promote investment based on labor exploitation.

In October 2008, the Joint Decision Letter or SKB (*Surat Keputusan Bersama*) of the Four Ministers (Manpower, Home Affairs, Industry, and Trade) was issued. The SKB stipulates that minimum wage increases in each region shall not outstrip the national rate of economic growth. The government's aim was to enable employers to remain in business and to refrain from laying off workers in the current economic crisis. Under this policy, low wages represent a kind of stimulus or incentive for business.

This policy was, of course, rejected by the labor movement, principally on the grounds that the rate of economic growth cannot be used as a reference in determining by how much wages should increase, particularly in view of the fact that over the past few years economic growth has generally been a mere 4 percent or so. Workers' living costs have risen more than the rate of economic growth. As a result, workers would inevitably be worse off. The reality of pauperization is increasingly the experience of workers in Indonesia.

## **Outsourcing and Contract Work**

Outsourcing and contract work are global phenomena. Indeed, they might even be described as “icons” of globalization. Outsourcing is very much a market mechanism, intended to improve business efficiency. However, such practices create major employment uncertainties.

In general, outsourcing can be divided into two forms. First, job outsourcing involves the assignment of specific tasks to external parties on a contract basis. This practice has a long history. Secondly, there is “human outsourcing,” which largely involves dividing business operations into smaller units.

The labor movement is opposed to human outsourcing. This practice can be a source of efficiency for businesses, but it seriously harms the interests of workers, bringing down their wages and making employment uncertain. For enterprises, splitting their operations into smaller units makes it easier for them to react to changes in the labor market and the economy. For workers, on the other hand, this makes it more difficult for them to organize in pursuit of their interests. Workers may be contracted to work only for a certain period of time and so have no certainty or security of long-term employment.

Take the example of Colombia in Indonesia. This company does not have large stores; usually, there are no more than 15 employees in a given establishment, which makes labor union recruitment difficult. The workers in Columbia are

fragmented, small in number and have the status of contract workers. This reduces the capacity of labor unions to expand because recruitment is expensive and the time span for work is too short for organising. This can harm the labor movement significantly. In the past, labor unions were able to sit down with the company management to negotiate and all workers could be union members. Today, companies can be divided into 50, even 100 smaller entities, forcing labor unions to contend with that many counterparts if they wish to attempt negotiations. This is a complex process and takes time. However, non-unionized workers tend to be exploited because they are unaware of their rights and of changes in the law.

Today, for example, a security guard working at a particular company may work under a separate management. The same applies to office cleaning staff. They do not have a direct contact with whom their needs and rights can be discussed; everything has to be done through an intermediary. Such workers do not even know to whom they should turn if they have complaints. This differs considerably from the previous management system: workers and management were part of the same company. If the workers had a problem, such as an accident at work, they did not have to go to the trouble of finding out who they had to deal with. The workers in a given establishment may be employed under a number of different managements: one for security guards, one for the cleaners, one for front office staff and one for drivers. The only thing these workers would have in common is their status as outsourced workers. The same holds true in companies such as McDonalds, whose delivery and cleaning staff are outsourced workers.



Perhaps the only workers who are not outsourced are those who work as cashiers.

Conceptually, contract workers are different from outsourced workers. Outsourced workers are, for example, permanent, while contract workers are – by definition – not. Outsourcing or outsourced workers may create competition, but not contract workers. Outsourced workers have access to severance pay, but not contract workers. In practice, however, around 80 percent of outsourced workers are contract workers. The definition of outsourcing remains unclear: the law has laid down some boundaries, but it may have multiple interpretations. The government needs to set clear restrictions on which sectors should use permanent workers to perform jobs. For fields of work which cannot be unambiguously classified as permanent or non-permanent, further arrangements must be made by bipartite forums or through negotiation. The hotel sector, for instance, must clearly specify which part of the business constitutes the core business, which must use permanent workers, and which part can be outsourced.

Our biggest criticism of outsourcing is that it does not provide proper protection for workers. Many outsourced workers are employed in production units or other core units, which is prohibited by Law No. 13 of 2003. Unfortunately, the Law does not clearly stipulate sanctions for violations of outsourcing regulations. The Law is lacking in detail, hence the frequent misinterpretations. It must, therefore, be amended to include sanctions for violations.

Outsourcing is the truest manifestation of the principles of labor market flexibility and it can be found in almost all parts of the production process. Experience shows that labor market flexibility generally takes the form of changing the status of permanent workers to that of contract workers. The rights of contract workers and outsourced workers are unclear. Contract periods which violate the Law (that is, annual contracts) are often extended more than three times (with a one month interval between contracts). Enterprises often dismiss permanent workers who are active in the union and replace them with contract workers.

Criticisms of using outsourced and contract workers also relate to working conditions. Discrepancies arise between permanent workers and contract/outsourced workers in terms of facilities, wages, and employment status, despite the fact that they often do the same work. There is also flexibility of working hours. Non-permanent workers are often employed without any limitation on their working hours and without additional remuneration. Some may receive overtime but many do not. For permanent workers, the presence of contract and outsourced workers also reduces their income since enterprises tend to give extra hours to non-permanent workers.

Such practices have led to a degradation in workers' welfare and working conditions. Real wages are also declining. Contract and outsourced workers in general do not receive anything other than their main salary; they also have to pay a monthly fee to their agency. There are no benefits or other facilities for non-permanent workers (contract/

outsourced workers) such as those of permanent workers, although they do the same work.

Labor market flexibility indirectly eliminates workers' rights to fight for their interests, including the right to strike. The demands and strikes of outsourced workers can easily be countered by employers simply by means of lay-offs. As already mentioned, labor market flexibility adversely affects labor unions by systematically eliminating permanent workers, who constitute the basis of labor unions. Union organization is seriously hindered in this way, as membership falls and it becomes increasingly difficult to build solidarity.

To date, the supervision of compliance with regulations on contract workers or the Work Agreement for Definite Time Periods (PKWT), outsourced workers and severance pay for dismissal, as stipulated by Law No. 13 of 2003 has been very weak. There are no sanctions for practices which clearly violate a range of provisions in the Law. The main source of weakness is the failure of those charged with enforcing labor law, particularly the Disnaker (local manpower offices). These offices suffer from a low level of competence.

The other source of weakness in the bureaucracy is corruption, including the involvement of officials engaging themselves in outsourcing business practices. The role of the Disnaker is also considered to be less important by local governments in terms of increasing PAD (Regional Own-Revenue). In general, local governments pay little attention to public welfare.

## Employment Supervision

The current employment supervision system is another source of problems in Indonesia. Employment supervision is intended to monitor compliance with labor policies, with a view to protecting the interests of workers. It is also supposed to provide the government with information on policies in need of improvement. This supervisory institution does not have any authority to impose sanctions, however. It is purely advisory in function.

Employment supervision was centralized prior to the introduction of regional autonomy. Since *Reformasi*, inspections are carried out autonomously at the district or city level. Inspections are no longer centralized, but delegated to the regional supervision. However, this decentralization has caused supervision to grind to a halt in many regions, which do not pay it much attention. Consequently, inspection standards are low. Inspection, in theory, applies to both employment practice on the ground and the implementation of labor laws in and outside the enterprise. Compliance with laws, supervision at regional level, implementation of *jamsostek* (social security for workers), wages, employment issues, and other working conditions must be supervised by the government through special inspectors. This supervision has been delegated to the regions, but, as already mentioned, they do not consider it a priority. Many local manpower offices are not functioning properly and have even been merged with other offices, such as local offices of the funeral department.

At least four issues have been identified as characteristic of the system and practices of labor inspection in the regions. First, the number of labor inspectors is too low to cover the number of workers for whom they are responsible: the ratio between the number of inspectors and the number of enterprises for which they are responsible is 1:110 – the ideal ratio would be 1:40. The second issue is professionalism: among other things, inspectors are not adequately trained. Third, the perception of the political leaders in the regions, who do not consider supervision to be important and often merge it with other affairs. Fourth, collusion and corruption: there are no follow ups on complaints and, hence, no improvements result.

Ideally, supervision must be carried out on a tripartite basis, involving government, labor unions and employers. The supervisory system is also intended to enhance industrial relations in the regions. The government should not be solely responsible for problems in industry; the labor unions must also be involved. This understanding and accompanying practices have been implemented in many countries, such as the Netherlands and Belgium. In both countries, although the government takes the lead in supervision, the unions have access to the relevant information, such as official reports of the Prosecutor's Office, the findings of criminal investigations and budgets allocated to supervision, which in Indonesia is allocated from the APBD (local budgets). A tripartite approach has been adopted in Indonesia on a number of issues, such as occupational safety and health and productivity, and it is time to set up a tripartite supervisory system. This would also enable legislators to enact more appropriate laws. Workers and employers must

also receive proper training to enable them to participate in supervision properly. Local government must step in here, for example, by funding training and providing certification for inspectors. With an effective supervisory system in place, the number of industrial conflicts would be reduced and, in the long term, productive and harmonious industrial relations would develop.

### **Social Security for Workers**

Another labor issue that requires serious attention is social security for workers. The basis of our concern is the fact that many workers do not have decent social security. Ideally, every enterprise should provide social security for all their employees, regulated by law. In reality, at most companies coverage is extremely patchy. Only a small number of enterprises have joined Jamsostek. Data from PT Jamsostek in 2008 show that only 26 million workers from 172,444 enterprises are signed up to the Jamsostek program. Only 7.8 million of them are active, while the rest no longer pay contributions regularly.

A number of factors explain the low participation of employees in the Jamsostek program. For example, many companies have not signed up to Jamsostek. Also, awareness is low among workers; low levels of education are a factor here and no politician has so far sought to explain this issue clearly to workers. Furthermore, in practice, there are no sanctions on failure to participate in Jamsostek. The poor administration of Jamsostek is another factor; it does not encourage enterprises and employees to participate in

Jamsostek. PT Jamsostek is still much in need of improvement.

Aside from social security for workers as it is generally found, we need to think about alternative models of social security in Indonesia. One would be social security for the unemployed. One reason why workers in Indonesia need this kind of social security is that they are vulnerable to lay-offs. The basis of the idea is that there is a need for security for employees when they become unemployed and are unable to get a new job. The basic principle would be to protect workers' welfare, whether they are employed or unemployed.

Indonesia would benefit greatly from the implementation of this model of social security. Other countries, such as Vietnam and India, have implemented such practices by means of a number of simple mechanisms. Revenues can be collected from salaries – for instance, a 5 percent deduction. When the employees eventually claim their pension, their contributions are retrieved. In order to encourage the participation of workers in this program, we can adopt the model introduced in Thailand, where funding is borne by both the workers and the government. But such funding need not burden the APBN (National Budget). We can seek alternative sources. We may also be able to take lessons from France, where assistance for poor people in developing countries is not merely derived from the government budget but also from funds collected from the public. For instance, there is a 2 percent deduction from airfares. In Indonesia, we can put the same thing into practice. Let us say that everyone who purchases an air ticket pays an additional

amount of IDR 10,000 as a social security fund contribution. This could represent a major source of funding, which the state could manage for the welfare of workers in Indonesia. At Sukarno Hatta airport, 48 million people board planes every year: imagine what that would mean if they all contributed IDR 10,000. Another method would be to collect an additional amount from all phone bills which come to more than IDR 1 million. There are many ways of raising revenues.

Does this mean that other people must bear the brunt of unemployment? Social solidarity is important. Those who are well off must contribute more in terms of social contributions. Workers must bear the main responsibility for their own protection by saving a certain percentage of their income, however. The government, through public funds, will provide only partial assistance.

There would, of course, be time restrictions for benefit payments. For example, assistance would be provided only to those who have previously worked; the period in work would determine the level of the benefit payment. If someone has worked for three years, for example, the benefit might be for only three months. If the person in question remains unemployed, from the fourth month they will no longer receive benefit. In other countries, the unemployed are entitled to 100% assistance in the first three to six months, followed by 75 percent until the assistance period runs out.

Jamsostek would be the right institution to manage this system. At present, however, it is hemmed in by legal limitations. If we want PT Jamsostek to manage social



security, the government must review the legislation regulating how it operates.

## **II. Nine Steps to Break Out of the Labor Crisis**

The labor issues described in this chapter are fundamentally interconnected. An integrated and coherent framework is therefore necessary for their solution. An effective government policy framework must address at least nine areas.

1. The government must take concrete measures to reduce unemployment by setting targets: for example, the unemployment rate must be reduced to a set figure within five years. Such a clear formulation would serve as a benchmark, enabling everyone to see whether efforts to reduce unemployment were actually working. For the government, it would serve as the basis for performance evaluation. The commitment to reduce unemployment must be implemented systematically: it is not enough to provide a general outline without clarity on operational aspects. Thus, a roadmap must be established for an Unemployment Reduction Framework, with a clearly targeted schedule and clear identification of the bodies directly responsible for implementation.
2. The government must provide more vocational training and revive the Vocational Training Centers at district and city level. It must also establish affordable polytechnic education. This must become part of the employment strategy in Indonesia, not only in relation

to the domestic labor market but also labor markets abroad.

3. Unemployment must be addressed by means of increased economic growth and immediate job creation. Economic growth without the creation of new jobs would not do much to strengthen the foundations of the national economy, and would be socially and politically damaging. In order to spur economic growth alongside job creation, the government must provide more funding for all business initiatives likely to create jobs, particularly for small and medium-sized enterprises.

To support such efforts, the government must implement tax incentive programs (tax reductions) and allowances (such as reduced interest rates, cheaper rents) to labor intensive businesses. Businesses with a long-term future and employing many workers should be encouraged.

