Work, Organisation & Industry
~ The Asian Experience ~

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CHAPTER 12

Labour Relations and Labour Unrest in an Indonesian Export Processing Zone

Eckhard J. Dittrich
Pheni Chalid

Introduction

Any discussion about labour relations has to address the special networks set up between workers and organisations, representing their interests, employers and their interests, organisations and the state. In modern Western societies, these networks regulate the social relations in the economy; in other societies, a clear distinction between the political and economic realms has yet to appear. This special network results from the social disputes of the past and is largely influenced by the power each party can exercise on the others in the network. This ability to exert power on the other parties depends on the political system, the economic conditions and the cultural heritage prevailing in a given network.

Western societies, in their development, gradually learned to cope with the conflict inherent in different interests and institutionalised labour relations. That does not mean that these societies do not display any conflicts, but it means that

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these societies have developed mechanisms to cope with these conflicts in a more civilised manner (Dittrich, 1994:164; 1995a:138).

In developing countries, an institutionalised system of labour relations rarely exists. Instead, their task is to develop such a system in order to develop social means of coping with the diverse interests. This is not easy as the margins of distribution are so narrow that parties can hardly be compensated for compromises, give-ins, etc. Thus, conflicts are often in danger of becoming unsolvable. Besides, given no clear distinction between the polity and the economy, conflicts often immediately affect the state and the government and become politicised, infecting the whole society.

For a long time, the Indonesian government has tried to set up developmental strategies for industrialisation on the one hand and for social integration on the other. After the oil boom in the 1970s, the “new order” of Soeharto began to understand industrial development mainly as export policy combined with Pancasila, a traditional philosophy of social harmony which was transformed into a state ideology.

In this article, we describe the two elements in the development process in Indonesia. We do so by studying an Export Processing Zone (EPZ) north of Jakarta which was the subject of research for ten months in 1994. The establishment of the Zone can be considered a special attempt of the government to enhance industrialisation in Indonesia.

**Indonesia’s Industrialisation Policy**

The role of the national economy was seen differently during the “old order” of the Soekarno administration in the immediate post-independence period. The main emphasis was placed on nation-building. This led to difficulties in meeting the people’s material needs. Upon the demise of the old regime, a desperate economic situation had appeared with an inflation rate in the thousand percentile range.

When the “new order” government seized power at the end of 1965, it convinced the people of their economic policy by propagating the slogan of “TRITURA” (three requests of the people). The new policy encompassed a ban on the communist party and its affiliated organisations, and the replacement of the people’s assembly in order to produce a constellation of harmony in society to achieve economic betterment and enhance social stability.

To develop the collapsed national economy inherited from the “old order” regime, the “new order” facilitated (spatial) regional economic diversities such as in agriculture by promoting an agricultural processing industry, and in tourism.
through sponsoring new resorts, etc. This developmental strategy was implemented by an “open-door” policy: the state borrowed money from international monetary institutions, a practice painstakingly avoided during the Soekarno era. The national economy began to grow steadily and the state became the key actor in producing this growth. At the end of the ’70s, industrialisation was strongly supported by the political elite and spread to most parts of the manufacturing sectors, especially those producing for export. The state established its own companies and subsidised many industrialisation initiatives. This was possible because of the revenues the state earned from oil exports. In the 1980s, the decision was taken to reduce the state revenue’s dependency on oil exports which alone accounted for 61 percent of the whole of the state’s revenues (Papanek, 1980:26).

The annual growth of the domestic economy fell far behind the expected rate. Meanwhile, the world oil crisis also limited Indonesian economic policy options. Both conditions pushed the state to raise even more funds from international institutions such as the World Bank and the International Monetary Fund to sustain its economic development path. The loans steadily increased not only in nominal value but also forced the state to pay increasingly for interest. The indebtedness of Indonesia went so far that it became the second state to surpass the lending limit agreed upon by lending and receiving countries.

These factors forced the government to accelerate industrialisation which now mainly focused on producing goods for export as a means to capture the economic needs in the open international market. Manufacturing had grown gradually, increasing its share of the Gross Domestic Product (GDP) from 9 percent in 1971 to 11.7 percent in 1978, 12.7 percent in 1983, and 18.4 percent in 1989 (Soegijoko, 1993:79). The industrial growth rate was 13 percent per annum from 1969 to 1989, i.e. during the first four Five-Year Development Plans (REPELITA I-IV). Thus, it has been twice as high as the average annual economic growth rate of 6.5 percent.

