



# Brief Overview on Industrial Relations in Indonesia

## INDONESIA

JOHN W. DANIEL SARAGIH – MINISTRY OF MANPOWER AND  
TRANSMIGRATION REPUBLIC OF INDONESIA

ANTHONY HILMAN – INDONESIA EMPLOYERS' ASSOCIATION (APINDO)

AZAHARI FIKRI ROSIDI – TRADE UNION OF BANK MANDIRI

## CURRENT SITUATION ON SELECTED DATA ON INDUSTRIAL RELATIONS INSTRUMENT

| NO | INDUSTRIAL RELATION TOOLS   | TOTAL         |
|----|-----------------------------|---------------|
| 1. | LABOUR FORCE                | 172,5 million |
| 2. | COMPANY                     | 226.617       |
| 3. | COMPANY REGULATION          | 46.138        |
| 4. | BIPARTITE COOPERATION BODY  | 13.916        |
| 5. | COLLECTIVE LABOUR AGREEMENT | 11.183        |
| 6. | TRIPARTITE COUNCILS         |               |
|    | A. PROVINCE                 | 33            |
|    | B. REGIONAL/CITY            | 252           |
| 7. | WORKERS' SOCIAL SECURITY    | 10.705.883    |

| NO  | INDUSTRIAL RELATION TOOLS                            | TOTAL     |
|-----|--|-----------|
| 8.  | CONFEDERATION  | 6         |
| 9.  | FEDERATION   | 91        |
| 10. | TRADE UNION WITHIN COMPANY                           | 11.852    |
| 11. | NATIONAL TRADE UNION WITHIN<br>STATE OWN ENTERPRISES | 170       |
| 12. | MEMBERSHIP OR WORKERS                                | 3.414.455 |
|     |  |           |
|     |  |           |



# PRINCIPLES OF INDUSTRIAL RELATIONS (REFORMATION ERA)

- Respect for Human Rights
- Democratization at workplace
- Involvement of private section in decisions making process.

# Medium Term Development Plan 2010 -2014

## Priority of programmes:

1. Reformation in bureaucracy and management
2. Education
3. Health
4. Alleviation of poverty
5. Food resilience
6. Infrastructure
7. ***Investment and Business***
8. Energy
9. Living environment and natural disaster
10. Under-developed areas, developed areas, remote areas, and post conflict areas
11. Culture, creativity, and technological innovation

# MAJOR LABOUR LAWS

- Act No. 3 of Year 1992 concerning Labour Social Security
- Act No.21 of Year 2000 concerning Trade Union/Labour Union
- Act No. 13 of Year 2003 concerning Manpower
- Act No. 2 of Year 2004 concerning Labour Dispute Settlement
- Act No. 24 of Year 2011 concerning Executive Board for Social Security



# CHALLENGES

1. Effective decentralization implementation;
2. Accountability of roles and functions of trade union/labor union;
3. Government accountability (in the area of Industrial Relation);
4. Public participation in policy making.

# Issues in Industrial Relations

## I. WORK RELATIONS

Workers on contract basis

- Job security
- Discrimination

Workers Outsourced

- Job security
- Discrimination

## II. WAGES

Minimum wage

Principles:

- Safety net
- 62,05% of labour force in the informal sector
- Act No.13 of Year 2003 prevails for all
- Micro and small enterprises ability



### **III. SOCIAL SECURITY**

(i) Labour Social Security Programme (Act No.3 of Year 1992)

- 4 programmes (

- Work Accident Corporate Program
- Death Corporate Program
- Old age Corporate Program
- Health care Corporate Program

(ii) National Social Security Programme (Act No.40 of Year 2004)

- 5 (five) programmes

- Co.sharing

(iii) Provider of Social Security (Act No.24 of Year 2011)

### **IV. TERMINATION OF WORK**

(i) Difficulties in Termination of Work

It needs a verdict from the Industrial Relations Court

(ii) Ineffective Disciplinary Action/Punishment

Rights and duties should be carried out until a court verdict is issued by the Industrial Relations Court

## V. COMPENSATION FOR TERMINATION OF WORK

Amount of compensation received by workers terminated is considered too big (lumpsum and material losses to be refunded, )

