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The Practice of Industrial Relations in Indonesia

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I. BACKGROUND

At present, industrial relations in Indonesia is entering a new phase: an era of transition. The democratization process, partially triggered by the fall of the authoritarian Soeharto government, together with the implementation of the regional autonomy policy, is largely influencing this transition. Previously, industrial relations in Indonesia was under the tight control of the central government. The New Order Government regulated the existence of labor unions (at that time only one labor union was officially recognized by the government), stipulated the level of minimum wages, and influenced the general labor conditions. Nowadays, the industrial relations system is becoming increasingly decentralized, even though many components are still influenced by the paternalistic central government practices of the past.

Many argue that the reason the industrial relations system in Indonesia is still in transition is because its future direction remains unclear. Particularly as to whether industrial relations will be fully decentralized, partially decentralized where the dominance of the central government is gradually reduced, or, whether it is not yet possible for industrial relations in Indonesia to be free of the legacy of the New Order centralized policies.

The new government administration and decentralization policy in Indonesia has transformed the way decisions are made within the industrial relations system. Nowadays, elements of decentralization as well as dialogue are starting to influence decision-making processes. In addition, over the past two years, several changes have been made to labor laws and regulations. For example, the local governments currently have the authority to determine minimum wages in their regions. Another important development has been the creation of Law No. 21, 2000, permitting workers to establish unions at the enterprise level. This decision was made following the ratification of several International Labor Organization (ILO) conventions, including Convention No. 87, 1948 on "Freedom of Association and Protection of the Right to Organize".

The democratization process and transparent decision-making processes accompanying these changes have transformed the workers' attitudes and behavior when expressing their ideas and objectives. In the past, the voice of the workers was silenced, and their rights repressed. Now, workers, via labor unions and workers' movements, are openly making their demands with increasing fervor through strikes and demonstrations.

On the one hand, the workers' demands for improved welfare through wage increases and better working conditions are understandable, bearing in mind the purchasing power of worker' wages barely increased before the crisis. Furthermore, government policy and legislation, which has influenced the livelihoods of the workers, has also

contributed to the increasing number of strikes and demonstrations in Indonesia, particularly since mid 2001.¹

On the other hand, the slow recovery from the economic crisis, in combination with symptoms of the global recession which have impacted negatively on the international market, have recently created a dilemma for employers in accommodating the demands of their employees.² What's more, the government's policy decision to increase nominal minimum wages by as much as 30-40% in 2002 was a double blow for employers. From a macro-economic point of view, a policy which continuously provides for significant increases in minimum wages has the potential to disrupt labor market flexibility, which until now has been a part of labor market dynamics in Indonesia.³

There are indications that industrial relations at present are largely colored by a conflict of interests between employers and employees. If this discord continues, both employers and employees risk the chance of financial loss. Consequently, there is an urgent need to minimize these disputes. One way to reach consensus is through intensive dialogue, where each party is treated as equal and is welcome to express their opinions. Such an effort to facilitate sound industrial relations requires the involvement of both employers and employees and their representatives. There are indications that most employers and employees actually strongly support this strategy and are making serious efforts to pursue this path, while recognizing this as a part of a learning process. Unfortunately, these positive efforts often escape the attention of the media and the wider community.

In order to understand industrial relations in practice in Indonesia during transition period, the SMERU Research Institute carried out a qualitative study throughout October and November 2001. With the support of PEG-USAID for Bappenas, SMERU visited several regions including Jakarta, Bogor, Tangerang, Bekasi (Jabotabek), Bandung, and Surabaya. Information was gathered from managers of the Human Resources Departments and owners of the 47 businesses⁴ investigated (see Appendix 1), the committees from 42 labor unions at the enterprise level, workers, committees of affiliated labor unions at the *kabupaten/kota* level, the heads or staff of relevant local government agencies (for example The Office of Manpower), as well as

¹ This has been identified as a reaction to efforts to withdraw the Minister of Manpower's Decision No. Kep-150/Men/2000 on "Settlement of Employment Terminations and Determining the Payment of Severance Pay, Long Service Pay and Compensation in Firms".

² The new administration has made little progress on structural and governance reform, renewing nervousness in the markets. The events of September 11 in the US and the slowdown in the global economy worsened the investment climate in Indonesia (Indonesia: The Imperative for Reform, The World Bank, November 2001).

³ See SMERU Report (2001) on The Impact of Minimum Wages in the Formal Urban Sector which found a statistically significant negative impact on employment. Manning (1996) and Rama (1996) indicate that minimum wages are beginning to impact on several types of workers, especially youth, and unskilled female workers in certain regions. An opposing opinion is presented by Islam and Nazara (2000).

⁴ Enterprises were categorized as: (a) either large-scaled businesses (>100 employees) or medium-sized firms (20-100 employees) based on the criteria provided by Statistics Indonesia; (b) enterprises with labor unions existing at the enterprise level (approximately 70% of firms investigated); (c) enterprises that have already been involved in dispute cases with the employees - disputes that involved more than one employee, were not based on individual reactions, did not always disrupt the production process, and include collective bargaining processes- (approximately 30% of enterprises investigated); and; (d) enterprises with either foreign direct or domestic investments.

business associations such as the Indonesian Employers Association (*Asosiasi Pengusaha Indonesia–Apindo*), the Indonesian Textiles Association (*Asosiasi Pertekstilan Indonesia–API*) and the Indonesian Footwear Association (*Asosiasi Persepatuan Indonesia–Aprisindo*). Approximately half of the firms in Jabotabek and Bandung were chosen because they were visited during the previous study conducted by SMERU on minimum wages, therefore, the team had already established a link and compiled background information on their minimum wage compliance. Other factors which influenced the selection of firms for the study include, previous experience in disputes and the establishment of enterprise unions. Information was also gathered from secondary data, including laws and regulations, and other sources such as the mass media. The study focused on the existence of labor unions, the extent of disputes arising between employers and employees, and the dispute resolution processes used in these firms.

This paper will particularly focus on industrial relations conditions and practices, particularly at the enterprise level.

II. BASIC INDUSTRIAL RELATIONS CONCEPTS IN INDONESIA

It is difficult to define the term “industrial relations” in a precise and universally accepted way. Industrial relations are more than simply an area of organizational management, and should be viewed not just in terms of simple organizational work regulations but in a broader social, political and economic context. Industrial relations are integrated with, and not separated from the political and economic environment. The development of industrial relations in Indonesia reflects the changes in the nature of work within society (in both economic and social terms) and differences of view about the employment regulations. According to Solomon, industrial relations “encompass a set of phenomena, both inside and outside the workplace, which is concerned with determining and regulating the employment relationship. It involves range of concepts, such as fairness and equity, power and authority, individualism and collectivism, rights and responsibilities, and integrity and trust”.⁵

In 1974 the New Order administration formulated its Industrial Relations policy based on *Pancasila*, the state ideology, taking into account various Indonesian socio-cultural factors and traditional values. This *Pancasila* Industrial Relations (*Hubungan Industrial Pancasila, HIP*) policy was outlined in Minister of Manpower Decision No. 645, 1985 (*SK Menaker RI No.645/Men/1985*), stipulating relations between the various agents involved in the production of goods and services, based on the five principles of *Pancasila*.⁶ *Pancasila* Industrial Relations emphasizes cooperation and partnership between employees, employers, and the government

⁵ M. Salamon: “Industrial Relations, Theory and Practice, 4th edition”, Prentice Hall, 2000, pp.4-5, 79-85.

⁶ Module 1: Education and Training for Trainers in Pancasila Industrial Relations Awareness Raising Workshops, Institution of Manpower and Workplace Regulations Project, Financial Year 2000, Ministry of Manpower, 2000.

with the aim of building an ideal industrial society.⁷ It is based on the three principles of partnership between these groups: in the production process; in terms of responsibility, and gaining the profits/benefits. *Pancasila* Industrial Relations endeavors to balance the rights and responsibilities of employees with those of the employers, as well as each of their obligations towards the other party. Both social justice and the recognition of reasonable limits determine the balance between these rights and obligations, rather than the balance of power in the relationship. *Pancasila* Industrial Relations endeavors to: establish harmony in the workplace; increase levels of productivity; and improve the human dignity and values of employees. If these conditions in the workplace can be achieved, then it is hoped that harmonious industrial relations will follow, subsequently contributing to political and social stability which was deemed as paramount to the New Order regime. However, the principles of *Pancasila* in Indonesian industrial relations amounts to no more than an advisory policy as they do not form part of the industrial relations legislation. In practice, the industrial relations system envisioned by the *Pancasila* Industrial Relations policy has not fully eventuated.

