



Living Wage in Textile and Garment Industries In Indonesia

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1. INTRODUCTION

Wage is a basic problem in labour issue and industrial relations in Indonesia. In many industrial acts and labour protest, wages are always in the top list of action demands. As a developing country in an industrialization track depending on foreign direct investment, Indonesian government stipulated on low wage policy as an attraction and also as a way of winning the competition with other developing countries in Asia Pacific. Moreover, Indonesian labour market condition is objectively indicated by excessive supply and low quality of labour force. At the same time, the government is also faced with a condition in which it has to create more opportunities for employment in retrospect of the high number of unemployment.

One of the answers to the problem is to apply minimum wage policy. Conceptually and empirically, this policy always provokes two-pole classical arguments: pro and cons, employers and workers. Theoretically, this argument is basically a form of arguments among those who agree on and those who are against minimum wage, specifically against its consequences. Those who agree are of the opinion that minimum wage will increase the living standard of the poor, encourage consumption, and reduce government expenses for social welfare programs. On the other hand, those who are against minimum wage have a complete opposite argument: it will not help the poor and it will bring benefits only to small number of workers. It will also result in a loss for unskilled workers, and reduce companies' competitive force.

Empirically, employers complain that annually-increased minimum wage is not balanced with the increasing work productivity and it also puts weight on production costs. On the contrary, the workers complain that the increase of minimum wage is never enough to have a decent life.

The argument is actually based on different understandings of conceptions on wages among the workers and employers. Employer association as the wage payer is prepared with a wage concept that combines compensation for workers in a work relationship and efforts of providing welfare to workers.¹ Among the trade unions, the most prominent wage problem is the one related to the rules and implementation of minimum wage² that disregard the essence and the concept of wages. In relation to this, the perspective of workers' rights of their wages is dominant and as a result, any employers's act that is considered to violate the rules of wages will lead to industrial acts. Moreover, arguments on wages between the two parties are still regarded as merely the obligation of employers and they disregard the government who is supposed to be the protector of its citizens.

Even though there is a clear conception of wages, the application is not trouble-free because there are various internal and external factors of the company as the wage payer, and also because of political aspects of wages. In the context of global competition and the efforts of being a democratic country, and in the context of the country's development and protection towards the citizens, wage is never simply an economic matter, but it is also full of law and political dimensions.

This situation encourages trade unions in Indonesia to have a living wage concept in exchange of minimum wage concept that will speed up the process of having a decent life that will automatically increase work productivity. Moreover, the concept of living wage offers an idea of more active responsibilities and roles of government in creating a more conducive and efficient work climate which will result in the workers' welfare.

At the same time, international and regional trade unions propose a similar idea in an effort to reach fair share between workers and employers. Both ideas become the background of the living wage survey.

¹ See Hendarmin in *Journal of Social Analysis* 2002: 95 – 109.

² See Wirahyoso in *Journal of Social Analysis* 2002: 77 – 93.

2. MINIMUM WAGE AND ITS PROBLEMS

Up until now in Indonesia, minimum wage policy is still made a reference in giving wage to workers in formal sectors, which include Textile and garment sectors. Minimum wage policy that started to be applied by Indonesia in the end 1980s indicated the government's involvement in determining the rate of wages (Manning 1998, Suharyadi et al, 2002). As stated by Suharyadi et al, the policy was applied when there were many changes in Indonesian labour market and it was applied as an answer to internal and external pressures. External pressures were related to export orientation of Indonesian industrial products to the United States and Europe, especially those related to the concerns towards poor working conditions and low wages, and the barriers in having trade unions as the basic right of the workers (2002:21). As part of the answer to the pressures, the government had a series of changes in minimum wage mechanism (2002:22), materialized in Minister of Manpower Regulation no. 1 of year 1999 concerning Minimum Wage and in Minister of Manpower and Transmigration Regulation no. 226 of year 2000 concerning the Changes in Articles 1, 3, 4, 8, 11, 20 and 21 in Minister of Manpower Regulation no. 1 of year 1999 concerning Minimum Wages. The basic consideration of minimum wage stipulation was that because it was thought of a move toward decent income and workers' welfare by focusing on productivity and company progress aspects. Another consideration, as stated in Ministry of Manpower no. 1 of year 1999, was minimum living necessities, consumer price index, company capabilities, development and performance, applicable wage level, labour market condition, economic development, and income per capita.

In the stipulation of minimum wage, the institution with the most important role was of Wage Council that formulated the amount of minimum wage, which later became the basic of minimum wage stipulation by the district head. Wage Council is a non-structural tripartite institution responsible for giving advice and consideration to the district head in stipulating minimum wage and in applying a waging system and preparing the materials of waging system formulation. It was a tripartite board with balanced

representative models that had annual discussions on the amount of minimum wage. The primary base of having a proposed number of minimum wage increase was by performing a retail price survey of minimum living necessities or *KHM*. In its development, *KHM* was changed into decent living necessities or *KHL*.

Law no. 13/2003 on Labours stated that minimum wage received by the workers was supposed to fulfill decent living necessities. This Law was then found in the Minister of Manpower Regulation no. Per-17/Men/VIII/2005 concerning the Components and Implementation of Decent Living Necessities that regulated on minimum wage to be stipulated by the district head, in this case the Governor/Regent Head/Mayor based on the advice and consideration from the Wage Council performing a survey of Decent Living Necessities.

On its stipulation, minimum wage implementation never went well. Employers had objections of minimum wage annual increase as they regarded the increase as a burden, whereas the workers believed that employers were disobedient toward the stipulated minimum wage increase, by giving average minimum wage that only fulfilled 80 percent of Decent Living Necessities. Another problem was that actually minimum wage policy was aimed for single workers with less than 1 year working period, but it was then also implemented on workers with more than 1 year working period, and it became Maximum Wage, because most employers were not willing to pay more than minimum wage. Since most workers with more than 1 working period were family men and women, minimum wage for single workers were not sufficient for fulfilling the household necessities.

Another problem in minimum wage was an open possibility of minimum wage payment postponement by employers as stated in Minister of Manpower Regulation no. Per-01/MEN/1999 and of the ineffectiveness of the sanction toward the companies who violate minimum wage regulation. Moreover, there were many strategies to avoid

paying minimum wage. The above regulation stated that minimum wage was the lowest monthly wage consisting of basic salary and fixed allowance. Law no. 13/2003 stated that wage components consist of basic salary and fixed allowance, and the amount of basic salary was 75 percent of the sum of basic allowance and fixed allowance. However, there were companies that changed the composition. It was also found in the survey that workers' wages were often less than *UMK*.

3. PURPOSE OF SURVEY

Living wage survey is part of an international living wage campaign proposed by ITGLWF, International Textile Garment Leather Workers' Federation and Asian TWARD –Textile Workers' Association Regional Office. On the national level, SPN and Garteks SBSI, two trade unions with textile and garment workers as major members, this survey is part of an effort in increasing workers' welfare through wages and more specifically, in correcting inappropriate minimum wage implementation.

This survey has a purpose of finding ways of stipulating living wage for workers in Indonesian textile and garment sectors through the exploration of living wage concepts. Living wage itself is a concept that serves as a basis for Indonesian waging policy, even though the concept has not been elaborated in details.