4. Foreign direct investment (FDI) should be encouraged by improving infrastructure, reducing costs and creating harmonious industrial relations. Low wages should no longer be used as an incentive to attract FDI. The government needs to reduce costs (legal and illegal), so the competitiveness of Indonesian industry is not based on low wages (cheap hiring and firing costs), but on good infrastructure and efficient bureaucracy.

5. Freedom of association and negotiation should be encouraged. The more collective agreements are reached between workers and enterprises, the more conducive industrial relations will be. Collective agreements are basically a form of partnership between workers and employers, based on transparency and accountability.
6. The government needs to formulate clear policies to prevent “human outsourcing” and misuse of contract work. There are a number of directions that can be used as reference. First, the abolition of human outsourcing (workers who do their jobs in one enterprise but are employed by another). Outsourcing on a contract basis for reasons of specialization would still be allowed – as when, for instance, Toyota outsourced the making of leather car seats to a company specializing in such production – as long as the working conditions and requirements are the same as those applied by the primary company. Second, the wages of outsourced workers and contract workers must be higher – by at least 8.3 percent – than those of permanent workers. This 8.3 percent margin would take the form of a monthly contribution to substitute severance pay. Third, the working time of outsourced workers and contract workers should take into account the entire working period including previous professional experience. This would help to prevent arbitrary lay-offs (particularly for the purpose of muzzling labor union activists). Fourth, in order to prevent abuses of outsourcing and contract workers, labor inspection should be carried out on a tripartite

basis. Even though those producing the BAP (official report) would be government employees, all parties involved in the inspection system would be allowed to follow up the findings. This is aimed at creating stronger legal enforcement and reducing collusion/corruption.

7. Membership of Jamsostek must be increased. To this end, Jamsostek must be reformed immediately. It must be turned into a trust fund and a minimum contribution (of both employers and workers) of up to 20–22 percent must be established, alongside the expansion of membership and programs.
8. A program must be launched for social security for the unemployed. This could take the form of a kind of unemployment allowance. A number of countries have already put this into practice (Thailand, Malaysia, Vietnam, China and South Korea). The administration could be carried out at national or regional level or, as already explained, funding could be obtained from the government (national or regional), as well as from workers and employers on a voluntary basis (Corporate Social Responsibility, CSR). The Law on Regional Autonomy should stipulate that each region create social security programs to provide training on skills enhancement for those who are made redundant. Funding could be obtained from local government as part of CSR (since CSR is obligatory in Indonesia). This training could be provided in certified regional vocational training centers.

9. The Industrial Relations Court must be reformed. The Industrial Relations Court (PHI) was established on the basis of two main considerations. First, because the old system (P4D /P4P) were too protracted and costly and decisions were not binding. Second, PHI was expected to provide rapid resolutions: no later than 50 days in the District Court and no later than 30 days for PHI after an appeal to the Supreme Court.

In practice, however, the Industrial Relations Court has experienced significant problems over the past two years. First, in theory, Law No. 2 of 2004 confirms that any claims with a value of less than IDR 150,000,000 shall be free of charge. However, in the PHI in the District Court system, workers must pay for an official stamp, administrative fees and a fee to receive notification of the decision. Second, trials for industrial relations cases are often neglected since career judges and registrars usually prioritize trials in the general court. Third, allowances for lay judges are often paid late, and in any case are very low, at only IDR 3,750,000 per month, without any social protection. In comparison, career judges in the court of first instance receive a salary, allowances and other benefits in the amount of more than IDR 10,000,000.

The use of Civil Code procedures in the PHI has had adverse implications for workers. Lengthy trials and protracted evidential procedures deprive workers of an equal footing in comparison to employers. In terms of documents and witnesses, for instance, workers do not have any access at all to the evidence because the

employers have absolute control over their administrative and personnel affairs – evidence in these two areas constitutes the bulk of the evidence in most cases.

The period established for appeals to the Supreme Court is subject to virtually no time limit, more particularly with regard to non-judicial processes, such as administrative correspondence on supreme court judges' assignments reaching decisions and delivery of the decision.

The government needs to reform the Court and establish a reliable PHI, enabling not only workers, but also employers to obtain justice when industrial disputes occur.

By taking these nine steps – which might be described as a roadmap – labor issues and the investment climate in Indonesia would be improved, promoting long-term productivity and economic growth.

## ***REPOSITIONING OF THE LABOR MOVEMENT***

# ***Chapter 4***

## **The Ideal Characteristics of the Labor Movement**

### **1. The Present Condition and External Challenges of Labor Unions in Indonesia**

In the past ten years, workers in Indonesia have faced two main challenges. First, the economic situation is yet to emerge from the global crisis which struck in 2008. This crisis threatens to erode Indonesia's economic capacities across the board. Second, still under the aegis of neoliberalism, globalization seems to be gaining strength in its attempts to enter Indonesia and force it, ready or not, to open itself up to the global liberalized market.

Alongside these two major concerns, the labor movement in Indonesia is facing a number of other problems and external challenges. We shall concentrate on eight issues in particular.



**(a) Freedom of Association**

Freedom of association is yet to be fully accepted. At first glance, this seems rather paradoxical, given the more democratic political environment since political liberalization in 1998. The emergence of many new labor unions at all levels – enterprise, city, provincial, sectoral and national – has not eliminated violations of freedom of association, however. Stories continually emerge of labor unions being muzzled and labor activists imprisoned or criminalized for demanding workers' rights. Ideally, the issue of freedom of association should have been settled, once and for all, and workers' energies diverted to more important issues, such as occupational safety and health, the impact of global warming on employment, and universal social security.

Law No. 21 of 2000 on the establishment of labor unions is considered very liberal: it is possible to establish a labor union with only 10 people. The only other country in Asia which is as liberal with regard to the establishment of labor unions is India, where as few as seven people can establish a labor union. Both exceed the ILO recommendation of a minimum of 20 people for the establishment of a new labor union.

However, it is important to note that this liberalism remains largely on paper. In reality, especially at the enterprise level, employers and managements only accept labor unions when compelled to do so, not because they believe that the presence of labor unions in the enterprise is a good thing. Labor unions are largely imposed on them as industrial relations partners. The notion of compulsion is a legacy from

the past. Under the New Order regime, the closest partners of the employers were the military and the government apparatus. At that time, the employers were able to call on the armed forces – which were particularly powerful in those days – to quell workers' demonstrations.

The employers could also rely on the state bureaucracy to smooth their path when it came to permits or licenses, as well as with regard to wages. The employers chose to deal with bureaucratic decision-makers rather than negotiate with the workers. The situation today is different: employers need to approach the labor unions and employers' associations if they wish to adjust wages, for example, in line with productivity.

Today, when the freedom to establish labor unions is strongly anchored in the law, employers are forced to accept a union presence as a legally incontestable fact. As already mentioned, in Indonesia labor unions are only grudgingly recognized – the employers have not experienced an epiphany and come to the realization that they need a negotiating partner or that industrial relations should be characterized by equal partners coming together to try to reach agreement in a spirit of mutual respect, not to mention understanding the benefits of a strong and capable partner in industrial relations, one which is able, for example, to suggest alternatives for more efficient production processes, laid down in mutually beneficial collective agreements. Few employers as yet understand that, by accepting labor unions as partners, enterprises can become more productive and sustainable.

### **(b) Labor Unions Considered as Barriers to Investment**

There is a strong negative perception that labor unions hinder investment.

Those who continue to assert that the presence of labor unions, whose main purpose is to fight for the interests of the workers, hampers investment in Indonesia often cite workers' demonstrations in support of their rights, which, they claim, have scared investors away. This opinion is widespread, not only among academics, but also the public.

Workers' struggles have never led to enterprise bankruptcies. However, the workers are often made the scapegoat to cover up management failures. In Indonesia, labor costs are, at present, a mere 6–10 percent of total company costs. Labor union demands for wage increases and improved welfare conditions could be offset by increasing productivity, enhancing production, adjusting market strategy and improving efficiency. A World Bank survey of 26,000 enterprises in 53 countries, carried out in September 2006, ranked employment issues eleventh among the factors hampering investments in developing countries. Far more important in this regard are such things as legal and political uncertainty, instability, high taxation, corruption, and an adverse regulatory framework and judicial system.

### **(c) Weak Implementation of Freedom of Association**

So far, no employer or manager has even been prosecuted, still less punished for obstructing the establishment of a labor union at the enterprise level. On the other hand, many labor

activists have been imprisoned for fighting for freedom of association. For example, nine SBSI activists have been imprisoned in the past four years, all of them based on “elastic articles” in the Criminal Code, such as incitement or distributing offensive material. In contrast, the police have done little about allegations brought by workers concerning such criminal matters as fraud and embezzlement – for example, workers’ Jamsostek contributions have been subject to embezzlement. Wage payments have also been subject to abuse, lay-offs are often carried out in contravention of the law, and hired thugs are often brought in to intimidate workers. At the beginning of *Reformasi*, the police appeared to engage in reform, particularly after they were separated from the TNI (or ABRI, at that time), but in the past few years police failures to follow up complaints filed by labor unions concerning violations of Law No. 21 of 2000 have been appalling. Many police officers are apparently unaware that the Law even exists.

#### **(d) Changes in Employment Status: From Permanent to Outsourced / Contract Workers**

This is the most important issue the labor movement has had to face in the past 10 years. As globalization went from strength to strength under the impulse of neoliberal economic ideas, international financial institutions such as the World Bank, the IMF and the ADB demanded more flexible employment to make it easier for employers to recruit and dismiss workers. The World Bank caused some controversy in 2008, for instance, with its “Doing Business Report,” in which they advised countries wishing to address unemployment and attract foreign investments to make

their labor policy as flexible as possible. In brief, the report advised that the lower the cost of hiring and firing workers, the better the country would appear in the eyes of foreign investors. They also advised that laws stipulating high amounts of severance pay or redundancy benefits should be revised, making it possible to reduce or even abolish such payments.

Many neoliberal economists concurred, without considering the fact that social security benefits in Indonesia were among the lowest in the world. The belief prevailed that unemployment in Indonesia justified the notion of labor market flexibility. For the sake of efficiency, employers want their workers to work under temporary contracts which do not entail their eventual appointment as permanent workers. Outsourcing has become rampant and poses a particular challenge to labor unions as it erodes the membership base (see Chapter 3) and impoverishes the workers.

### **(e) Unemployment and Informal Employment**

Unemployment and the huge proportion of workers in the informal sector – now standing at 70 percent of the workforce – pose major problems for the involvement of workers in labor unions.

The informal sector is rather refractory with regard to labor unions because it is fluid, populated by workers who do not work regularly and are extremely fragmented. Such workers face major obstacles in joining or establishing labor unions. Data from a PT Jamsostek report in 2008 support

this: a mere 64,000 informal workers were paying contributions to Jamsostek out of 70 million informal workers all over Indonesia. Since many workers shift to the informal sector because they cannot find regular jobs, the number of workers becoming members of labor unions is falling.

#### **(f) Long Working Hours**

The need to work excessive overtime in order to make ends meet inevitably limits the interest of workers in union activism. Low incomes and a high cost of living force workers to take on as much additional work as they can, as a consequence of which they have neither the time nor the energy to be involved in labor organizations. The long-term consequences for labor unions are that they lose members and revenues from membership dues, which may jeopardize the labor unions' independence.

#### **(g) Political Co-optation**

There is a tendency in Indonesia for labor unions to be co-opted by the political parties instead of playing their proper role as political catalysts.

Many members of labor unions are also members of a political party and some even run for political office. Such interaction is not wrong; it also happens in other countries. In the Indonesian context, however, this relationship tends to have a negative impact on labor unions because their views tend to be subsumed by those of the political parties, not the other way around. Ideologically, the union is then dissolved into the political party and boundaries become

unclear. In many cases, labor union members gain nothing by sitting in the legislature because, ultimately, the dominant interest is that of the political party or the personal interests of individual activists. The political involvement of unionists should represent a good opportunity to fight for important worker issues. In contrast, labor unions tend to be turned into political instruments.

Forming alliances with other forces in society, including political parties, is a matter of necessity for labor unions. In the United States, for example, the labor unions have historically formed political alliances with the Democratic Party. The same applies in Germany to the DGB and the Social Democratic Party, and in the UK to the TUC and the Labour Party. Many other examples could be cited. Unions and political parties have cooperated to fight for the interests of the workers.

It is with this in view that labor activists and labor unions in Indonesia have tried to form strategic alliances with other forces in society, but cooperation tends to take place only at the practical level and not on the ideological one. In other words, such alliances tend to be used as vehicles and stepping stones for political purposes.

Ideally, the presence of labor unions in political parties should be of strategic importance, especially if the unions represent large numbers of workers, giving them a better bargaining position. Union members who enter the political arena should not only represent their individual interests, but also seek to introduce workers' issues into party programs.

### **(h) Union Independence**

This is under threat because of a lack of funding. Labor union organizations in Indonesia are still relatively poorly developed due to the low number of members and insufficient contributions. With limited finances, labor activists and unionists become vulnerable to financial temptation. If it is to be financially independent at the national level, a labor union needs a minimum of 50,000 members. On the assumption that members' monthly contributions are IDR 5,000, the union will receive IDR 75 million per month. Contributions are usually distributed as follows: the executive at enterprise level receives 40 percent (IDR 2,000), the executive at branch/city level receives 30 percent (IDR 1,500), and the executive at provincial and national level receives 30 percent (IDR 1,500). With IDR 75 million in contributions, a national labor union is able to do a great deal to serve its members. In detail, revenues tend to be allocated as follows: office rents, stationery, electricity, water, and telephone: 25 percent (IDR 18,750,000), case handling and advocacy 10 percent (IDR 7.5 million), education 30 percent (IDR 22.5 million), wages for three full-time activists 15 percent (IDR 11,250,000), and 20 percent (IDR 15 million) for consolidation and networking.