III. GOVERNMENT POLICY REFORM IN INDUSTRIAL RELATIONS

In Indonesia, the legislation regulating industrial relations did not undergo any significant changes for more than four decades until 1998 (see Appendix 2 and 3). Presently, the pertinent regulations in effect are Law No. 22, 1957 on Labor Dispute Resolution and Law No.12, 1964 on Employment Termination in Private Firms. In 1997 the government tried to comprehensively improve the labor laws through Law No.25, 1997 on “Manpower”. This law was ratified with the objective of modifying all the laws concerning labor so that they were in line with recent social political and economic developments. However, the implementation of this law has been postponed until October 1, 2002 because several unions and NGOs are of the opinion that it was less conducive to protecting workers than the existing laws, particularly in regards to the protection of workers’ rights. In addition, they consider the process of formulating this law to be morally flawed because it was funded by social security and insurance (*Jamsostek*) funds intended for the workers welfare. There is still the possibility that Law No. 25, 1997 may be revoked entirely, if the new Bills currently being debated in the Parliament (*Dewan Perwakilan Rakyat - DPR*) are ratified. These Bills are: Industrial Relations Dispute Resolution Bill, and the Development and Protection of the Workforce Bill. The basic difference between this Industrial Relations Dispute Resolution Bill and the two previous laws is that dispute resolution is regulated through the Court of Industrial Relations Disputes as well as through mediation, conciliation and arbitration.

According to SMERU’s findings in the field, workers, unions, enterprise unions, and employers were not satisfied with the proposed Industrial Relation Dispute Resolution Bill.⁸ Only a few of them are of the opinion that a special court for

⁷ Suwarno, S., and J. Elliot, “Changing Approaches to Employment Relations in Indonesia,” in *Employment Relations in the Asia Pacific: Changing Approaches*, ed. Bamber, Greg J, pp. 130, 2000

⁸ Draft 3, proposed between September and October 2001.

industrial relations disputes will improve the current situation. For example, the Indonesian Prosperous Labor Union (*Serikat Buruh Seluruh Indonesia - SBSI*) and the All-Indonesia Workers Union (*Serikat Pekerja Seluruh Indonesia - SPSI*) believe that the resolution of industrial disputes through the present P-4D and P-4P system has created corruption and collusion and therefore needs to be changed.

Few employers and labor unions understand in detail both the rationale and the Articles stipulated in the Bill. The opinions of those who are not satisfied with the Bill, are both wide and varied, and often based on misunderstanding. For example, Apindo argues that apart from being too technical, dispute resolution through the courts using legal services is expensive and time consuming. While the Bill does not stipulate the use of legal services, in practice legal services have to be used to build a case based on legal evidence, which can only be compiled by professional lawyers. Others believe that industrial relations dispute cases need to be quickly resolved because they affect the livelihood of many workers. Furthermore, many doubt the capacity of the general courts to resolve industrial relations dispute cases, even though in the future a special court for industrial relations disputes will be formed. While this skepticism is possibly excessive, according to Suwanto, the Chairman of the Indonesian Industrial Relations Associations, it is no different from that which emerged under the tri-partite system which stipulated a role for the Central and Regional Government Committees.

Both employers and employees are aware that if they seek solutions to industrial disputes through the courts, employers will be in a stronger position because they have more funds at their disposal. Both parties believe that the proposed Bill reduces workers rights to legal defense from unions, as well as handing over the process of industrial dispute resolution to the courts. However, there is no article in the Bill prohibiting workers from requesting assistance from unions. Compared to the proposed Bill, generally the unions interviewed in the field are more in favor of Law No.22, 1957 and Law No.12, 1964, even though the respondents did not mention specifically which of the articles they believed to be more appropriate.

During the short-term of the Habibie administration (May 1998-October 1999) important steps were taken in industrial relations. For instance, on 5 June 1998 the government ratified eight International Labor Organization (ILO) conventions on workers' basic rights, including ILO Convention No.87, 1948 on "Freedom of Association and Protection of the Right to Organize". This was a positive step towards creating a fair platform for industrial relation negotiations which would be internationally more acceptable, particularly in regards to protection for workers to form or become members of labor organizations which aim to defend and protect workers' interests.

The installment of the Abdurrahman Wahid government saw new legislation on unions ratified through Law No. 21, 2000 on "Labor Unions". According to this law, a labor union can be established with a minimum of 10 members. This law also stipulates that no party is allowed to prevent the formation of labor unions, nor force the establishment of unions, or prohibit their formation. Similarly, no party is permitted to prevent workers from becoming union organizers or members, or obstruct unions from either carrying out or not carrying out their activities.

According to the legislation, sanctions will be imposed on any person who does not comply with the above stipulations. Through the abolition of the one union policy (at the national, regional and enterprise level), the new government provided wider opportunities for unionists to establish free and independent organizations. These changes, combined with the ratification and subsequent implementation of ILO Convention No.87, have resulted in a significant increase in union activities.

Meanwhile, the Ministry of Manpower Decision No.150, 2000 on “The Settlement of Employment Termination and Determining the Payment of Severance Pay, Long Service Pay, and Compensation in Firms” (*Kepmenaker No. Kep-150/Men/2000*) was issued by the government in June, 2000. Prior to the release of *Kepmenaker No. Kep-150/Men/2000*, the regulation applicable for settlement of employment terminations was Ministry of Manpower Regulation No.3, 1996 on “Settlement of Employment Termination and Determining the Payment of Severance Pay, Long Service Pay, and Compensation in Private Firms” (*Permenaker No.03/Men/1996*) which was effective from 14 February 1996.

In contrast to *Permenaker No.03/Men/1996* which resulted in few objections, *Kepmenaker No. Kep-150/Men/2000* drew a strong negative reaction from employers, who argued that this decision would create a financial burden on employers. They disagree with specific articles, including: Article 15 (employers may proceed with employment termination if employees are absent for more than five consecutive working days), Article 16 (employer’s obligation to pay 75% of the wages during termination process), Article 17 (employer’s obligations during the settlement of employment termination disputes), Article 18 (compensation for retrenched staff who commit major offences), Article 23 (number of working years which entitles workers to long service pay), and Article 26 (compensation for workers who voluntarily resign). In response to these objections, the government modified several articles in the Decision through Ministry of Manpower and Transmigration Decision No. 78, 2001 (*Kepmenakertrans No. Kep-78/Men/2001*) released on 4 May 2001, and Ministry of Manpower and Transmigration Decision No. 111, 2001 (*Kepmenakertrans No. Kep-111/Men/2001*) released on 31 May 2001. These changes eventually triggered conflict and mass labor unrest because *Kepmenakertrans No.78* and *No.111* were believed to favor employers, while *Kepmenaker No.150* was considered by unions and workers to provide adequate protection for employees.

The workers have demanded the reinstatement of *Kepmenaker No. Kep-150/Men/2000* and protested against the release of new decisions using various forms of industrial unrest and mass strikes in several regions. For example, in Bandung, the unrest and total paralysis of the city, resulted in riots where tens of thousands of workers joined in the three days of protesting.

Considering the negative reaction of the workers to the new decisions, ultimately the government reinstated *Kepmenaker No. Kep-150/Men/2000* on June 15, 2001 despite employer concern. The reinstatement of the decision was based on a meeting between employers, workers’ representatives, and the government, and will remain effective until the new National Tripartite Forum is formed. The new forum is a result of the Minister of Manpower and Transmigration’s awareness that *Kepmenakertrans No. Kep-78* and

111/Men/2001 were not formed based on tri-partite consultation, because previously each tri-partite meeting always reached a dead-end.⁹

IV. INDUSTRIAL RELATIONS IN PRACTICE

Industrial relations in practice can be examined from 4 major aspects: (i) working conditions; (ii) the existence of labor unions, both in federations and at the enterprise level; (iii) the extent of work contracts (KKB/PKB) and collective bargaining; and (iv) disputes as well as their resolution.