The rapid growth of industries, mainly around the big cities, attracted villagers to the urban areas. This has been the main reason for the high population growth in the cities, particularly in regions where industries are situated. The absorption of workers into the manufacturing sector is part of necessary solutions to Indonesia’s severe unemployment problems. Though, in 1990, more than eight million people were employed in the manufacturing sector, these accounted for only 10.7 percent of all workers in the various sectors and only 6 percent of the total labour force (BPS, 1990). Nevertheless, Indonesia shows an unemployment rate of 16.6 percent. Therefore the current developmental policy seems unable
to fulfil its intended promise of better employment. From the perspective of labour relations, the emphasis of the current policy on its two pillars — industrial exports and the Pancasila — is weighted heavily in favour of the state and its investors (domestic and foreign).

Industrialisation and the creation of an industrial labour force, however, are not merely a question of state policy or of the numbers employed. Nor is it solely or even predominantly a question of shifting people from less productive to more productive sectors. For the people being employed, the conditions under which they work are at least as vital as the impact of industrialisation on employment problems at the macro level of society (Mather, 1983). To understand the nature and evolution of work relations among parties in industry, one should also study working conditions and labour relations from the bottom up.

**Labour Relations in Indonesia — The National Level**

In Indonesia, it is the state that plays the dominant and most active part in labour relations. The state believes it to be its task to shape labour relations. The regulation of labour relations is thought to be directly linked with industrialisation. In the eyes of the state and its ruling groups, labour relations have to serve the needs of industrialisation and it is the task of the state to set the prerequisites for it. The resultant lack of freedom of coalition building has often been criticised by domestic labour activists and international organisations like the International Labour Office in Geneva.

If one attempts to understand labour relations in Indonesia, one should analyse the role of the state as a distinctive player in the field before turning to other parties, such as trade unions, employers' associations, workers, Non-Governmental Organisations (NGOs), etc.

Of course, the state also has to be examined in the context of the impact of other actors, and the regulations produced by the interaction of the actors. In this paper, we shall mainly study trade unions, leaving the examination of the employers' associations aside.

**Pancasila Labour Relations**

Pancasila means the “five foundations” that constitute five basic philosophical principles:

1. Belief in One Supreme God;
2. Just and civilised humanity;
3. The unity of Indonesia;
4. Democracy by consultation among people's representatives in order to reach joint agreements; and
5. Social justice for all the people of Indonesia.

These foundations were originally formulated by a team of political leaders — the "Investigating Committee for the Preparation of Indonesian Independence" (BPUPKI) — in June 1945. They relied on traditional beliefs about the proper way of life. During Sockarno's era, the Pancasila was proclaimed as the state philosophy. During the first years of free statehood, it may be understood as a means to ensure mutual respect and facilitate co-operation among people from different ethnic, ideological, and religious backgrounds in the country.

In this ideology, the value of harmony which mainly derived from the value of the unity of Indonesia, the third "pearl" of the Pancasila, is of overwhelming importance. It can be looked upon as supplementing the export-oriented industrialisation policy from the side of internal politics. Thus, the leading forces of the new regime tried to legitimise their position and policies. The Pancasila became the glue to integrate the whole of society. If it was necessary, the Pancasila was enforced by coercive means. In general, it had to be accepted by all political parties, cultural institutions, social and economic organisations, religious groups, etc., as the guiding principle governing their behaviour.

The Pancasila also became the ideology of labour relations. It was first declared to be a guiding principle in this field by the Secret Service in 1974 and became "officialised" by the People's National Assembly in 1978. A revision took place in 1983. The justifying logic behind the revision was that the development of labour relations had to be directed towards effecting amicable co-operation between employees and employers. The Pancasila and the Constitution of 1945 declare, "each party needs each other, has to respect each other, and carries out its respective obligations in the production process. Thus it is believed that the participation of society in developing the country can be raised in a common effort".¹

Pancasila labour relations (HIP) not only function as a complementary measure to the state development policy, but also as an ideological weapon of the new order to overcome economic hardship, resulting from industrialisation policies. Conflict had to be avoided in order to attract foreign capital and to attain peaceful internal accumulation of capital.