This is what unions have to have at their disposal if they wish to be independent from employers, government, political parties and foreign entities (not-Indonesian). Labor unions which have fewer than 50,000 members will face problems of financial independence, as well as a threat to their sustainability. Aside from fragmentation as a result of corruption, many activists leave labor unions when they



realize that participation in the labor movement does not guarantee a decent living, especially if they start a family.

## **II. Internal Weaknesses of the Labor Movement**

Aside from the external challenges already described, the labor movement in Indonesia has several fundamental weaknesses which emerged as a result of its own actions, intentionally or unintentionally, with profound effects on the movement's effectiveness overall.

### **Ideological Weakness**

The labor unions are regarded primarily as “resistance” organizations rather than as organizations whose main purpose is to campaign for the interests of the workers. Some activists use their positions in labor unions merely for personal gain, union activities being regarded as nothing more than an opportunity to make money. Some, for instance, become labor lawyers or labor consultants. At its worst, this amounts to allowing the workers' cause to be bought and sold.

Many of those in the labor movement regard it as a continuation of the euphoria generated by *Reformasi* – for example, after ceasing to be active in the students' movement, the next stop may be the labor movement or becoming a labor activist in an NGO. The majority of today's labor activists and labor unions have a fluid ideology. The absence of a strong standpoint is clear from the way in which labor activists campaign on labor issues. Wages

provide a good illustration. Often, labor activists merely react to government policies, which are regarded as primarily neoliberal in orientation. The labor activists do not offer alternative ideas, but instead simply reject the government position out of hand.

The labor movement is particularly remiss in failing to offer alternative ideas on how policies might be pursued without harming the interests of the workers. For instance, on the issue of outsourcing, workers tend to reject it because it tends to conflict with their interests. On the other hand, outsourcing is a reality in the economy and it is taking place all over the world. No country can escape it. However, some countries are more liberal than others with regard to implementation. Outright rejection of outsourcing serves no purpose; it is important to identify what particular forms of outsourcing should be abolished. The type of outsourcing which involves subcontracting specific tasks to more specialized companies surely makes sense. When Toyota outsources its car audio or car seat manufacturing to other, more specialized companies, it is entirely justified from an economic standpoint. The most important thing in such circumstances is that the status and benefits of outsourced workers must be the same as those of Toyota workers. The type of outsourcing that should be rejected is so-called human outsourcing, in which companies outsource their core business as a means of reducing labor costs, for example, severance pay, Jamsostek contributions, and bonuses. Examples include security guards, drivers, customer service personnel, waiters, and hotel reception staff. This is motivated merely by greed and there is no consideration for the impoverishment that it inflicts on the workers. The

outsourcing of specialist tasks is carried out to improve the quality of the products and existed long before the adoption of Law No. 13 of 2003. The latter kind of outsourcing is not related to improving products and satisfying customers – often it works to their detriment – but is done merely for the sake of bigger profits and as quickly as possible.

This practice is often referred to as modern-day slavery. The public and the Indonesian House of Representatives tend to misunderstand when they hear labor unions demanding that the government abolish outsourcing with no explanation of which type of outsourcing is in question. What alternatives would the unions propose to improve the outsourcing system? Alternative ideas are usually not raised when labor unions campaign or engage in advocacy on a particular practice or policy. In the effort to reduce the use of outsourcing and contract workers, for example, KSBSI had a special hearing with Commission IX of the House of Representatives and sent a letter to President Susilo Bambang Yudhoyono, popularly known as “SBY.”

The proposal had two parts. The first was the amendment or abolition of Law No. 13 of 2003 and the Law on Industrial Relations Courts. However, instigating the necessary momentum for this may be difficult. Such processes are protracted and, in any case, the end result might not be any better, given that the current Members of the House of Representatives have a poor understanding of employment issues.

The second component of the proposal is the development of new policies without having to change the law: for

instance, the monthly wage of outsourced and contract workers should be increased by at least 8.3 percent. (The figure of 8.3 percent was arrived at because, over 12 months, it is the equivalent of an extra one month's salary.) Employers use outsourced and contract workers mainly to avoid responsibility for severance pay, for which they must allocate at least one month's salary for every new worker. Another idea is to involve the labor unions as members of the tripartite employment supervision team, for example, to help prevent corruption among labor inspectors. The tripartite team should cooperate with other tripartite institutions, such as those dealing with wages, OSH, and productivity. Another idea is to give the labor unions the right to obtain copies of the permits for using outsourced and contract workers issued by Disnaker, thereby enabling them to perform oversight and take legal action if there are any deviations from the granted permit. Based on the author's observations, it seems that deviations from the law on outsourcing and contract workers are even tolerated by the government (Disnaker): even when abuses are clear, permits are still granted. Next, the government needs to regulate that the main employer (the core enterprise) shall also be responsible for any violations by the direct employer, in other words, the agency for outsourced or contract workers, since the main employer chooses the partner agency. This regulation would be aimed at preventing abuses and lower payments by the recruiting agency, as well as making principal employers more selective in choosing a trustworthy partner.

The same applies to the workers' rejection of the wage system. It is better for the labor movement to explain what

the workers want from the wage system and not simply to ask for high wage rises without further ado. This was also the case when the labor movement voiced its demands in relation to the Jamsostek reform. It must develop proposals on the best social security model for Indonesia, which has high unemployment and enormous informal employment. There are several good international experiences on which Indonesia can draw, such as the unemployment benefit systems in Vietnam, Thailand and Malaysia. There is also a successful social security scheme for farmers' groups in India and a good social security scheme for health in Thailand and Colombia. Instead, the labor movement confines itself to criticisms, without a comprehensive and fundamental perspective on how the social security system for workers can be improved and on how the system could quickly recruit members (social security coverage for all).

From the ideological perspective, the labor movement in Indonesia can be categorized into four groups. However, ideological tendencies in the country are quite fluid.

The first group represents the basic ideology of conventional labor movements. The purpose of the labor movement is to fight for better welfare for workers through negotiations, demonstrations, lobbying, and other conventional methods, which have existed for a long time.

The second group comprises the "leftist" labor unions. They do not believe in the state and its institutions as they currently exist. The latter, in their view, must be totally replaced because they are the products of capitalism and only harm the workers' interests. They believe only in the

power of the workers, on the basis of a kind of proletarian-oriented ideology. This is similar to communism, although it does not tend to adopt communist theories wholesale. The main activity of this group is the staging of large and militant demonstrations against both the global and national political and economic systems. They do not believe in dialogue as a way of solving problems.

The third group is religious in orientation, with specifically religious aspirations and sentiments. There are several religion-based labor unions.

The fourth group has no clear ideology. They call themselves “activists” and move with the tide of events. They want to have their voice heard and are always active, but they do not have a particular point of view. This group tends to flit from one ideology to another. Sometimes they go along with the religion-based labor unions, only to move on to the nationalist labor unions, before switching to the leftist labor unions. Many labor organizations today can be categorized in this fourth or non-ideological group.

The particular ideology which characterizes KSBI represents social democratic ideas, including consultation, dialogue, and consensus. The point is not to struggle for particular ends, thereby attaining only symbolic victories: the end product of struggle must be an agreement. This is what distinguishes us from the other labor groups. We also emphasize establishing a high level of trust with our partners, such as companies and government, because they cannot be considered merely as representatives of capitalism. The theory of class conflict is not relevant today;

industrial and labor market relations are now more complex.

SBSI is also social democratic in orientation. In this perspective, the management of the national economy is not based merely on democratic processes because such processes can also be affected by a dictatorship of the majority, even when the economy is managed on a social basis. Democracy must have a strong social dimension. Take the example of the investment law. Procedurally, everything was fine and democratic, starting from the draft bill presented by the government to the House of Representatives for approval and until the law was finally passed. But if the law does not solve social problems or, rather, provides solutions for primarily economic issues and sides with the interests of capital, labor unions such as SBSI will campaign against it, as something not in keeping with social democratic ideas. Public policies, prevailing laws, and political interests should do more to prioritize social interests which are part and parcel of democratization.

The labor groups with a social democratic orientation demand government intervention in public sector issues. The vital public sector should not be handed over entirely to market mechanisms. Who would determine social interests in an entirely free market? Sectors such as education, health care, social security, and wages are still in the government domain, along with the representatives of various civil society groups, such as labor unions and women's groups of the kind which are willing to take a cooperative approach. However, this does not mean that we are anti-

market, as long as market mechanisms are proven to be socially beneficial and in line with social democratic notions.

Social democratic views have not been adopted by many labor unions in Indonesia. The essence of social democrats, perhaps, is their willingness to engage in dialogue, to open up their hearts and minds to different alternatives, and to accept different perspectives, as long as they are not harmful. Thus, social democracy is not a militant or fundamentalist perspective. Labor groups in Indonesia are not familiar with this kind of approach, having more experience with the “old ways,” which tend to be confrontational in relation to the state.

### **Labor Unions Highly Fragmented**

The labor movement in Indonesia is fragmented into a number of groups, making it difficult to build up solidarity and a strong social-political bargaining base. This fragmentation is partly the result of the emergence of so many labor unions in Indonesia after *Reformasi*. In percentage terms, the increase in the number of new labor unions is higher than the increase in the number of workers joining unions. At the beginning of *Reformasi*, there were only a few labor unions, but now there are around 100 labor organizations at the national level. This does not include labor unions at the provincial, city, district, and enterprise levels. This excessive fragmentation poses problems for establishing labor unity. The priority for most has, instead, been simply to set up new institutions of their own.



As for the workers themselves, the presence of so many labor unions tends to divert their attention from dealing with concrete labor issues. Often, an organization's efforts to assert its existence are given much more priority, including establishing a media presence or frequently staging demonstrations.

The fragmentation of the labor movement is also due to the different perspectives on what constitutes success for the labor movement in Indonesia. Many consider that the emergence of more labor unions is good in itself, but it harms workers' interests because individual unions have few members and so are weak. Small membership levels make it difficult for the labor movement to establish itself in political bargaining and to fund its own programs. It clearly reduces the strength and sustainability of the labor unions.

A financially frail labor union is inevitably hampered in its efforts to campaign on key labor issues because its activists will be bogged down merely keeping the organization in existence. The attentions of labor activists will be devoted to administrative and financial issues, such as how to make money to rent an office, to pay for electricity and water, and conduct correspondence. Consequently, the labor movement has little time to concentrate on the big issues central to building an organization, such as establishing a research unit, which is needed to help labor unions to better understand labor issues or to discuss alternative formats for industrial relations in Indonesia.

The fragmentation of the labor movement today is also related to the pragmatic interests of individual labor

activists. This aspect is getting worse in tandem with the ongoing failure of the labor movement to formulate common goals.

There is a misperception in the labor movement that a proliferation of labor unions is the best way of asserting freedom of association. On this understanding, fragmentation is a virtue. "Freedom to associate is not freedom to split," one ILO observer from Geneva commented in Jakarta after witnessing the rampant establishment of labor unions with no thought of unification. The point of freedom of association is to achieve particular goals. For instance, freedom of association must go hand in hand with the freedom to engage in collective bargaining. The freedom of labor unions should be used to pursue the interests of the workers. It must therefore be accompanied by a willingness to negotiate with other parties. Labor unions will never acquire importance if they do not pursue concrete results or output. Labor unions of this kind would be better off as NGOs. Labor unions without collective agreements achieved on the basis of negotiations represent only a kind of negative freedom. Freedom of association does not mean freedom to fragment; the more labor unions we have, the more precarious the situation of existing labor unions will become.

Looking to the future, labor unions in Indonesia need to reflect upon the three main models of labor unions, which exist in many countries. The first is the "single union system," with only one labor union federation at the national level. This kind of model is usually applied in communist countries or countries with strong labor or social democratic parties.

This system is applied in Germany, Australia, Austria, China, Vietnam, Russia, the United Kingdom, and Cuba, among others.

The second is the multi-union system, in which there can be more than one labor federation at the national level, representing different ideological orientations. This model exists in countries such as France, Spain, Italy, India, Mexico, Brazil, and Morocco.

Thirdly, there is the unlimited multi-union system, which is characterized by extreme fragmentation. Newly industrializing countries, in which ideological positions have not yet become established, generally operate such a system, such as Indonesia, the Philippines, India, Bangladesh, Thailand, Cambodia, and Congo.

Of the three models, the most successful is the second, the limited multi-union system. Labor unions under this system are generally strong because they represent the principal political orientation in that country. In contrast, in countries where there are many labor unions, they tend not to be a major force due to their pragmatic approach.

### **Insufficient Advocacy by the Labor Unions**

To date, relations between labor unions and their members have been similar to those between doctors and their patients, or lawyers and their clients. Doctors treat their patients when they come in search of a cure; when the patients are no longer ill, their relationship ends. They will only meet again if the patients get ill again. This kind of

relationship is more like a “patron–client” relationship. The model and nature of this kind of relationship has been followed by labor unions so far, with labor activists trying to help workers deal with problems. This approach to workers’ problems is rather curative or reactive in nature.

This relationship must be upgraded. Still using the analogy of doctors and patients, doctors also make thorough diagnoses (general check-ups) to obtain a fundamental understanding of their patients’ condition, for example, to prevent illness from occurring again. The doctor must also see the patients to deliver the worst diagnosis so as to reduce individual cases. This more preventive approach should be adopted by the labor movement. Individual cases must be analyzed at a higher level so that the roots of problems can be addressed. The energy of union executives should not be diverted to dealing with the many individual cases that constantly arise.