Work Conditions

Although businesses acknowledge that Indonesia's present economic conditions are still unfavorable, most businesses ensure that workers' basic rights (*hak-hak normatif*) exist for their workers. For example, they ensure that minimum wage requirements are fulfilled (approximately 94% of the sample), additional allowances and facilities are provided and that leave and working hours are all in accordance with the regulations. Yet, because of the government's frequent changes to the minimum wage, a number of businesses have been forced to make several adjustments. Now, some businesses include education levels in their criteria for determining the level of payment.

Apart from wages paid in cash, a number of businesses also provide other facilities in kind. These facilities include, medical clinics, company physicians and paramedical services, lunch coupons, transport to and from work, uniforms and shoes, canteens with reduced prices, housing, cooperatives, prayer rooms, sport and recreation facilities, health insurance premiums, as well as Employee Social Security and Insurance (*Jamsostek*). The number of facilities provided for the workers generally depends on the size of the particular business.

The Extent of Labor Unions

As a result of the ratification of the ILO Convention No. 87, 1948 and Law No.21, 2000, the number of labor organizations in Indonesia has exploded. By the end of 2001, 61 National Workers Union Federations, one Confederation, more than 144 National Labor Unions, and approximately 11,000 enterprise unions are registered, with a reported total membership amounting to 11 million workers¹⁰ (see Appendix 4). The total wage labor workforce in urban areas is around 18 million. It is very likely that the reported number of union membership greatly overstate effective union membership.

According to SMERU's respondents, there are two types of labor unions which can be distinguished by the way that they are formed. *Firstly*, there are labor unions which are

⁹ Bernard Hutagalung, "Pemberlakuan Kempenaker No.150/2000, Kemenangan Para Buruh", Business News, 20 June, 2001.

¹⁰ Data from the Directorate General of Inspections and Supervision (Binawas), Department of Manpower and Transmigration, 2001 and Minister of Manpower and Transmigration Briefing at the Tri-partite National Dialogue with the Association of All-Indonesia Workers Unions in Kabupaten/Kota Bekasi, 23 November, 2001.

formed as a base for workers to voice their grievances within a business. These unions generally have a clear mission, well-defined membership, and sound management.

Secondly, there are labor unions which are established to form a political base, and include non-workers who claim to act on behalf of enterprise workers. Generally, this second group has no clear membership, and does not include enterprise workers. It is not uncommon for these unions to exploit their workers, making them join in demonstrations on the basis that they are struggling to improve the well being of the workers, even though the labor unions themselves do not always fully understand the issues. In other words, in these unions the labor movement is only considered to be a vehicle for them to achieve their political objectives and obtain money which is generally believed to come from international NGOs. There are even labor unions which help fight for workers' right to severance pay and then request a proportion of it once it has been received.

According to National Board of Directors from one labor union, the correct process used to form national labor unions is still being ignored. Until now, national labor unions have been formed beginning at the national level, rather than from the efforts of the workers at the enterprise level, without employing any sort of selection process. This information is supported by data from the Department of Manpower and Transmigration (see Appendix 4) which indicates that 22 federations of labor unions do not have any data (or records) of their membership numbers at the enterprise level.¹¹

According to SMERU's respondents, there are indications to suggest that a relationship exists between labor unions and certain groups or political parties. Of the of Labor Union Federations representatives interviewed, only the Indonesian Muslim Workers Unions (*Sarbumusi*) has clearly admitted to being affiliated with the Muslim organization, Nahdlatul Ulama, after being given a mandate to recruit members of the workforce under their banner. Bambang Wisudo (2001) indicated in one of his articles that there were three types of labor unions presently operating in Indonesia.¹² These include: labor organizations which tend to compromise with the government, those labor organizations which lean towards democratic ideologies and present themselves as militant organizations, and labor organizations which are managed by (or affiliated with) religious foundations, like the *Sarbumusi* and Indonesian Muslim Workers Association (PPMI).

Funding is an important issue for the operation and viability of a labor union. Funding sources vary, and can include, membership fees, overseas support, their own business profits, or contributions from other sympathetic businesses. In particular reference to funding, Muchtar Pakpahan, the chairman of the Indonesian Prosperous Labor Union (SBSI), has said that he has not had any problems with funding for the organization that he chairs. He is of the opinion that if an organization is honest and can be trusted it will receive funding from

¹¹ Information obtained from the sample investigated indicated that a number of labor union federations which have not yet registered with the Ministry of Manpower and Transmigration already have members.

¹² Kompas, "Kondisi Hubungan Industrial dan Peraturan Ketenagakerjaan", 24 June 2001.

several quarters.¹³ SBSI, which was established in 1992, received funding from its members' fees and donations from several labor unions in America, Australia, Netherlands and England. In 1992-1993, 100% of SBSI's funding came from members' fees. In 1995-1999, 100% of its funding came from labor unions overseas. Meanwhile, after 1999, 60% of SBSI's funding came from members' fees and only 30% from overseas. PPMI, which was established on March 3, 1998, receives the majority of its funding from members' fees, the development of their business organizations as well as contributions from sympathetic conglomerates. This organization also works together with the ILO and the Japanese Embassy in carrying out its training.

SMERU's field research indicates that the effectiveness and professionalism of a labor union is dependent on how well they are able to organize and recruit their membership, their level of understanding of their role, function and the regulations in place, as well as how well they can present their demands, negotiate, and resolve disputes. Both enterprise unions and workers' satisfaction levels are a good indication of the effectiveness of an affiliated labor union. In fact, these issues directly relate to the maturity of a union's management or leadership team, both within the enterprise union itself or within the external affiliated unions, as apart from their political affiliations (if any exist).

Enterprise Unions

The role of enterprise unions is considered more important than that of the affiliated labor unions because they have a direct relationship with both the workers and the businesses, hence they directly impact on the stability of industrial relations in Indonesia, improve the work environment and enhance productivity.

The number of enterprise unions formed is still quite small compared to the actual number of medium and large-scale businesses in operation in the research area.¹⁴ This is not only because a large number of businesses still object to the formation of enterprise unions, but also because workers are not aware of the benefits they will experience by forming unions.

Generally, the workers have shown more interest in the formation of enterprise unions after they have experienced industrial unrest which was difficult to resolve within the enterprise. In each region investigated, only 10-20% of businesses have enterprise union representation. The following table includes data collected in the field.

Of the 47 businesses investigated, 39 of them already have formed enterprise unions. Three of them in Bekasi, Tangerang, and Surabaya, have formed two enterprise unions each with different affiliations. Half of the 42 enterprise unions investigated including those with enterprise unions which have not affiliated with any other labor unions, were established after 1997.

¹³ Media Indonesia, "Organisasi Buruh Masih Dicurigai", 4 May 2001.

¹⁴ Based on records from the *kabupaten and kota* Offices of Manpower.

Enterprise unions that were formed before 1997 often did not have the support of the enterprises themselves and as a consequence, several workers were made redundant and union leaders were both pressured and intimidated by their respective employers.

Table 1. Total Number of Enterprise Unions within the Research Area

<i>Kabupaten/Kota</i>	Number of Enterprises (small, medium and large)	Enterprise Unions (large and medium)	
		Number	Percent
<i>Jakarta</i>	n.a	n.a	n.a
<i>Kabupaten Bogor</i>	1,657	170	10.3
<i>Kabupaten Tangerang</i>	n.a	250	n.a
<i>Kota Bekasi</i>	1,500	110	7.3
<i>Kabupaten Bekasi</i>	1,300	265	20.4
<i>Bandung</i>	n.a	n.a	n.a
<i>Kota Surabaya</i>	6,000	580	9.7
Total	10,457	1,125*	10.8

Source: Apindo and the local Offices of Manpower in each of the regions investigated.

* : Kabupaten Tangerang not included.

n.a : data not available.

