

# The Dynamics of Minimum Wage in Indonesia's Manpower System

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## I. Introduction

Wages<sup>1</sup> are one of the important components in Indonesian workforce. The basic wage regulations are compiled and written in legislation in order to create a social welfare system as follows:<sup>2</sup>

1. Article 27 Paragraphs (2) of the 1945 Constitution of the Republic of Indonesia declares that "Every citizen shall have the right to work and a decent living for humanity."
2. Act of the Republic of Indonesia No. 13/2003 on Manpower.
3. Government Regulation of the Republic of Indonesia No. 72/2001 on Income Tax on Income Received by Laborers up to Minimum Wage (MW) of Province or MW of District.
4. Presidential Decree No. 107/2004 on the Wage Council.
5. Government Regulation of the Republic of Indonesia No. 78/2015 on Wages (Peraturan Pemerintah 78 or PP 78).
6. Regulation of the Minister of Manpower of the Republic of Indonesia No. 20/2016 on the Procedures for Administrative Sanctions of Government Regulation No. 78/2015 on Wages.
7. Regulation of the Minister of Manpower of the Republic of Indonesia No. 21/2016 on Decent Living Needs.
8. Regulation of the Minister of Manpower and Transmigration No. 7/2013 on MW.
9. Decree of the Minister of Manpower and Transmigration of the Republic of Indonesia No. Kep-231/Men/2003 on Procedures for Suspending MWs.
10. Decree of the Minister of Manpower and Transmigration of the Republic of Indonesia No. Kep-49/Men/2004 on Terms of Wage Scale Structure.
11. Decree of the Minister of Manpower and Transmigration of the Republic of Indonesia No. Kep-102/Men/VI/2004 on Overtime and Overtime Wage.
12. Regulation of the Minister of Manpower and Transmigration of the Republic of Indonesia No. Per-03/Men/I/2005 on Procedures for Proposing Membership of the National Wage Council.
13. Regulation of the Minister of Manpower and Transmigration of the Republic of Indonesia No. 13/2012 on Components and Implementation of the Stages of Achieving Living Needs.
14. Guideline for Survey and Processing of Decent Living Cost (Kebutuhan Hidup Layak or KHL) Data.
15. Presidential Instruction of the Republic of Indonesia No. 9/2013 on MW Determination Policy for Business Continuity and Improvement of Laborer Welfare.

1. Article 1 number (25) of the Manpower Act defines wages as "the rights of laborers received and expressed in the form of money as remuneration from employers to laborers who are established and paid under an employment agreement, agreement or statutory regulations, including benefits for laborers and their families for work and/or services that have been and/or will be done."

2. The Manpower Act, Wage Rules Association. Directorate General of Industrial Relations and Labor Social Security. Ministry of Manpower of the Republic of Indonesia, 2016.

16. Decision of the Chair of the National Wage Council No. 01/DEPENAS/XII/2006 on the Working Procedure of the National Wage Council.

The set of rules is established based on the consideration that national development is implemented to fully build the Indonesian people and the community as a whole to create a prosperous society based on the ideology and the 1945 Constitution of the Republic of Indonesia.<sup>3</sup> Especially, wages are established to ensure a harmonious relationship that exists between the parties involved.

Laborers and employers are involved in private relation. They conduct employment agreements to create and maintain harmonious industrial relations. In addition, wage is one of the agreement clause. The basis of private law in the employment contract is ruled by Article 1320 of the Civil Code on the terms of the agreement's validity, as follows:

*Firstly*, the agreement between the binding parties means that the parties in the agreement mutually agree in terms of the principal agreement. Thus, an agreement may be abrogated if there are elements of fraud, coercion, and oversight. Moreover, Article 1321 of the Indonesian Civil Code states that, "there is no valid agreement if it is given in error or obtained by correction/fraud." In the case of wages, the agreement between laborers and employers must be recorded and mutually agreed. In that agreement some aspects should be taken into account, such as amount of wages, type of wages (basic wages, incentives, allowances for laborers and their families) and time of payment (daily, weekly, monthly or as agreed). The agreement is implemented on the basis of good faith. *Secondly*, it is lawful to make an agreement, meaning that the parties must be legally competent under the law, that is to be an adult (aged 21 years) and not under custody. The parties in industrial relations must have reached a certain age to be able to decide the desired wage amount. On the basis of Indonesia's Manpower Act, the legally allowed age for employment is a minimum of 18 years.<sup>4</sup> *Next*, the conducted agreement should be in certain terms which are clear and detail (type, quantity, and price) or object description, known to the rights and obligations of each party. Thus, there will be no dispute between the parties. In this case, remuneration is always clearly promised in a salary or wage usually in the form of money, but some are in the form of free medication, vehicles, meals and lodging, clothing<sup>5</sup> and other primary, secondary and tertiary needs. In this situation, industrial disputes will not arise. *The last*, points of agreement should contain a lawful clause that means the treaty contents must have a purpose that permitted by law, morality, or public order. According to wages, the agreement must be based on community's wage regulations, norms and rules.

