

Protests over new Indonesian labour laws and fuel subsidy cuts

By Terry Cook
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A series of strikes last month in Indonesia against changes to the country's labour laws point to a growing discontent over deteriorating wages and rising levels of unemployment. While there have been a number of stoppages over the past year at individual enterprises, some quite protracted, June's industrial action was broader in scope and produced a distinct nervousness in President Abdurrahman Wahid's shaky government. Wahid is currently embroiled in a last-ditch attempt to stave off parliamentary proceedings in early August for his impeachment and removal from office.

Protests erupted after the government announced changes to obligations on companies to pay severance and service payments to sacked workers or those who resign or retire. Employers have bitterly attacked the severance requirements, which were only introduced last year. Demonstrations began in May when the All-Indonesian Workers Union (FSPSI), Confederation of Indonesian Industrial Unions (Gaspermindo) and a number of smaller unions staged peaceful rallies and foreshadowed a limited one-day strike.

The industrial action began on June 11 but rapidly went beyond the plans of the union leadership. It continued for three days, involved workers in 99 towns and cities nationally, including in key industrial areas of Java, and escalated into a series of running battles between strikers and riot police.

In Bandung, workers hurled rocks at riot police who fired shots at a demonstration, killing one man and injuring several others outside the provincial legislative council building. The workers smashed through the council building's gates and torched at least 30 government cars and 25 motorbikes in the car park. The next day thousands of workers defied armed police and blockaded a major toll road into the provincial

capital.

In Surabaya, over 6,000 workers from the Sidoarjo industrial zones blocked roads and pelted rocks at factories guarded by marines after riot police tried to prevent them from marching into the city. About 3,000 workers eventually forced their way through the cordon after the police shot into the crowd, wounding one man in the leg. On reaching the centre of Surabaya, the angry workers stormed the provincial legislative building.

In Jakarta, 2,000 workers protested outside the presidential palace, stoned police and then staged a rally outside the office of Vice President Megawati Sukarnoputri where they unfurled a banner reading, "Revoke it or it will claim lives". Workers targeted Megawati because she presided over the cabinet meeting that drew up the contentious decrees.

The protest against Megawati is significant not only because she is the most likely replacement to Wahid but also because her party—the Indonesian Democratic Party-Struggle (PDI-P)—did win the support of some layers of workers and the poor at the 1999 elections.

After three days of strikes and protest, which appeared to have been spreading, the government was forced to temporarily back off. It announced on June 15 that the changes to severance pay would be postponed for a month. The backdown provoked an immediate angry reaction from employers.

PT Harvest International Indonesia president Harvey Goldstein denounced the government for "making decisions based on politics" and declared that its policies were being "dictated by terror from a rioting mob". Anton Suit, deputy chairman of the National Economic Recovery Committee, rebuked the government, declaring: "This decision, made by an ailing government, will overburden employers and

labour-intensive companies and discourage foreign investors from Indonesia.” Anton, who is also Indonesian Footwear Industry Association chairman, recently called for a cut to the basic wage for footwear workers.

Facing a situation that was getting beyond their control, union leaders welcomed the temporary suspension of the decrees. FSPSI chairman Jacob Nua Wea ordered a halt to the strikes “to pave the way for tripartite dialogue with the government and employers”. At the same time, he insisted that the union had been responsible and instructed “members to abstain from violence and intimidation”.

The government’s decision to delay the labour law changes was conditioned by concerns over possible protests to its plans to slash fuel subsidies. Previous attempts to cut the subsidies have provoked angry opposition and Wahid no doubt calculated that he could not afford to be dealing with demonstrations on two fronts.

On the same day it announced the postponement of the severance pay decrees, cabinet cut fuel subsidies by 30 percent and introduced a 20 percent increase in electricity rates—measures that it had delayed for some weeks. By cutting the fuel subsidy, which costs over \$US4 billion per annum, the government hopes to rein in the country’s ballooning budget deficit, now running at 3.7 percent of GDP.

The International Monetary Fund (IMF) delayed loans to Indonesia last year because key aspects of its economic reform program, including cuts to the fuel subsidy, had not been implemented. More recently, the IMF warned that Indonesia’s budget deficit was in danger of blowing out to 6 percent of GDP. The Institute for Development of Economics and Finance predicted last month that the deficit could rise to more than 6.5 percent of GDP if the Paris Club of creditor nations failed to provide a debt rescheduling facility.

On June 29, the *Jakarta Post* commented that there was “concern that the Paris Club might decline to reschedule \$US2.7 billion in the country’s sovereign debt maturing this year” if the government did not overcome its worsening relationship with the IMF and secure further loans. With an IMF review team due to arrive in Jakarta, the government was desperate to push ahead with the fuel subsidy cuts.

In a bid to preempt protests, the government put

42,000 police on standby in Jakarta and had police in other centres—particularly the major industrial cities of Bandung, Medan and Surabaya—on a state of high alert. In the event, demonstrations were limited to relatively small rallies of students and bus drivers.

Clearly, however, there is deep concern throughout ruling circles in Jakarta over the potential for deteriorating living standards to provoke widespread social unrest. The cutbacks to the fuel subsidy will directly affect millions of working people and the poor by driving up the prices of basic commodities. Petrol will rise from 38 cents to 50 cents a gallon and kerosene, an essential item used in Indonesia for heating and cooking, will increase sharply.

The average wage of an industrial worker of about \$US100 a month has been reduced to about a quarter of this value in the three years following the Asian financial crisis of 1997-98. At the end of 1997, one-third of the country’s 86 million-strong workforce had permanent jobs. Since then, several million have been sacked or forced to work in the “informal sector”. Many of them are now among the 25 percent of Indonesia’s 213 million people who live below the poverty line.

These raw figures point to the underlying social crisis that is fueling the disaffection and anger shown in the latest round of strikes and protests.

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