

# Wage Policy and Industrialization

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## Introduction

As the process of national development prevail, labor absorption contribution was also experienced major change, from informal sector to formal one, and from agricultural sector to industrial and service ones. In 1990, the percentage of labor in agricultural sector was about 55 percent but that it decreased to 44 percent in 2004. On the other hand, those who worked in industrial sector increased from 10.14 percent to 17.97 percent in the same period. Although if it is considered from the aspect of total absolute value, the labor composition was still dominated by the employment in agricultural sector (Table 1). It seems that the modernization and industrialization process in Indonesia has been started, so several employment opportunities have been shifted to

Table 1 Working Citizens with Age above 10 Years, Based on Economic Sector

Economic Sector	Year				
	1990	1992	1994	1999	2005*
Agricultural (percent)	42 378 309 ( 55 87)	42 .153 205 ( 53 69)	37 857 499 ( 46 .15)	38 378 .133 ( 43 21)	41 814 .197 ( 44 04)
Industry (percent)	7 693 263 ( 10 .14)	8 255 496 ( 10 51)	10 840195 ( 13 21)	15 845 .162 ( 17 84)	17 065 .136 ( 17 97)
Trade (percent)	11 067 357 ( 14 59)	11 746513 ( 14 96)	13 967 234 ( 17 03)	17 529 099 ( 19 74)	18 896 902 ( 19 90)
Service (percent)	9 070 324 ( 11 96)	9 911 578 . ( 12 62)	14 755 630 ( 17 99)	17 640 465 ( 19 21)	17 .171 883 ( 18 09)
Another (percent)	5 641 327 ( 7 44)	6 4S1 280 ( 8 22)	4 617 551 ( 5 62)	-	-
Not Responding (percent)	-	-	-	-	-
Total (percent)	75 850 580 ( 100 .00)	78 518 372 ( 100 .00)	82 038 .109 ( 100 .00)	85 816 940 ( 100 .00)	94 948 .118 ( 100 .00)

Source : Departemen Tenaga Kerja 1994

BPS .1995 & 2004

\*15 years and above

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industrial and service sectors.

The shift of structural and labor quality was also happened from agricultural sector to industrial and service ones. Industrial and service sectors give much better employment opportunities from year to year compared to the agricultural sector. Besides, the industrial sector also provides opportunity of welfare promotion. Limited supplies of agricultural land and conventional system of working are among causes of these conditions; thus wages received from agricultural were less adequate to fulfill their life needs. Those are the reasons why many inhabitants have shifted their profession to other business, which are considered more profitable.

Besides triggered by the increase of farmer's life needs, the number of inhabitants who worked in industrial and service sectors was also increased because of the extensive in knowledge of inhabitants in agricultural sector. This condition altered inhabitants' perception to their profession as farmers. Many professions in industrial and service sectors are considered to be more exciting because of its modernity, clean and prospective image, and have various job types. The interesting thing was found from Sumarwan's research (1994) on the aspects of attitude, view and farmers expectation in their functions, both as a farmer and as a parent. From a bundle of research respondents, only about 20 percent who desired their children to continue their job as a farmer. The rest wanted their children to be an employee or entrepreneur. The behavior of farmer's children in choosing their profession was not different at all with their parents' expectation. Most of them wanted jobs outside farming, either as civil servant, employee, entrepreneur, coolie, or working in transportation services as driver.

In the process, it seems that industrial and service sectors do give wider employment opportunity, especially before the economic crisis. The data of employment opportunity elasticity showed that compared with another sector, then employment opportunity elasticity in industrial sectors in fact experienced a significant increase. While the employment opportunity in agricultural sector, electricity, gas and water, construction, trade, financial institution and banking in the other hand experienced a decrease (Table 2). The increase of employment opportunity elasticity in industrial sector happened while there was an increase in industrial sector share. This condition was also triggered by the fall of oil prices in the middle of 1980, so a lot of economic policy was directed to increase the export through non oil and gas sector. In the decade of 1980's especially

after the year of 1984 there was a fast growth rate in almost every industrial group. This condition encouraged the shift in structural pattern, from agricultural sector to industrial sector ( Hill , 1996 ).