According to a few of the unions investigated within the regions researched, there are still some businesses which endeavor to obstruct the formation of unions. The recent flare up of demonstrations and strikes has left businesses, particularly those with enterprise unions, traumatized and anxious. At the same time, a number of businesses are concerned that sanctions will be imposed if they violate a regulation, and therefore, they do not openly obstruct the formation of unions.

Although there are still businesses that do not endorse the establishment of enterprise unions, SMERU's research team did find a small number of businesses that initiated the formation of enterprise unions themselves. Generally, companies that support the formation of enterprise unions are aware of the potential benefits for the business. For example, one large clothing export company in Bandung, with a workforce of around 2,600 workers, formed an enterprise union that affiliated with SPSI in 1997. Until now the union leaders have been appointed by the business itself, nevertheless, in 2002 the leaders will be chosen directly by the workers. This business also invited the Bandung Branch Council of the SPSI to provide lessons in leadership to all unit leaders for three months.

The presence of employer-employee industrial unrest within a large number of companies where no obvious solution exists tends to be the initial trigger for the formation of enterprise unions. SMERU's research team found that enterprise unions are rarely formed within businesses that have effective dispute resolution mechanisms in place. For example, eight businesses investigated by SMERU chose not to form enterprise unions for several reasons, including: the enterprises have fulfilled all of the workers' basic and additional rights (*hak-hak normatif dan non-normatif*); healthy employer-employee relations already exist, whereby the workers can communicate their complaints directly to their employers; a forum is provided for communication between employers and employees when required, for example, through routine meetings or cooperatives; and businesses consider their workers to be part of their family or "their partners". Examples of companies who employ such a system include

one vehicle spare parts business in Bekasi, with a workforce of 261 employees and a large food production business in Jakarta with a workforce of 200 employees. Both of these businesses are based on domestic investment.

Generally, most businesses acknowledge the benefits of enterprise unions once they have been formed, particularly when it is time to carry out negotiations with workers. Before the establishment of enterprise unions, businesses would negotiate with all of the workers or with a representative from each work division. Even though the businesses are aware that existing enterprise unions are making new demands, the companies themselves are increasingly experiencing the benefits, including easier dispute resolution processes at the enterprise level. In addition, enterprise unions can also monitor discipline within the workplace and act as the social committee to organize any recreational activities for the company.

The ratification of ILO Convention No.87 and Law No.21, 2000 has also made it possible to establish more than one enterprise union within an enterprise and at levels outside of the enterprise. Bearing in mind the existence of many labor unions, especially at the enterprise level, confusion over the role of particular unions in the national bargaining process (where only 10 national unions can represent the workers) has the potential to weaken their bargaining position. However, this is one of the consequences which has to be faced during the era of transition, where based on natural selection, the representative unions are chosen by the workers themselves. Ultimately, workers can only choose labor unions to represent them in the national bargaining process which have professional leaders who truly understand labor union issues, business conditions, and the workers situation. In order to reach these objectives, extensive time and clear processes are required.

Based on the field research carried out by SMERU, the existence of more than one enterprise union within a firm was found in several enterprises, and generally did not result in problems or conflict between the unions concerned. However, the Indonesian Employers Association (Apindo), enterprise unions, and workers believe that the process to form unions based on Law No.21, 2000 is too lenient as only 10 members are required to establish an organization. Most of them would prefer that no more than one enterprise union exist in each firm. They have proposed that unions be formed based on a percentage of the total number of workers in each enterprise. Others have proposed that the requirements for establishing unions be increased from 10 members to 100 members so that the union can create and implement education programs in an organized fashion. The SMERU research team found that enterprises, labor unions, and workers have presented similar rationale regarding their objection to the presence of more than one enterprise union in each enterprise. This includes: whenever there is more than one enterprise union existing within a firm, it is more difficult to determine which union has the right to represent the workers in bargaining or dispute resolution processes, even though according to a 1985 Ministerial Decree the union with at least 50% membership among all workers should take on this role; it is difficult to determine which union will represent the workers in national tri-partite negotiations. Unions across the board may only be represented by 10 unions in these forums, similar to the 10 employers' representative organizations and government representatives that can take part in the negotiations; and the existence of more than one union within an

enterprise is considered to be the source of conflict in the workplace because it has a dominating influence over members and workers.

Although a labor union can be formed with a minimum of ten employees, medium-scale businesses are generally of the opinion that their workers do not require a union. The employers believe that their employees do not require an enterprise union because until now they have been able to resolve any employer-employee disputes themselves. They believe that the workers can approach their superior or management individually if they experience problems.

In general, the employees interviewed during this research consider the enterprise unions that have been operating within their businesses up until now effective. They are of the opinion that they listen to their complaints and provide a forum for employees to express their grievances as well as defend the workers interests and rights. In addition, they resolve disputes, which can include protecting the workers, and acting as a bridge or mediator between the workers and their enterprises.

Collective Labor Agreements

Meanwhile, workplace agreements (now more commonly known as workplace contracts, and both are called collective labor agreements) are regulated by Ministerial Decision No.Per-01/Men/85 on “Mechanisms Used to Formulate Workplace Agreements”. Article 1 of this Decision defines a workplace agreement as a labor contract, which is the same as was regulated in Law No.21/1954.¹⁵ The Indonesian government prefers businesses with a workforce of more than 100 employees to issue a collective labor agreement.¹⁶ Businesses with a workforce of more than 25 employees, which do not have a collective labor agreement in place, are required to formulate internal enterprise regulations. A shift from the implementation of internal enterprise regulations to the implementation of collective labor agreements is regulated in letter No.B.444.BW/1995, Director General of Inspection and Supervision (*Binawas*), on upgrading internal enterprise regulations to become collective labor agreements.

According to data from the Ministry of Manpower, in 1997 there were 163,846 businesses operating in Indonesia. Of these, 30,017 were medium-scale businesses, another 13,552 were large-scale businesses and 10,962 or 6.6% had collective labor agreements in place.¹⁷ In the same year, there were some 14,023 enterprise unions registered with the Ministry of Manpower, which indicated that 78% already had collective labor agreements in place. According to the general chairperson of the All-Indonesia Workers’ Union (SPSI),¹⁸ there was some 23,525 collective labor

¹⁵ Article 1 of Law No.21,1954, states that a labor contract is a contract drawn up between labor unions, employers and a legal body. This contract is used by labor unions after they have registered with the Ministry of Labor. They generally cover workplace requirements which need to be taken into account in workplace contracts.

¹⁶Bisnis Indonesia, S. Sianturi (former Director General of Inspections and Supervision), Ministry of Manpower, “*Baru 10.962 perusahaan yang punya KKB*”, October 2, 1997.

¹⁷ *ibid.*

¹⁸ *ibid.*

agreements in place within Indonesian businesses in 1997, but only 12,747 internal enterprise unions have registered with the All-Indonesia Workers' Union Federation (FSPSI), therefore at least 10,776 of all the collective labor agreements in place are "unofficial".¹⁹

Up until January 2001, some 2,175 enterprise unions have been registered and 1,429 collective labor agreements have been agreed upon in East Java alone. As a means of comparison, as many as 4,504 internal enterprise regulations have been formulated during the same time period.

The composition of internal enterprise regulations and collective labor agreements within the sample enterprises is indicated in the following Table 2 (see also Appendix 5). In this table, it is evident that 30% of enterprises have internal enterprise regulations, 58% have collective labor agreements, and 12% have neither internal regulations nor collective labor agreements (consists of three large enterprises and three medium enterprises).

Table 2. Internal Enterprise Regulations, Collective Labor Agreements Already in effect in the Firms Surveyed

Firms	Internal Enterprise Regulations (PP)		Collective Labor Agreement (KKB/PKB)		None*	
	Number of workers > 25	< 25	Number of workers > 100	< 100	Number of workers > 100	< 100
With enterprise Unions	9	0	26 **	1	3	0
Without enterprise Unions	5	0	0	0	0	3
Total	14	0	26	1	3	3
Percent	30		58		12	

Key: * No internal enterprise regulations or collective labor agreements in place

** One firm still has a draft version

On average, the articles outlined in the collective labor agreements were overall quite uniform throughout the regions researched. They include: general stipulations, acknowledgement of enterprise unions and the facilities provided for the unions, work relations, work hours, wages, workplace health and safety, permission for leave and holidays, disciplinary regulations, sanctions imposed as a result of regulation violations, retrenchment, and complaint resolution processes.