The stipulation of living wage is important because there are no clear criteria or parameter on living wage up until now. One of the bases of stipulating living wage is the component of decent living necessities, based on Minister of Manpower Regulation no. 17/2005, that should be adjusted to the development of necessities and general decent living standard.

The result of survey will be made use by trade unions of textile and garment sectors to start promoting living wage concept for workers in these sectors with the purpose of:

1. Changing minimum wage concept and policy that is unsuccessful in giving solutions to the problems of workers' wage and welfare.
2. Asking the government to share responsibilities with employers in providing workers' welfare.

4. STUDY FRAMEWORK AND DEFINITION

This survey is positioned in the framework of global and national production and trade, and also in the framework of Indonesian waging system and minimum wage.

Waging matters in Indonesian textile and garment sectors cannot be separated from global competition and production chains, structure of global production organization, and national waging policy. In a global context, Indonesia and other countries in South East Asia, South Asia, and the Pacific, are in an international sub-contract system with multinational companies of world brands of textile, garments and shoes. These multinational companies – located in the United States and Europe – do not own their own factories, but they sub-contract the making of the products to various companies in the aforementioned countries. In such sub-contract system, sub-contractor countries compete on getting orders by ways of paying possible lowest wages.³ In global production system and global supply chain, low wage factor is one of the key requirements, together with good quality, short and precise delivery time, and production efficiency (Senada, 2008).

Indonesian minimum wage policy is in such global framework. Definition wise, minimum wage is the lowest law-guaranteed wage with the purpose of protecting the workers from exploitation and poverty. Minimum wage has social and economic functions and it applies to newly-working workers. Therefore, minimum wage has to support buying power so that workers are capable of fulfilling basic living standard (Lee 2007). Minimum wage concept as safety net does not include matters of workers' productivity which is always related to wages. This is why matters of productivity always appears

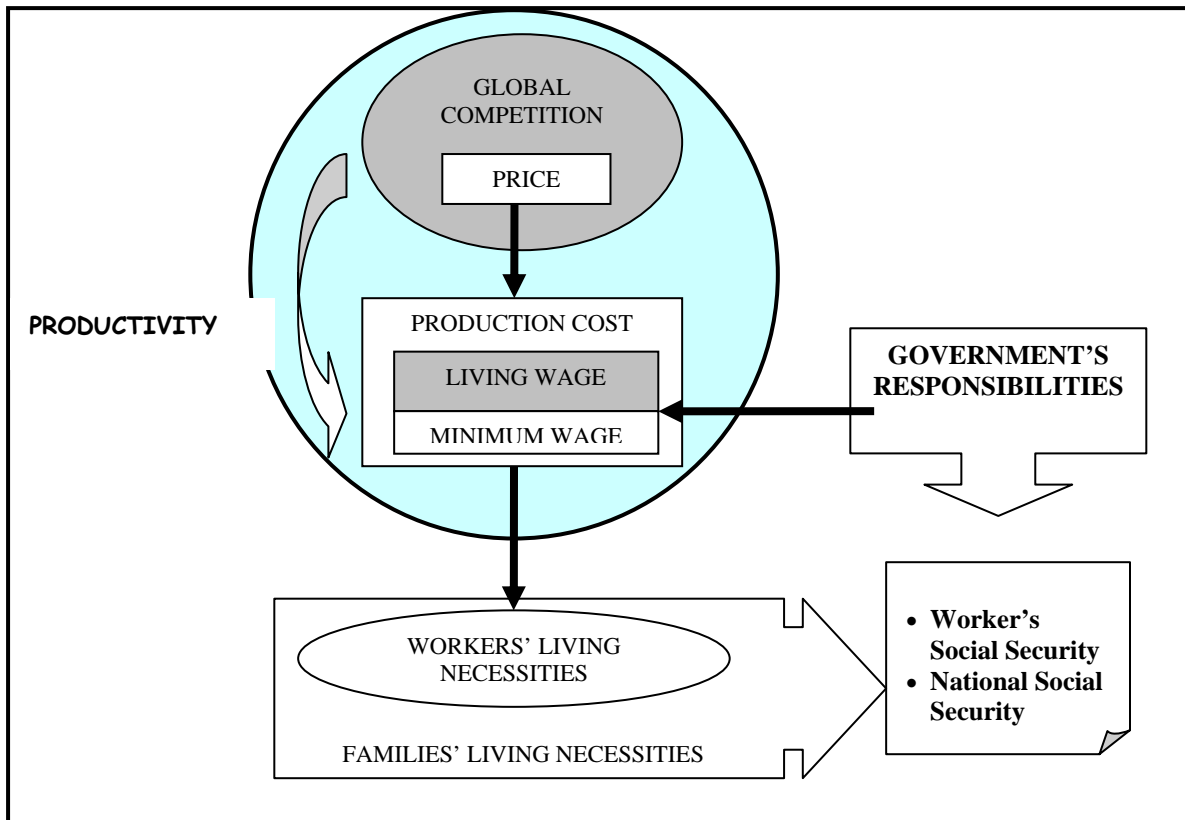
³ See BARGAINING FOR A LIVING WAGE, A Trade Union Guide, ITGLWF 2008.

whenever there is minimum wage increase. A classical argumentation in the disagreement of minimum wage increase and productivity is that annual minimum wage increase is not balanced with workers' productivity increase so that employers consider wage increase to add burden to production cost. It is important to note that there is no agreement for a definition on productivity.

In the framework of global competition and the integrated textile and garment industry into production chains and global suppliers, wage is an important factor in each country's attempt to win the competition of getting orders from world-brand multinational companies. Global context has resulted in a more complex wage problem and a dilemma that can only be solved by the government who is to take a role of basic necessity supplier toward its citizens, especially in education and health.

The following diagram is the framework of this study that shows the position of living wage.

Diagram 1 : Study Framework



The above diagram shows that living wage concept also considers family's necessities of the workers. The government has the obligation and responsibility to guarantee that every citizen is able to access or to have buying power of all the necessities, through price regulations and social securities.

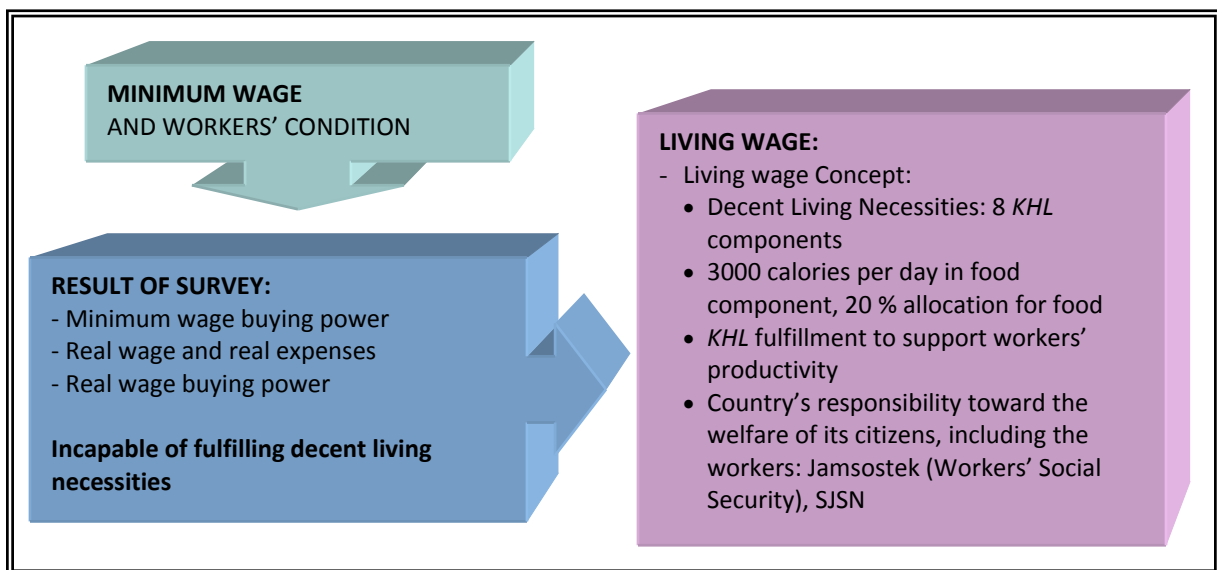
In the survey, the following definitions on living wage and decent living necessities are applied:

Decent Living Necessities refer to living necessities that need to be fulfilled so that workers and their families may live decently and reproduce their energy to be more productive.

Living wage refers to basic worker's wage of standard working hours that enables the workers to fulfill decent living standard and to save some of their income. In Indonesia, the standard working hour is 40 hours per week.

The idea of introducing living wage has found its time now that there is a strict global competition, preference shift or choices of brand owners and buyers in having countries of production, in which they no longer choose countries that pay low wages, but they give priority to quality, work speed and precision of good delivery.

Diagram 2 :Logical Plot of the Survey:



5.METHOD OF SURVEY

This research is carried out by method of survey, FGD and in-depth interview. The survey is executed in two kinds of questionnaires:

- a. Questionnaire 1 (Q1): Survey to workers who are members of SPN and Garteks SBSI in order to get the pattern of real income and expenses.
- b. Questionnaire 2 (Q2): Retail price Survey in order to get the goods' prices of decent living necessities.

FGD with the trade unions is carried out twice in order to formulate Living wage Components, executed in the beginning of the survey and to formulate the advocate strategy of survey result, executed after survey data processing and analysis.

In-depth interview is carried out together with the members of trade unions in order to enrich survey data and to learn about the workers' strategy in fulfilling their living necessities.

Questionnaire 1 (Q1)

Q1 has the purpose of finding information from the workers, which include: profile of workers and company, wage and its components received by the workers in March 2009, workers' household income and expenses (real), and wage considered to be sufficient by workers in fulfilling their family's living necessities.

The number of workers as research sample is based on the number of SPN and Garteks SBSI members from Textile, Garment, and Shoes Sectors, and is chosen based on industry clusters in which the majority of SPN and Garteks SBSI members are located. The chosen industry clusters based on the division of SPN and Garteks SBSI members are Semarang, Sukoharjo, Karanganyar, Bogor, Sukabumi, Tangerang and Serang Regencies for SPN; and North Jakarta and Tangerang Regency for Garteks SBSI. All of the survey locations are set in the provinces of Banten, West Java, Special Capital District of Jakarta, and Central Java that are industrial centers in Indonesia.

Based on the data, there are 333,001 SPN members and 28,456 Garteks SBSI members. In total, there are 361,457 members. With 95% confidence level and 5% confidence interval, 384 respondents are chosen based on the following categories: single women, married women, single men and married men. The number of respondents per district is taken proportionately based on the number of members in the related areas. The ratio of the amount of women and men respondents is 2:1 based on the ratio of the amount of women and men members in SPN and Garteks SBSI.

Table 1 : Number of Respondents by Area

Area (Regencies)	SP/SB	Women		Men		Total Amount of Respondents
		Single	Married	Single	Married	
Semarang Regency	SPN	13	15	6	23	56
Karanganyar Regency	SPN	10	22	8	9	51
Sukoharjo Regency	SPN	18	18	9	9	54
Serang Regency	SPN	20	15	10	10	56
Tangerang City	SPN	28	27	13	14	81
Bogor Regency	SPN	11	12	6	6	35
Sukabumi Regency	SPN	8	8	6	4	24
Tangerang Regency	Garteks SBSI	5	5	3	3	16
Special Capital District of Jakarta	Garteks SBSI	3	4	2	2	11
Total		124	127	66	67	384

After data gathering, out of 384 questionnaires, there are 8 data that cannot be processed and 376 that can be processed. Therefore, the confidence level is 95% and the confidence interval is 5.05%.

Questionnaire 2 (Q2) and FGD on Components of KHL in order to Calculate Living wage

Questionnaire 2 has the purpose of getting the information on retail prices in the selected areas for Q1 distribution, which are Semarang, Sukoharjo, Karanganyar, Bogor and Sukabumi and Serang Regencies, and Tangerang city for SPN; and North Jakarta and

Tangerang Regency for Garteks SBSI. The plan was to have the survey in 2 markets in every area to have a total of 18 market survey. In its practice, there is only 1 market survey in Tangerang City and Sukabumi Regency, so in total there are 16 market surveys in 9 cities/regencies.

The stipulation the surveyed goods components is based on FGD on Components of Decent Living Necessities (hereafter KHL) to Calculate Living wage, in order to criticize Minister of Manpower Regulation No. Per-17/Men/VIII/2005 concerning Components and Implementation of Fulfilling Living Necessities. Based on FGD result, 46 Components and Implementation of Fulfilling Living Necessities stipulated in Minister of Manpower Regulation No. Per-17/Men/VIII/2005 have been added into 128 components, with the total of 164 surveyed goods.⁴

Added numbers of components and kinds of goods, and also the quality of goods for KHL are based on some factors:

1. KHL as the basis of determining Living wage have to fulfill the living necessities of workers and their families.
2. In view of goods availability, some components of KHL stated in Minister of Manpower No. 17/2005 are no longer easy to get and no longer decent for the latest condition, for example 4 ban radio and kerosene stoves are replaced with television and gas stove.
3. In terms of quality, Components KHL need to be developed, for example in housing. Rent of modest rooms in KHL stated in Minister of Manpower Regulation no. 17/2005, is changed into credits of economical houses – RSS (Type 27/60).
4. Some KHL components become worker's routine expenses, due to some reasons. Union levy becomes the responsibility of workers who are union members. Hand phones and loads have become necessities since public pay

⁴ The List of Components and Implementation of Fulfilling Living Necessities are attached.

phones (including telephone kiosks) are difficult to find due to technological advances, and communication cost through hand phones is proven to be less costly compared to regular telephones.

Even though there are additional components and the change of quality in KHL Components, Food Necessities still refer to the fulfillment of 3,000 calories per day as stated in Minister of Manpower No. Per-17/Men/VIII/2005. There are only changes on additional variation of food.

FGD version of KHL is arranged with the assumption that workers who are able fulfill their decent living necessities will work more productively.