On the period of 1988 - 1993 , industrial sector started to follow other sectors' trend, which is suffered the decrease of elasticity value to 0.26 . This case probably caused by the shrinking of demand in manufactured goods, whether directed to domestic consumption or export. The firms then started to limit recruitment of new employees. This fact was triggered by the increase of consumption goods import in the years of 1994 - 1995. The import value on those years almost reached the degree of 100 percent especially for luxurious consumption goods. This condition was caused by the number of people classified into a new middle class with average revenue more than Rp 1.000.000 , - per month increased. Besides to demonstrate their economic ability, the tendency of this group to consume import goods was to fulfill their needs of high quality goods.

In the other side, the increase in wage level caused the increase of total cost and production cost would make a competitive obstacle of domestic output in international market. Werner International ( 1996 ) did the same research. The result showed the existence of negative correlation between worker wage and market share of Indonesian export in the forthcoming year. This means that every increase of worker wage tended to be followed by the decrease of market share of Indonesian export. In 1989 worker

Table 2 Work Opportunity Elasticity

Economic Sector	1975 - 1980	1980 - 1985	1985 - 1988
1 . Agricultural	0.41	0.77	0.59
2 . Manufacture Industry	0.22	0.03	0.53
3 . Mining	0.84	1.25	2.00
4 . Electricity, Gas, and Water	0.15	0.68	2.28
5 . Construction	0.21	2.13	0.56
6 . Trade	0.34	1.59	1.12
7 . Transportation	0.41	0.09	2.62
8 . Financial Institutions, Firm Services, & House Rent	0.82	0.50	0.42
9 . Other Services	1.32	0.84	0.96
Average	0.38	0.91	0.77

Source : Departemen Tenaga Kerja ( 1994 )

wage increased from US \$ 0.28 per hour to US \$ 0.43 per hour, then in the next year market share of Indonesian export decreased from 12.9 percent (1991) to 9.9 percent (Republika, January 15, 1995).

Thus, in the beginning the analysis of employment opportunity elasticity had already shown a warning of economic crisis. However the policy takers were often exiling the warning. Economic growth in Indonesia from the early to the middle of 1990's had less ability to add current labor force absorption, because the economic growth was more affected by the role of capital factor than the increase of labor productivity. In this period of economic crisis, employment opportunity elasticity in industrial sector is found to be lower than before, because as it was shown, the industrial sector bears most of the crisis impact followed by construction sector.

The absolute number and the growth of population determine the total value and the growth of labor force and employment. The descending of growth and total population followed with the descending of labor force. The labor growth was became 2.90 percent from 1980 - 1990 to 1990 - 1995, and this is expected to decrease to the level of 1.15 percent in period of 2015 - 2020. The decrease of labor growth alone does not mean that the economic growth will follow the same way. Most of this reduction is caused by a chain of reaction which is started from the decrease growth of inhabitants, followed by the decrease of total labor growth and the decrease of total labor force consecutively. If population composition based on age and sex changed, then the number of people who enter the labor market potentially would change too.

Thus, it can be said that economic growth would likely to be followed by the change of employment structure. Economic growth will alter the demand of goods and services, which will also alter the demand of worker. It can not be measured by the change of employment opportunity, because it just reflects the change of the number of working people. The fact happened in Indonesia many workers have more than single job or profession. Besides, the change in the demand of workers can also be seen from the change of workers' wage.

Economists illustrate employed or work opportunity as the demand for labor, which was a function of economic change (Anwar, 1992). Labor growth itself indeed a function of total labor force growth. Table 3 shows that during five years period of 1995 - 2000, labor force increased 12.9 millions. It did not mean that the economy must pro-

Table 3 The Increase of Total Labor Force and Employment Opportunity In Indonesia , 1990 - 2020

Year	Labor Force		Employment Opportunity		Unemployment Rate ( Percent )
	Total ( Million )	Growth ( Percent )	Total ( Million )	Growth ( Percent )	
1990	73.9	-	71.6	-	3.17
1995	86.1	12.2	82.9	11.2	3.08
2000	98.9	12.9	94.7	12.0	4.28
2005	111.6	12.6	106.0	11.3	5.00
2010	123.6	12.1	116.4	10.4	5.84
2015	134.9	11.3	125.7	9.3	6.82
2020	144.8	9.9	133.2	7.5	8.00

Counted based on assumption by Ananta, Anwar, and Wongkren ( 1994 ) Source : Ananta and Anwar and BPS ( 1993 , 1999 )

vide work opportunity for 12.9 millions people. The nature of this projection warned that soon would be an increase in labor force. With an average increase of labor force as much as 2.3 millions per year, then in the period of 2003 - 2005 there will be 26 millions labor force.