Based on private law, wages are determined based on an agreement between laborers and employers. Furthermore, determination of public wages is participated by the government with a role in maintaining and ensuring good industrial relations. Thus, justice and prosperity are created. In this study, it is clear that wages are a right for both formal and informal laborers regarding to oral or written covenant in the context of an employment agreement.

Wage policies are stipulated by the government in order to protect laborers and to realize decent living income for humanity, one of which is MW.<sup>6</sup> The government shall stipulate the minimum wage on the basis of the adequate life needed by observing economic productivity and growth.<sup>7</sup> Nowadays, the dynamics of MW and wage's regulation on PP 78 are interesting subjects in Indonesia's manpower.

## II. Minimum wage and PP 78

### A. Minimum wage

Minimum wage is defined as the minimum wage in province or district/city. It is directed to the achievement

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3. See "Considering" the point (a) of the Manpower Act.

4. Article 1 number (25) of the Manpower Act.

5. Subekti, *Pokok-Pokok Hukum Perdata*, Intermasa, Jakarta, 1996, 173.

6. *Ibid*, N4, Article 88 Paragraphs (3).

7. *Ibid*, N4, Article 88 Paragraphs (4).

of KHL with the stipulation by the governor taking into account the recommendations of wage council,<sup>8</sup> at the level of province or district/city. Components and implementation of the stages in achieving the costs of decent living are regulated by a Ministerial Decree. Then, with the enactment of PP 78, regulation of the Minister of Manpower No. 21/2016 on Decent Living Costs is issued.

Prior to the issuance of PP 78, a technical regulation on minimum wage was set forth in the Regulation of the Minister of Manpower and Transmigration No. 7/2013 on Minimum Wage (*Permenakertrans 7/2013*). This rule is structured to protect laborers' wages from falling at the lowest level because of labor market imbalances. Therefore, the rules are established by policy maker for harmonizing minimum wage policies and improving the welfare of laborers. Based on these considerations, it is necessary to regulate minimum wage of province or district/city, and minimum wage for certain labor-intensive industries. The minimum wage is the lowest monthly wage consisting of the basic wage including the fixed allowance set by the governor as the safety net. Minimum wage consists of Minimum Wage Province (MWP) or Minimum Wage District/City (MWD/MWC) and Minimum Wage Sectoral Province (MWSP) or Minimum Wage Sectoral District/City (MWSD/MWSC).

The MWP is set and announced by each governor annually on November 1. In addition, the governor may set up MWD/MWC based on wage councils of province and district/city recommendation. MWD/MWC shall be determined and announced by the governor no later than November 21 after the determination of MWP. In this case, MWD/MWC is bigger than MWP. The MW shall be effectively implemented on January 1 of the following year and the review of the MW must be done in every single year. For regions, where the MW is still under KHL, the MW is applicable to certain labor-intensive industries and it is applicable either to other companies by referring to the consideration of business capability conditions. For regions whose MW is above KHL, in which KHL for the following year is greater than the MW of the previous year, the governor stipulates it in the following year to refer to the consideration of the business capability condition. Furthermore, for regions whose MW is the same or above KHL where value for the subsequent year is not greater than the MW of the previous year, the governor shall determine the MW based on the recommendation of the wage council.

In addition, the governor may establish the MWSP and/or MWSD/MWSC. This is based on the agreement between the company association and the trade unions in the involved sectors. Then, it is officially effective upon the governor stipulation. The MWSP and/or MWSD/MWSC quantity shall be stipulated in which MWSP and MWSD/MWSC should not be lower than MWP and MWD/MWC respectively. The wage council shall conduct research to determine the pre-eminent sector which is subsequently communicated for negotiation to the company association and/or trade unions in the related sector. Furthermore, the amount of sectoral wages is agreed by the company association and trade/labor unions in that related sector. The result of the agreement shall be submitted to the governor through the Regional Work Unit (*Satuan Kerja Perangkat Daerah* or SKPD) that responsible for the manpower field as the basis for determining sectoral wages.