Individual advocacy must be complemented by a higher level of advocacy within the larger social context. This does not mean that advocacy is not needed to deal with individual cases. The resolution of workers’ problems, for instance, is crucial in order to keep up the long-term momentum. In order to maintain long-term relations with workers, unions must show a commitment in their day-to-day activities in defense of workers. If trade union efforts to help workers fail, for example, ending up with lay offs – even with substantial severance pay – the workers will lose confidence in the labor unions.

## **Horizontal Conflicts among Labor Unions and between Labor Unions and Other Social Movements**

The emergence of so many labor unions as a result of fragmentation tends to attenuate the labor movement because the unions do not have a clear platform and membership. Labor union fragmentation makes it impossible to take collective action. The absence of collective action tends to lead labor unions to engage in activities designed to win public recognition. For instance, these unions like to stage demonstrations to get media coverage by voicing unreasonable demands, such as raising wages by 100 percent, abolishing the industrial relations court without an alternative, and so on. Conflicts among labor unions often occur, especially with regard to competition for members. A lot of energy is spent on running down union rivals, with little left for the fight against capitalism and the unfair employment system. This energy should be used to establish a coalition to fight for the workers' interests. This also lowers the labor unions' moral standing in relation to other forces or groups in society. The political parties, for example, do not consider the unions as an important group with which they should be on good terms; they are regarded as unqualified to act as the essential catalyst in bringing about social, economic, and political change.

Conflicts with other social groups often arise when groups of local thugs or fighters or tribal chiefs of traditional communities are hired by companies, for example, to repress labor demonstrations. Companies often use local people to deal with demonstrations staged by labor unions. This triggers conflict between labor unions and locals.

## **Low Capacity of Activists and Organizations**

This accounts, among other things, for the labor unions' failure to develop alternative policies. As already mentioned, the dominant approach is reactive: in other words, waiting for the government to issue a policy, then reacting to that policy. This approach neither prevents future problems nor yields solutions to the problems already at hand. The capacity of labor activists to understand economic and other data remains low, and this hinders any efforts to come up with alternatives. The activists do not have access to much data. As a result, the labor movement is not on an equal footing with business or the government when they come face to face.

Low capacity also affects their ability to manage internal conflicts, which is another source of union fragmentation, triggering the emergence of new labor unions. When one union splits, others are established. This will not help to build a strong labor movement.

The generally low level of education among workers is another problem. There are estimated to be around 4.5 million university graduates in Indonesia. Most workers at best graduate from secondary school, many only from elementary school. This is an indication of the composition of the workers as a social group.

In addition to education, another reason for low capacity is inability to unite the labor movement. A number of labor unions have qualified activists, but they are not coordinated. They do not stand together in the same organization and

therefore their capacities are stretched and cannot be coordinated. They have their own expertise but they are not united; if they could come together, they could help to build a strong labor federation.

Another consequence of the fragmentation of labor unions is that there are many small labor unions which cannot finance their operations. There are many committed and well educated people in the labor movement, but since their activities are basically voluntary, it is not easy to keep them. Without pay, many qualified activists cannot stay on to develop organizations because they need to pursue their careers and seek higher pay. If they join the big labor unions, at least they will receive a salary paid from members' contributions.

The labor movement should not be managed on a voluntary basis. Voluntary status is suitable only for those who wish to be involved on a temporary basis, such as those who want to know more about the labor movement, for example, university students and retired people who join as part-timers. To build a permanent, solid, and effective institution, we need people with an analytical capacity and with suitable experience. Labor organizations often undergo rapid changes in leadership. If the leadership changes too frequently, along with the staff, the organization's capacity to maintain a consistent line is threatened. Consequently, the labor unions must train new people from time to time to fill key positions as they arise. When people have sufficient experience, they will move on in search of higher salaries and positions. This can be disadvantageous to the labor organization, but it does not justify the practice of everlasting

monopolies in the leadership, which only change when the Divine Lord calls.

### **Poor Representation of Members**

The members of labor unions are poorly represented. For instance, one national labor union has fewer than 2,000 members, and even that figure is uncertain. With few members, labor unions face long-term difficulties in funding their activities. Many labor unions do not have established premises or programs. They also cannot pay for permanent staff in their secretariats. As a result, many labor activists exploit their positions for personal gain, financial or political. This seriously impugns the reputation of the Indonesian labor movement.

No exact number can be given for the optimum membership of a national labor union. From a financial perspective, however, a national level organization must have at least 50,000 members. So far, labor unions in Indonesia have usually imposed a 1 percent contribution scheme – that is, union dues are 1 percent of the monthly wage. As already mentioned, these contributions are allocated to three levels: enterprise level, local level, and regional level, in the proportions 40 percent, 30 percent, and 30 percent.

Labor organizations in Indonesia are generally inadequately financed. Today, only around 12 labor unions out of 100 or so have 50 thousand members or more. But even some of these unions suffer from irregular contributions. Thus many labor unions survive on the basis of enthusiasm. However, a spirit of enthusiasm will not last long and therefore the



labor unions need to think seriously about how to cut the number of labor organizations at the national level. With fewer unions, the labor movement will be more professional and be more financially robust, increasing their capacity to campaign for and serve workers effectively.

Today, many labor unions survive by relying on outside assistance. Even a confederation the size of KSBSI cannot rely entirely on its members as a source of funding and it also receives assistance from organizations such as foreign labor unions and the ILO, for example, for education purposes. Unfortunately, not all labor unions have access to ILO assistance. Only the more reputable organizations would be likely to receive ILO help, and even then they would have to engage in a certain amount of lobbying.

Ideally, members' contributions could fully fund the activities of labor unions, so that they would not need to rely on external assistance. In countries in which unions are well established, union activities are entirely funded from members' contributions.

### **III. Strengthening Labor Unions: Opportunities and Development Efforts**

#### **Opportunities for the Future Development of Labor Unions**

The prospects of future development are wide open for the labor unions in Indonesia. They could form the largest union confederation in the world. The largest union federation in

the world today is the US AFL-CIO, with 9.3 million members. The membership used to be as high as 13 million, but the union split in 2005 with the establishment of the Change to Win (CTW) labor union. The ACFTU labor union in China claims to have 170 million members, but it is not categorized as a labor union as usually understood because, under the current political system in China, they are an organ of the Communist Party, which, apart from anything else, does not acknowledge freedom of association.

The enormous potential of the labor movement in Indonesia can be illustrated with a number of examples.

- (a) As industrialization in Indonesia intensifies, more people will become involved in the labor movement. This is reflected in the growing proportion of the workforce employed in the industrial sector and the declining number of farmers and fishermen.
- (b) Traditionally labor-intensive industry is likely to strengthen the labor unions because it is relatively easy to organize, in stark contrast to the service industry and capital intensive sectors.
- (c) There is increasing public acceptance of the role of labor unions. Today, many workers are becoming members of labor unions even though they are still widely dispersed. The government and the House of Representatives frequently invite labor unions to engage in dialogue and consultation, and the media also provides a forum for statements issued by workers. Furthermore, many labor activists are able to provide

solutions to manpower issues. Although there are still some who view labor unions negatively, the reputation of the labor unions is slowly improving compared to the era of the single union under the New Order regime.

- (d) The capacities of labor activists are improving, although many new activists often wish to make public appearance by using the pattern of university students and NGO movements. Slowly, however, many labor activists are acquiring the necessary know-how and skills, including analysis of employment issues, producing publications, working for and becoming contact persons for international institutions, and mastering foreign languages.
- (e) The emergence of militant and dynamic young activists also represents hope for the innovative continuation of the labor movement in the long term.

## **Efforts to Strengthen Labor Unions for the Future**

### ***1. Strengthening the capacities of labor unions in negotiations***

Labor unions, historically, have sought and engaged in negotiations. Labor unions which are not willing to negotiate – whether on a bipartite or a tripartite basis – are acting counter to the fundamental nature of the labor movement. Of course, strikes and demonstrations can still be implemented in order to speed up negotiations and to help push workers' demands. However, the future, in which the economic system and employment relations will become

ever more complex due to globalization, will require that labor unions constantly improve their ability to negotiate with employers. The situation is complicated in particular by the fact that employers seem to be becoming more “abstract” or remote, due to the emergence of third-party employers (the result of outsourcing), foreign ownership of shares, and various international agreements signed between multinational companies and international labor federations, such as International Framework Agreements (IFAs), as well as OECD Guidelines on Multinational Corporations, CSR, General System of Preference, Better Work, and so on. All of these mechanisms have become basic for activists involved in negotiations and advocacy.

*2. Revitalizing the labor unions in the eyes of the public will have to focus not only on labor issues but also on general ones*

Labor unions are for labor – but this does not mean that their activities must be confined to labor issues without paying attention to other, related concerns, such as foreign debt, global warming, WTO clauses and agreements, democratization, the economic system, and so on. Having said that, labor unions must not lose focus and be diverted by external issues: the main activity of the labor unions is to defend the workers from injustices which lead to their impoverishment.

*3. Campaigning to promote the idea that freedom of association has a positive correlation with productivity, social security protection, and strengthened democracy*

Labor unions must launch public campaigns to raise awareness that unions are not barriers to foreign investments; quite the contrary, a union presence can contribute to the creation of industrial peace and make negotiations with workers run more smoothly. Unions can also be partners in improving efficiency and productivity. There is considerable research evidence to support this claim, for example, the findings of the World Bank, published in 2003, which indicate that freedom of association correlates positively with company sustainability. OECD research from 2005 also shows that compliance with eight ILO Core Conventions will ultimately benefit companies economically. There is a plethora of similar results from other independent studies. Employers should, therefore, not hesitate to embrace labor unions.

*4. Ensuring that relations between the government, labor, and the employers are not oppositional but based on permanent partnership*

Labor unions are different from NGOs, students' movements, or opposition parties in their dealings with the government. Labor unions should not stand in open opposition to the government, in the sense of rejecting the government's very existence and refusing to participate in meetings. By behaving in this way, the unions deny themselves the opportunity to have a voice in minimum wage setting, social security, OSH, and other employment issues – decision-making is left in the hands of the government and the employers. Elsewhere in the world, labor unions are involved in bipartite or tripartite relationships. However reluctant they are, labor unions

must be willing to negotiate to reach agreement on labor issues. If not, there will be no resolution. Student organizations or NGOs are not the same as labor movements because they do not represent the workers (they do not have workers as members), and therefore have nothing to lose when opposing the government or the employers. To be sure, labor unions may oppose the government, but on a different basis; their opposition must be neither absolute nor permanent.

*5. Encourage the unification of the labor movement by creating a common platform and reducing the number of labor unions*

Ideally, there should be four labor confederations in Indonesia. This would make industrial relations much easier. With too many confederations, difficulties arise in negotiations at tripartite level, for example, in determining wages and revising legislation. The figure of four confederations is arrived at on the basis of ideological tendencies in Indonesia. Four confederations would cover different standpoints. One confederation would represent center/social democratic groups. Another would represent leftist/socialist labor unions. Thirdly, there would be a confederation with a religious orientation; and fourthly, there would be a confederation with a more pragmatic orientation. To bolster the workers' struggle, smaller unions should amalgamate with larger unions, especially unions at the enterprise level. It is not reasonable for the leaders of small labor unions to seek to remain small and unrecognized when there is an opportunity to forge organizations which are large and influential. In the future, these four confederations should attempt to establish a united platform

in the struggle to bring into being a joint forum, although without having to merge into a single organization. For instance, an Indonesian Workers Presidium Council could be set up to strengthen the fight against neoliberalism, as well as to improve negotiating capacity in relation to other political organizations. To strengthen the labor movement from an international perspective, the four confederations should join the international labor union, the ITUC. Aside from participation in global debates and the opportunity to contribute on global issues, affiliation with the ITUC would make it easier for Indonesian unions to engage in advocacy with regard to multinational corporations (MNCs). The ITUC, by its very nature, is committed to “internationalism.” The fact that much of the income disparity, poverty, and other injustices experienced by workers is caused by the unjust international economic system means that the best way of responding to it is to make labor unions into an internationalist movement.

#### **IV. Ideal Characteristics of the Labor Unions of the Future**

##### **Qualitative Characteristics**

Any labor movement, at any time and wherever it might be in the world, must have four basic characteristics if it is to meet international standards. It must be (a) non-discriminatory, (b) democratic, (c) independent, and (d) solidaristic.

### *Non-discriminatory*

This means that an ideal labor movement must be open (plural), allowing anyone to be a member. In this context, ideally, there should not be religion-based labor unions in Indonesia: workforces in enterprises comprise a wide variety of religious affiliations. It would be inappropriate to have labor agreements reached by trade unions representing only workers of the same religion. For example, such religion-based unions would face obstacles in regions in which that religion is in a minority. For instance, an Islam-based union would experience difficulties in Bali or Papua. Such unions would only create unnecessary barriers in the fight for workers' interests. Basically, a labor organization should be pluralistic.

### *Democratic*

On the organizational level, democracy means that the election of members of the executive board should reflect the true aspirations of the workers and not be the result of backroom agreements with political parties, resulting in party appointees sitting on the board. Aside from that, executive board members should not be appointed as a result of nepotism or clientism, with the trade union being dominated by a particular group.

### *Independent*

The labor movement must be independent without isolating itself from other movements. The labor movement shall found the legitimacy of its existence on its capacity and



willingness to fight for the workers' interests. Notwithstanding the fact that labor activists may personally come from and be involved in various organizations, independence allows activists and the labor movement as a whole to campaign effectively for the workers. Even if trade union activists also hold other positions as political party functionaries, NGO staff, or capital owners, or if they also represent a particular ethnic group or religion, ultimately they have to prioritize the workers as a group. Labor unions must not be a stepping stone for other interests, which may eventually come to dominate the labor movement. The labor movement must also not be directed towards fighting for the interests of other groups or become the extended arm of a political party, the government or employers.