The Pancasila is an indigenous developmental ideology. Where it failed, the state used its coercive power to restore that kind of peace it deemed useful for society. The interpretation of the Pancasila was solely concentrated in the hands
of the ruling elite. In the name of the Pancasila, state military and security bodies of all kinds could intervene in any conflict whenever they thought intervention appropriate. Despite criticism from trade unions and NGOs, the state did not refrain from playing the decisive role in labour relations. Under these conditions, autonomous bargaining partners could not be constituted; they remained an appendix of state policies. Independent interest articulation by trade unions was nearly made impossible by the introduction of the Pancasila, as any action could be interpreted as being disruptive to harmony.

**Interest Regulation and the State**

The net of regulations governing workers' rights is quite wide in Indonesia. Two years after independence, Indonesia began to ratify some International Labour Office conventions. The body of resulting laws and regulations is able to protect the basic rights of workers, if the state would properly supervise their implementation. The Pancasila and the priority given to the Indonesian version of industrialisation has led to an overall neglect of workers' rights. The state as one actor in the field normally is an actor “fighting” against free trade unions and neglecting workers' rights. Thus it is not astonishing that most grievances of workers are put in “order” by security measures and forces. In general, collective bargaining may be handled without the state. But by Decree from 1986, state security bodies are legitimised to intervene. This Decree allows private companies to ask for assistance from military forces or the police or local government officials in case of labour disputes. Furthermore, in cases of arbitration, the arbitration bodies of the Department of Manpower may ask local district officials, the district police and the district military command to take part in the proceedings. This occurs quite frequently. The Decree was modified in January 1994, restricting security bodies’ intervention in labour disputes. But their presence in strikes has not decreased as the Bakorstanas (the National Stability Coordination Body) regulation still allows the military to handle industrial disputes. This regulation legitimises intervention in strikes and in all sorts of bipartite or tripartite “consultations”. Students of the field estimate that security bodies in East Java intervened in one out of two strikes.

In cases of consultation, the security bodies play the role of the third party. Quite often, they close ranks with management. And even those cases are not rare in which the army actively forces workers back to work. The Marsinah case in 1993, for example, drew much attention as it highlighted the degree of military coercion in industrial disputes.
Collective Bargaining

Collective bargaining between labour and employers' organisations is executed at all levels of society. The regional level mainly plays a role in fixing minimum wages that are allowed to fluctuate across regions.

National regulations cover the general conditions of work and labour relations. But as the trade union organisations are hybridised by the state and its labour policy, collective bargaining and its results can be looked upon as an appendix of state policies regulating work. Moreover, working conditions are more often fixed directly by decrees of the Ministry of Manpower than by collective bargaining.

On the plant level, workers may be represented by trade unions and employers by their representatives. The major purpose of agreements is to ensure industrial harmony. Bargaining should be executed in great understanding for the other parties' interests. If done in this way, the interests of each group would be best served and true representation of interests would be reached.

Representation of workers' interests is not only hampered by an ideology that allows for limited acceptance of different interests as the basis of collective bargaining. Indonesia does not know autonomous unions but displays a "classical" yellow union, the All Indonesian Organisation of Employees (SPSI). Nevertheless, coverage is very low: only 24 percent of middle and big companies display union presence. In these companies, functionaries of the SPSI are designated their positions by management. Invariably, instead of advocating workers' interests, they tend to be on the side of management.

Observers agree that the vast majority of all workers in industry is covered by so-called labour contracts, if any written agreement exists at all. These labour contracts are one-sided regulations drafted by management. It is usually the personnel manager who, while recruiting the employees, asks them to sign and thus officialises the labour contract.

In our sample, 74 percent of the workers did not know anything about an agreement or a contract. All 16 manufacturers under study in the Export Processing Zone north of Jakarta had no formal contract. Labour conditions were solely regulated by the employers. Nevertheless, many workers perceived these one-sided regulations as formal contracts. Unions were not involved in setting these up. Furthermore, only 50 percent of the firms inform the workers about these one-sided labour contracts, for example, by sticking a notice on a factory wall or at the entrance.
Trade Unions and the Freedom of Organisation

After the “new order” regime seized power at the end of 1965, the state banned the communist party and all related organisations, labour unions included. For purposes of representation, state authority bodies, mainly army personnel, and labour activists from anti-communist unions such as the “United Action of Indonesian Labour” (KABI) formed a forum for consultation which was officially named “Consultation Forum of Indonesian Labour” (MPBI) in 1966. Six years later, this forum was transformed into the “Indonesian Labour Federation” (FBSI). This umbrella organisation grouped unions for each industrial sector. These unions had relative independence from the Federation.