Like in any other countries, those who worked in industrial sector also dominated the changes of labor composition, and then they will shift to service sector. Agricultural sector covers for farming, forestry, hunting and fishery ; industrial sector covers for mining, manufacturing, electricity, gas and water, and construction. While the service sector covers for trade, restaurant and hotel, transportation, warehousing, communication, financial and rent services, and firm services.

In the period of 1971 - 1980 , Indonesia can be classified as the country which had entered early stage of industrialization. On that period, employment opportunity growth in service sector ( 11.4 percent ) far surpassed the growth in industrial and agricultural sectors ( 6.08 percent for industrial sector and 1.62 percent for agricultural sector ). However, an interesting condition happened in the period of 1980 - 1990 where the average of employment opportunity growth in industrial sector decreased from 6.08 percent to 5.66 percent and service sector declined from 11.4 percent to 3.94 percent. On the contrary the employment opportunity in agricultural sector increased from 1.62

percent between period of 1971 - 1980 to 2,10 percent in the period of 1980 - 1990 . This circumstance probably caused by the existence of labor surplus especially for those classified as unskilled labor, where their presence were not yet accepted by industrial and service sectors, and because both sectors were not able to provide employment vacancy. But industrial sector especially manufacture industry illustrated the increase of employment opportunity. In the year of 1994 the employment opportunity increased 3,68 million(see Root , 1992 ) . Meanwhile in the period 2003 - 2005 this sector expected to have employment opportunity elasticity above 0,73 ( this calculation surely done before economic crisis ) .

From output side, industrial sector gave sufficient contribution to GDP( Gross Domestic Product )in the period of 1970 - 1980 . Compared with other sectors in the same period, the contribution of industrial sector was getting larger from year to year from 38,15 percent in 1970 to 40,91 percent in 1990 .With labor growth counted for 6,08 percent per year this sector was able to increase its production around 15 percent per year. This success is supported by the manufacturing industry.

Further analysis, calculated based on output worker ratio( Table 1 and Table 4 )showed that every single worker in industrial sector was able to produce Rp 2,08 million in 1971 , compared with workers in agricultural and service sector which produced Rp 0,27 million and Rp 1,25 million each.

Until 1990 workers in industrial sector still gave largest output contribution ( Rp 3,95 million per worker ) compared with ones came from agricultural sector ( Rp 0,6 mil-

Table 4 . Productivity and Growth, Based on Economic Sector ,  
1971 , 1980 , and 1990

Economic Sector	1971 (a) ( Billion Rupiah )	1980 (a) ( Billion Rupiah )	1990 (a) ( Billion Rupiah )	Growth 1971 - 1980 ( Percent )*	Growth 1980 - 1990 ( Percent )*
Agricultural ( percent )	6 684 28 ( 32 22 )	16 399 2 ( 23 ,17 )	22 604 5 ( 19 58 )	89 ,75 ( 9 9 )	32 ,09 ( 3 21 )
Industry ( percent )	7 914 51 ( 38 ,15 )	31 409 0 ( 44 39 )	47 255 3 ( 40 91 )	137 8 ( 15 3 )	40 85 ( 4 08 )
Services ( percent )	6 .146 97 ( 29 63 )	22 954 8 ( 32 44 )	45 587 3 ( 39 49 )	131 ,7 ( 14 6 )	68 61 ( 6 86 )

(i) Output to GDP Ratio ( Constant Price1983 )

Number in bracket is growth per year.