The MW becomes an important issue in employment for Indonesia to be more competitive. The reasons for improving MW to achieve national competitiveness are:<sup>9</sup> companies classified as labor intensive, fluctuations and wage uncertainty are very influential for entrepreneurs in business certainty; competitive wages will lead to competitive prices. This happens if the government helps compensating for some laborers' needs (such as health and transport). Thus, sales and economic growth will significantly be increasing; labor absorption and unemployment reduction occur if the MW is rational. This will ease the employers to hire new employees.

The problem occurs, if the established legislation was not running properly. R. Irianto Simbolon, Directorate General of Industrial Relations and Labor Social Security, explained that MWP determination was not done

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8. Instruction of the President of the Republic of Indonesia No. 9/2013 Concerning Determination of MW in the Framework of Business Continuity and Improvement of Laborers' Welfare.

9. Ikomatussuniah, *Ketnagakerjaan Dalam Bingkai NKRI*, Untirta Press, Serang City, 2016, 64. Based on Anton J Supit, Deputy Chairman of the National Wage Council of Entrepreneurs' Element, Paper: *Penerapan Sistem Pengupahan Yang Berkeadilan (Perspektif Asosiasi Pengusaha)*, was presented at the National Wage Council Consolidation Forum at Grand Sahid Jaya Hotel, Jakarta, on September 8, 2014.

simultaneously. There were many provinces that did not stipulate MWP.<sup>10</sup> This was described in the National Wage Council Consolidation Forum in Jakarta on September 7 to 9, 2014. The wage council as a guardian of wage policy is an organization representative of the elements of laborers, employers, governments, experts, and scholars, which regularly work together to achieve fair wage aim.<sup>11</sup> Based on 2014's data, a social wage system can be analyzed as:<sup>12</sup>

1. The MWP shall be established and announced by the respective governor annually on November 1 of each year, but in the reality it was known as follows:
  - a. The provinces that set the 2014 MWP at the same time on November 1, 2013 were Nangroe Aceh Darussalam, North Sumatra, Riau, Riau Islands, South Sumatra, Jakarta, South Sulawesi, Central Sulawesi, and West Papua.
  - b. The provinces that established MWP 2014 before November 1, 2013 were West Sumatra, Jambi, Bangka Belitung, Bengkulu, Banten, West Nusa Tenggara, East Kalimantan, Gorontalo, North Sulawesi, Southeast Sulawesi, Maluku, and Papua.
  - c. The provinces that set the MWP 2014 after November 1, 2013 were Lampung, Bali, North Maluku, and West Sulawesi.
  - d. The provinces that did not stipulate MWP 2014 and only specified the MWD/MWC namely West Java, East Java, Central Java and Yogyakarta.
2. East Nusa Tenggara was the only one province that determined MW of labor-intensive industrial province<sup>13</sup> (Indonesian rupiah, IDR 1,125,000).
3. The highest MWP was Jakarta with IDR 2,441,000 and the highest percentage of the 2014 MWP was in Bali Province (30.62%).
4. The lowest MWP was East Nusa Tenggara with IDR 1,150,000 and the lowest percentage of the MWP was East Kalimantan (7.66%).
5. There were 16 provinces assigning MWP that were greater than KHL, namely: Nangroe Aceh Darussalam, North Sumatera, West Sumatera, Riau, Riau Islands, Jambi, Bengkulu, Lampung, Banten, Bali, Jakarta, South Kalimantan, North Sulawesi, South Sulawesi, and Papua.
6. There were four provinces assigning MWP 90% up to 99% KHL, namely: South Sumatra, Bangka Belitung, Southeast Sulawesi, and Central Sulawesi.
7. There were six provinces assigning MWP 80% up to 89% KHL, namely: Nusa Tenggara Barat, West Kalimantan, Central Kalimantan, Gorontalo, North Maluku, and West Papua.
8. There were three provinces assigning MWP 80% lower than KHL, namely: Nusa Tenggara Timur, West Sulawesi and Maluku.