At its second congress in 1985, by direct intervention of Admiral Sodomo, the Minister of Manpower, the loosely coupled Federation was integrated into a centrally-led organisation. Industrial sectors were no longer represented in the union structure. This new “All Indonesian Organisation of Employees” (SPSI) tried to avoid any connotations of conflict. Therefore, the term “labour” in its former name was replaced by “employee”. In the eyes of state officials, the terms “worker” and “labourer” were deeply connected with the idea of conflictual relations between trade unions and employer association. It was agreed that this was not in accordance with Pancasila Labour Relations and the political system built upon this “philosophy”. To further underline harmony, the congress elected a businessman — Imam Sudarwo — as chairperson of the new organisation. This chairperson was, at the same time, a leader of the textile employers’ organisation.

Protests against this organisational domestication failed. The SPSI became the only legal trade union in Indonesia. It was protected against competition by strict registration requirements that turned the SPSI into a closed shop. To organise a new union, a federation is supposed to unite at least 20 of the 27 provinces in the country. Even though the regulations were modified in 1993, it is still nearly impossible to found a new federation. The requirements are still so difficult to fulfill that SPSI need fear no competition.

Concerning plant-level organising possibilities, a state decree loosened slightly the tight control on unionisation. It may be looked upon as a result of years of protest by national labour activists and international labour organisations against the lack of freedom of association-building. This 1994 decree allows other unions (besides the yellow ones) to be organised. They have the same rights as the yellow organisations and can be voted for in companies with more than 25 employees. The union to be established wins bargaining rights only if more than 50 percent of the workers employed in a company vote for it. If they don’t reach...
this requirement, workers lose all bargaining rights. This stipulation made the ILO issue a new protest.

Also within the SPSI, state control seems to be on the retreat. At its congress in November 1995, the federation returned to its old organisational form, thus strengthening decentralisation again. But whether this means a betterment in the representation of workers' interests is left to be seen.

In general, interest representation is still very limited in Indonesia. Whether this will change in the near future largely depends on the workers themselves. The eruption of strikes in recent years indicates a change in behaviour that might result in more freedom to organise and in better representation of different interests.

**Actors and Collective Bargaining in the Export Processing Zone**

The following pages represent some of the field work in one of the export processing zones north of Jakarta. Three hundred and forty-nine workers in 16 companies were researched and 87 standardised questionnaires were issued. The companies produce mainly garments, shoes, umbrellas, textile, etc. Employees are mainly unskilled female labourers. The use of questionnaires was supplemented by participant observations and by only partly standardised in-depth interviews.

Collective bargaining and collective relations in the export processing zone (EPZ) in principle do not differ from those outside the zone. The state plays the most important role in steering bargaining and labour relations, and its policy favours both foreign and domestic investment. Interest representation and collective bargaining are thought to disturb this policy and are therefore severely controlled. Foreign investors in the EPZ mostly come from the newly industrialised countries in Southeast Asia. Unionisation is low and where unions exist, they resemble the yellow unions described above. Interest representation of workers is very limited. The workers themselves are predominantly long-distance migrants from central Java, unfamiliar with industrialised working conditions when coming to Jakarta. This group represents a distinct ethnicity with its own language. Both sexes can be found in the EPZ although female workers constitute a larger percentage. The educational level is quite different. These employees, when starting work in the EPZ are normally confronted with Korean investors. They usually apply their native working conditions, their forms of control, etc. without paying heed to the local circumstances or the cultural and social background of the workers.
The zone is safeguarded by security bodies whose leaders are usually retired army personnel. These security bodies are present everywhere. There are also non-governmental organisations (NGOs) in the zone trying to assist workers and thus representing a kind of rudimentary free unionism. In the following segment, we shall try to describe actors and their relations more thoroughly.