Source : Kantor Menteri Negara Kependudukan , 1995

lion per worker )and service( Rp 1 96 million per worker ) , even though workers' output in agricultural and service sector increased. The highest output worker ratio was reached on 1980 ,which was Rp 4 6 million per worker. It seemed that the low output worker ratio of agricultural sector mainly caused by disorder weather changed which in turn decreased intensity and frequency of supply stocks from agricultural commodities, therefore the selling price could not be set too high. Meanwhile the increase of output worker ratio in industrial and service sectors were caused by the acceleration of technological development and better education of industrial sector workers. Thus worker productivity became better than before.

Besides being supported by technological advantage, various policies taken by government have created the opportunity for industrial sector to develop rapidly. For example, policies for enhancing industrial export to substitute oil and gas export and policy for privatizing the industrial sector. After the regulation of those policies private sectors' role rose 7 percent from 73 percent ( 1983 ) to 80 percent ( 1990 ). This case had gave extreme support to the growth of industrial sector, especially manufacture industry. The output of this sub sector increased for more than 11 percent per year during period of 1985 - 1992 . Previous to the oil boom which happened in early 1980 's labor intensive pattern on export oriented industries such as textile, clothes, and sandals, experienced very fast growth in the decade of 1970 's.

In 1985 ,after the change on Indonesian economic policy direction into industrial and development policy which was combined with deregulation package and prudential macro economic management, manufacture industry developed fast. Simultaneously electronic industry output as import substitution's product was also increased. These figures were also happened for some other cases because of some exercises in protection. Therefore in the period of 1980 - 1990 Indonesia had already entered middle stage of industrialization. While in the labor aspects, this period experienced major growth, which was accounted for 56 6 percent. The increase of labor would develop together with the increase of total labor. However it did not mean that the efforts to increase employment were unnecessary things to do. Policy for creating productive employment still classified as urgent action especially to encourage labor force growth, together with depressing unemployment.

In addition to labor force growth tendency, it seems that in the future its growth

would show slowdown pattern. However its absolute value would still show upward movement. Thus the same way happen to open unemployment figure. Even though the magnitude did show a little exposure, it did not mean that there was no poverty in Indonesia. These figures only emphasized disability of labor force in Indonesia to be unemployed, furthermore because there was no social safety net or unemployment benefit in Indonesia. Those who were unemployed must compensate their leisure times costly, so they had to find their supporting fund, which came whether from their family or their savings. That's why only a small amount of labor force could afford to be unemployed. Most of them, which was not being accepted in formal sector, would search for jobs in informal ones.

In the future, with the higher quality of education and revenue, the unemployment will be expected to increase to the level of 5 percent in 2005 from around 3.2 percent in 1990 ( Table 3 ). This condition has strong linkage with more prosperous and qualified citizens, so their participation will also increase. Furthermore they will no longer exist in low skilled job. They tend to avoid or wait until they get fit and wage-conformable and suitability job. This condition especially applied to those whom secondary and tertiary graduates ( Table 5 ).

With the increase of economic development, rough-job kinds such as coolies, servant, farmers, etc are still very much needed. Despite that young labor force relatively reluctant to take those jobs. As the result, in 2005 Indonesia will start to suffer the lack of low educated labor force symptom.

In the other side, there was an increase in total labor force resulted from demo-

Table 5 Unemployment Rate Based on Education Level , 1988 to 2005

Education Level	1988	1994	1999	2005
Not Finished Elementary School	-	0.95	4.62	-
Finished Elementary School	1.4	2.41	19.09	6.24
Finished Junior High School	4.05	6.25	19.23	12.62
Finished General Senior High School	17.8	16.93	47.86	17.97
Finished Vocational Senior High School	10.8	10.98	-	-
Diploma ( D 1 , D 2 , D 3 )	7.4	9.66	4.04	12.93
University	11.1	14.83	5.16	11.46

Source : Anwar ( 1995 ) ; BPS ( 1995 ) , EPS ( 2000 ) , National Labor Force Survey 2005



graphic transition and intense health efforts were likely going to happen. The success of health development and family planning (KB) caused the decline in the number of children and under five year babies (balita) and the increase of adult and parent citizen. The success of family planning (KB) caused TFR (total fertility rate) to decline to only 2.6 in 2003 (Indonesia Demographic Health Survey 2002 - 03) decreased from 2.85 in 1997. While life expectation had increased to 64.4 year (1998) from 62.7 year (1984). The structure and citizen composition changing were seen mostly in "balita" and old age (lansia), the number of "balita" is expected to decline from 21.6 millions (1990) to only 7.1 millions (2020). Oppositely the number of "lansia" was expected to rise from 71 millions (1990) to 18.5 millions (2020).