Information collected in the field indicates that both employers, and employees who are represented by their enterprise union, are generally involved in the formulation of collective labor agreements. In fact, one large textile company in Bandung involves 90% of its employees in the process. Nevertheless, there are still a small number of cases where collective labor agreements have been singularly created by the businesses, and union representatives have been forced to read and agree to them. When collective labor agreements are being negotiated, the Director of the enterprise, the Human Resources Manager and the Production Manager generally represented the businesses. Several businesses have

¹⁹ Collective labor agreements are only formulated when an enterprise union exists.

also used a legal consultant who is not a business employee. Meanwhile, the workers tend to be represented by their enterprise union leaders and on occasion, the coordinating body of the labor union is included in the negotiating process.

Draft collective labor agreements, which have already been agreed upon by both parties, are submitted to the local Office of Manpower and Transmigration to ensure that none of the articles included are in contradiction to the official manpower regulations. Collective labor agreements operating in the businesses investigated, on average, are valid for two years and can be extended for an additional year.

Although collective labor agreements are formulated based on an agreement reached between employers and employees, disputes still arise. Often cases of industrial unrest arise as a result of issues unrelated to the regulations agreed to. For example, employees recently demanded that wages and transport allowances be increased because of a rise in fuel prices. Consequently, collective labor agreements are generally deemed insufficient as a means to ward off industrial disputes.

Disputes and their Resolution

From the cases of industrial disputes and strikes found in the 47 enterprises visited, the main origins of disputes in most enterprise can be grouped into four categories:

- (i) Non-normative demands. This refers to issues not regulated in legislation or collective labor agreements. These disputes are often a reflection of worker's discontent over working conditions such as the absence of, or insufficient allowance provided for food, milk, transport, and recreational activities. Also, these demands may concern matters such as wage systems, menstrual leave for female workers, clarity of worker status, distribution of benefits, inadequate workplace facilities, and so on.
- (ii) Normative demands. These are demands for workers rights as stipulated in various laws and legislation, which are mutually agreed to in collective labor agreements. These include employer compliance to recent adjustments in government policy concerning manpower; compliance to minimum wage requirements or wages as agreed to in a tripartite dialogue; and other benefits such as overtime pay, maternity leave, marital and maternal allowances, bonuses, the organization of labor unions and democratic appointment of representatives, retirement allowances, bonuses, and severance pay.
- (iii) Interference and involvement of third parties, such as workers from other enterprises and other affiliated labor unions, often provoke workers to fight for their interests. This also includes acts of solidarity in expressing their demands *en masse*, concerning issues such as the implementation of minimum wage requirements, larger food and transport allowances due to the increased price of gasoline, and menstruation leave for female workers.
- (iv) Pressure from a number of workers inside the enterprise, forcing other workers to support their cause through demonstrations or strikes.

Other origins of conflict include: solidarity for fellow workers believed to have been treated unfairly by the employer; diverging perceptions on government laws and regulations; demanding the resignation of the Human Resources Department Manager who is viewed as too strict and biased towards the enterprise; changes in corporate management which are viewed as inconsiderate to worker's interests and welfare; demands for transparency in enterprise management; new government policies which affect worker's welfare (such as increases in gasoline prices, in effect increasing transport costs and the overall price of staple goods); the implementation of *Kepmenakertrans No. Kep-78/Men/2001* to replace *Kepmenaker No. Kep-150/Men/2000*; perceived non-transparency on the company's behalf concerning profits; suspicions of embezzlement concerning *Jamsostek* premiums; impatience of workers in waiting for results of negotiations; or other new demands which are surfacing along with worker's increased knowledge of their rights following the formation of an enterprise union in their workplace.

Appendix 6 and 7 show the industrial disputes in the sample firms. Appendix 7 indicates that the frequency and seriousness of disputes in Surabaya is far greater compared to the other areas. There is no clear reason for such discrepancies throughout the area. However, there are a number of possible factors that may influence the situation, for example, different methods may be used by labor unions to handle disputes in Surabaya compared to other areas, or it could even be related to the fact that Surabaya is an intensive labor industrial area. Nevertheless, more detailed study is required to reveal the primary causes of this unrest.

Below we cite various examples of industrial disputes, both those accompanied and not accompanied by strikes, with different origins of conflict such as: non-normative demands, disagreement over bonuses, strikes engineered by a small group of workers, conflict over normative demands, and strikes provoked by external parties. In some of the cases, the disputes became violent.

Box 1
A Dispute Concerning Non-normative Rights

During the last five years, the main cause of industrial disputes in a large garment manufacturer (based on domestic capital) in Bogor, employing around 7,800 workers, has been demands for non-normative workers' rights. These include non-normative demands to:

- Increase the transport allowance by 5%, and increase the food allowance by as much as Rp500 per worker per day as a result of increased fuel prices.
- Accommodate the need for a prayer room (*musholla*)
- Provide a lunch room and adequate toilet facilities
- Hold recreational activities once a year
- Increase the coverage for medical expenses

The above demands have usually been responded to positively by corporate management and are resolved through bipartisan agreements.

Box 2
An Industrial Dispute Caused by Delayed Compliance with the Minimum Wage Policy

The main cause of an industrial dispute in a large garment company in Bekasi in May 2001 was over the employer's lack of compliance with the changes to the minimum wage. Workers demanded that the regulation stipulating an increase in minimum wages be implemented immediately. The dispute in this enterprise employing 1,200 workers was able to be resolved after fiery debate between worker representatives (24 individuals), the enterprise union, and firm's representatives.

The result of the tripartite dialogue was that the company had to observe the increase in the 2001 minimum wage of Rp426,000, effective from the beginning of July 2001. The increased wages for the three previous months (March-May) were to be added collectively to the workers' pay in July. Consumers of the company's products also pressured the company to raise the wages for workers who have been with the company for more than one year, by as much as Rp3,000 above the minimum wage.

Box 3

A Strike Due to Disagreement Over Bonuses

In July 2001, workers from one of the largest textile companies in Bandung with a workforce of 1013 workers held a strike to demand a bonus. While representatives of the All-Indonesia Workers Union (SPSI) were making their demands to the management, 400 workers held up banners at the front gate of the business exclaiming "We Want Bonus". Company management attempted to calm the workers and requested that they keep working while waiting for the results of the negotiations. The workers ignored their request, even after company representatives informed them that they would not negotiate if the workers continued their strike.

During the negotiation process, SPSI asked the shift coordinators and their department to act as representatives for the workers, but they were unwilling to do so. Each workers' representative proposed a sum for the amount of the bonus that they desired. One representative suggested a bonus ten times their present wage.

Until noon, no agreement had been made over the amount of the bonus. SPSI proposed a bonus which would be 2.5 times their usual wage, but the company suggested a bonus of Rp400,000 for each worker. At first SPSI held to their initial proposal, but the company suppressed their demands and only offered a bonus equal to one months pay. SPSI finally agreed to the amount.

Later in the day, the number of workers on strike had increased because workers who were rostered-on for the night shift had started to arrive. They refused the one-month wage bonus offered by the company and stated that they would only approve it if the bonus was equally distributed amongst the employees. Both company and SPSI representatives did not agree with this demand. Without any agreement being reached, the company dismissed the workers for four days while they formulated points of agreement as proposed by the Office of Manpower. SPSI was then invited to witness (with their signature) the six points of agreement in front of the company's management team, board of directors, division heads, and two representatives from the Office of Manpower.

Four days later, the company requested that workers sign one of two agreement options: namely, to either accept or decline the one-month pay bonus. Those who declined would not be allowed back to work, while those who agreed would receive their one-month pay bonus at the end of the month. Aside from that, the company also demanded that the workers who engineered the strikes be interrogated. For that purpose a Special Committee was formed, consisting of company representatives and the police. Initially it was also going to include a SPSI representative, but they declined because they were unwilling to interrogate their own members. The Special Committee questioned 22 employees. One of the workers questioned resigned from the company without any clear reason. Two days later, SPSI received a letter from the police regarding the results of the investigation and asked that SPSI authorize five commitments on the part of workers, including: that the workers being questioned in the case do not wear their uniform, and that the workers have a right to be accompanied by their lawyer while questioned by the police. As a result, two workers were suspended, two were given their third letter of reprimand, and another 17 received their first letter of reprimand. The two workers who were suspended did not accept the outcome of the investigation and have proceeded to report their case to Regional Government Committee. SPSI is currently preparing the defense argument for its members.