**The Korean Employer**

The majority of companies in the EPZ are owned by South Korean investors or jointly owned by Korean and Indonesian investors. Many supervisors, production managers and top managers are Koreans. Inside the factories, one usually finds many symbols that stem from South Korea. Directions are often written in Korean. Usually, the work organisation represents a transplant from Korea. The managers also expect Indonesian workers to behave like their South Korean counterparts. Many Korean managers and supervisors cannot speak Bahasa Indonesia, the national language of Indonesia. They communicate with the workers mainly by signs and gestures. In the 16 companies under study, we found only 3 managers who understood the spoken Bahasa Indonesia. Obviously, language is no criteria for becoming a manager or supervisor in industry in this Indonesian export processing zone.

Figure 1. Structure of Management in most companies in the Export Processing Zone
To bridge the communication gap between the Korean managers and the Indonesian workers, the companies quite often designate Indonesian citizens to those positions where indigenous knowledge seems indispensable. Therefore some finance managers and all personnel managers are Indonesians. The personnel managers are of utmost importance in handling and guiding social and labour relations in the companies. They can be trusted to be decisive in shaping the relations between Indonesians and the Korean staff.

The wage ratio between the two ethnic groups creates a climate of discontent among the Indonesians. The ratio between the Korean managers and the workers is 1:90/150. The ratio of Indonesian managers to Korean ones of the same position is still 1:10/15. The Indonesian managers in their vast majority judge this to be ethnic discrimination. These differences seem to be responsible for attribution processes at large that have stereotyped and self-stereotyped the two groups. Workers feel that there is no need to work hard because only the “foreigners” enjoy the fruits of doing so, while the Koreans look upon the Indonesian workers as lazy and less productive and therefore requiring greater control and constant discipline.

**The Javanese Migrant Workers**

Industrial workers in the EPZ migrated to Jakarta from various provinces (83 percent) while the Jakarta-born workers only constitute 17 percent of the labour force.

Among the migrant workers, 35 percent are newcomers from central Java. And if one looks at the 17 percent Jakarta-born workers, 7 percent have parents also born in central Java. Thus, it can be said that nearly half of the workers (42 percent) are familiar with the cultural background of central Java. This implies that the central Java culture is kept by the migrants in the city. And, indeed, scholars point out that even in Jakarta, these migrants use their mother tongue and predominantly socialise with families of the same ethnic background (Markham, 1995).

The atmosphere in the EPZ is strongly influenced by Javanese culture and its language. The migration to Jakarta mirrored in the EPZ workforce is a long-distance one. This is true for the 35 percent of migrants from central Java. Seventeen percent are from Jakarta, and another 15 percent from provinces bordering the capital. Thus, 68 percent are long-distance migrants. The vast majority of the migrants have a village background largely influenced by agriculture. Hence, working in industry for them means striving for a new life in a new urban surrounding and working under alien conditions.
The long-distance migration to Jakarta may highlight three developments in the Indonesian society, especially among the Javanese. First, it indicates that the traditional norm of physical nearness loses its mobility preventing power. The traditional Javanese culture is orientated towards the "gemeinschaft", that is family and neighbours. One basic motto to illustrate this is "mangan ora mangan, kumpul"; "to have to eat or not, most important is to stay together". Second, the economic conditions in the countryside are no longer able to absorb the next generation and to place it in positions available in its agricultural world. Third, the higher educational level provides people with incentives for greater mobility, a phenomenon well known from migration theory. For the urban centres, this means a growing number of job-seekers with fairly high educational certificates won in the countryside.

Given this job scarcity, it is hardly surprising that the manual workforce in the EPZ is comparatively overeducated. Their present position is in effect not commensurate with their educational qualification and employment potential. We shall elaborate on this in one of the following sections.

**Differentiation of the Workforce**

The workforce in the EPZ is not homogeneous but differentiated mainly by sex, age, marital status and education. The majority of the garment, textile, raincoat, umbrella and shoe companies prefer to employ female rather than male workers: 68 percent compared to 32 percent. Very often, this is explained by the greater precision in handling delicate materials that serves to raise quality, and by the obedient behaviour of the females.

The latter judgement has its grounding in the male dominance in almost every aspect of life in Indonesian society. But whether this prevents conflicts and protests in working life is to be researched and cannot simply be deduced from the societal norms. The vast majority (90%) of workers is under 28.