Table 2 : Comparison of KHL Components

No	Ministry of Manpower No. Per-17/ Men/ VIII/ 2005 version of KHL*		FGD version of KHL**	
1	Food and Drinks	11 components, 16 kinds	Food and Drinks	11 components, 27 Kinds
2	Clothes	9 components, 12 kinds	Clothes	20 components, 29 kinds
3	Housing	22 components, 23 kinds	Housing	48 components, 54 kinds
4	Education	1 components, 1 kinds	Education	7 components, 10 kinds
5	Health	8 components, 9 kinds	Health	21 components, 22 kinds
6	Transportation	1 components, 1 kinds	Transportation	5 components, 8 kinds
7	-	-	Various Needs	7 components, 10 kinds
8	Recreation and Deposit	2 components, 2 kinds	Recreation and Deposit	3 components, 3 kinds

Source: *Per 17/Men/VIII/2005

**Living wage Components of FGD

Q2 and the calculation of Q2 lead to the calculation of KHL or the fulfillment of Living Necessities that is considered to be ideal-minimum for workers.

FGD on Base-Level Wage Negotiation

FGD on Base-Level Wage Negotiation is carried out after the completion of Q1 and Q2 data gathering and processing and after temporary result of the survey is obtained. The purpose of FGD is to get a response towards the survey result from the base-level

organizers who have been responsible for base-level wage negotiation. FGD participants are representatives of SPN and Garteks SBSI base organizers whose members are respondents of the survey.

In-depth Interview

In-depth interview is carried out to get more in-depth information on the result of the survey and to have a description of workers’ perceptions on wage, sufficient and living wage, in the framework of the latest situation, in which LMF practice is very common.

Table 3 : Number of Respondents based on Industrial Sectors

Industrial Sectors	Amount	%	% Cumulative
Textile	138	36.7	36.7
Textile and garment	21	5.6	42.3
Garment	130	34.6	76.9
Leather	87	23.1	100.0
Total	376	100.0	

Source: Primary Data

6. PROFILE OF INDONESIAN TEXTILE AND GARMENT INDUSTRY

Large scale textile and garment production in Indonesia started to develop since 1970 and up until now, they have become the backbone of employment opportunities (contribution of 15.8% of employment in manufacture industry) and they are the largest non-oil and natural gas foreign exchange producer, with above US\$ 5 billions export surplus (Industrial Department 2007). The same source states that Indonesian textile and garment industry has an integrated industrial structure divided into the following sub-sectors: fibers, threads, fabrics, clothes, and other textile products. This industry is export-oriented, especially garments and threads.⁵

⁵ See Chamroel Djafri 2003 for comprehensive details on Indonesian textile and garment industry.

Table 4 shows the profile of Indonesian textile and garment sub-sectors.

Table 4 : Profile of Indonesian Textile and Garment Industry

Sub-sectors	Kinds of Products	Technology	Market of product	Investment
Fibers	Natural fibers, artificial fibers	High	Domestic	Foreign Investment: Japan, India, Austria
Threading	Threads	High	Domestic and export	Foreign Investment: Japan & India; Domestic Investment
Weaving	Fabrics	Low	Domestic and export	Domestic Investment
Garment	Clothes	Low	Export	Domestic & Foreign investment: South Korea, Hong Kong

Source: Industrial Department 2007

More data of Industrial Department of Republic of Indonesia states that there were 2,700 textile and garment companies in total in 2006 spread out in 7 industrial areas that cover West Java, Jakarta – Bogor – Depok – Tangerang – Bekasi, Central Java with the biggest factory population in West Java (57%), followed by Jabodetabek (17%), and Central Java (14%). The total amount of workers in textile and garment industry in the same year reached almost 1.2 million people (2007).

Of the total world textile product export, Indonesia has contributed 2% of the product majority, especially garment that is exported to two main markets, 41% to United States and 19% to European Union. Indonesia is included in 15 major textile and garment supplier countries to United States and 12 major suppliers to Japan (Industrial Department 2007).

Since textile and garment export quota had been removed in 2005, China appeared as a new competitor giant that won over all textile and garment supplier countries for the world market, including Indonesia. China's appearance resulted in a tighter competition for Indonesian products because old competitor, such as India, Taiwan, South Korea,

and Pakistan are still at large, and new competitors, such as Vietnam, Cambodia, Bangladesh, and Srilanka are considered to be important by the buyers as new source of suppliers (Djafri 2003, Industrial Department 2007). The markets of US, European Union and Japanese textile and garment products are greatly dominated by China. Data shows that the export of China to the United States and European Union has reached more than 20% compared to Indonesia and other supplier countries that have reached no more than 6%. In 2006, Indonesia supplied 5.3% of its products to the US market (ITPR in AKATIGA 2007), 1.2% to European Union market and 6% to Japanese market (Industrial Department 2007).

Since 2001, Indonesian textile and garment industry has experienced many crises due to the rise of energy cost: refined fuel oil and electricity, together with an excess of decentralization policy that increased collection costs, both directly and indirectly (AKATIGA 2007). In 2005, this industry was also shaken by the flooding illegal Chinese products that took away 50% of domestic market (Industrial Department 2007, AKATIGA 2007). In 2009, global financial crisis in United States started to have chain impacts on Indonesian textile and garment industry in the form of less supply demands due to decreasing American citizen buying power of textile products, especially garments.

Amidst the series of crises, the government gives stimuli packages to renew textile industry machines by giving investment credits on machine purchase in the amount of more than IDR 2 trillion⁶.

In a long term plan, textile and garment industry is aimed to fulfill domestic market, expand the markets to non-traditional markets, and develop Indonesian brands for export market. There are also efforts of product efficiency through machine modernization and human resources skill improvement. Another effort is through product diversification and reinforcement of high-end goods production with high value added points. The aim of this textile and garment industry is a solution to industry

⁶ See IPC One pager no. 86, June 2009.

susceptibility due to high dependence on traditional markets for export, and it is also aimed to fulfill a very potential but often-neglected domestic market.

7. SURVEY FINDINGS

7.a. Profile of textile and garment companies in the survey

There are 50 textile and garment companies that are spread out in 9 regencies are included in this survey. Most are domestic investment and fewer are foreign investment. These companies consist of 19 garment companies, 22 textile companies, 2 textile and garment companies and 7 shoes companies. Most companies are of middle and large scale, and employ above 300 workers. 22 companies employ more than 1,000 workers. 78% of the companies export all products, 20% export their products and also sell them domestically. Surveyed companies produce world brands, such as Marks & Spencer, Double Two, Levis, Nike, Adidas, Teijin Tetoron, and Walmart. Main countries for export are United States and European Union, other than Japan and China.

7.b. Profile of Respondents

Survey respondents reflect a composition of textile and garment workers based on gender, since samples are taken proportionately. 62% of the respondents are women and 38% are men. Age range of respondents is < 20 years old until > 45 years old with the majority of respondents of below 35 years old (73.1), as shown in Table 5.

Table 5: Respondents by Age

Age	Amount	%	% Cumulative
<20	4	1.1	1.1
20 – 24	95	25.3	26.3
25 – 29	92	24.5	50.8
30 – 34	84	22.3	73.1
35 – 39	43	11.4	84.6
40 – 44	50	13.3	97.9
> 45	8	2.1	100.0
Total	376	100.0	

Respondents' education levels are shown in Table 6. Respondents' education levels are varied from grade school graduates until Academy/University graduates, and the majority is high school graduates (68.1%), as shown in the following table.