It is essential to recall that independence does not mean that labor organizations may not seek political alliances. Alliances with other forces, including political parties, are necessary. In any alliance of this kind, however, the question must be whether the labor organization remains independent. The answer to this question will be conditional. If the labor movement determines what programs will be pursued, it will tend to be the independent party. In contrast, if the other party dictates, the labor movement can no longer claim to be independent.

### *Solidaristic*

Ultimately, a labor movement must defend the workers, whether they are union members or not. When workers experience difficulties, the labor movement must be able to provide assistance without unnecessary divisions, either in

Indonesia or in other countries. The solidarity of the labor movement moves in three directions: internal solidarity, with the members of a particular labor union showing their solidarity with fellow members; solidarity between labor organizations, with labor organizations supporting each other; and international solidarity, with labor movements showing concern for labor movements in other countries, especially in cases involving MNCs, migrant workers, global warming, and other issues.

### **Quantitative Issues**

Strong labor unions generally have the following characteristics.

#### *Large Membership*

The more members a labor union has, the better it is for the workers. Today, the number of union members in Indonesia is far from its optimum level. Nationally, it is estimated that only 10 percent of workers, at most, are union members. Furthermore, only 12 organizations – out of almost 100 – have 50,000 members or more. A large membership, of course, goes hand in hand with larger contribution revenues. Many labor unions in Indonesia are financially weak. Ideally, the main source of funding for labor union activities should be members' contributions. More robust finances are also needed to enhance the quality of union programs and to reduce the temptation for executive board members to misuse their positions for personal gain. The credibility of the labor unions will also be improved in this way.

*Collective Agreements*

This is one of the main advantages of labor unions and not available to other organizations. The “ultimate victory” in every union’s struggle at the enterprise level is the adoption of a collective agreement. This governs the rights and obligations of both employers and workers.

The collective agreement has higher status than legislation, in the sense that it may contain provisions which exceed what is laid down in the law. The collective agreement is always decisive because it is an agreement between workers and employers. For instance, if we refer to the law, the number of leave days allotted to workers is 12; however, in a collective agreement the number of days can be higher.

The relevance of the labor movement lies essentially in its capacity to negotiate collective agreements. If unions are unable to produce such agreements and workers have to rely on the law alone, labor unions are almost superfluous. The provision of advocacy is also not enough, because that can be undertaken by lawyers or NGO activists. In the absence of collective agreements, the labor movement does not differ from the NGO or student movements.

Collective agreements have almost sacred status for workers at the enterprise level. Their status is higher than that of company regulations, which are usually oriented towards the interests of the employer. A strong labor movement is generally defined as one in whose activities collective agreements outweigh company regulations. The principal

orientation of collective agreements is to shift the emphasis from corporate interests to those of the workers.

#### *Ability to Influence Public Policy*

Public policy-making is, in essence, an effort to negotiate the many interests of societal groups, which may not always be the same. The labor movement seeks to assert the interests of workers in negotiations on the formulation of public policies, for instance, through active involvement in the process of formulating labor laws. Therefore, it is very important that the labor movement have the capacity to get involved in public policy-making with regard to labor issues. So far, the labor movement in Indonesia has often been unable to provide alternative responses to government policies. However, labor unions must keep up to date with global developments and be on hand to propose the latest alternatives to government policy, where necessary, to improve the lives of the workers. In responding to such policies, unions must have the ability to assess whether they may be beneficial to the workers. The capacity to lobby and to develop alternatives is therefore extremely important for labor activists.

#### *Rapid and Mass Mobilization*

The ability to quickly mobilize a large number of workers is one indicator of the success of the labor movement. Strikes and demonstrations are the ultimate weapon among the various means at workers' disposal in pursuit of their interests. As the option of last resort, strike action must bring victory, otherwise, the outcome will be disastrous. When

selecting this tool, labor activists must ensure that it is ultimately successful.

Why is size an important indicator of success? The purpose of the labor movement is to fight for the interests of the workers en masse. The number of workers mobilized in pursuit of their cause shows the success or failure of the unions' efforts: if only 100 workers demonstrate out of a workforce of 1,000, the attempt can be described as having failed. A show of force must involve at least two-thirds of the workers affected.

Conflicts can arise in industrial relations at any time. An organized labor movement must therefore have the ability to react smartly. Mass mobilization must not be protracted. Otherwise, the momentum may be lost and people will increasingly lose interest in the struggle. Thus labor unions must have the ability to quickly bring people out onto the streets. Ideally, of course, the labor movement must favor negotiations over mass rallies. In Indonesia today, however, there are more mass rallies than negotiations, perhaps as a result of 32 years of repression.

Mass rallies are often used by workers in pursuit of their interests because employers tend not to respond to demands channeled through local labor unions. Apart from that, there is an unwillingness to opt for negotiations to settle industrial disputes because the law does not require bipartite negotiations before an industrial relations case is passed on to the labor inspection. Employers tend to reject negotiations so that the case can be brought immediately before the labor court. In many countries, both parties must be willing to

negotiate because negotiation is a precondition. Therefore, negotiations are encouraged and a case cannot be brought before a court before the parties have tried to resolve the issue through dialogue.

***REPOSITIONING OF THE LABOR MOVEMENT***

# *Chapter 5*

## **The Labor Movement and Politics**

*Reformasi*, which took place in 1998, opened up a new political sphere in which the labor movement will be able to redefine its political relations, particularly with political parties. The labor movement, the purpose of which is to fight for the best interests of the workers, will not be able to avoid political interaction. In other words, there can be no absolutely apolitical labor movement, which expressly refrains from political activities. The question is, then, how best to form relations between the labor movement and politics? The available options will, of course, depend on prevailing political conditions and the condition of the labor movement.

A number of important questions must be raised. First, on what principles should the relationship be established? Second, what is the historical context? Third, what options are available in choosing a model for the relationship?



Fourth, which model would be most suitable for the situation in Indonesia?

### **1. Basic principles governing the relationship between the labor movement and politics**

In the broadest sense, the labor movement naturally has strong links with the political sphere, which is of overwhelming importance for the workers. The workers must also understand the connection between politics and their everyday lives, not to mention the labor movement. Politics will inevitably have a fundamental influence on the workers.

Relations between the labor movement and politics have two main aspects.

First, the labor movement is but one part of a general social movement aimed at establishing a social order that can provide justice for all. Therefore, the involvement of the labor movement in politics is required in order to create a better society. As mentioned in the previous chapter, the labor movement must therefore take an interest in political issues which are not directly related – at least, on the surface – to labor issues. This amounts to a social responsibility of the labor movement in Indonesia.

The relevance of the labor movement, both today and in the future, must also be viewed in a broader perspective. The labor movement's concerns must not be confined to national issues, such as employment, but must also encompass issues which are outside the general practical

scope of labor unions but which nevertheless have a major impact on the workers. One example is foreign debt. The loans to Indonesia which have put the country in such debt to the World Bank, the IMF, and the ADB are a matter of concern, not primarily because of the interest that has to be paid, and so on, but rather because of the policy package that comes with such loans, in which liberalization projects and privatization are set as preconditions.

At the international level, the labor movement has increased its awareness, taking in such issues as global warming. By involving ourselves in the wider political stream, the labor movement takes into consideration not only the interests of the workers but also of society as a whole.

In the face of the many difficulties entailed by finding a job in Indonesia today, a job creation scheme has been developed which involves assigning more workers to the palm oil plantations – the number of which is also being increased – for example to take part in logging vast areas of forest. This idea has put the labor movement in something of a dilemma. On the one hand, there is clearly an urgent need for job creation, but on the other hand, large-scale deforestation will, in the long run, have a serious ecological impact which will, in the first instance, affect workers in agriculture due to problems with the water supply and the irregularity of the seasons in Indonesia, but also fisheries and similar sub-sectors.

The labor unions must pay more attention to such “macro” issues, as policies applied in particular sectors become ever more closely linked.

Secondly, although the main aim of the labor movement is to fight for the workers' interests, it should not confine itself to the enterprise level, but also operate at the level of public policy. The issue of poverty, for example, is not just a normative matter, but also a structural concern arising from the confluence of much larger developments. As was experienced at the beginning of the labor movement in Indonesia, there is a strong awareness that the issues of poverty and repression of the workers also have a decisive structural dimension. The struggle of the labor movement must, therefore, also be aimed at the higher, structural level. In the past, the structural situation was also related to colonialism. Efforts to fight for the interests of the workers cannot be separated from the struggle against the colonial powers.

Today, poverty and repression of the workers also have a structural dimension. For example, labor law has not done as much as it could to protect the workers' interests. Two examples illustrate this particularly clearly.

The first is old-age pensions. The pension for workers in Indonesia paid out on the basis of social security contributions is very small, at only 5.7 percent of last salary. The pension in Indonesia is, in fact, among the lowest in the world. A number of other countries at the same economic level as Indonesia offer old-age pensions representing more than 7.5 percent. This clearly does not enable workers to lead a particularly comfortable life in their old age. This matter must be regulated under labor law.

The second example is wages. At its current level, the minimum wage prevents its recipients from having any kind of aspiration towards advancement, not even for their children. Blue-collar workers cannot even dream of giving their children a better education. This is exacerbated by the fact that the Indonesian education system is becoming more and more expensive.

This state of affairs results from laws which do nothing to ensure decent living standards for the workers. The labor movement must seek to build bridges with the political sphere in order to obtain a voice in creating a better life for all.

The political involvement of labor unions must be built on the four universal principles of labor movements: democracy, independence, non-discrimination, and solidarity (see Chapter 4).

In order to realize the four ideal characteristics of a labor movement, its political involvement must be strengthened by means of, in the first instance, political education. This would also include civic education to ensure that the workers are best able to exercise their rights as citizens without being unduly affected by other factors, such as religion and ethnicity. A good education will make available to the workers political options which can improve their working lives.

The political character of the labor movement is slightly different from that of NGOs or students' movements, which tend to be confined to opposition. The labor movement is

not in opposition to the government. Labor unions must reach some sort of *modus vivendi* with the employers and political parties. The labor movement is unique because it is bound by the principles of “bipartism” and “tripartism”: it must seek to cooperate with the other social partners. The labor unions must not be in permanent opposition to the government and the employers because they must negotiate with them, for example, on wages.

It is, therefore, crucial that the labor movement chooses its long-term allies carefully. The main objective of the labor movement is to fight for the interests of the workers, together with the government and the employers. The choice of coalition partner must be based on the workers’ interests. The labor movement has to do much more than merely set itself up in opposition to the government. It has to seek the right solution to existing problems or the right position amidst strong differences of opinion.

In order to ensure union independence in politics, labor organizations must engage in political analysis, not confining themselves to more practical issues, such as the manpower laws.

## **2. Historical context of the relationship between the labor movement and politics**

In the Indonesian context, the labor movement is inseparable from the general political movement. As noted by Iskandar Tedjasukmana, throughout its history, the labor movement in Indonesia has revealed its political characteristics.<sup>11</sup> Labor

unions have political aspirations, are involved in political activities, and maintain close relations with political parties. The labor movement played an important part in Indonesia's independence movement, as well as in consolidating independence at the beginning.

The labor movement in Indonesia has its origins in labor organizations in the plantation and transportation sectors during the era of Dutch colonialism. The existence of workers' organizations preceded the establishment of political parties and other mass organizations. As described by Tedjasukmana, the first labor union can be traced back to 1905, when workers in the State Railway Company established SS Bond (*Staatsspoorwegen*). This labor union became stronger when the railway workers, from both state- and privately owned companies, agreed to establish the VSTP (*Vereeniging van Spoor-en Tramweg Personeel in Nederlandsch-Indie*) on November 14, 1908. Under the leadership of Semaoen, this labor union developed into a militant organization.<sup>12</sup>

During the era of Dutch colonialism, the Dutch Indies Authorities treated labor organizations as a dangerous political movement. The labor movement was muzzled and many of its activists were victimized. For the unions, political aims were indispensable because the only solution to the problems of poverty, suffering, and oppression of the

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<sup>11</sup> Iskandar Tedjasukmana, *The Political Character of the Indonesian Labor Union Movement*, TURC, 2008, p. 59.

<sup>12</sup> Semaoen was the VSTP's second president, following Sneevliet, a Dutchman. See Tedjasukmana, *op. cit.*, p. 8

working class at that time was the fall of the Dutch colonialist regime.

At the beginning of the independence era, the labor movement was active in strengthening Indonesia's independence. Not long after independence was proclaimed on August 17, 1945, a number of workers' representatives gathered in Jakarta to formulate a common platform on how the labor movement could participate in strengthening the new republic. This meeting was successful in establishing the Indonesian Workers' Front (BBI). In the same year, the SOBSI was established, which strengthened the labor unions' close concern with political or governance issues. As Tedjasukmana concludes, the government regarded labor unions as politically necessary. This recognition can be illustrated by the election of 40 prominent labor union figures as temporary members of parliament in the independence era.

In the 1950s and early 1960s, the SOBSI (All-Indonesia Central Workers' Organization), supported by the PKI, was the strongest and most active labor organization among the many which were connected to political parties. The SOBSI was highly influential, for instance, in the nationalization of Dutch companies in the late 1950s. However, the military emergency and managerial control of those companies put the armed forces in a position of direct confrontation with the communist-led militant labor movement (Hawkins, 1963).