*Table 1. Age Structure of the Workers*

<table>
<thead>
<tr>
<th>Age</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 28</td>
<td>32</td>
<td>10</td>
</tr>
<tr>
<td>24-27</td>
<td>123</td>
<td>39</td>
</tr>
<tr>
<td>20-23</td>
<td>105</td>
<td>34</td>
</tr>
<tr>
<td>16-19</td>
<td>45</td>
<td>16</td>
</tr>
<tr>
<td>Under 15</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>314</td>
<td>100</td>
</tr>
</tbody>
</table>
In Indonesia, this age is looked upon as the most productive. The majority of these workers have junior or senior high school degree attained in the countryside. Managers employ them as they think that their lack of industrial experience decreases the likelihood of protests. They argue that, in the villages, people are less accustomed to conflicts and this helps maintain industrial peace. Proof for this can be seen in the greater ease that management has in moving these young female workers from one position to another. Whether this is really due to their lack of conflict experience or a result of the high unemployment that makes people keep their jobs whenever they can, cannot be answered here.

Seventy-three percent of all workers in the EPZ are singles, 27 percent are newly-married couples. Of those married, one-fifth have one or two children. No couple has more than two children. The children of the couples working in the same factory all stay with their grandparents in the countryside. The price of rents and working time do not allow the workers to have their children with them.

In addition, school facilities around the EPZ are limited and expensive. Of course, children and grandparents are supported financially. Visiting the children is rarely done because of transportation costs. Normal family life for this segment of the next generation is going to be an unknown field of social experience. Whether this situation makes their parents and the singles more or less prone to interest representation remains to be seen.

The level of workers' education in the zone is unusual for manual workers in most so-called Third World countries. More than half of them have a senior high school degree.

**Table 2. Educational Level of Workers in the EPZ**

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years university</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3 years college</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Attended university</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Senior high school</td>
<td>188</td>
<td>54</td>
</tr>
<tr>
<td>Junior high school</td>
<td>90</td>
<td>26</td>
</tr>
<tr>
<td>Primary school</td>
<td>54</td>
<td>15</td>
</tr>
<tr>
<td>Pre-primary school</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>349</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: The writer's own data from the field.*
Some have even studied. For many of the repetitive unqualified jobs in the EPZ, even junior high school graduates may be considered as overeducated. Only 17 percent of the workforce have degrees below junior high school. This educational structure of the manual workers in the EPZ differs totally from the educational structure of industrial workers in the ’70s and ’80s. In these two decades, manual workers with primary school qualifications or less dominated the workforce. The rise in educational levels seems to be a countrywide phenomenon that is not accompanied by jobs that require higher educational abilities. In the ’90s, a growing number of high school graduates was forced — with almost no choice — to work as manual workers with an income that is far below their expectations. When questioned, almost all workers with high school degrees explained that they worked in the factory not because “they want to”, but because they “have to”. And usually, they add that they will only do the job until they have found an adequate one. But the proportion of those working in the same job longer than one year is quite high especially if one takes into account that the contracts in the EPZ usually cover one month and are only prolonged if no partner objects. It seems that the manual workers exercise a kind of self-betrayal about their real chances of finding more qualified and better-paid jobs. Once they work in the EPZ, they fall into a time trap, 2-5 hours overtime being normal and necessary to keep a decent living. The workers rarely return home before 9-10 p.m. That leaves them little time to apply for another job. Moreover, they have limited knowledge about job openings as these are rarely printed in the press. To go job hunting, they have to absent themselves from their job, a move which usually entails wage cuts. Thus, contrary to their intent, the workers are doomed to their current jobs. That is, the temporal character of their jobs is a kind of subconscious rejection of unsatisfactory working conditions. This subconscious evasionism explains the lack of a conscious movement for interest representation and betterment of their present situation.

**Non-Governmental Organisations in the EPZ**

There are several Non-Governmental Organisations (NGOs) active in the EPZ. One might distinguish two types: more political ones and more "syndicalist" ones. The political ones look upon the workers to be conflictually weak. They want to destroy the exploitative capitalist economy and the corruptive regime. Their activists try to intervene especially during strikes and during violent actions by the security bodies.

The second type of NGOs consists of workers in the factories who fight for betterment of working and living conditions. They are the non-yellow union
activists that try to counsel workers on their daily problems, advise them how to bargain, try to realise existing rights and try to broaden participatory options. At least some of them have had long working experience in other factories and were dismissed. Their new working positions allow them entrance to the EPZ and direct contact with the workers.