Table 6: Number of Respondents based on Education Levels

Latest Education	Amount	%	% Cumulative
Never finished grade school	4	1.1	1.1
Grade school graduates	9	2.4	3.5
Junior High School graduates	89	23.7	27.1
High School graduates	256	68.1	95.2
Academy/University graduates	18	4.8	100.0
Total	376	100.0	

Source: Primary Data

Table 7 is a comparison of the number of respondents based on Sex and Marital Status.

Table 7: Number of Respondents by Gender and Marital Status

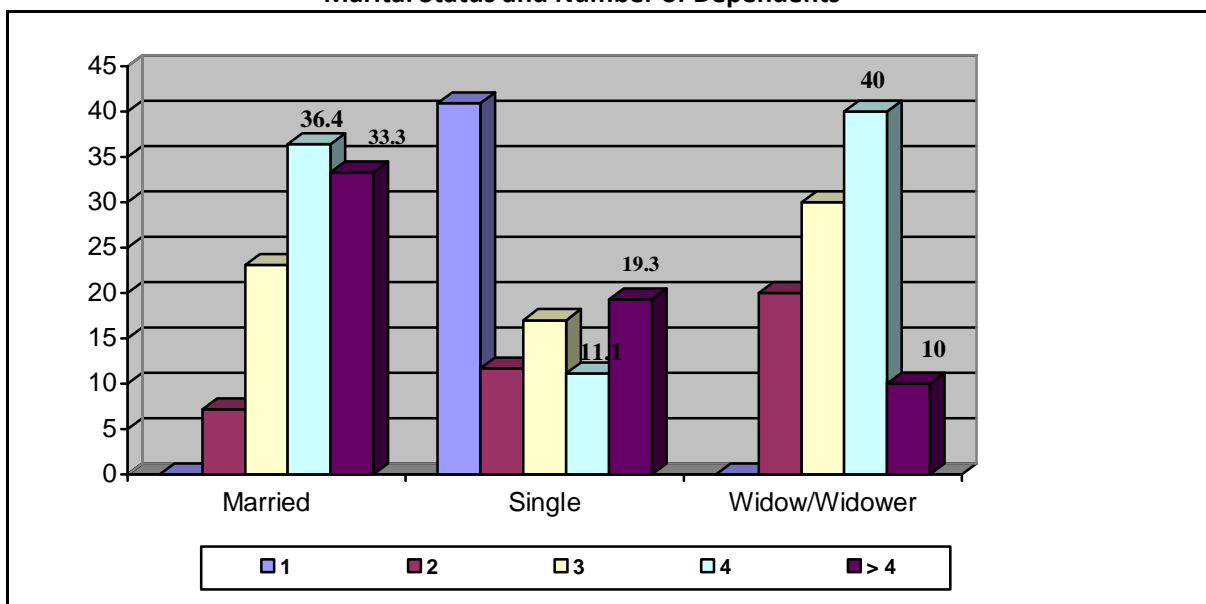
Marital Status	Gender		Total
	Female	Male	
Married	114	81	195
Single	110	61	171
Widow/Widower	8	2	10
Total	232	144	376

Table 7 shows that 52% of the respondents are married, therefore they have dependents in their families. Whereas diagram 2 shows that the majority of respondents, single and married, have dependents living off workers' wage.

This survey shows that only 41% of the respondents are without dependents, whereas 59% are with dependents. 30% of the single respondents have ≥ 4 dependents, including themselves.

Single workers/workers with dependents other than themselves are common phenomenon in Indonesia. Dependents of single workers are usually their parents, especially unproductive ones or those of advanced ages. Workers with younger siblings are also responsible for their education. One of the respondents in this survey (single) has 7 dependents, including him/herself, out of his/her monthly wage. Complete data may be seen in the following diagram.

Diagram 3 : Percentage of Respondents based on Marital Status and Number of Dependents



Applicable Waging Policy in Indonesia, Minister of Manpower Regulation No. Per-17/Men/VIII/2005 concerning Components and Implementation of KHL Fulfillment, Article 1(1) states that “Decent Living Necessities henceforth abbreviated into *KHL* is a living standard that has to be fulfilled by a single worker to live decently physically, non-physically and socially for one month.” Meanwhile, *KHL* component that is inseparable from the Minister of Manpower Regulation, is a *KHL* calculation of one person. Both parts of the Minister of Manpower Regulation assume that single workers/workers have no dependents but themselves. In fact, they do.

Sending money to families is 43% of the respondents' priority in expenses. Of the total number of respondents, 48% send part of their income to their families and the average monthly sent money is Rp. 188,000.00.

Respondents' residences are varied from company dormitories, leased house, personal houses, parents/in-laws' houses, rented room, and relatives' houses. Almost 30% of respondents stay with their parents/in-laws, 28% lease a house, and 22% own their own houses.

Working period of respondents in the company ranges between 0 - 29 years, in which 33.5% of the respondents have 2 – 5 year working period, and 48.7% have 6 – 15 year working period.

Based on the positions and working status in the company, 83.2% of the respondents are operators, and 86.2% are workers with permanent contract. Only 13.8% are with temporary contracts. Having a working condition in Indonesia that is full of LMF practices after the stipulation of Law no. 13/2005 concerning Labours, low percentage of respondents with temporary contracts does not represent labour situation in general. It shows that in Indonesian labour organization pattern, trade unions merely organized workers with permanent contracts. However, there are also cases, such as the one in a garment company in Sukabumi, all 2,300 workers with temporary contracts are union members of re SPN.

This survey discovers that the status of temporary contracts is also held by coordinator lines and supervisors. Out of 19 respondents of coordinator lines, 26.3% are of temporary contracts; and out of 6 respondents of supervisors, 16.7% are of temporary contracts.

7.c. Wage and Income

Wage of textile and garment workers consists of basic wage, fixed allowance, temporary allowance and overtime pay. Basic salary and fixed allowance in this survey are referred to as real wage, and real wage together with temporary allowance and overtime pay are referred to as total wage. The average basic wage is Rp. 833,475.00, average real wage received by the respondents is Rp. 888,300.00, and the average total wage is Rp. 1,090,253.00.

Table 8 : Comparison of Average Basic Wage, Real Wage and Total Wage

Company's Location	Average Basic Wage (Rp)	Average Real Wage (Rp)	Average Total Wage (Rp)
North Jakarta	1,064,000	1.064.000	1,247,441
DKI Jakarta	1,064,000	1.064.000	1,247,441
Bogor Regency	988,756	1.006.323	1,194,259
Sukabumi Regency	649,437	653.062	819,360
West Java	848,349	860.146	1,039,129
Karanganyar Regency	719,300	742.452	848,352
Semarang Regency	731,718	748.673	949,806
Sukoharjo Regency	611,976	614.717	769,394
Central Java	687,700	701.812	857,787
Tangerang Regency	1,022,500	1.040.313	1,269,519
City of Tangerang	905,329	1.116.764	1,433,165
Serang	1,050,471	1.071.546	1,267,819
Banten	970,310	1.092.112	1,355,811
National	833,475	888.310	1,090,253

Compared to UMK value, workers' average real wage is above *UMK*, except for North Jakarta, Semarang and Sukoharjo that are slightly below *UMK*, as shown in the following table.