### Minimum Wage

In 1987, minimum wage in trade sector placed the highest rank (Table 6), while in industrial sector, although the figure was increased, but the growth was very slow. In 2003, minimum wage in industrial sector was below another sector, except transportation and agricultural. It seemed that worker wage factor was still not being considered by employer. It can be caused by the number of worker that were much higher compared with the number of existing employment opportunity. As a result, a relatively high turnover phenomenon was not being counted because it was too easy to find a new worker.

Table 6 Minimum Wage Based on Economic Sector, 1987 - 2003 (Rupiah)

Economic Sector	1987	1988	1989	1990	1991	1992	1994	1995	1999*	2003**
Agricultural	46.362	50.266	67.538	100.500	134.470	149.699	240.439	240.439	290.103	332.660
Mining	145.937	146.081	185.187	218.241	321.750	368.807	487.299	487.299	536.117	956.013
Industry	98.627	115.701	130.263	171.957	186.086	187.800	206.907	206.907	325.083	680.509
Electricity	80.608	80.608	94.998	105.751	130.990	150.782	295.514	326.146	398.734	618.140
Construction	96.356	96.236	119.952	221.240	176.338	247.336	172.865	172.865	240.046	1.067.368
Trade	159.142	209.313	212.896	227.611	250.343	305.080	326.146	326.146	403.913	1.062.414
Transportation	115.509	115.509	117.678	133.671	168.800	223.145	466.757	466.757	503.100	686.100
Services	71.597	102.146	112.000	157.585	223.252	234.686	234.683	234.683	289.357	912.028

Source : Nota Keuangan dan RAPPN 1998 / 1997

\* Average Regional Minimum Wage Sector-Regional in 10 Provinces (data from Depnaker)

\*\* Ministry of Manpower & Transmigration, 2005 : Statistics of Manpower in Indonesia

The low level of worker wage in industrial sector had strong linkage to the low level of company profit. This condition was caused by the humble stock of product competitiveness. Indonesian commodity which had proper competitive power only reached about 42 ( 1995 ), 33 ( 1992 ), 38 ( 1994 ), and 47 ( 1995 ) ( see Pradiptyo 1996 ). It showed that there was no significant development in Indonesian industrial competitiveness from year to year, although the government has been launching real sector deregulation since 1983 . The slow growth of this competitiveness had strong impact to producers' revenue, which was in turn yielded difficulties in increasing worker wage level.

If we compared the data to other countries, then the worker wage in industrial sector ( manufacture ) in Indonesia was relatively low in absolute number, accounted for US \$ 676 ( 1980 ) , and increased to US \$ 1 ,065 ( 1990 ) , although the growth rate was significant in the level of 4.55 percent. But this figure still became the lowest one among NICs and ASEAN countries. Furthermore if compared with worker's wage in the same sector in Japan, which accounted for US \$ 21 ,780 ( 1990 ) . In NICs and ASEAN circle, Singapore placed the highest record of worker wage in industrial manufacture sector with US \$ 7 ,892 ( 1999 ) , followed by Hongkong with US \$ 6 ,264 and Taiwan with US \$ 5 ,963 ( Pasay , 1995 ) .

From the information above it can be concluded the reasons why many Indonesian workers interested for working abroad. It is because there are significant difference on worker wage and the low level of employment opportunity in domestic area.

Meanwhile, the government has made effort to formulate policy of wage. This policy was directed to protect worker objectives and simultaneously increasing their welfare. That is the reason why the government had settled minimum wage policy which was practice became compulsory to be done by employer based on wage rules that has been settled.

### Wage Policy

There are four interconnected side which formulate the minimum wage rate. Those are ; Department Tenaga Kerja ; FSPSI ; Dewan Pengupahan Nasional, which is built by experts, practitioners, and other individuals, act independently to give advice to the government, and last one is APINDO. FSPSI and APINDO act consecutively as dis-

tributor of worker aspirations and employers representative. All of them has the duty to evaluate current minimum wage level and decide whether existing wage level has to be raised or not.