Result:

Employers use a system of contract basis or outsourcing

## VI. FREEDOM OF ASSOCIATION

Act No.21 of Year 2000, Act No.13 of Year 2003, and other regulations concerning Human Rights is as follows

Number of Trade Unions/Labour Unions

- **6 Confederations of Trade Unions/Labour Unions**  
(KSPSI,KSPI,KSBSI,KASBI, KSBDSI , KSN)
- Total number of Trade Unions/Labour Unions at plant level: 11.852 units
- Total number of member : 3.435.403 workers

## Representation of Workers

- Constitutional Court Decision Nomor 115/PUU-VII/2009 on Judicial Review of Act No.13 Year 2003 on Manpower (Article 120) for workers representation in Collective Labour Agreement (CLA)
- Minister of Manpower and Transmigration Decision No.16 of Year 2011 concerning Representation of Workers (Implementation of Constitutional Court Decision Nomor 115/PUU-VII/2009 )

# GENERAL PRICIPLES

## 1. Act No.3 of Year 1992 concerning Workers' Social Security

- ❑ Compulsory for companies employed 10 workers and above
  
- ❑ Coverage Programmes:
  - Old Age Benefits Scheme
  - Employment Accident Benefits Scheme
  - Death Benefits Scheme
  - Health Care Benefits Scheme



## **ISSUES ON SOCIAL SECURITY (ACT NO. 3 OF YEARS 1992)**

- Opting out system in health care benefit scheme
- Non contributory system for workers except old age benefit

## **2. Act No.21 of Year 2000**

- Freedom of Association
  - Every worker/labourer has right to form and become a member of trade union/labor union
  - A trade Union is formed by at least 10 (ten) workers/laborers
  - A federation of trade union/labour union is formed by at least 5 (five) trade unions/labour Unions
  - A Confederation of trade unions/labour unions is formed by at least 3 (three) federations of trade unions/labour unions



# Issues on Freedom Association


- Mushrooming of Unions.
- Ineffectiveness of dual stewardship organizations

### 3. Act No.13 of Year 2003 concerning Manpower

- Partnership relationship:
  - Bipartite Cooperation Body (compulsory for those companies that employed 50 workers over)
  - Tripartite Cooperation Body (National, Provincial, and Regency/municipal level)
  
- Terms of Employment:
  - **Working hours:**
    - 7 hours/day and 40 hours/week for 6 workdays/week
    - 8 hours/day and 40 hours/week for 5 workdays/week
  - **Weekly rest:** 1 day after 6 workdays/week or 2 days after 5 workdays/week



- **Annual rest:** 12 workdays after working 12 months consecutively
  - **A long leave of rest of no less than 2 months after completing 6 years of service.**
- Terms of Employment
- Maternity rest: female workers are entitled to a 1,5 months period before the time that is estimated to give birth and another 1,5 months thereafter;
  - Miscarriage: 1,5 months of a period of rest as stated in the medical statement



# Issues on Concerning Manpower (Act No. 13 of years 2003)

- Foreign Workers'
- Work Agreement for a Specified time
- Workers' Strike
- Outsourcing
- Long Period of Rest
- Termination of employment
- Social Security and Minimum Wages



# WORKERS' PROTECTION

# WORKING CONTRACT

- Permanent working contract:
  - Probation period
  - in the case of termination of employment compensation is mostly required
  
- Temporary working contract:
  - Maximum 2 (two) years and can be extended for 1 (one) year
  - Renewed for maximum 2 (two) years

# WAGES POLICY

**Minimum wages** is the lowest monthly wage consisting of basic wage and fixed allowance

- Safety Net / Minimum Wages
  - Decided by Governor based on recommendation of Provincial
  - Review annually
  - Based on living needs
  - Applied to: single workers and workers with service period up to one year
  
- Negotiated Wages
  - Bipartite Agreement (Company Regulation or Collective Labour Agreement/CLA)



Factors have to be considered:

1. Need of Decent living (*Kebutuhan Hidup Layak*)
2. Macro Productivity
3. Economic growth
4. Labour Market Conditions
5. Marginal Employment