Table 9: Comparison of Average Basic Wage, Real Wage and Total Wage with *UMK*

Company Location	Average Basic Wage (Rp)	Average Real Wage (Rp)	Average Total Wage (Rp)	UMK 2009¹ (Rp)
North Jakarta	1,064,000	1.064.000	1,247,441	1,069,865
DKI Jakarta	1,064,000	1.064.000	1,247,441	1,069,865
Bogor Regency	988,756	1.006.323	1,194,259	991,714
Sukabumi Regency	649,437	653.062	819,360	630,000
West Java	848,349	860.146	1,039,129	-
Karanganyar Regency	719,300	742.452	848,352	719,000
Semarang Regency	731,718	748.673	949,806	759,360
Sukoharjo Regency	611,976	614.717	769,394	710,000
Central Java	687,700	701.812	857,787	-
Tangerang Regency	1,022,500	1.040.313	1,269,519	1,055,000
City of Tangerang	905,329	1.116.764	1,433,165	1,064,500
Serang Regency	1,050,471	1.071.546	1,267,819	1,030,000
Banten	970,310	1.092.112	1,355,811	917,500
National	833,475	888.310	1,090,253	

The survey shows that working period is not calculated in waging. *UMK* that is supposedly for workers with below 1 year working period is made a standard of wage payment for workers with more than 10 year working period, as shown in the following Table 10:

Table 10 : Wage and Working Period

Location of Companies	Average Working Period (Years)	UMK 2009 * (Rp)	Average (Rp) Basic Wage (N=376)	Average (Rp.) Real Wage (N=376)
North Jakarta	7.8	1.069.865	1,064,000	1.064.000
Special Capital District of Jakarta	7.8	1.069.865	1,064,000	1.064.000
Bogor Regency	11.5	991.714	988,756	1.006.323
Sukabumi Regency	2.0	630.000	649,437	653.062
West Java	7.6	-	848,349	860.146
Karanganyar Regency	11.4	719.000	719,300	742.452
Semarang Regency	7.9	759.360	731,718	748.673
Sukaharjo Regency	8.4	710.000	611,976	614.717
Central Java	9.1	-	687,700	701.812
Tangerang Regency	8.0	1.055.000	1,022,500	1.040.313
Tangerang City	8.5	1.064.500	905,329	1.116.764
Serang Regency	5.8	1.030.000	1,050,471	1.071.546
Banten	7.4	917,500	970,310	1.092.112
Total	8.2	-	833,475	888.310

The above table shows that workers with 2 year working period and workers with 11 year working period receive real wages that are a little higher than UMK. In Special

Capital District of Jakarta, Semarang Regency, Sukoharjo Regency and Tangerang Regency, average real wage is below UMK for those with average working period of 8 years. The table also shows that working period has little influence on basic wage increase. Longer working periods might result in smaller basic wages. The survey also shows that overtime pay and fixed allowances contribute 24.1% toward average total wage.

Related to positional structure, Table 11 shows a very weak correlation between average real wage and positions, and one might have lower wage when one has a higher position. The table also shows that there is no difference between operators and higher positions in terms of average real wage.

Table 11: Average Real Wage for Each Position

Positions	Average Real Wage (Rp)
Operator	884,385
Line Coordinators	968,655
Supervisors	854,333
Staff	963,660
Others	829,221

Source: Primary Data

7.d. Pattern of Expenses

Pattern of expenses or pattern of workers' consumption based on decent living necessities components show that eating expenses is the largest group of expenses, followed by expenses for various needs and housing. Various needs include phone load, children's allowances, money transfer for families, contribution for social events and SP/SB levy. Detailed proportion of workers' expenses is shown in the following Table 12.

Table 12 Comparison on the Amount of Real Expenses based on 8 KHL Components

Component	Real Allocation (%)
Food	33.0
Housing	14.3
Education	3.6
Health	9.1
Clothing	1.9
Transportation	11.2
Miscellaneous	17.3
Leisure & Saving	9.2

Workers' expenses, beside expenses based on decent living necessities components, are also important to see the pattern of expenses based on the number of their dependents. This pattern is central to relate to the status of workers, single and married. It has been a common assumption that single workers have no dependents but themselves. This survey has found a different reality. Only 40.9% of single workers are without dependents. The rest has one or more dependents as shown in Table 13.

Table 13 : Number of Respondents based on Number of Dependents and Marital Status

Marital Status		Number of Dependents (persons, including the respondents)					Total
		1	2	3	4	> 4	
Married	Amount	0	14	45	71	65	195
	% of Marital Status	.0%	7.2%	23.1%	36.4%	33.3%	100.0%
	% of Number of dependents	.0%	38.9%	58.4%	75.5%	65.7%	51.9%
	% Total	.0%	3.7%	12.0%	18.9%	17.3%	51.9%
Single	Amount	70	20	29	19	33	171
	% of Marital Status	40.9%	11.7%	17.0%	11.1%	19.3%	100.0%
	% of Number of dependents	100.0%	55.6%	37.7%	20.2%	33.3%	45.5%
	% Total	18.6%	5.3%	7.7%	5.1%	8.8%	45.5%
Widow/ Widower	Amount	0	2	3	4	1	10
	% of Marital Status	.0%	20.0%	30.0%	40.0%	10.0%	100.0%
	% of Number of dependents	.0%	5.6%	3.9%	4.3%	1.0%	2.7%
	% of Total	.0%	.5%	.8%	1.1%	.3%	2.7%
Total	Amount	70	36	77	94	99	376
	% of Marital Status	18.6%	9.6%	20.5%	25.0%	26.3%	100.0%
	% of Number of Dependents	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	18.6%	9.6%	20.5%	25.0%	26.3%	100.0%

Workers' dependents live off workers' wage, partly or entirely. This study also shows that workers are the source of household living and they put aside part of their wage to send to their families. 47.8% of the respondents send their wage to their families and the average amount may reach Rp. 188,000.00 or 17% of their total wage. Table 14 shows average workers' expenses based on the number of dependents.

Table 14 : Workers' Expenses based on the Number of Dependents per Regency

Location of Companies	UMK 2009 ¹ (Rp)	Based on the Number of Dependents				Average Total Real Expenses (Rp)
		1 (Rp)	2 (Rp)	3 (Rp)	≥ 4 (Rp)	
North Jakarta	1.069.865	1,221,583	1,162,167	1,469,500	1,643,333	1,403,118
Special Capital District of Jakarta	1.069.865	1,221,583	1,162,167	1,469,500	1,643,333	1,403,118
Bogor Regency	991.714	1,170,300	1,518,080	1,688,720	2,442,311	1,897,689
Sukabumi Regency	630.000	832,883	631,600	778,200	1,135,263	880,350
West Java	-	986,255	1,074,840	1,385,213	1,967,020	1,476,722
Karanganyar Regency	719.000	739,103	632,433	904,294	1,310,039	1,104,999
Semarang Regency	759.360	1,038,833	1,168,856	1,427,813	1,489,816	1,434,854
Sukoharjo Regency	710.000	1,012,200	1,480,500	1,616,845	1,519,801	1,470,517
Central Java	-	895,263	1,059,303	1,323,319	1,449,220	1,344,376
Tangerang Regency	1.055.000	1,218,875	1,497,000	1,377,500	1,614,000	1,419,375
City of Tangerang	1.064.500	1,335,129	1,730,257	1,860,211	2,209,129	1,738,979
Serang Regency	1.030.000	885,075	1,043,825	1,409,755	1,605,081	1,468,960
Banten	917,500	1,275,518	1,484,150	1,656,737	1,820,686	1,606,878
National	-	1,129,971	1,237,409	1,484,498	1,626,829	1,467,896

The above table shows that *UMK* is not capable of paying workers' expenses, even workers with no dependents. It is more difficult for workers with more than 1 dependent to fulfill their needs when *UMK* is made a wage standard.