The destruction of the PKI following the so-called "1965 incident," according to Vedi R. Hadiz, caused the political traditions of the labor movement almost to die out, and this

legacy continues to hamper the organization of workers in Indonesia. From the 1970s until the downfall of the Suharto-led New Order Regime, workers were subject to a highly authoritarian corporatist system that provided room for only one legitimate labor union federation, established and supported by the government.<sup>13</sup> This single labor organization and industrial relations based on the concept of *Pancasila* ("five principles") became the primary instruments of the New Order Regime in eliminating the political character of the labor movement in Indonesia.

*Reformasi*, which came about as a result of the political and economic crisis in 1998, has opened up new opportunities for the organization of workers in Indonesia. According to Vedi R. Hadiz, the capacity of the labor movement to influence state policies depends on its position in the constellation of broader social power. When the old and new elites reestablished themselves within a democratic political framework after *Reformasi*, organized workers in general did not have much influence on state policies. None of the main forces competing to establish a post-New Order regime was supported by the labor movement, mainly because of the systematic disorganization and marginalization of the workers under Suharto (Hadiz, 2001).

The economic crisis in Indonesia, which caused a huge increase in the unemployment rate, is one of the factors explaining the weak bargaining position of labor

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<sup>13</sup> Vedi R. Hadiz, "The Politics of the Labor Movement in South East Asia," *Sedane* 2001



organizations. The stagnation of the Indonesian economy destroyed hundreds of companies, including in the export-oriented manufacturing sector, which was very important for Indonesia's growth after the oil boom and before the crisis (more or less from the early 1980s until 1997). Many urban workers had no choice but to return to their villages (Manning, 2000), looking for shelter from the crisis – and this included many experienced labor activists and grassroots labor organizers.

When a number of new labor unions emerged, there was no national union federation to coordinate the movement on behalf of the workers. Labor organizations have not been able to fully utilize the momentum of openness created in May 1998 to restore the influence of the labor movement. One illustration of this was the new law on labor unions, finally adopted in mid 2000. In the face of protests by the majority of unions, the government sought to divide the labor movement, which was regarded as posing a threat to the “national interest.”

Historically, the labor movement has been involved in politics and needs a political profile in order to fight, not only for the interests of the workers, but also for other social groups. Today, there is a need to reformulate the relationship between labor unions and political parties in light of current developments, especially given their sub-optimal nature at present.

### **3. Three variants of the relationship between the labor movement and politics**

What is the ideal model for relations between labor unions and political parties? To answer that question, we must explain several possible forms and their preconditions. A wide range of relationships between labor unions and political parties can be seen throughout the world.

In the first variant, the labor unions establish a “labor party.” Examples include Great Britain, Poland, and Australia. In other countries, such as Brazil, the labor party is known as the democratic or social democratic party. The rationale is that the labor movement can fight for the workers’ interests in two arenas at the same time. Both movements are necessary if the workers’ interests are to be properly represented. Therefore, the labor unions embody the labor movement and the political movement is the responsibility of the labor party. The political movement campaigns at the level of the superstructure and infrastructure of national policies and legislation, while unions struggle, for example, to improve working conditions at the enterprise level, as well as voicing workers’ aspirations.

In these circumstances, labor unions must be led by competent union activists, while the labor party must be led by people from the labor movement who are talented in practical politics. In this case, the labor unions fund the labor party, as in Brazil and Australia, where the labor unions fund the labor party in order to enable their members to get seats in parliament. This is possible for the labor unions in

these countries because they have adequate funding to mount a full election campaign.

The British Labour Party is a classic example of this direct relationship, in which the initiative to establish the party came from the workers. The British Labour Party was established in 1900 as a result of meetings of union activists. The party was established to fight for the interests of the workers in the British political arena, which was then dominated by conservatives and liberals. Today, the relationship between the Labour Party and the unions is coordinated by TULO (the Trade Union and Labour Party Liaison Organization), an umbrella organization for 15 labor unions affiliated with the Labor Party.

The second variant involves a special relationship between labor unions and a particular political party.

In this case, relations with political parties are not direct. There is, however, a kind of unwritten political agreement between labor unions and a particular political party. The labor unions do not establish the party, which already exists, but happens to be pro-labor.

The Democratic Party in the United States, the SDP in Germany, the Democratic Party in Japan, and the Socialist Party in France are examples of parties which are historically close to the workers. These parties were not established by labor unions, but historically they have been supported by the unions. The relationship is usually long-term. In general, they do not shift their allegiance to another party, even though sometimes they may be disappointed.

On this model, the labor unions do not specifically assign activists to sit on the party executive or to become directly involved by competing for a seat in parliament. Labor unions usually do not fund the party in question, although they may make donations, either to the party itself or to its candidates, as happens in United States. In the US presidential election in 2008, for instance, the US labor unions under AFL-CIO (American Federation of Labor and Congress of Industrial Organizations) not only declared their open support for Barack Obama, but also contributed to his election campaign. In July 2008, AFL, with 56 member unions, officially supported Obama. Obama's health care reform program and his support for fair trade are the two main reasons for union support so far. AFSCME (American Federation of State, County and Municipal Employees), with 1.4 million members, also supported Obama and donated a huge amount of funds to his election campaign.

In other countries, labor unions contribute by providing opportunities for election campaigning among their membership. In return, the party is obliged to campaign on a pro-labor platform, such as better social security and reducing unemployment, as well as more social assistance programs and introducing progressive income tax.

On the third variant, the labor unions choose to be independent of political parties.

This means that they use their political influence to shape policy, lobbying all parties in pursuit of their interests. Labor groups tend not to vote for a particular political party. This model of relationship usually exists in a political environment

of relatively fluid ideologies, such as France, South Africa, Switzerland, and Hong Kong. In these countries, there are many political parties, often without a strong ideological platform.

Practice in Indonesia in the wake of *Reformasi* has been more or less patterned on the third model. This is because there are many political parties, but there are no significant ideological differences. In the past, such differences were clear cut and so affiliations between labor unions and political parties were easy to establish. For instance, an NU-based labor union would affiliate with the NU party or SOBSI would follow PKI.

In Indonesia, all three kinds of relationship between the labor movement and political parties have been tried. The first model may be illustrated by the relationship between SBII (Indonesian Islamic Labor Union) and Masyumi. The second – in which labor unions are, to some extent, a branch or subordinate structure of one political party – is exemplified by the relationship between SARBUMUSI and the NU Party, as well as between GOBSI-IND and PSII. The third type of relationship, in which labor unions become associates of a political party, cooperating as equal partners, is typified by the relationship between KBKI and PNI.<sup>14</sup>

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<sup>14</sup> Iskandar Tedjasukmana, op. cit, p. 157.

#### **4. Future course of the relationship between the labor movement and politics**

The main question for the labor movement in Indonesia is, which variant of the relationship would be the best choice in pursuit of the workers' interests?

If we take the first variant, in which the labor unions establish a labor party, as in Great Britain, the workers in Indonesia would encounter problems. Two conditions are needed for this model which cannot be met in Indonesia at the moment.

First, the labor unions must have a large membership (high union density). Second, the unions must not be fragmented. When the British Labour Party was established in 1900, more than 50 percent of workers were union members. There was only one national confederation. With such a large number of members, the labor unions clearly had a strong mass base. Therefore, it was not difficult to establish a strong political party. Indonesia is severely lacking on both counts. For a start, out of a total workforce of around 104 million, less than 40 percent are in formal employment, and only 15 percent of them have joined a union.

The second condition is industrialization, whereby a country enters into a modern industrialized era, no longer dependent on agriculture. Employment must be concentrated in industry rather than in agriculture, thereby accumulating a sufficient mass of support.

The current situation in Indonesia differs from this significantly. A fairly large proportion of the workforce are employed in agriculture, fisheries, and forestry. These sectors are rather distant from modern industry. A large proportion of workers also work in the informal sector, in which, traditionally, the labor movement and labor parties find it difficult to build support.

If Indonesia wishes to take the first path, it would be better to have only one union federation with a strong mass base. The labor movement would have to wait until it had established itself as a mass organization.

The second model, on the pattern of the United States, Canada, Japan, Korea, and France, as already mentioned, involves labor unions supporting certain political parties, although such parties were not founded by the unions. There is a kind of symbiosis between the unions and the political party. To attain this kind of relationship, labor unions must have a strong bargaining position, particularly grounded on a mass base. The Democratic Party in the United States has a strong relationship with the labor unions for this very reason. The voice of the workers strongly influences the balance of power. If they fail to provide support, it has a major impact on the party.

In the Indonesia context, this path, too, would be difficult to follow. First, labor unions in Indonesia are highly fragmented; the consolidation of labor unions as a unified power with a mass base would be difficult. Second, political parties in Indonesia regard the labor unions as incapable of providing mass support. Workers' support is regarded as

rather fluid since it does not have a strong collective political awareness. The unions need to do more to provide the required education in this regard. In these circumstances, it will take some time before the labor unions in Indonesia can catch the attention of the major political parties.

The third, more fluid kind of relationship, in which the labor unions develop independent relationships with parties across the political spectrum is more likely to emerge in a country in which democracy is a recent development. The political parties do not have clear and firm ideologies; their political platforms are almost the same and the labor unions may as well cooperate with any of the parties. This is the situation in which Indonesian labor activists find themselves and they are trying to take advantage of it. Some have joined religion-based parties, while others have joined parties based on nationalist principles or even newly emerging parties. In this model, the most prominent feature is the personal relationship between labor union activists and representatives of political parties. No wonder this model has so far progressed as largely opportunistic in nature, with the labor unions serving only as stepping stones for labor activists to enter politics. In the first and second variants, involvement in a party is intended to help in the fight for workers' interests, but in the third, such involvement is regarded only as a means of promoting personal interests, seeking a place in the political arena. Even when they make it to the House of Representatives, labor activists cannot influence the party mainstream, partly due to their rather inchoate affiliations. There is no clear distinction between labor activists who join political parties and party members who join labor unions.



The next question is, which direction shall the labor movement and politics take in the future?

For the author, it is time to develop a stronger strategic alliance between labor unions and political parties in Indonesia. Of the three models described above, the author believes that the most feasible and most suitable option today is the second, in which the labor movement, through various individual unions, builds a long-term alliance with one political party. There would be a kind of political agreement with that party, within the framework of which the workers would support the party and, in return, the party would clearly adopt platforms or policies which are in line with the interests of the workers.

The first variant, in which the labor movement establishes a labor party, would be ideal, giving the unions real political influence. But this option would be difficult to realize in the Indonesian context. As already mentioned, a relatively large number of workers – at least 40 percent – would have to join unions. In Indonesia, the figure is still far below this. It will be a long time before there is a strong labor party. Experience from the two elections in which the labor party – which was established by several prominent labor figures – participated shows how difficult this path would be in the Indonesian context. Another obstacle is the fact that engaging in politics in the wake of *Reformasi* is becoming more and more expensive. This is another obstacle to establishing a large labor party. Despite the difficulties, however, this variant would be suitable for the future development of the labor movement, depending on how quickly labor activists can set aside their egos.

In the third variant, in which the relationship is more fluid, there are no benefits for the labor movement. Workers cannot put their hopes in the persons and organizations who typify this sphere. The third model or variant would not yield real benefits for the workers.

The second variant – in which the labor movement establishes a special relationship with one party – is the most feasible option in current circumstances. To this end, union leaders in Indonesia must have the wisdom and willingness to unite the labor movement, currently fragmented into many organizations, in order to strengthen their bargaining power. The dominant labor unions should unite to choose a party that can serve the interests of the workers.

To ensure that such political involvement does not adversely affect the labor movement, it would be better if the chairs of labor unions did not have seats in parliament. If key union figures sit in parliament, the party may be strengthened, but the labor unions would experience major internal problems as people jockey for position to launch a political career. This would deal a severe blow to the labor movement.

Uniting the labor unions into a single power is not an easy task, given the current fragmentation. The labor movement and committed labor activists need to be patient in building up the workers as a political and societal force. The tendency today is to establish a new union, no matter how small, rather than to join a larger union. The egos of labor activists are the dominant factor in this respect; they are afraid of losing their position if they unite with other unions to form

a larger and stronger labor movement. Thus many labor activists continue to fetter themselves in small unions with no financial resources and a small membership base, making it almost impossible to attain recognition and assert themselves on the political stage. Labor activists will eventually have to acknowledge that it will be very difficult for labor unions to gain influence without strong financial backing from members' contributions, as well as political bargaining power, which requires mass support. At the same time, workers will realize that joining a small union makes no sense since they need stronger protection.

Another condition which must be met if this option is to be realized is the creation of a mass base that would make the political parties sit up and take notice. Innovations are needed to mobilize the workers, with the labor unions reaching out to other groups. Labor groups need to form alliances with farmers' groups, for instance. In Indonesia, workers in formal employment are estimated as comprising 30–40 percent of the workforce. Of this, only 15 percent are union members. This is a small figure which does nothing to attract the interest of political parties. The labor movement should not be too dependant on industrial workers. We must create a new variant, in which urban industrial workers and rural workers join forces.

Of course, this would be very difficult. Another serious constraint on the labor movement in seeking to form alliances with political parties is the high cost of politics in Indonesia. It is very expensive for someone to become a member of parliament, with either DPR or DPRD. This

threatens the development of democracy in Indonesia because it is expensive and elitist.

In Indonesia, the workers do not comprise a relatively homogenous political mass of the kind characteristic of, say, Great Britain (at least until recently). In that country, the workers long formed a fairly homogenous group, as a result of the country's early industrialization; the fact that the bulk of workers faced similar issues made it easier for them to unite as a single political force. This explains why they were immediately successful after establishing a political party.