These days, we have at least four main factors, which are accounted by government in regulating minimum wage level, those are : ( 1 ) The need of worker ; ( 2 ) Prevalled consumer price index in each region ; ( 3 ) Company's ability, and ( 4 ) Macroeconomics development in each region.

From worker's interest, there are at least two components which dominated the determination of minimum wage level, those are Minimum Physical Need ( KFM ), and Minimum Life Need ( KHM ). The final wage levels are taken from various elements that exist in those components. Because of the differences in prices level and circumstances across the regions, therefore the determination of minimum wage level have to be accorded with each region's condition, then minimum wage level which had calculated all considerations above are commonly known as Regional Minimum Wage ( UMR ) or Provinsial Minimum Wage ( UMP ).

Accordance with this term, the determination of minimum wage based on minimum physical needs ( KFM ) has fewer adequacies to cover non-physical one. At the other hand the determination of wage level based on minimum life needs ( KHM ) contribute major respect to the satisfaction of non-physical needs besides physical one. That is why naturally wage determination is based on minimum life needs ( KHM ).

FSPSI shows unanimous feeling to wage determination based on minimum physical needs. This is caused by several factors, which are :

- 1 . The ignorance of non-physical needs satisfaction which has strong relation with physical one. Based by KFM, the components of transportation, recreation, medical, education, etc, only counted for 15 percent from the total need
- 2 . If recreation item were ignored, it will affect to the increase of labor productivity. Theoretically, a worker will need some leisure time to gain some refreshment. Thus, too little wage proportion allocated for education, considered as too small and not conformable with human resources development policy
- 3 . KFM principles have been regulated since 38 years ago without ever been re-observed to find congruence with the development of Indonesian economy. For ex-

ample, there were many things in KFM which are not suited with current economics development .( See Kompas , 9 January 1996 ).

Based on those institutional, the government has been regulating new principles of minimum wage determination based on minimum physical need ( KHM ) since 1991 , which consider more realistic to the recent condition.

Realizing companies' condition and development of macro economic, until now the government still determinates minimum wage based on two components, KFM and KHM. It means, companies that in fact have less ability to pay their employees based on KHM are encouraged to pay minimum wage based on KFM. Then, companies which are considered well enough to pay their employees based on KHM, must be encouraged to reach minimum wage standard based on KHM.

### The Development of Wage Level

Based on consumer price index ( CPI ) which is connected to inflation, government always evaluates current regional minimum wage level. The government adjusts the UMR or UMP every year. Thus, even though inflation happens every year, the wealth of workers are also expected to increase because the increase of UMR is being initiated to be above the existing inflation. Except in the period of crisis in 1998 ,when inflation level reached more than 70 percent.

Economic crisis, which has been occurred since the middle of 1997 , has shown major impact to the development of wage level in Indonesia. In the year of 1999 , the wage level had stayed far below KHM, it declined extremely, compared with the year of 1997 . If in 1997 , there were some provinces which had UMR stayed above KHM the condition were suddenly disappeared in the year of 1999 . High UMR counted in nominal was not automatically making the wealth of employees rose. For example, considering the condition in Batam. Even though UMR for this region was very high compared with the others, but it existed below the prevail KHM. The condition above surely had strong linkage with the living cost in each region. That was why workers' UMR should be considered and related with KHM in the same period.

Even though the government has done non-stop monitoring to UMR and UMP implementation, but in reality many companies pay worker wage below UMR. This con-