Based on those data, it appears that the wage and wage systems are uneven and that the system of wages imposed has not occurred, because there are many problems in the regions related to the wage council in charge.<sup>14</sup>

- a. Wage Council of province and district/city has not fully understood the procedures for survey and determination of KHL values in accordance with laws and regulations, so that the wage setting mechanism is not in accordance with the provisions. Furthermore, poor coordination between National Wage Council, Province's Wage Council and District's/City's Wage Council and lack of budget allocation for the implementation of Wage Council's duties.
- b. There is no technical guidance on Road Map achievement as mandated in Permenakertrans No. 7/2013.

10. Ibid, 65, Based on R. Irianto Simbolon, Paper: *Membangun Sistem Komunikasi Dewan Pengupahan (Nasional, Provinsi dan Kab/Kota)*, submitted at Consolidation Forum of National Wage Council at Grand Sahid Jaya Hotel, Jakarta, on September 7, 2014.

11. Ibid.

12. Ikomatussuniah, *Op.Cit*, 68-69. Based on the Data in the Consolidation of the National Wage Council of 2014.

13. Mandated in Presidential Instruction No. 9/2013 and Permenakertrans No. 7/2013: "MW Determination Policy in the Framework of Business Continuity and Laborers Welfare Improvement."

14. Ibid, N12, 70.

It has been exactly 410 days after the National Wage Coordination Council was launched in 2014. The wage regulation is issued within Government Regulation No. 78/2015 on Wages (PP 78). It was established and enacted in Jakarta on October 23, 2015 and set forth in the State Gazette of the Republic of Indonesia No. 237/2015. At the time, this PP 78 comes into force, Government Regulation No. 8/1981 on the Protection of Wages (State Gazette of the Republic of Indonesia of No. 8/1981, supplement to the State Gazette of the Republic of Indonesia No. 3190) shall be revoked and nullified.<sup>15</sup>

## B. Regulation of PP 78

Problems occur in society related to wages are dynamics. The change of wage regulation causes pros and cons between laborers and employers, especially in enactment of PP 78. Generally, employers support and laborers refuse that PP 78 Policy. Said Iqbal, President of the Confederation of Indonesian Trade Unions (Konfederasi Serikat Pekerja Indonesia or KSPI), argued that the reasons for laborers to object PP 78 were:<sup>16</sup>

- a. Wages are not paid when laborers engage in trade union activities.
- b. MW increases are based on formula of inflation rate and national economic growth. It means that MW increases no more than 10% annually, while labor demands are always dynamic. In addition, adjustment of KHL's components is conducted within five years period. The increase of wage should be 22% of KHL, because decent living costs rise every year.
- c. Non-compliant entrepreneurs are regulated to get administrative sanctions rather than criminal sanction. This condition illustrates that the role of state is against citizens' wage protections. In fact, Indonesia's wage system impoverishes Indonesian laborers by implementing cheap wages. Privileges are given by the government to foreign laborers with the use of foreign currency as a payment of the amount following by current rate. Moreover, the wages of foreign laborers are much greater than the wages of the domestic one.

The entrepreneurs argue that the business communities support PP 78 with the following considerations:<sup>17</sup>

- a. PP 78 is a breakthrough in the world of Indonesian workforce. Before it was enacted, the adoption of the MWP was dominated by various forms of politicization that made irrational wage increases and caused uncertainty. Furthermore, wages are essentially private rights between employers and laborers. In this case, the state comes with MW policies to protect laborers from falling into inappropriate wage conditions.
- b. PP 78 aims to protect unemployed residents to hit the labor market, growth of business and increasing employment. Moreover, with the enactment of PP 78, the determination of MWP 2016 by the governor must use the mandated formula. The wages formula in PP 78 uses the national inflation rate and economic growth as the main variable. The governor should establish and announce MWP every November 1.

Hanif Dhakiri, Minister of Labour, said that<sup>18</sup> the issuance of PP 78 is to restore the function of MW as safety net, so that laborers get paid above the MW; the wage system in company is implemented through the wage scale structure; the pressures of current economic conditions are tough. Most countries, including Indonesia, are experiencing economic slowdown. To tackle this situation, the government continues to strive and stabilize economic growth by enacting one of the three packages of The Fourth Economic Policy Packages,

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15. See Article 65 of PP 78.