The enterprise's deliberate involvement of the police in this dispute is a clear indication that this enterprise has not learned from their experience with previous strikes and is yet to understand dispute settlement measures as regulated in the legislation.

Box 4
A Strike with No Prior Notice or Clear Demands

In 2000, members of the enterprise union in a cable manufacturing firm in Surabaya (based on foreign investment) padlocked the front gate of the factory. In effect, as many as 800 workers could not enter their workplace. The organizers of the enterprise union forced their fellow workers to strike without giving prior notice to the firm's representatives.

That very same day the firm's representatives attempted to carry out a dialogue with the enterprise union representatives, but it turns out that they were yet to make any demands. On the second day, representatives of the enterprise union submitted their demands, including increases to their food and transport allowance. On the third day, worried about the prospect of losing their jobs, workers pushed the enterprise union representatives to allow them to work. The workers were finally able to commence working on the fourth day.

This industrial dispute was settled through tri-partite dialogue. As a result, the firm agreed to the demands of the enterprise union representatives: increasing the workers' food allowance from Rp36,000 to Rp66,000 per month, and transport allowance from Rp39,000 to Rp69,000 per month. Even though the demands were agreed to, as a result of the industrial unrest, eight union organizers resigned, while three other organizers had to formally apologize to the corporation. At the time the research was conducted, the three people mentioned were still working in the firm.

Table 3. Industrial Disputes Categorized by the Source of Capital

FDI/DI*	Scale	Industrial Disputes					Total
		Minor	Average	Major	Massive	No disputes	
FDI	Large	2	5	3	0	3	13
	Medium	1	0	0	0	0	1
DI	Large	8	8	7	3	3	29
	Medium	1	1	0	0	2	4
Total		12	14	10	3	8	47
Percent		26	30	21	6	17	100

* FDI: Foreign Direct Investment (PMA).

DI: Domestic Investment (PDN).

Based on four categories of disputes²⁰, the SMERU team noted that within the last five years, only three out of the 47 respondent enterprises (6%) have experienced massive disputes, 10 (21%) encountered major disputes, 14 (30%) experienced average disputes, 12 (26%) experienced minor disputes, while eight of the enterprise investigated have not encountered any disputes apart from minor grievances and handling cases of individual differences, as claimed by both employees and employers (see Appendix 6).

²⁰ Four categories of industrial relations disputes are as follows: (a) Minor disputes: disputes without strikes, bipartite resolution; (b) average disputes: disputes with strikes, bipartite resolution; (c) major disputes: disputes without strikes, tripartite resolution; and (d) massive disputes: disputes with strike, tripartite resolution.

Both affiliated labor unions and employers associations advise their members to settle industrial disputes through bipartisan agreement. Tripartite negotiations and options to bring the case to a higher level are considered costly and time consuming without always delivering the desired outcome. In practice, most industrial disputes in the enterprises researched (both those including and not including labor strikes), were resolved through bipartite dialogue. Only a few cases were settled through tripartite dialogue, including being passed on to the Regional and National Government Committees.

The following examples illustrate industrial disputes accompanied by labor strikes that were resolved through bipartite agreement, and other disputes, which had to be settled through tripartite mechanisms, Regional and National Government Committees, and through the court.

Box 5

An Industrial Dispute Accompanied by A Strike and Resolved Through Bipartite Dialogue

Workers from a large wood-molding manufacturer in Surabaya frequently chose strikes as a way of expressing their demands. In seven years the workers held four strikes. The first was carried out in 1994 (requesting an attendance bonus), the second strike in 1996 and demanded uniforms for the workers, but apparently the request was denied and as a result the workers again held strikes in 1998 and 2000 with the same demand. Organizers of the enterprise union affiliated to the All Indonesia Workers Union (*SPTP-SPSI*) commented that most of the workers' demands covered non-normative rights because the enterprise has already fulfilled the normative rights of the workers. Even with frequent disputes and strikes, workers and members of *SPTP SPSI* would rather chose bipartite negotiations. Previous experience with dispute settlement through the Office of the Manpower proved time consuming, similar to efforts to resolve disputes through the Regional Government Committee, where even after four months of waiting there was no resolution.

Box 6

Bipartite Dispute Settlement Following Massive Employment Termination

In 1996 a dispute arose which was triggered by massive redundancies, due to both measures to automate production and the economic crisis. Replacing manual machines with new automatic machines resulted in 120 workers being made redundant. A second dispute in 1997 was triggered by the dismissal of 60 workers, a number of them entering their retirement. This time the dismissal was not only a side effect of automation, but it was also influenced by the economic crisis.

The enterprise released a new workforce policy; that workers involved in labor strikes would not receive their wage for the duration of the strike. The policy was formulated to make it clear to other enterprises that workers who participated in strikes would not be paid. Therefore, both sides suffered losses due to the strike; the company was burdened by losses in production, and the workers lost their daily wage for the duration of the strike.

Efforts to resolve the dispute did not encounter any major obstacles because the company had acted in accordance with regulation *Kepmenaker No.3, 1996*. A speedy agreement was also reached because those workers who were terminated from their positions were offered severance pay as stipulated in the regulations, and the company's streamlining efforts were mainly directed towards workers approaching retirement.

Box 7
An Industrial Dispute Settled Through Tri-partite Dialogue

A strike at a large textiles company (based on domestic investment) in Tangerang in 2000 included 4,800 workers demanding wage adjustments due to the recent rise in gasoline prices. At the same time the enterprise union was involved in dialogue with the firm's executives, a small group of workers mobilized other workers to hold a strike. According to statements made by the enterprise union representatives, the peaceful strike that continued over six days was not under the control of the union. As a result of the strike, five technicians (of other nationalities) were dismissed from their positions, along with four other employees. This case was submitted to the Regional and Central Government Committees in an effort to reach a tri-partite resolution, but up until this research was conducted, no agreement had been reached.

Box 8
An Industrial Dispute Settled at the National Level

Workers at a large enterprise (based on domestic capital) held a massive strike for three days in June 2001. They insisted that the enterprise immediately comply with *Kepmenaker No. Kep-150/Men/2000*. No less than 20,000 workers from every division of the enterprise participated in the strike.

News of the dispute was acquired from the enterprise union organizer in one of the divisions of the enterprise which manufactured PVC pipes and employed 2,000 workers. The settlement of the dispute was conducted through the Central Government Committee rather than internally. Considered as a mass dispute, representatives of the enterprise union from every division in the enterprise decided to meet with the Minister of Manpower and the Indonesian President. During the meeting the President did not provide a solution to the dispute, forcing the workers to again seek dialogue with the company. Finally the employers agreed to immediately comply with *Kepmenaker No. Kep-150/Men/2000*.

V. CONCLUDING REMARKS

1. The system of industrial relations in Indonesia is undergoing a transition from a heavily centralized and government-controlled system, to a more decentralized system where employers and employees negotiate the terms and conditions of employment at the enterprise level. However, many components are still influenced by the paternalistic central government practices of the past. This transition is in line with the changes in the broader social and political context, where Indonesian society has recently transformed itself from a society under the control of an authoritarian regime to one which is more democratic.

2. Outside of issues concerning wages under the industrial relations policy, the SMERU research team's findings indicate that other aspects of industrial relations at the enterprise level are generally functioning properly. Most employers stated that despite the burden, they had complied with the new regulations because they were formulated through a tri-partite negotiation. In addition, the enterprises did not want to initiate disputes with their employees.
3. Most disputes can be resolved through bipartite dialogue. Both employees (or enterprise unions) and employers argue that there are few serious indications of tension in employee-employer relations. Both parties are still undergoing a learning process: employees are learning to exercise the freedom to organize, articulate their demands, and find better methods of negotiation, whereas employers are learning to regard employees as work partners.
4. The government's contribution to facilitating the smooth running of the new system has been considered inadequate and has often undermined the creation of a more productive industrial relations system. In Indonesia, a stronger union movement means that the government no longer needs to play a major role in industrial relations disputes, but rather should act as impartial facilitator and regulator. However, this may result in less influence and rewards for government officials.