In Indonesia, many workers have at best a weak political awareness, especially with regard to the relationship between politics and workers' interests. When workers cast their votes, for instance, they do so under the influence of other factors than their interests as workers, such as religion. Workers will not necessarily vote for a labor-based party or a party with a pro-labor policy.

This is partly to do with (lack of) political education. Most workers in Indonesia have only a low level of education; many do not even graduate from secondary school. If political awareness was greater, the workers might be relied upon to cast tactical votes in elections. If they properly understood that the roots of injustice in workers' lives in Indonesia lie in labor law, workers would support the labor party at national level, while support could also be given to various parties at local level. With three levels of political elections – national, provincial, and district – workers have a considerable opportunity to assert their political views.

Many union activists choose to distance themselves from politics and some are even anti-political. Politics is regarded as a dangerous and dirty zone. However, this approach leads to lethargy, and political lobbying falls by the wayside. At the same time, as already mentioned, the political parties do not regard the labor unions as worth cultivating. Labor activists, too, are considered to be free-floating, without a mass base. This makes it difficult to build up mutually beneficial strategic alliances between labor unions and political parties.

Ideas concerning the best options under current circumstances in Indonesia are continuing to develop. At the practical level, progress has been made in relation to the third variant, on the basis of which activists would join political parties. The problem is that activists are rather “pragmatic” in orientation: the workers’ interests merely provide window dressing for their real concern, which is pursuit of their personal interests.

In the past 10 years, there has been no serious discussion among labor activists on the establishment of a platform involving the labor movement, labor unions, and political parties. Such discussions as there were, have been internal to individual unions. There is no joint forum in which labor activists can seriously discuss the matter. The tendency is now moving towards the third variant. The labor movement may be found everywhere, in the Democratic Party, PAN, Golkar, PDIP, PKS, and PDS.

In the future, the labor movement must engage in a discussion on its relations with political parties so that the

workers' interests can be achieved. Without any serious attempt to launch such a discussion, the labor movement will lose ground.

***REPOSITIONING OF THE LABOR MOVEMENT***

# ***Chapter 6***

## **Globalization and Revitalization of the Labor Movement**

Globalization has become the major phenomenon in the past two decades, especially since the late 1980s, which was marked symbolically by the fall of the Berlin Wall in 1989. Previously, the Cold War was the principal framework for the global order, but globalization has succeeded it as the explanation and shaping power of the new global order. According to Thomas L. Friedman, globalization has replaced the Cold War as the new international system. This new system, says Friedman, possesses its own unique logic, rules, and pressures and incentives. This era emerged as the cost of communications began to fall sharply, thanks to microchips, fiber optics, satellites, and the Internet.<sup>15</sup>

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<sup>15</sup> This interesting view on globalization can be found in Thomas L. Friedman, *The Lexus and the Olive Tree: Understanding Globalization*, Penerbit ITB, 2002.



There are many definitions of globalization. According to Lee (1996), globalization is mainly characterized by rapid growth in global commerce, an increase in foreign direct investment (FDI), and the proliferation of transnational financial transactions. Factors accelerating growth in these three areas, according to Wood (1995), include international transportation and cheaper, faster, and higher quality technology and telecommunications, reinforced by the Internet. These changes were also made possible by changes in the political (regulatory) framework.

As an all-pervasive power, globalization influences not only the economy, but also social and political life. It is not surprising that globalization is controversial, especially in developing countries, such as Indonesia. But there have been protests by workers and other groups all over the world, in South Korea, France, and in Seattle, in the United States. For its supporters, globalization is an opportunity for much higher economic growth, while for its critics, globalization threatens economic welfare, political sovereignty, and cultural integrity.<sup>16</sup>

In the developed countries, the main concern arising in relation to globalization is the unskilled workforce and industrial contraction, while the main concern in developing countries is related more to political sovereignty and loss of control of the national economy (Champlin and Oslon, 1999).

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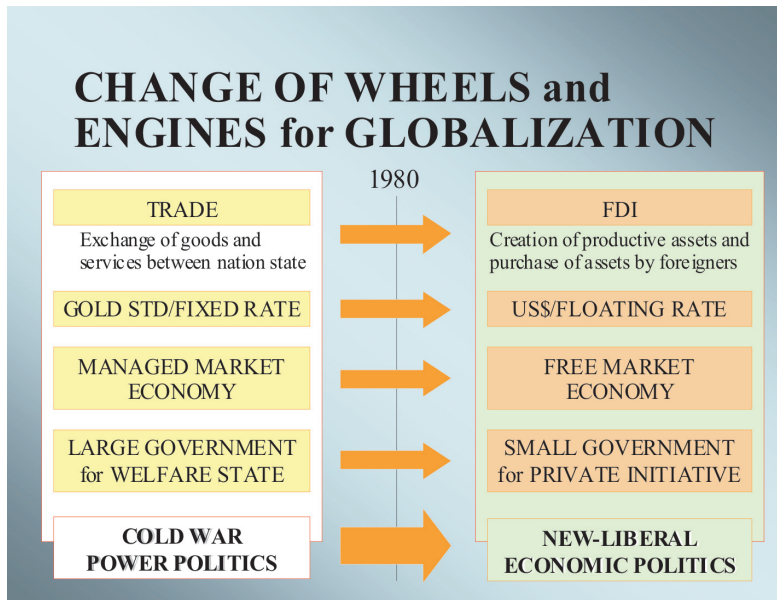
<sup>16</sup> See the paper by Joyce S. Osland et al., "Globalization and Environmental Sustainability: An Analysis of the Impact of Globalization Using the Natural Step Framework."

The IMF defines globalization as “a continuously increasing economic dependency between countries through an increase in the volume of transactions of goods and services across borders and through international capital flows, supported by a rapid and broad diffusion of technology” (IMF, in Wolf, 1997). The ILO, in its *Global Report 2000: Your Voice at Work*, views globalization as a combination of an open and integrated market which is supported by innovations in technology and political reform.

In the same document, the ILO underlines the fact that globalization does not include all levels of society in this open and integrated market. There are many groups in society which do not participate in globalization and are outside the market. The groups that do not really benefit from the opportunities presented by globalization include workers, particularly in many developing countries.

Globalization, according to the ILO, provides extraordinary new opportunities, but they tend to be concentrated in a small number of countries, while many other countries – and this applies to workers and employers alike – do not benefit from globalization. In these circumstances, it is not surprising that many groups in developing countries, like workers in the industrialized countries, feel that the process of globalization and the accompanying global commercial system pose a threat. This perception has been growing and, in some quarters, amounts to a rejection of globalization, which has found in expression in violent demonstrations in Geneva, Seattle, and Davos. Given that the social legitimacy of this process has been seriously called into question, clearly, economic and social arrangements in the global economic order are in need of reform.

## **Main Characteristics of Globalization**



Source: Presentation material from ACTRAV, ILO Programme for Workers' Activities International Training Centre, Turin, Italy.

Globalization, regardless of the definitions and meanings assigned to it, generally includes a number of aspects: trade, production, finance (investment and capital flows), corporations, politics, and culture. The underlying logic of globalization, which serves as the core neoliberal economic and political doctrine, is that if we eliminate the transnational barriers to private capital flows, goods and services, there will be an increase in productivity, GDP, employment, and real incomes.

The complexity of globalization and the chains of economic activities which make it up can be simply described in the following terms: a garment is designed in the United States, produced in China in a factory managed by a Hong Kong-owned company, using raw materials imported from a number of countries, and brought to England in a container ship bearing a Philippine flag, manned by Indonesian seafarers, with payments and other data being processed in Asia. This illustrates how globalization functions as a borderless economy.

### **The Impact of Globalization on the Labor Movement**

What have been the effects of globalization on working conditions and what should labor organizations do?

Ray Marshall, in his book *The Future of Labor Unions*<sup>17</sup>, states that globalization is an undeniable fact. Labor unions have to find ways of revitalizing their activities, both at enterprise level and in society. If labor unions cannot mobilize themselves to renew their influence, they will be unable to sustain their existence in the long term.

Joseph Stiglitz (2002) has explained that the negative impacts of globalization on workers are caused by a power imbalance between workers and capital owners. The working class – which is often the group most directly affected by international trade agreements – are not included

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<sup>17</sup> *The Future of Labor Unions: Organized labor in the 21st century.* Edited by Julius G. Getman and Ray Marshall. 2004, University of Texas at Austin

in negotiations; their aspirations are not even heard. This is because the power of the working class is highly fragmented at the national, regional, and global levels. The only option for the labor movement in seeking to make its voice heard in the broader sphere of globalization is to increase global solidarity, thereby becoming an international force which is a match for capital interests.

In order to revitalize their presence, labor unions everywhere need to become stronger. The relative strength of trade unions in Europe can be taken as an example. In some European countries, membership of a labor union is a right – one can opt to be a member or not. In order to strengthen the labor unions further, however, some countries – such as Belgium – regulate that unemployment insurance is run by the labor unions. Workers may also deal with the matter themselves, but this may involve hiring a lawyer and will certainly be more costly. In this way, workers are more or less “coerced” into becoming union members.

The provisions in the national constitution are clear, however: becoming a member of a labor union is a right and not an obligation. People are free to choose. But the requirement that claims for social security must be filed through labor unions, particularly unemployment benefits, constitutes a strong incentive to join a union. This is a contributory factor in the relatively high union participation rates in Europe (union density).

Indonesia must take similar measures to strengthen the labor unions, but adapted to local circumstances. In Indonesia, for instance, the informal sector is huge. The unions could

run collective social security schemes for informal workers. This would make it virtually an obligation for workers in the informal sector to join a union to obtain access to social security. The intention of such a policy would not be to complicate the process. The system would function effectively because it would be difficult for individuals to obtain social security benefits any other way. It would be easier for individuals to gather in one organization. Aside from union initiatives, workers' initiatives, in terms of which they would actively and voluntarily join a union, would also determine the success of this kind of social security. With the current system, the situation is more complicated and expensive.

Nowadays, unions face a totally different situation from what they experienced in the past. The unions can no longer operate to serve a special interest group, focusing only on their members, without real participation from people outside the organization. Today, the unions must mobilize their members and forge alliances to obtain victory.

The key to success in revitalizing labor unions is building capacities in mobilizing and creating sustainable participation, as well as large and sustainable coalitions. This will be an important tool in fighting against global economic forces. If the unions try to use traditional methods, addressing only such issues as work contracts and wages, without going to the root of the problem, the labor movement will become a peripheral power, as during the 1970s and 1980s.

Amidst the current tendency towards a stronger global economy, revitalization is an essential aim for the unions because globalization strongly affects the organization of labor.

Globalization often goes hand in hand with Exclusive Processing Zones (EPGs) or Free Trade Zones. In Indonesia, they are called “*Kawasan Ekonomi Khusus*” (Special Economic Zones or Free Trade Areas/FTAs), something that did not exist in the past. Today, workers are located in such areas, which are difficult to access due to bureaucratic hurdles or security systems. This is found in many countries, above all in China.

Globalization is also responsible for accelerating the informalization of employment (*informalisasi*). Many workers have only an informal employment relationship or even work as day laborers. Other workers have freelance status, being paid by the hour: they might perform work for employer A, before moving on to work for employer B.

Furthermore, an increasing number of people are moving to foreign countries as migrant workers. This makes it especially difficult for the unions to organize them. The Philippines typify this state of affairs. The workers who remain in the Philippines tend to work in the informal sector and in small or medium-sized enterprises, which are traditionally impervious to labor unions.

Another concern in relation to globalization is its tendency to give rise to anti-union legislation. Labor law, in particular, does not reflect an interest in protecting the workers. For

instance, labor court procedures are often lengthy and expensive. Protracted judicial processes seriously undermine the workers' bargaining position. With little financial back up, workers cannot afford to enter into lengthy legal cases and generally opt not to continue legal action to the highest level. Even when the court decides in their favor, the workers still face difficulties of enforcement, again due to protracted bureaucratic processes.

Globalization does not favor the settlement of workers' issues arising from the need for structural and cultural adjustment to rapid changes in the labor market. In the past, companies often had a large number of workers, but things have changed. Companies are downsizing, reducing the number of workers through contract work and outsourcing. In the past, 500 workers might have been employed by one employer, but today these workers are likely to be divided among several employers in various small companies. This makes union organization much more difficult.

Globalization also fosters the restructuring of multinational corporations through the franchise system. The underlying idea is that, rather than operating in one location with a large number of workers, it is better for the corporation to operate in various cities or countries using the franchise system and with a smaller number of employees. In order, for example, to get closer to their customers, for the sake of efficiency a company might have only 15 employees, but with a web of franchises. This makes things extremely difficult for the unions: in the past, a company with 500 workers might require only two organizers, whereas now, as many as 20 companies might be involved, which means



that at least 20 union officials are needed to deal with the same number of workers.

These are some of the reasons why the labor movement must be revitalized. Revitalization must involve the labor movement broadening its concerns to encompass macro-level issues. For instance, the labor movement in Indonesia should have paid more attention to government policy on Free Trade Zones. The government should not have been so reckless. This system creates injustices in other regions. Instead of creating FTZs, it would be much better for the government to formulate a more targeted policy to make Indonesia as a whole an attractive, efficient trade zone with good infrastructure. This would be a much better driver of the national economy than one or two FTZs in particular areas. Current policy is impractical and presents difficulties for other regions: for instance, people in Papua or NTT must go to Batam in search of goods at a lower price. This policy may bring prosperity to one region, but impoverish others. Thus, it is better for the regions to have their own FTZs, which need not be confined to manufacturing.