**Labour Unrest**

Despite evasionism, despite feminisation of manual work, despite economic hardship and political repression, etc., labour unrest has sprung up also in Indonesia and has steadily increased during the last years. In this respect, the industrialisation policy seems to have failed. As mentioned above, one cornerstone of it was the intended creation of a non-conflictual Pancasila Labour Relations to guarantee steady production and low wages. Instead, many workers seem to have been pushed into an economic situation in which protest seemed to be the only way out. The overwhelming importance of the economic motive in the strikes can be shown by two facts: the differences between European and North American companies and East Asian ones and in the motives given by the workers themselves when asked about their reasons for going on strike.

European and North American companies operating in Indonesia rarely experience protests by their employees. Two main reasons seem to account for this: better pay and better working conditions. Contrary to Korean, Taiwanese and Japanese companies, the other foreign companies seem to pay better. Additionally, working conditions seem to be better, and grievances are more easily accepted because of what the literature calls a different “taste of democracy”. As we only had Southeast Asian companies in our sample, we could not prove this overall estimation in the EPZ researched. There, no relevant differences between foreign and domestic companies showed up.

**Table 3. Labour Strikes in the Foreign and Domestic Companies in the EPZ, 1990-1993**

<table>
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</thead>
<tbody>
<tr>
<td>Foreign</td>
<td>2</td>
<td>12</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Domestic</td>
<td>3</td>
<td>9</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>21</td>
<td>29</td>
<td>30</td>
</tr>
</tbody>
</table>

*Source: The Manpower Division of the Bounded Zone Area.*
When, at the beginning of the ’90s, labour unrest suddenly sprang up in Indonesia, the EPZ was also affected. And while observers talk about an increasing number of strikes nation-wide, this can also be seen in the EPZ: In 1990, the strike wave began with five strikes, in 1992 there were 29, and in 1993 30 occurred. At the beginning of 1994, a big wave of protest which involved more than half of 111 factories appeared in the EPZ. Those protest waves can be taken as an indicator that the strike movement after 1993 had yet to come to a halt. One also has to take into account that the official numbers tend to underestimate the protests as the manpower division of the EPZ has no interest in revealing the full picture of what is going on in the zone.

The motives for the strikes as mentioned by the workers range from wage discontent to demands to abolish yellow unionism. Management was asked to comply with minimum wage standards as well as to comply with the official health care provisions. The workers protested against bad working conditions, the lack of safety precautions at the work place and asked for maternity pay.

By its own constitutional regulations, the official unions had no chance to advocate workers' interests.11 These regulations forbid unions from intervening in labour disputes. Instead, they are obliged to forward the workers' complaints to management. This has to be done on an individualistic basis, that is individual workers have to address management and unions have to refrain from supporting them. Management then is obliged to report the discontent to the appropriate

<table>
<thead>
<tr>
<th>Reason for Going on Strike</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage increase</td>
<td>165</td>
<td>25</td>
</tr>
<tr>
<td>Transport payment</td>
<td>81</td>
<td>12</td>
</tr>
<tr>
<td>Payment for 2 off-days during menstruation</td>
<td>78</td>
<td>12</td>
</tr>
<tr>
<td>Overtime payment</td>
<td>73</td>
<td>11</td>
</tr>
<tr>
<td>Incentive for lunch</td>
<td>65</td>
<td>10</td>
</tr>
<tr>
<td>Work accident</td>
<td>59</td>
<td>9</td>
</tr>
<tr>
<td>Insurance programme</td>
<td>49</td>
<td>8</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>46</td>
<td>7</td>
</tr>
<tr>
<td>Work uniform</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Replacement of SPPI staff</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Abolishment of the SPPI organisation</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Replacement of “over-acting” management staff</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>220</td>
<td>100</td>
</tr>
</tbody>
</table>
ministry. State policy thus has produced a situation in which each strike automatically becomes a political one as the state is always involved. Lack of union representation thus produces a constant threat to state legitimisation.