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APPENDICES

Appendix 1. Characteristics of the Sample (n=47 firms)

FDI/ DI*	Size of the Enterprise	Number of employees	Jakarta	Bogor	Tangerang	Bekasi	Bandung	Surabaya	Berau E.Kalimantan	Total	Percentage
FDI	Large	101-1000	0	2	1	2	0	2	0	7	15
		> 1000	0	1	0	3	1	1	0	6	13
	Medium	20 - 100	0	1	0	0	0	0	0	1	2
			0	4	1	5	1	3	0	14	30
DI	Large	101-1000	6	1	1	2	3	5	1	19	40
		> 1000	1	2	2	1	1	3	0	10	22
	Medium	20 - 100	0	0	2	0	1	1	0	4	8
			7	3	5	3	5	9	1	33	70
Total			7	7	6	8	6	12	1	47	100
Percentage			15	15	13	17	13	25	2	100	

Note: * FDI = Foreign Direct Investment (PMA); DI = Domestic Investment (PDN)

Appendix 2 The Development of Industrial Relations Legislation in Indonesia

Year	Manpower	Labor/Work Agreements	Industrial Relations Disputes and Dispute Resolution	Wages	Freedom of Association
1940s	Law No. 12, 1948 On Labor				
1950s	Law No. 1, 1951 concerning the Application of Law No. 12, 1948 in all Indonesian Provinces	Law No. 21, 1954 on Labor Agreements Between Labor Unions and Employers	Law No. 22, 1957 on Labor Dispute Resolution	Law No. 80, 1957 on Wages	Law No. 18, 1956 on the Ratification of ILO Convention No. 98 of 1949 concerning the Right to Organize and Collective Bargaining
1960s	Law No. 14, 1969 on the General Provisions concerning Labor		Law No. 12, 1964 On Employment Termination in Private Firms		
1990s	Law No. 25, 1997 on Manpower (postponed)				Presidential Decree No. 83, 1998 on the Ratification of ILO Convention No. 87 of 1948 concerning the Freedom of Association and Protection of the Right to Organize
	Law No. 11, 1998 on Amendments to the Application of Law No. 25/1997 concerning Manpower				
Post 2000	The Development and Protection of the Workforce Bill		The Industrial Relations Dispute Resolution Bill		Law No. 21, 2000 on Labor Unions

Appendix 3. The Development of Industrial Relations Regulations in Indonesia

Year	Manpower	Labor/Work Agreements	Industrial Relations Disputes and Dispute Resolution	Wages	Freedom of Association
1950s		Government Regulation No.49,1954 on “Methods to formulate and regulate labor contracts”			
1970s		Ministerial Regulation Per 02/Men/1978 on “Internal enterprise regulations and the formulation of labor contracts”			
1980s	Ministerial Decision No. 645/Men/1985 on “Pancasila Industrial Relations “	Ministerial Regulation No. 01/Men/1985 on “Mechanisms used to formulate workplace agreements”		Government Regulation No. 8, 1981 concerning Wage Protection	
1990s			Ministerial Decision No. Kep-15A/Men/1994 on “Guidelines to Industrial Relations Dispute Resolution and Employment Termination at the Enterprise Level and Mediation”	Circular No.08, 1990 Concerning Wage and non-Wage Components	Ministry of Manpower Decision Kep-272/Men/1999 on “Revocation of Ministerial Regulation 04/Men/1996 concerning Retribution for Unions”
			Ministry of Manpower Regulation No.3, 1996 on “Settlement of employment termination and determining the payment of severance pay, long service pay and compensation in private firms”	Ministerial Regulation No. 02, 1999 on Minimum Wages	

Year	Manpower	Labor/Work Agreements	Industrial Relations Disputes and Dispute Resolution	Wages	Freedom of Association
2000			Ministry of Manpower Decision No.150/Men/ 2000 on “The settlement of employment termination and determining the payment of severance pay, bonuses, and compensation in firms”	Governor/Bupati/Mayor Decrees on Minimum Wages	
2001			Ministry of Manpower and Transmigration Decision No.78, 2001 on “ Amendments to Several Articles in Kepmenaker No Kep-15/Men/ 2000”		Ministry of Manpower and Transmigration No. Kep-16/Men/2001 on “The Registration of Labor Unions”
			Ministry of Manpower and Transmigration Decision No.111, 2001 on “Amendments to Article 35A Kepmenakertrans No. Kep-78/Men/2001”		

Appendix 4. List of Labor Union Federations

No	NAME OF LABOR ORGANIZATION (in BAHASA)	COMMITTEE (HEAD)	REGISTRATION NUMBER	NUMBER OF ENTERPRISE UNIONS	
				Based on Department of Manpower Data	Based on Field Information*
1	2	3	4	5	6
1	Konfederasi Serikat Pekerja Seluruh Indonesia (FSPSI)	Jacob Nuwa Wea	B. 936/M/BW/98	6.241	
2	Dewan Executif F-SPSI Reformasi	Andi Hisbulin P	B.892/M/BW/98	3.149	
3	Federasi Serikat Buruh Demokrasi Indonesia (FSBDSI)	A. Azis Riambo , SH	B.959/M/BW/98	121	
4	Serikat Buruh Sejahtera Indonesia (SBSI)	DR. Muchtar Pakpahan	B.1025/M/BW/98	229	
5	Serikat Buruh Muslim Indonesia (SARBUMUSI)	Drs.H. sutanto M	B. 451/M/BW/98	11	Surabaya: 30
6	Persaudaraan Pekerja Muslim Indonesia (PPMI)	Eggi Sujana	B. 334/M/BW/99	122	
7	Gabungan Serikat Pekerja Medeka Indonesia (GASPERMINDO)	Moh. Jumhur Hidayat	Kep. 250/M/BW/2000	10	
8	Federasi Organisasi Pekerja Keuangan dan Perbankan Indonesia (FOKUBA)	Kodjari Darmo	B. 379/M/BW/99	32	
9	Kesatuan Buruh Marhaenis (KBM)	M. Pasaribu		-	
10	Kesatuan Pekerja Nasional Indonesia (KPNI)	Dr. Haryono. MBA	Kep.345/M/BW/98	9	
11	Kesatuan Buruh Kebangsaan Indonesia (KBKI)	DR. M. Ali, SH, MSC	B. 102/M/BW/99	-	Surabaya: 3
12	Asosiasi Karyawan Pendidikan Swasta Indonesia (ASOKADIKTA)	Drs. H. Dedi Hamid, SH	B. 1119/M/BW/98	-	
13	Gabungan Serikat Buruh Industri Indonesia (GASBIINDO)	H. Agus Sudono	B. 082/M/BW/99	194	
14	Asosiasi Serikat Pekerja Indonesia (ASPEK INDONESIA)	Indra Tjahya	KEP. 421/M/BW/2000	65	
15	Serikat Pekerja Keadilan (SPK)	Ir. Eddy Zamut, MSAE		1	
16	Serikat Pekerja Metal Indonesia (SPMI)	Thamrin Mosi	B. 178/M/BW/98	115	
17	Gabungan Serikat Buruh Independent (GSBI)	Sobirin		1	
18	Dewan Pengurus Pusat Korps Pegawai Republik Indonesia (KOPRI)	Drs. HM Faisal Tamim	B. 343/M/BW/99	-	
19	Federasi Serikat Pekerja BUMN	Drs.H.Bambang Syukur	B. 559/M/BW/99	28	
20	Serikat Buruh Merdeka Setiakawan	Saut H.Aritonang	B. 658/M/BW/99	-	
21	Serikat Pekerja Nasional Indonesia	HM Amri, MBA	B. 493/M/BW/99	12	
22	Federasi Serikat Pekerja Tekstil, Sandang dan Kulit (FSP.TSK)	Rustam Aksan	40/M/BW/2000	680	
23	Gabungan Organisasi Buruh Seluruh Indonesia (GOBSI)	Y. Yahya	KEP. 395/M/BW/2000	57	Bandung: 68
24	Asosiasi Karyawan Pendidikan Nasional (ASOKADIKNA)	Soeganda Priatna	KEP. 451/M/BW/2000	-	
25	Federasi SP Penegak Keadilan Kesejahteraan & Persatuan (SPKP)	Andry WM	178/FSP-SPKP/DFT/BW /2000	49	
26	Federasi SP Rakyat Indonesia (SPRI)	Ruslan Effendy. SE	186/FSP-SPRI/DFT/BW /2000	28	
27	Federasi Kimia Energi Pertambangan (KEP)	Syaiful	187/FSP-KEP/DFT/BW/ IX/2000	481	