7.e. Wage Buying Power

The result of the survey shows that there is a relatively big gap between real wage and real expenses. In general, average real wage and average total wage are not capable of fulfilling workers and their families' decent living necessities, as reflected in average real expenses, shown in the following table.

Table 15 : Wage and Expenses (Rp)

Wage and Expenses	N	Minimum	Maximum	Average
Respondents' Basic Wage	376	287,000	1,400,000	833,475
Real Wage	376	530.000	1.834.594	888.310
Respondents' Total Wage(Latest Wage, February 2009)	376	565,000	2,300,000	1,090,252
Total monthly household income	376	565,000	3,905,000	1,486,713
Total Real Expenses	376	416,000	3,561,800	1,467,896

The following calculation shows the capability of respondents' wage in fulfilling their decent living necessities.

Table 16: Basic Wage and Real Wage Capabilities in Fulfilling Decent Living Necessities

	Compared to Minimum Real Expenses	Compared to Maximum Real Expenses	Average
Basic Wage Capabilities in Fulfilling Real Expenses	68.99 %	39.30%	56.78%
Total Wage Capabilities in Fulfilling Real Expenses	135.81%	64.57%	74.27%

The above table shows that basic wage is never capable of fulfilling decent living necessities of workers and their families. Compared to minimum real expenses, basic wage is only capable of fulfilling 68.99% of the necessities. Compared to maximum real expenses, basic wage is only capable of fulfilling 39.30% of the necessities, and in average, basic wage is only capable of fulfilling 56.78% of real expenses.

Compared to minimum real expenses, total wage is capable of fulfilling 135.81% and compared to maximum expenses, total wage is only capable of fulfilling 64.57%, and in average, total wage is only capable of 74.27% of real expenses.

Compared to *UMK*, *UMK* is capable of fulfilling 48.3% until 76.2% of average workers' real expenses, as shown in table 17.

Table 17 :UMK Capabilities of Real Expenses

Location of Companies	UMK 2009 ¹ (Rp)	Average of Total Real Expenses (Rp)	UMK Capability toward Average Real Expenses
North Jakarta	1,069,865	1,403,118	76.2
Special Capital District of Jakarta	1,069,865	1,403,118	76.2
Bogor Regency	991,714	1,897,689	52.3
Sukabumi Regency	630,000	880,350	71.6
West Java	-	1,476,722	
Karanganyar Regency	719,000	1,104,999	65.1
Semarang	759,360	1,434,854	52.9

Regency			
Sukoharjo Regency	710,000	1,470,517	48.3
Central Java	-	1,344,376	
Tangerang Regency	1,055,000	1,419,375	73.6
Tangerang City	1,064,500	1,738,979	61.2
Serang Regency	1,030,000	1,468,960	70.1
Banten	917,500	1,606,878	
National	-	1,467,896	

The result of survey on the value of workers' decent living necessities based on the number of dependents is shown in table 18.

Table 18 : Decent Living Necessities per Regency per Number of Dependents

Location of Companies	Decent Living Necessities (Rp)			
	Single (= 1 dependent)	K0 (= 2 dependents)	K1 (= 3 dependents)	K2(= 4 dependents)
North Jakarta	2,446,034	4,185,125	5,248,763	6,447,908
Special Capital District of Jakarta	2,446,034	4,185,125	5,248,763	6,447,908
Bogor Regency	2,345,598	3,992,695	5,148,677	6,463,232
Sukabumi Regency	2,750,230	4,314,496	5,087,798	6,379,657
West Java	2,480,475	4,099,962	5,128,384	6,435,373
Karanganyar Regency	2,239,882	3,756,645	4,725,417	5,830,647
Semarang Regency	2,266,658	3,777,363	4,726,695	5,834,546
Sukoharjo Regency	2,365,697	3,853,887	4,696,464	5,673,378
Central Java	2,290,746	3,795,965	4,716,192	5,779,524
Tangerang Regency	2,271,069	3,965,040	4,991,352	6,062,466
Tangerang City	2,828,785	4,460,908	5,599,175	6,859,015
Serang Regency	2,809,681	4,797,453	6,117,909	6,942,884
Banten	2,598,057	4,397,179	5,563,539	6,573,943
National	2,451,460	4,110,650	5,148,900	6,252,886

The table shows that national average KHL of single workers is Rp. 2,451,460.00.

Table 19 shows the comparison between UMK and average KHL per regency.

Table 19 : Decent Living Necessities for Every Regency/City (Rp)

Location of Companies	UMK	Decent Living Necessities			
		Single	K0	K1	K2
North Jakarta	1.069.865	2,446,034	4,185,125	5,248,763	6,447,908
Bogor Regency	991.714	2,345,598	3,992,695	5,148,677	6,463,232
Karanganyar Regency	719.000	2,239,882	3,756,645	4,725,417	5,830,647
Semarang Regency	759.360	2,266,658	3,777,363	4,726,695	5,834,546
Serang Regency	1.030.000	2,809,681	4,797,453	6,117,909	6,942,884
Sukabumi Regency	630.000	2,750,230	4,314,496	5,087,798	6,379,657
Sukoharjo Regency	710.000	2,365,697	3,853,887	4,696,464	5,673,378
Tangerang Regency	1.055.000	2,271,069	3,965,040	4,991,352	6,062,466
Tangerang City	1.054.660	2,828,785	4,460,908	5,599,175	6,859,015
Grand Total – Mean		2,451,460	4,110,650	5,148,900	6,252,886
National Average		4,066,433			

The above table shows that UMK is still far from fulfilling decent living necessities of single workers. Table 20 shows the capability of UMK in fulfilling average KHL per regency.

Table 20 : Capabilities of UMK in Fulfilling Workers' Decent Living Necessities based on Marital Status for Every Regency/City (Rp)

Areas	Single	K0	K1	K2
North Jakarta	43.74	25.56	20.38	16.59
Bogor Regency	42.28	24.84	19.26	15.34
Karanganyar Regency	32.10	19.14	15.22	12.33
Semarang Regency	33.50	20.10	16.07	13.01
Serang Regency	36.66	21.47	16.84	14.84
Sukabumi Regency	22.91	14.60	12.38	9.88
Sukoharjo Regency	30.01	18.42	15.12	12.51
Tangerang Regency	45.99	26.34	20.93	17.23
Tangerang City	37.28	23.64	18.84	15.38

Compared in all the areas, *UMK* is only capable of fulfilling below 50% of single workers' Decent Living Necessities, with 22.91% for Sukabumi Regency and 45.99% for Tangerang Regency. The table also shows the percentage of Decent Living Necessities that can be fulfilled by *UMK* is less for married workers with children. For example, *UMK* of married workers with 2 children can only fulfill 9.88% workers' *KHL* in Sukabumi and only 17.23% in Tangerang Regency.