If one looks at the Table 4, the overwhelming importance of the economic motives in the strikes becomes clear. Among neighbouring countries, Indonesia has the lowest hourly wages, that is US$0.28 compared to US$0.54 in China, US$0.68 in the Philippines, US$1.17 in Thailand, US$1.8 in Malaysia, US$5.12 in Singapore, US$4.93 in South Korea, and US$16.91 in Japan. In 25 percent of all strikes, wage increases were the dominant motives. As we asked for the dominant motives, others of course could also have played a part. For example, we know from a one-day strike in a garment company in April 1994 during which wage requests were combined with better overtime payment which is differently accounted for in our Table. And, of course, better overtime payment also represents the economic motive. For some observers it may be astonishing that, although the daily working hours are long, no reduction of working time was requested. Economic betterment seems to be more important for the workers than recreation time.

At the beginning of 1994, a protest movement seized the companies in the EPZ trying to push them to comply with the altered wage standard. By decree, the Minister of Manpower had raised the wage standard from Rp 2,600 to Rp 3,800. This event underlines another speciality concerning the strikes. The authoritarian form of labour relations as executed by the state and the ideology and practice of harmony in working life seem to have produced a constellation which made many companies not even comply with the official regulations. The majority of all items in Table 4 are regulated formally by law and by decrees from the President and the Manpower Ministry. Nevertheless, workers have to demand and to protest for compliance. This may demonstrate that the one-sided state policy favouring employers and the absence of true interest representation causes workers to be deprived of even their granted rights. If one deducts the wage increases and demands for replacements, then 72 percent of the strike motives aim at compliance with normatively regulated conditions of working life. The strikes represent the deep discontent of the workers about their economic situation and their working conditions. And this discontent seems to be deeply anchored in their behaviour. Therefore, even after the strikes, 81 percent declared that they were not satisfied with the outcome.

Conclusions

In Indonesia, industrialisation is a state-run policy devoted to enhancing exports and guaranteeing internal stability. Thus, autonomous bargaining and autonomous
interest representation is not possible. Given the overwhelming importance of the state, any demand, dispute or strike automatically becomes political as state dominance in regulating this field is affected.

This restriction of self-organised interest regulation between labour and capital mainly hampers the interest representation of workers as the state not only controls unionisation itself, but also the operation of the union. Whatever agreements on whatever levels are reached, the state always has had the lead.

The whole system of labour relations in Indonesia is not free from direct and indirect coercion. Strikes are put down by security bodies or the military. In collective bargaining, the coercive forces of the state take part as one actor. Besides, the state tries to reach integration by Pancasila, an ideology of harmony. Nevertheless, this situation cannot suppress interest articulation completely. Not only in the country as a whole but also in the Export Processing Zone researched, strikes have sprung up, representing the deep discontent of workers with their life conditions. Neither their traditional beliefs, nor coercion, nor the Pancasila, nor their status as migrant labourers with lack of knowledge about life in industry, nor the fact that they are mainly female workers in a strongly patriarchic society, nor the inner differentiation of the workforce could prevent this development of labour unrest.

Whether this already indicates the end of the present period of Indonesia’s developmental strategy with its two legs on export and inner harmony is difficult to judge. At the moment, it seems that the domestic and international media are more impressed by this new development than the Indonesian government with its special economic policy. Against this background, the growing unrest must be judged.

**Endnotes**

3. The decree from the headquarters of the National Stability Coordination Body No.: 02/STANAS/XII/1990 (Surat Keputusan Bakorstanas Pusat).
4. Marsinah, a young female worker at a watch factory in Sidoarjo, East Java, was abducted and brutally killed in May 1993. According to Marsinah’s lawyer, Trimoelya Soeryadi, Marsinah was killed while in detention at the Military’s district headquarters in Sidoarjo, 40 kilometres south of Surabaya city (Far Eastern Economic Review, June 22, 1995).
5. Field research by Pheni Chalid concerning a forthcoming dissertation.
6. The first congress was held in 1975.
9. The criterion for qualifying as a domestic company is unclear. Some factories are
classified as domestic but their management and production line, with the exception
of the director, comprise Koreans. One can assume that formally registering the
factory as domestic seems to be a company strategy to gain advantages from
government policy to support domestic industries (an interview with an authoritative
person in the administration of the EPZ on May 1994).
10. From more than 5,000 islands around the country, there are 70 independent languages
or dialects in Indonesia. Among them, the Javanese language seems to be the second
most important language after Bahasa Indonesia, the official and national language.
11. Regulation No. 1108 of 1986 which implies severe restrictions on trade unions and
their intervention in industrial disputes.
12. (See dissertation) Aren Werner International Research Inc.

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