## Mechanism of Minimum Wages

1. Setting-up of Survey Team (Wage Council/Districts/Cities /Tripartite)
2. Survey Team must agreed on :
  - A. Place
  - B. Time of Survey
  - C. Responden
  - D. Determination of specification (type and quality)
3. Survey results
4. Minimum Wage Council and Mayors are send their recommendation to Governors
5. Governors determine minimum wage

# GROWTH OF MINIMUM WAGE IN NATIONAL LEVEL

| NO | YEAR | IN NATIONAL LEVEL<br>(AVERAGE) | %      |
|----|------|--------------------------------|--------|
| 1. | 2008 | Rp. 745.709,22                 | 10,77% |
| 2. | 2009 | Rp. 841.529,55                 | 11,29% |
| 3. | 2010 | Rp. 908.824,52                 | 8,19%  |
| 4. | 2011 | Rp. 988.829,39                 | 8,69%  |
| 5. | 2012 | Rp. 1.121.459,57               | 10,27% |





# Issues on Minimum Wage

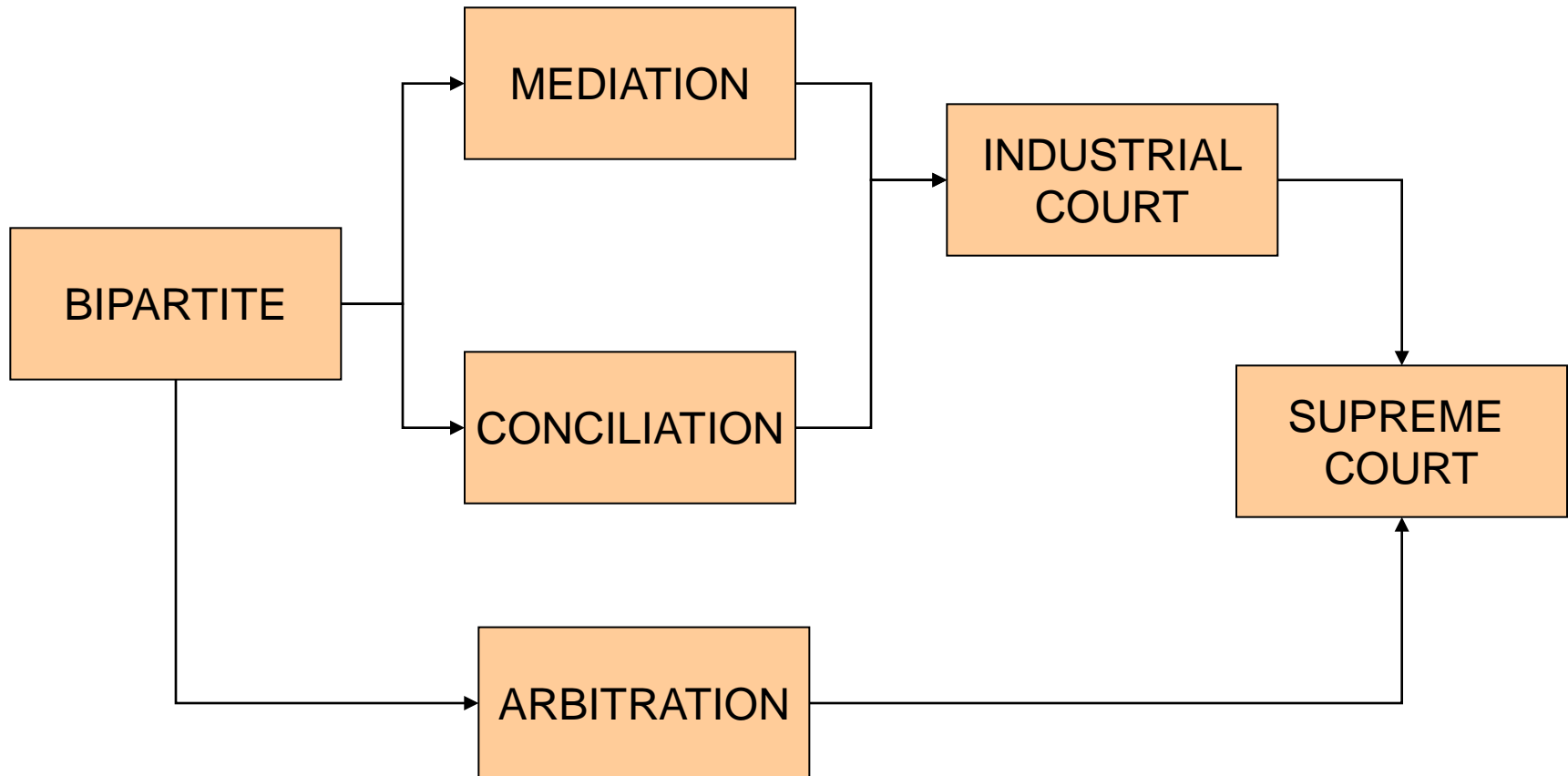
- Incomplete members of Wage Council
- Poor representativeness member of Wage Council

