

Seeking share of the success

As Indonesia strikes it rich, workers start to strike.

By NEIL CHATTERJEE and OLIVIA RONDONUWU

WHEN the Jakarta governor offered a hefty pay rise last week to workers, he successfully headed off a major strike. But almost immediately, workers went on the rampage in another part of the country, demanding a wage hike too.

It is another illustration of the most recent and, for investors, troubling risk they face in what has become one of the darlings of the emerging economies.

The big drivers for the strikes have been high prices for the commodities that are the backbone of the Indonesian economy, rising costs and a strong sense that the country's widely trumpeted economic successes have not been shared.

"Workers are not dumb. They are going to see prices are high. They're going to say 'we want our just rewards,'" said Dick Blin, spokesman for the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), which covers the bulk of Indonesia's main industries.

The highest profile and so far, most costly strike has been going on since September at the giant Freeport McMoRan Copper & Gold Inc mine where 8,000 miners in the remote eastern province are demanding better pay.

Though union leaders in other industries deny that the Freeport strike was their trigger, the number of strikes has begun to mushroom across a broad range of industries from supermarket to telecoms, threatening to temper investor enthusiasm for one of Asia's



Crying foul: The big drivers for the strikes have been high prices for the commodities that are the backbone of the Indonesian economy, rising costs and a strong sense that the country's widely trumpeted economic successes have not been shared. — Reuters

fastest growing economies.

"These strikes are dangerous and show how weak the government is in facing industrial disputes," said Sofjan Wanandi, a leading businessman and chairman of the Employers' Association of Indonesia.

"With this situation, businesses will reconsider their expansion and investment plans,

as well as plans to relocate factories from China to Indonesia," he said.

Businessmen from South Korea, a top investor, were also expressing concern, he said.

Investors in South-east Asia's biggest economy have long factored in industrial scale corruption, a complex and lethargic bureaucracy and even militant attacks.

But industrial disputes in the densely populated society, which has had little more than a decade of democracy, is a much newer hurdle.

Union membership is still quite low in a country where militant union leaders just a few years ago could expect to be hounded into jail, or worse.

Subiyanto, the Secretary-general of Indonesia's Chemical, Energy and Mining Union Federation, estimates that only 7% of companies have unions and the total number of workers who belong to unions is 15%. The number, though, appears to be growing.

Some labour-related laws are decades out of date and the number of officials supervising companies is simply too small to cope, he said.

"The fact is that government supervisors in the regions are getting lower and lower in number. For example in Tangerang regency (an industrial region), there are not more than 10 supervisors overseeing over 4,000 companies. How can you possibly monitor relations between the workers and the capital owners?"

"It's like playing football when the referee is not firm and you can see the strong oppressing the weak."

Some of those strikes have turned violent, and tension over the failure to create enough higher value jobs in the predominately youthful population could become one of the biggest mid-term risks, some analysts say.

A planned strike last week in Jakarta by 85,000 unionised workers was averted after the city governor agreed to hike minimum wages by about 20%. Almost immediately, there was a similar protest for higher pay by 10,000 workers in Batam, an island home to manufacturers from nearby Singapore.

This time the response was slow. The military had to guard industrial estates after a mob burned traffic police posts and cars and attacked a government office.

As Freeport considers lifting pay by as much as double for more skilled contractors to end its crippling strike, any high pay award risks setting a precedent.

"If somebody asks for more, everybody will follow. That's a fact," said Alwin Lubis,

president director at Indonesian miner Aneka Tambang.

"That is what we're worried about."

The Freeport strike has come after gold prices doubled in the past two years. Prices for many commodities of which Indonesia is a leading exporter, such as tin, copper, coffee and cocoa, have also hit record highs in recent years.

"These commodity prices are a good opportunity to negotiate for better welfare, pay and wages," said Khoirul Anam, president of the Indonesian Forestry and Allied Workers' Union.

He said conditions were often little different from the days under Dutch colonial rule, arguing, for example, that palm oil workers should be paid three times as much.

"The bargaining position of labour in Indonesia has increased. However, it is not that much. They have slowly understood their rights and are demanding more," said Andriko Otang from the Trade Unions Rights Centre.

The strikes have coincided with growing wealth on the back of the global price commodity boom and a burst in consumerism.

On the day workers rioted in Batam, others were injured in a 5,000-strong crush to get half price Blackberry mobile phones in the capital.

Also that day, Forbes released a report saying the country had created four more billionaires, with the wealth of its Indonesia "Rich List" up by 19% to US\$85bil (RM267bil).

Indonesia is creating millionaires faster than any other in the Asia Pacific, according to wealth manager Julius Baer.

Yet monthly wages average US\$113 (RM355), less than a half that in Thailand and a third of China's, according to the Asian Development Bank's latest data. And half the population survives on less than US\$2 (RM6.30) a day, according to the World Bank.

Low-wage workers, seeing pay rises cancelled out by food prices climbing 15% last year, are being surrounded by growing consumerism and displays of wealth. Their expectations and perceptions of inequality are rising too.

"Many of us don't see any improvements in our life," said Sari, a worker making Adidas shoes in a footwear factory, a sector where plants have relocated from China and Vietnam in the past year after wage costs rose there.

"A factor that would make a person go on strike is when one feels trapped. We are going in that direction, so the likelihood for more strikes in garment, textile and shoe factories is huge." — Reuters