The pattern of expenses and workers' wage allocation shows that the value of workers' real expenses does not reflect a fulfillment of decent living necessities. This survey invited workers' subjective opinions on sufficient expenses, compared to *UMK*. The details are shown in the following table 21.

Table 21 : UMK, Total Wage, Total Real Expenses by Regency/City (Rp)

Location of Companies	UMK 2009 ¹ (Rp)	Real Wage (Rp)	Total Wage (Rp)	Average Total Real Expenses (Rp)
North Jakarta	1,069,865	1.064.000	1,247,441	1,403,118
Special Capital District of Jakarta	1,069,865	1.064.000	1,247,441	1,403,118
Bogor Regency	991,714	1.006.323	1,194,259	1,897,689
Sukabumi Regency	630,000	653.062	819,360	880,350
West Java	-	860.146	1,039,129	1,476,722
Karanganyar Regency	719,000	742.452	848,352	1,104,999
Semarang Regency	759,360	748.673	949,806	1,434,854
Sukoharjo Regency	710,000	614.717	769,394	1,470,517
Central Java	-	701.812	857,787	1,344,376
Tangerang Regency	1,055,000	1.040.313	1,269,519	1,419,375
Tangerang City	1,064,500	1.116.764	1,433,165	1,738,979
Serang Regency	1,030,000	1.071.546	1,267,819	1,468,960
Banten	917,500	1.092.112	1,355,811	1,606,878
National	-	888.310	1,090,253	1,467,896

The whole survey shows that minimum wage buying power still cannot fulfill workers' real necessities. The survey also shows that UMK capabilities are still far from Decent Living Necessities fulfillment, compared to Garteks SBSI and SPN versions of Decent Living Necessities components, even for single workers.

7f. Workers' Coping Strategy

The result of survey shows that workers' total income and UMK can never fulfill their living necessities. Therefore, workers have various ways of fulfilling their living necessities, such as by doing side jobs, combining their received income with the income of other family members as household income, buying goods in credit system, saving money by reducing the quality and or the quantity of the consumed goods, or not buying goods at all, continuous circle of debts, longing for THR, depending on other family members, cooperation, and friend solidarity.

Various ways as mentioned above in order to fulfill decent living necessities using insufficient wages are found in this survey and it has been a confirmation on many studies of workers' life in Indonesia for three decades of industrialization. This survey also confirms that workers' wage is the source of family income in the village, and even though the wage is insufficient, for some workers, sending money is an obligation.

On the other hand, some workers have to depend on parents' contribution in form of cash or food to be able to fulfill their living necessities. Some of them even give out child care to their parents. This condition is one of the characteristics of workers' life in Indonesia and in other developing countries.

BOX 1

Raising 3 children with worker's wage in Central Java

Tatik is a single parent with 3 dependents: a 5 year old, a 3 year old, and a 1.5 year old. She has been working for 9 yers in a garment company in Central Java and she receives total monthly wage of Rp.714,800.00. Since her husband left, she and her children has been staying in her parents' house in Klaten. Every day, she has a 2-hour return trip from the house to the factory by using public transportation, in which she has to spend monthly Rp.300,000.00. She uses the rest of the money for her children's allowance, at least Rp.150,000.00 per month. She pays for her children's school fee, Rp.25,000 per month, buying milk and personal needs. On feeding her children, she has help from her mother who works on other people's paddy fields and her father regularly gives her money. Sometimes she sells 3-kilo rice harvested from her mother's paddy field for one-week transportation fee, helped by her friends whenever she runs out of money for her children's allowance or sometimes she borrows from the cooperative for urgent needs. She does not have the courage to borrow money from profiteers in her village because it has to be returned with high interest.

Tatik works 6 days, 40 hours a week, and she rarely works overtime.

The company provides health care and pays for medication, including hospital treatment, and also marriage and birth allowances.

BOX 2

Helping Family using Worker's Wage

Nurjayanti (21 years old, female, single) is a factory garment workerr in Bogor Regency. She graduated from High School in 2006, and she left her hometown in Waykanan Lampung to work in Java. She has been working for 1 year and 3 months in the factory.

Nurjayanti receives monthly basic wage of Rp. 991,714.00. She also receives fare for food, transportation fare and overtime pay that in February 2009 she receives total wage of Rp. 1,278,792.00.

Her expenses are on monthly food of Rp. 537,000.00 or daily Rp. 17,900.00. She pays monthly Rp. 265,000.00 to pay a 3X3 meter room rent, in which she shares with a friend, and also to pay for electricity and clean water. She also pays Rp. 54,000.00 to buy soap, toothpaste, woman napkins and for haircut. She spends Rp. 110,000.00 to buy phone load and for recreation, whereas for transportation, she does not spend any money because her place only ranges 500 meters from the factory where she works.

Nur is the third child of three children. At this moment, her parents no longer work. That is why Nur, together with her 2 siblings regularly send money for her parents in Lampung. She sends monthly average of Rp. 100,000.00. Nur actually wants to send more, but her eldest sibling who lives with her parents forbids her because she still has to save money to return home every year. Nur has to prepare Rp. 500,000.00 for transportation to Lampung.

(Source: Result of Survey and Rina's Interview with Nurjayanti, 5 April 2009)

8. TOWARDS LIVING WAGE CONCEPT

The result of survey shows that minimum wage is incapable of fulfilling workers' decent living necessities, and it cannot fulfill workers' real expenses that are adjusted with the received wage. Beside the low minimum wage buying power of living necessities, the survey also proves that minimum wage is made a waging standard by employers and or

have been made maximum wage. Minimum wage is no longer given to workers with less than 1 year working period, but it is given to all workers with working period of more than 10 years. This matter needs to be observed by the unions, employers, and the government because it has a wide implication on industrial performance and workers on the whole.

Minimum wage incapability of fulfilling decent living necessities implies certain matters on the interest of workers, employers and the government at the same time. Low minimum wage buying power on fulfilling decent living necessities leave no choice to the workers but to save money on buying goods and to live in debts. Such condition of the workers will definitely have serious effects on company performance and productivity, which will also influence company's competitiveness. Aggregately, company's low productivity and competitiveness reflect on low national competitiveness.

In the framework, workers' enhancement needs to be carried out through wage and through living wage concept, which is an idea to improve wage in order to increase productivity.

One of the components to fulfill decent living necessities is wage. Other components are social securities that are government's task and responsibility to provide and guarantee its access for the workers. It means that decent living necessities are not merely the responsibilities of employers, but they are also the obligation and responsibility of the government. In relation to living wage concept, decent living necessities are not valued as living wage. Living wage concept offers a wage concept that puts priority on workers and employers, and that divides responsibilities between the government and employers. In this concept, trade unions have the role of maintaining and developing their members' performance so that they will have strong arguments whenever there are violations of living wage implementation.

Indonesia has actually had an early idea of living wage concept, stated in Minister of Manpower and Transmigration Regulation No. 17/2005 that stipulates on gradually fulfilled components of decent living necessities. The gradual stages in the regulation may be sped up and made a basis to ripen the living wage concept. Indonesia also has a Law of National Social Security System – SJSN that will be effective in October 2009. This Law is a materialization of government’s obligation toward its citizens. In the last 2 years, some trade unions in Indonesia have been actively involved in the perfection of the law, and they have proposed ideas on encouraging effective law implementation. Both regulations may complete each other in realizing living wage concept.

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