## 4. Act No.2 of Year 2004

### Basic Principle:

- a. It applies to employers and workers as individual or as a group (Trade Unions)
- b. It encourages bipartite settlement
- c. Modes of settlement :
  - Litigation process : through “Special Court” in General Court and Supreme Court
  - Adjudication process : through arbitration
- d. Both the above processes should be preceded by bipartite negotiation or mediation
- e. Special Court consist of Ad-Hoc Judge from representative of Employers’ organization and Trade Unions, as well as a career judge.

# INDUSTRIAL RELATIONS DISPUTE SETTLEMENT



# OUTSOURCING

- Constitutional Court Decision No.27/PUU-IX/2011 of Year 2011 on Judicial Review of Act No.13 Year 2003 on Manpower (Article 64 – 66).
- Director General of Industrial Relations and Workers Social Security Circulation Letter No. 31 of Year 2012 concerning Implementation of Constitutional Court Decision



# SOCIAL SECURITY SCHEME

# NATIONAL SOCIAL SECURITY SYSTEM

- Coverage Programmes:
  - Death Benefits Scheme
  - Employment Accident Benefits Scheme
  - Old Age Benefits Scheme
  - Health Care Benefits Scheme
  - Pension Benefits Scheme
  
- National Social Security Council, consist of:
  - 5 persons from Government
  - 6 persons from Expert
  - 2 persons from Employer
  - 2 persons from Workers' Organization