1	2	3	4	5	6
28	Federasi SP Indonesia (SPI)	Siraj EL Munir Bustami	190/FSP-SPI/DFT/BW/IX/2000	23	
29	Front Nasional Perjuangan Buruh Indonesia (FNPBI)	Dita Indah Sari	191/FSP-GSBM/DFT/BW/X/2000	14	
30	Federasi Gabungan Serikat Pekerja Mandiri (GSBM)	Amran Simanjuntak	Kep.199/FSP-GSBM/DFT/BW/X/2000	22	
31	Federasi Perserikatan Buruh Indonesia (FBI)	Yudhi S Hidayat	Kep 502/FSP-SBP/DFT/BW/XI/2000	5	
32	Federasi Serikat Buruh Perjuangan (FSBP)	Drs. HM. Syahrin, BSc	Kep. 745/M/BW/2000	-	
33	Federasi Aliansi Jurnalis Independen (FAJI)	Didik Supriyanto	Kep. 742/M/BW/2000	58	
34	Federasi Gabungan Serikat Pekerja PT. Rajawali Nusantara Indonesia (GSPRNI)	Ir. Widodo Rahardjo	216/FSP-FARKES/RIF/DFT/BW/XII/00	-	
35	Federasi Farkes Reformasi	Djufnie Ashary	223/FSPM/DFT/BW/ 2001	68	
36	Federasi SPM (Hotel, Restoran, Plaza, Apartemen, Katering, dan Pariwisata Indonesia)	Isep Saepul Mubarah	231/FSP – GASPERMINDO/DFT/BW/II/2000	9	
37	Gaspermindo Baru	Miyadi Suryadi, SH	13/DPP-GSBI 2000/III – 2001	20	
38	Gabungan Serikat Buruh Indonesia 2000 (DPP GSBI 2000)		140/I/DPP/FSPK/03-2001	-	
39	Federasi SP Kahutindo	Dra. Hj.Sofiati Mukadi		400	
40	Federasi Serikat Pekerja Pariwisata (SP PAR)	Djoko Daulat		725	
41	Federasi Serikat Pekerja Percetakan, Penerbitan dan Media Informasi	Isprapto	87/V/VII/2001	-	
42	Federasi SP Pertanian dan Perkebunan	Hartono	78/V/VII/2001	905	
43	Federasi Serikat Pekerja Bangunan dan Pekerjaan Umum (SP BPU)	Drs. Syukur Sarto,MS	118/V/N/2001	-	
44	Federasi Serikat Pekerja Bank, Niaga Jasa dan Asuransi (NIBA)	T. Zoelficakib	104/V/N/VII/2001	-	Surabaya: 24
45	Federasi Serikat Pekerja Farmasi dan Kesehatan	Alexander Sinaga	98/V/N/III/2001	107	
46	Federasi Serikat Pekerja Angkutan Darat, Danau, Feri Sungai dan Telekomunikasi Indonesia (SP ADFES)	Drs.H Sofjan Soedjaja, MA		-	
47	Federasi Serikat Pekerja Logam, Elektronik dan Mesin (FSP LEM)	Hikayat A.K	77/V/N/III/2001	720	
48	Federasi Serikat Pekerja Rokok, Tembakau, Makanan dan Minuman (FSP RTMM)	Tosari Wijaya	109/V/N/VII/2001	-	Surabaya: 39
49	Federasi Serikat Pekerja Kependidikan Seluruh Indonesia (F SPKSI)	Drs. Firman Hadi, Bclp	96/V/N/VII/2001	-	
50	Federasi Serikat Pekerja TSK SPSI	A. Sidabutar	89/V/VII/2001	753	
51	Federasi SP Perkayuan dan Kehutanan (FSP KAHUT- SPSI)	M. Silalahi		-	Surabaya: 33
52	Federasi SP Transportasi Indonesia (FSP TI)	Drs. M.CH.David		-	Surabaya: 25

1	2	3		5	6
53	Federasi SP Kimia, Energi dan Pertambangan (FSP KEP)	Jacob Nuwa Wea		217	
54	Federasi SP Maritim Indonesia (FSP MI)	Oesodo H.D.S		-	
55	Kesatuan Pelaut Indonesia (KPI)	Hanafi Rustandi		-	
56	Federasi SP Tenaga Kerja Indonesia di Luar Negeri (FSP TKI LN)	Drs. Azwar Nadlar		-	
57	Federasi Serikat Buruh Karya Utama (FSBKU)	Dwi Agustin	560/04-DKK/PC/kota-TNG/ VIII/2001	5	
58	Federasi Serikat Pekerja Perkebunan Nusantara (FSP BUN)	Drs. HM. S. Ginting	134/I/N/XI/2001	-	
59	DPP Gerakan Buruh Markaenis	A. Takumansang	190/V/N/I/2001	-	
60	Federasi Serikat Pekerja Industri Semen Indonesia (FSP ISI)	Muchtar Junaedi	197/V/N/I/2002	12	

Source: Sub-directorate of Employer and Employee Empowerment, Department of Manpower and Transmigration, January 2002.

Note: * only noted if the number of labor unions (based on field information) was higher than Department of Manpower and Transmigration data.

Appendix 5. Internal Enterprise Regulations (PP) and Collective Labor Agreements in Place

FDI/ FI	Existence of Enterprise unions	PP	Collective Labor Agreements	N/A***	Total
FDI*	Yes	2	12	0	14
	No	0	0	0	0
		2	12	0	14
DI**	Yes	7	15	3	25
	No	5	0	3	8
		12	15	6	33
Total		14	27	6	47
Percentage		30	57	13	100

Note: *FDI= Firms based on Foreign Direct Investment (PMA) ***N/A = Not Available, PP, collective labor agreements are not in place
**DI= Firms based on Domestic Investment (PDN)

Appendix 6. Minimum Wage Compliance, the Existence of Enterprise Unions, and Industrial Disputes

FDI/ DI	Size of the Firm	Minimum wage compliance		Existence of enterprise unions	Industrial Disputes*					
		Yes	No		Minor	Average	Major	Massive	No disputes	Total
FDI	Large	13	0	13	2	5	3	0	3	13
	Medium	1	0	1	1	0	0	0	0	1
		14	0	14	3	5	3	0	3	14
DI	Large	27	2	24	8	8	7	3	3	29
	Medium	3	1	1	1	1	0	0	2	4
		30	3	25	9	9	7	3	5	33
Total		44	3	39	12	14	10	3	8	47
Percentage		94	6	83	26	30	21	6	17	100

Note: *(a) Minor disputes: disputes without strikes, bipartite resolution; (b) average disputes: disputes with strikes, bipartite resolution; (c) major disputes: disputes without strikes, tripartite resolution; and (d) massive disputes: disputes with strike, tripartite resolution.

Appendix 7. Disputes Broken Down by Location

Location	Disputes											
	Massive		Major		Average		Minor		None		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Surabaya	1	8	6	50	5	42	0	0	0	0	12	25
Jabotabek*	2	7	4	14	7	24	11	38	5	17	29	62
Bandung	0	0	0	0	2	33	1	17	3	50	6	13
Total	3	6	10	21	14	30	12	26	8	17	47	100
Percentage	6		21		30		26		17		100	

Note: * Jakarta, Bogor, Tangerang, Bekasi