As already mentioned, globalization increases the number of migrant workers, thereby exacerbating the difficulty of organizing them into one solid labor movement. What now needs to be put onto the agenda is how to encourage international cooperation among labor movements to protect migrant workers. At the moment, although the labor movement is universal and professes international solidarity, in practice there is a long way to go. Workers are not supposed to be limited by citizenship when they wish to join other labor unions. Thus, Indonesian union members

can join labor unions in Hong Kong, Malaysia, or Korea. The problem is that not all countries have ratified ILO Convention No. 97, which asserts that migrant workers have the right to the same protection as native workers, including with regard to wages, the right to obtain services from labor unions, and the right to be a member of a union. For example, there are already many Indonesian labor unions in Hong Kong, but not all countries are so obliging. In Saudi Arabia, for instance, it is difficult for migrant workers to join a local labor union to obtain protection.

The labor unions in Indonesia have tried to facilitate the admission of migrant workers to unions in the countries where they work and have also developed cooperation with labor unions abroad to encourage greater flexibility in the admission of migrant workers. This kind of cooperation is an established item on the international agenda. One potential problem is rigid labor laws in some countries. Another problem is that many unions in countries receiving migrant workers consider them to be a threat to local workers, because migrant workers are willing to accept lower wages.

Revitalization of the labor movement in the face of ever stronger globalization is necessary so that the labor movement and the labor unions can take part in important debates. Indonesia must take its cue from the strong labor movement in Europe. Ray Marshall explains that one of the reasons why labor unions in Europe are relatively stronger as compared with the United States, for instance, is that collective agreements in Europe tend to be national and bipartite in nature. Regardless of the membership status of

a worker, once something has been agreed at the national level – for example, on wages or social security – the agreement will apply to all workers throughout the country. In Indonesia, wage setting applies only at the provincial level, however, because it is difficult to set a national standard.

In Europe, social security for workers, including health insurance, is much better. That is one of the reasons why, on average, the proportion of workers who become union members – or union density – can reach up to 30 or 40 percent of the workforce. Even in countries such as Great Britain, for instance, the participation level is quite high. In Indonesia, out of 100 million workers only 7 million at most are union members. A participation level of around 40 percent would be ideal for Indonesia. In Norway, Sweden, Denmark, and Finland, the level of participation is 80–90 percent, the highest in the world. However, the populations of these countries are relatively small and it is easier to organize the workers.

Another factor which explains why unions in Europe are relatively stronger is the tradition of wider coalitions. Ray Marshall explains that in Europe, unions have a long history of entering into coalitions with political parties and civil society organizations. Labor issues in Europe tend to reflect class relations, as in the past. In other words, labor issues are built on class differences. Such differences between the bourgeoisie and the working class in Europe in the past were relatively strong, and something of this lingers on, although watered down. They remain in coalition, however. The situation is different in the United States, where labor unions

are organized on the basis of professions, and not classes, as in Europe. In the United States, there is more emphasis on how benefits for workers can be improved.

In simple terms, in Europe, labor issues are partly an issue of ideology, while in the United States they are largely an economic matter. The labor movement in Europe still retains some characteristics of the class struggle. Not only do they discuss current phenomena, but they also analyze the roots of the problem. Their concerns cover a broader range, including global issues, such as how to reduce the number of rogue and greedy capitalistic corporations. In the US, it is more a matter of how workers can obtain higher incomes.

### **Globalization: The Indonesian Experience**

Indonesia's involvement with globalization has become increasingly evident since *Reformasi* in 1998. The economic crisis that hit Indonesia became the gateway for ideas on economic reform of neoliberal inspiration, which also serve as the basis of globalization.

Economic assistance from international financial institutions such as the World Bank, the IMF, and the ADB is provided together with neoliberal policy packages designed to promote the creation of one global market. The privatization of BUMN (state-owned enterprises) was one of the main points of government policy at the beginning of the reform.

With regard to employment, these international institutions urged the adoption of flexibility, especially through the National Development Planning Agency (Bappenas). This

agency came up with proposals to revise employment policy. According to Bappenas, the priorities for reforming employment policy include: (i) integrating employment policy into the same package for investment growth as taxation, investment permits, and so on; and (ii) paying due attention to unemployment and poverty alleviation.

Labor market flexibility is part of a program to liberalize Indonesia's labor market, implemented by relaxing the regulations and relying more on market mechanisms. A flexible labor system allows employers to "hire and fire" workers very easily, according to their needs. In practice, this system is implemented through various forms of outsourcing (subcontracting) and temporary work agencies, which provide the services of ready-to-use manpower.

The labor movement in Indonesia rejects such labor flexibility, particularly in relation to human outsourcing. In 2006, the workers staged a mass rally to reject the government's plan to revise Law No. 13 of 2003 to better accommodate flexibility principles. This rejection was successful, although it could not fully eliminate human outsourcing.

This did demonstrate, however, that a solid labor movement will be able to balance international capital flows. The idea is not to reject globalization, but rather to minimize its adverse effects, at the same time as helping workers to benefit.

Globalization is an unavoidable reality. We must take a stance and try to minimize its adverse effects. One such

effect is the so-called “race to the bottom,” in which multinational corporations compete to find countries which can provide them with low production costs. They appear to be little concerned with the effects of their practices on the workers. Such corporations tend to move around in regions in which many poor countries are located, including South East Asia: Bangladesh, Indonesia, Vietnam, Cambodia, and Laos. If we are too aggressive in pushing for wage increases, these corporations will go to other countries that are willing to provide lower wages. Indonesia has already experienced this, as many companies were relocated abroad. Many Indonesian garment enterprises operate in Cambodia and Vietnam.

Although globalization also provides opportunities, Indonesia at present is suffering more of the negative effects of globalization. Education is one factor. In Indonesia, only 4 percent of the workforce have been to university. This means that most Indonesians are predisposed to be victims since only this small minority can have access to globalization, while the rest, who do not have access to information technology, are shut out.

In order to benefit from globalization, the labor movement in Indonesia must pay serious attention to education and training. This will, of course, take time, because inculcating an understanding of information technology requires long-term education, not to mention the mental and cultural obstacles which must be overcome. The labor movement also needs to seriously help workers to access information on the companies they work for, as well as sharing

information on international agreements that have implications for workers' rights and standards of living.

Turning to the potential benefits of globalization, today, it is easier for people to obtain information on labor laws, remuneration systems and social security systems in a particular country. Such information would be very helpful for workers in Indonesia when negotiating with international corporations from a particular country. If a problem persists, it would be possible to trace who owns the company and launch a global campaign against them. It would also be possible to find out where the products are eventually sold. Today, it is easier to launch a campaign targeting consumers. Global branded products can be attacked by consumers' organizations, which boycott offending companies, for example, because of human rights violations.

In the era of globalization, it is easier to engage in advocacy and to investigate companies. Almost all multinational corporations have entered into international agreements. The reason why double standards are applied in Indonesia is that law enforcement remains weak and the labor unions are not aware of the international regulations with which corporations must comply. At the SBSI, globalization is one of the important subject matters in training courses for workers, including, for instance, how to analyze international agreements. Companies which have signed international agreements include Accord Hotels (IBIS, Crown, and so on), Federal Express with the world transportation workers' union, ITF, Carrefour with UNI, and so on. Such training is intended to improve workers'

understanding of the standards such companies are supposed to apply in dealing with workers. Aside from labor rights, training also includes explanations of obligations with regard to environmental issues and corruption. For example, how does national law in the country of origin of the companies in question regulate those matters? In general, these companies are not permitted to damage the environment in their business operations. Training is provided to raise awareness among participants that there are global regulations which must be complied with, but also that local regulations may be introduced, as long as their status is not inferior to those at global level.

### **Strengthening the Internationalism of the Labor Movement**

The labor movement is primarily an international movement. In facing the global power of high-mobility capital, workers need to adopt new strategies. They must incorporate a transnational agenda.

One strategy required to reduce the negative impact of globalization, as well as to promote workers' interests, is the inclusion of international labor standards in all trade and investment agreements. ASEAN Trade Union Council (ATUC), of which Indonesia is a member, has launched a debate on labor and social standards for AFTA (ASEAN Free Trade Area).

This has also been done at the international level. During Bill Clinton's administration, for the first time the regional free trade agreement NAFTA included labor standards.



Clinton proposed the establishment of the NAALC (North American Agreement on Labor Cooperation) as a parallel agreement with NAFTA.

In Europe, there is the European Social Charter, which is intended to prevent “social dumping” within the framework of global free trade. This agreement is intended to prevent the reduction of labor (and environmental) standards. The Charter is intended to promote the idea that global economic competition should not be driven by the pursuit of cheap labor. Such was the case with the establishment of the Trade Union Advisory Council (TUAC), an organization led by labor unions to monitor the operations of investors from advanced industrialized (OECD) countries. It is intended to ensure that enterprises from developed countries which operate in poor countries do not violate labor rights.

The labor movement also continues to urge that provisions which might have implications for workers should be regulated not only nationally, but also internationally: all the countries involved should have to comply with the same rules. This would make it easier for the labor movement to engage in effective action. One example is provisions on migrant workers. Regulations must be laid down multilaterally, not under the dominance of individual countries. Another example is provisions on working conditions. International regulations are more effective. Globalization should result, not only in a common market, but also in a common set of rules.

Such multilateral arrangements would help workers in developing countries. So far, international corporations have

often applied double standards when operating in developing countries. Multinational corporations should apply the same standards wherever they operate, at least in accordance with those which apply in their country of origin. In practice, this never happens, however. Different standards – usually lower – are applied when such corporations operate in developing countries, such as Indonesia.

If it is to be able to push for an agenda which benefits the workers, the labor movement – whether at national or international level – must build up its strength to boost its bargaining power. Aside from strengthening labor organizations at various levels, the labor movement should also actively build networks and cross-sectoral coalitions with other movements (such as the environmental movement, the feminist movement, and so on), as well as with the movements of ordinary people, such as fishermen, farmers, and the unemployed.

In Indonesia, not all labor unions at present have strong international alliances or actively participate in international labor organizations. Among the few which do, the SBSI, besides building cooperation between workers through international labor organizations, sits on the boards of international institutions and actively contributes to international issues.

In the face of the strong pressure exerted by globalization, one of our main proposals is to strengthen the international mission or internationalism of the labor movement. Globalization facilitates communications and shortens

geographical distances; in response, the labor movement should also reduce the bureaucracy involved in its own solidarity. In the past, such international cooperation was difficult, due to cultural, informational, psychological, political, and ideological barriers, making it harder for the labor movement to unite against economic liberalization. We have to develop an international mind set, although this does not mean that we should abandon nationalist principles.

International cooperation is needed because many systems operating in the area of employment refer to international standards. The remuneration system in Indonesia, for instance, was modeled on systems in common use in a number of countries. Even our labor laws copy international regulations, with some adjustments here and there. The same applies to the social security system.

A strongly nationalistic bias hinders awareness of positive experiences or practices internationally. This requires a more open approach, involving international cooperation. We can no longer rely on national coalitions to fight for the workers' interests. Labor activists and labor unions today must be able to work internationally, actively involved at the international level, sharing experiences and pursuing a common framework on crucial labor issues. In 2009, for instance, the ILO, together with various labor organizations, will discuss an international framework to protect domestic workers and how they could also join labor unions. The domestic household sector will, in future, no longer be considered to be in the informal sector, but a formal sector, based on rules. Multilateral regulations which apply internationally will be drafted; so far, there has been no

regulation in this area and things remain unclear. Indonesia can share its experiences in this area, which will differ from those of other countries.

A nationalist vision is still considered to be the orthodox one. But the world is getting flatter and merging because of globalization. This flat and merged world requires a new approach; we need to expand our horizons in understanding and addressing national and local issues. We can no longer solve our problems simply within the national framework. The issues faced by workers today are global and need to be addressed globally. But no global solution is possible if our vision is not internationalist. The labor movement must therefore adapt itself to internationalism. For instance, how can the capital flows coming into Indonesia be turned to the benefit of the workers? There is a particular need to know, in relation to MNCs, who is the capital owner and from which country, as well as whether a particular corporation has signed any international treaties.

International cooperation would make it easier for the labor movement in Indonesia to deal with such matters. On the basis of internationalism, we could transform the labor movement into an international power, able to effectively address international capital flows. The labor movement in Indonesia must develop its capacities at least to such a level that it could become an active player. Then it would be able to harness the positive aspects of globalization, as well as making a positive contribution to helping other countries. If the labor movement in Indonesia can develop positive relations with companies, it will be able to share experiences

with other countries, thereby strengthening networks and solidarity, making individual relations stronger to match the power of multinational corporations.

We are unlikely to be able to protect workers effectively if we are unaware of the basic nature and ideology of international corporations operating in Indonesia. Corporations from Asia will inevitably differ from corporations from Europe or the United States. These corporations will help the labor movement to provide better protection with regard to labor rights. All companies in the United States, for instance, prohibit child labor. Even if a company operates in Indonesia, it must comply with such regulations. In this knowledge, labor unions in Indonesia can be more effective in fighting against such corporations if they are found to be employing child labor. In such instances, the fight will not be confined to Indonesia, but may be taken to the United States, whose labor unions, on the basis of good international cooperation, will help in the struggle. This shows the importance of global connections between labor movements, as well as of internationalism as a new orientation for labor unions.

The author is a trade unionist who has been involved in the labor movement since 1992. His experience in fighting against the Suharto regime and his visits to almost all the major nations of the world to seek essential sources of inspiration have contributed to the preparation of this “road map” for labor unions.

The author is currently a member of the Governing Body of the International Labor Organization (ILO) in Geneva, 2005–2011. He is also Vice-President of the International Trade

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