# BACKGROUND

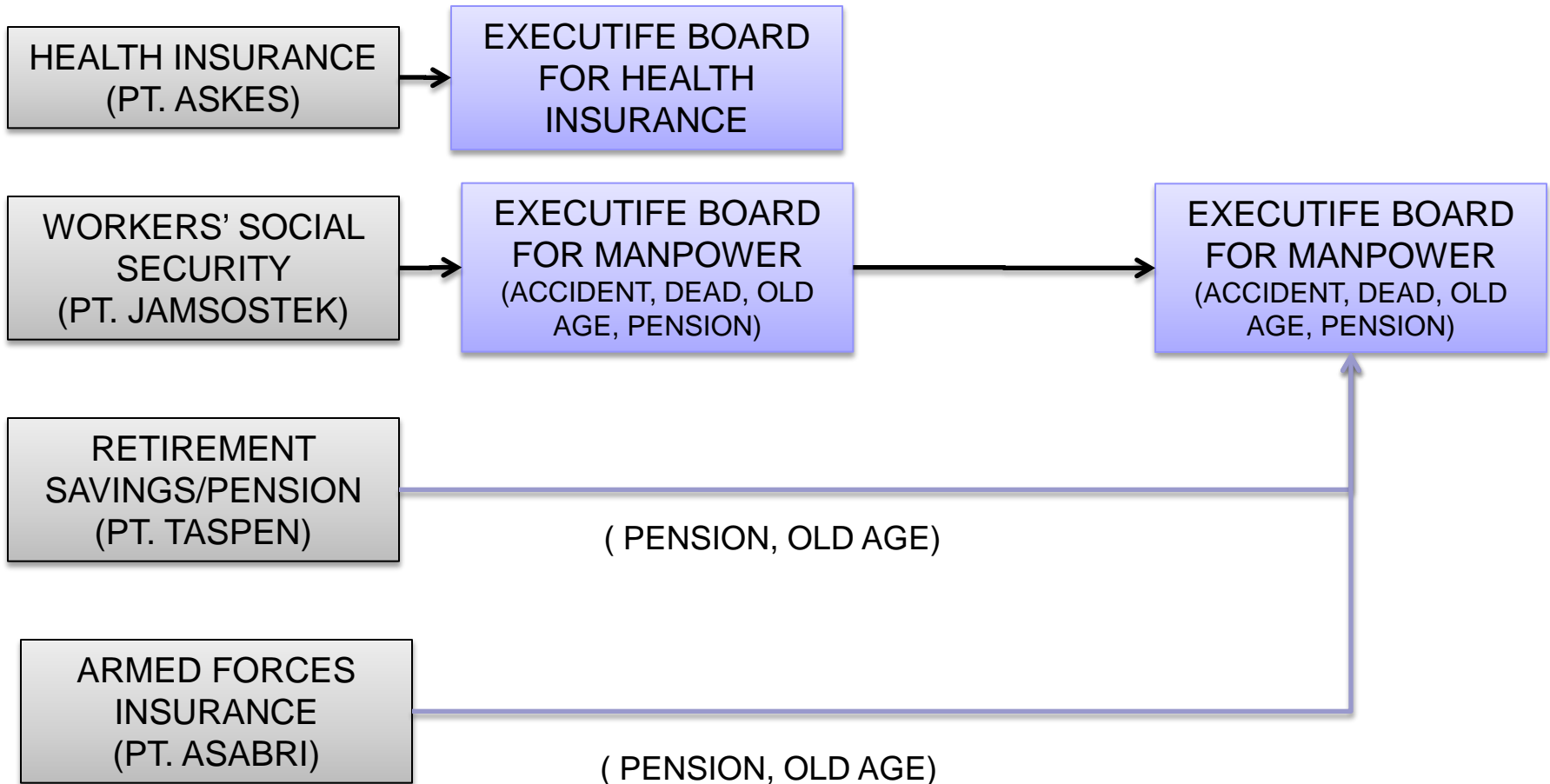
- National Social Security Board has function to provide security for decent basic need to its member and their family
- The enactment of the National Social Security Act aims at to synchronize multiple forms of social protection in Indonesia, so as to provide broader protection for the community

# TRANSFORMATION OF SOCIAL SECURITY EXECUTIVE BOARD

1 JANUARY 2014

1 JULY 2015

2029





# EXECUTIVE BOARD FOR SOCIAL SECURITY ACT NO.24 OF 2011

Implementing regulation of Act No.24 of 2011:

- Government Regulation ( 8)
- Presidential Regulation (7)
- Presidential Decision (1)

Current implementing regulations:

1. Presidential Regulation No.44 of Year 2008 concerning Organization and Procedures, Appointment, Replacement and Dismissal of National Social Security Board Membership
2. Presidential Regulation No.110/M of Year 2008 concerning Membership of National Social Security Board
3. Minister of Welfare Regulation No.36/PER/MENKO/KESRA/X/2008 concerning Organization and Procedures of the Secretariat for the National Social Security Board



# Work Plan of Health Insurance Program

- Government has prepared a roadmap for health insurance
- The roadmap has been discussed with the Ministry of Welfare of the Republic of Indonesia and submitted to vice president
- Coordination with other ministries to finalize and implement a roadmap



# MAJOR ACHIEVEMENTS

- Strengthening bipartism at workplace
- Strong social dialogue in tripartism particularly in discussing and implementing law and regulation on industrial relation
- Strengthening the effectiveness of consultation and coordination among the central government and regional government
- Better understanding among stakeholders
- Improving participation among stakeholders in the national and international events

# PROBLEMS AND OBSTACLES

- There is still differential in the aims of harmonious industrial relation in the workplace due to differential interest between employer and worker
- Capacity building of human resources are still needed continuously
- There is still differential perception on understanding the effectiveness of law and regulation

# SUGGESTION FOR SOLUTION

- Gaining the lesson learn from any other countries which has similarly the condition of Indonesia
- Benchmarking of industrial relations
- Improving capacity building within stakeholders
- Restructuring the sense of nationalism by continuously hand in hand to build national characters
- Having the effective technical assistance from the international networking which has already established