Table 7 Comparison of Regional Minimum Wage ( UMR ), 1996 , 1997 , 1999

No	Region	1996			1997			1999 -		
		UMR	KHM	UMR/ KHM(%)	UMR	KHM	UMR/ KHM(¥)	UMR	KHM	UMR/ KHM(%)
	UMR > 100% KHM 1996									
1	D.I Aceh	15.000	02.950	112	28.000	15293	111	71000	00.688	58.67
2	South Sumatera	380X30	22.060	113	51000	32.557	114	10.000	-	
3	West Sumatera	08.000	04.003	104	19.000	14.372	104	60.000	-	
4	South Kalimantan	14.000	08.750	105	25.000	18.338	105	68.000	77.622	59.79
	MR > 90 - 100% KHM 1998									
5	Riau									
	–Outsioe	39.000	49.422	92	51.000	58893	87	42.000	86653	84.42
	Batam									
	–Batam	00.500	23.503	99	35.000	38950	98			
6	Jambi	08000	02.593	90	19.200	30.180	92			
7	South Sumatera	15.500	25696	92	27.500	35828	94	17.000	11.364	29.91
	–Bangka Belitung				35.500	40.625	96			
8	Lampung									
9	OKI Jakarta	14.000	25.493	91	26.000	32.395	95	60.000		
10	West Java					73.349	100	31000	11384	75.79
	–Region	50.000	60.508	97	72.500					
	–Region	58000	55073	101	72500	70341	101	08.750	37.873	52.78
	–Region	42500	48.997	96	57.500	62.258	97			61.67
	–Region	32.000	36.603	97	45.500	47.941	98			
11	East Java									
	–Region	29.000	33.360	94	39.000	42695	97			
	–Region	20.000	18.517	101	32.500	30145	102	72.000		
	–Region	17000	17.495	100	27500	28.410	99			
	–Region	11.000	16.859	95	21.000	25623	96			
	–Region	08000	14.238	95	16.500	20.935	97			
12	Central Java	05.000	11.023	95						
13	Bali	02.000	12.178	91	13000	23115	92			
14	South East Sulawesi	27.500	28.645	99	41.500	41381	100	76.500		
15	BengKulu	60500	22.040	90	21000	30.644	93	60.000		
16	East Kalimantan	15.500	23.141	94	27.500	32.377	96	50000		
17	West Nusa Tenggara	38.000	50.664	92	53.000	62.717	94	94.000		
		97.500	01.546	96	08.000	08654	99	45.000		
	UMR > 90% KHM 199601									
18	Yogyakarta	96.000	110.959	87	106.000	119.281	89	130.000		
19	West Kalimantan	114.000	129.828	88	126.500	137.618	92	175000		
20	Central Kalimantan	124.500	160.437	78	38.000	162202	85	195.000		
21	Maluku	123.000	160.437	85	36.000	154.259	88	160000		
22	East Nusa Tenggara	96.000	145.527	72	06.500	134.741	79	143.000		
23	North Sulawesi	108.000	132.750	76	18.000	126.456	93	155.000		
24	South Sulawesi	102.000	127.750	80	12.500	129.291	87	148.000		
25	Central Sulawesi	86000	115.569	83	06.500	123658	86	150000		
26	Irian Jaya / Papua	154.500	179.551	86	70.000	193.789	88	225.000		
27	East Timor	126.000	166.554	76	38.000	171561	80			

Sourss : Keputusan Pemerintah, Wednesday, January 22 , 1997

DPPN, Departemen Tenaga Kerja RI, Depnaker 2001

dition often triggers unanimous feeling of the workers. Even less in the condition of endurable economic crisis. The employer always argueing that company's revenue will not count for covering the raise of employee wage. Following the economic crisis and the reformation era in Indonesia in 1998 , the wage condition was becoming better than before. Table 8 presents that in 2005 many provinces had already reached 100% KHM for their UMR/UMP.

Table 8 UMR and KHM in 2005

No	Province	UMR( Rp )	KHM( Rp )	Persen( % )
1	NANGROACEH D.	620 ,000	619 ,876	100 .02
2	SUMUT	600 ,000	-	-
3	SUMBAR	540 ,000	501 ,315	107 .72
4	RIAU	551 ,500	551 ,498	100 .00
5	KEPULAUANRIAU	557 ,000	-	-
6	JAMBI	485 ,000	495 ,242	97 .93
7	SUMSEL	503 ,700	495 ,242	101 .71
8	BANGKABELITUNG	560 ,000	690 ,000	81 .16
9	BENGKULU	430 ,000	480 ,000	89 .58
10	LAMPUNG	405 ,000	396 ,456	102 .16
11	JAWABARAT	408 ,260	-	-
12	JAWATENGAH	390 ,000	405 ,282	96 .23
13	JAWATIMUR	340 ,000	-	-
14	D.K.IJAKARTA	771 ,843	759 ,953	93 .67
15	BANTEN	585 ,000	585 ,000	100 .00
16	D.I.YOGYAKARTA	400 ,000	399 ,964	100 .01
17	BALI	447 ,500	447 ,500	100 .00
18	KALBAR	445 ,200	482 ,250	92 .32
19	KALTENG	523 ,698	553 ,376	94 .64
20	KALTIM	600 ,000	597 ,878	100 .35
21	KALSEL	536 ,300	503 ,775	106 .46
22	N.T.T.	450 ,000	402 ,989	111 .67
23	N.T.B.	475 ,000	526 ,040	90 .30
24	MALUKU	500 ,000	-	-
25	MALUKUUTARA	440 ,000	-	-
26	GORONTALO	435 ,000	531 ,500	81 .84
27	SULUT	600 ,000	-	-
28	SULSEL	510 ,000	505 ,000	100 .99
29	SULTENG	450 ,000	-	-
30	SULTRA	498 ,600	498 ,600	100 .00
31	PAPUA	700 ,000	769 ,050	91 .02

Source : Ministry of Manpower & Transmigration

### Issues in the Minimum Wage Standard Implementation

The obstacle of implementing UMR or UMP could be seen from two sides, which are employers' side and workers' side. From workers' side, obstacle to implement UMR covers for :

- 1 . Less understanding about worker function as working partner. In this case, workers are still seen as production factor, which their cost must be pressed as much as possible. It happened because of improper implementation of Paneasila's Labor Relations or HIP. Compared with that fact, workers often said that their wage only cover for 15 - 20 percent from total production cost, so the demand of wage rise to Rp 7.000,00 per day is proper. At least, in order to run the framework of increasing worker productivity and strengthen worker function as working partner, worker wage must be given as what government regulated, that is 26 days work multiply with UMR. Besides, in order to raise workers and their family wealth, incentives should be added to workers revenue. For example, regulated UMR in D.I Yogyakarta reached for about Rp 4.100 per day, and in the end of month, worker at least receive RP 106.000 plus Rp 16.000 as bonus/incentive per month ( which are 4 days bonus as holiday/Sunday ), so total revenue per month accounted for Rp 122.000 .
- 2 . The listless condition of companies. This condition could have linkage with the decline of business trend, or because of significant increase in production cost, especially because of the present of retributions, either legal or illegal ones.

From employees' interest, obstacles in UMR implementation are caused by :

- 1 . Low level of worker productivity, is counted for an average Rp 114.986 per worker per month. For manufacture industries, its productivity reached for around Rp 241.304 per worker per month, in the period of 1990 . This case has strong linkage with low level of worker education in this sector, worker class who have not finished and finished only primary level are counted for 70 percent. The figure for worker's skill is not so different with the worker's education figure.
- 2 . Unbalanced work force structure compared with the demand. Too much supply of work force compared with existing employment, automatically lower worker price or received wage.

## Concluding Remarks

Wage policy as the foundation of employee-employer relationship has to be re-observed, because of the significant amount of workers which have not find their UMR conformably, whether with KFM and even less with KHM. Therefore, the determinations of minimum wage at least have to cover : ( 1 ) Output or productivity, which are resulted from company's, profit ; ( 2 ) Working period ; and ( 3 ) Proper life assurance.

Commonly, the increase of minimum wage must be evaluated and conformed to the development of national, and regional economies. In this case, slow movement of minimum wage in industrial sector need to be evaluated, remembering that the efforts for encouraging export are not solely rely on oil and gas sectors, but also to non-oil and gas ones which are supported by industrialization.

Established industrial sectors have to concern more about the workers' wage. Because it will affect labor market. Industrialization will strictly select only for qualified workers. When it comes, total number of industrial sector's workers will be very limited and automatically lead to high wage level. Later on, the prices of manufacture goods will become more expensive. Therefore wage must be calculated carefully. Besides it has strong linkage with productivity and output quality, it also become main consideration to encourage competitive advantages. The last but not least, the worker's wage itself can be seen as key factor in continuous and successful business' efforts and business' developments.

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