16. Tribunnews.com, *Ini 7 Alasan Buruh Tolak PP Pengupahan*, <http://www.tribunnews.com/nasional/2015/11/20/ini-7-alasan-buruh-tolak-pp-pengupahan>.

17. Soeprayitno, Member of the National Wage Council (DEPENAS), Chairman of the National Social Security Board Commission (DJSN), Chairman of the Indonesian Employers Association (APINDO), *Memahami PP 78/2015 Sudut Pandang Pengusaha* (Understanding PP 78/2015 Perspective of Employers), Spoken in Members Gathering DPN APINDO Jakarta, December 4 2015, [https://apindo.or.id/userfiles/publikasi/pdf/Ulasan\\_PP\\_78\\_DPN\\_APINDO\\_-\\_Members\\_Gathering\\_4\\_Desember\\_2015.pdf](https://apindo.or.id/userfiles/publikasi/pdf/Ulasan_PP_78_DPN_APINDO_-_Members_Gathering_4_Desember_2015.pdf).

18. Septian Deny, *Ini Tujuan Pemerintah Terbitkan PP Pengupahan*, <http://bisnis.liputan6.com/read/2351038/ini-tujuan-pemerintah-terbitkan-pp-pengupahan>



which the government set forth minimum wages wholly. MW regulation is one of the arrays on wages that is arranged by PP 78. Furthermore, based on PP 78, MW calculation formula, the periodic review of components and KHL type, wage scale structure, and the imposition of fines and wage deductions are conducted.

Hanif Dhakiri<sup>19</sup> said that the determination of MWP, referring to Government Regulation No. 78/2015 on Wages, has accommodated the interests of laborers and employers, namely:

- a. The wages will increase without any insistence from private parties. Thus, increasing wages are predictable. If the wage value is too volatile, it is feared that business put on hold and affect the employment termination.
- b. PP 78 is the best way to accommodate all interests. According to PP 78, the increasing wages consider inflation rate and economic growth average referring to the Central Bureau of Statistics (Badan Pusat Statistik or BPS). Considering these two things, the increasing MW in 2017 was 8.25%<sup>20</sup> and in 2018 is 8.71%.<sup>21</sup>
- c. Wage is a deal between laborers and employers. However, when it comes to the MW, the government has an interest in ensuring that there is a protection guarantee for the workforce to protect them from underpaid wage.
- d. MW determination is a safety net for laborers but unfortunately it is considered by them as an effective wage or a living wage. Thus, laborers insist that the wages should be increased due to the inappropriate comprehension.
- e. Entrepreneurs are misunderstood by enacting MW in general regardless of length of working time and competence. In fact, there is a wage scale structure, in which people who have different competencies and work period will get a different wage.

Table 1 describes wages condition before and after PP 78 in Banten Province.

Based on the figure, it can be seen that Banten's wage development change before and after the issuance of PP 78. The changes occurring during 2009-2016 were:

- a. Banten's MWP experienced change with various fluctuations. Since 2009-2016, the percentage of wages had unpredictably fluctuated. The wages ranged from 4.12% to 20.75%. Furthermore, this trend leads to uncertainty investment for employers.
- b. MWD/MWC in Banten saw an increase with uncertain fluctuations as well. During 2009-2016, the increases of wage were unpredictable and varied in magnitude ranging from 1.94% to 48.55%. The disparities of wage trend caused economic discrepancy between laborers in one area and other areas, even if they are in the same province. Thus, it stimulates laborer's demonstrations and strikes to fight their rights.
- c. In 2016, the implementation of wage formula had not been done properly and needed adjustment. As can be seen on the figure that some areas had not implemented the policy, namely, Lebak District and Pandeglang District, which implemented over 12% (that was suggested by rule) for their MW which were 14% and 15% respectively. MW by 12% were applied in six districts/cities: Serang City, Serang District, Cilegon City, Tangerang City, Tangerang Regency and South Tangerang City in accordance

19. Tempo.co, *PP Nomor 78 Tahun 2015 Mengakomodir Upah Karyawan*, November 2, 2017, <https://nasional.tempo.co/read/1030141/pp-nomor-78-tahun-2015-mengakomodir-upah-karyawan>

20. Letter of the Minister of Manpower No. B.175/MEN/PHIJSK-UPAH/X/2016 dated October 17 concerning the Submission of Data on National Inflation Rate and Gross Domestic Product Growth of 2016. National inflation data and national economic growth (Gross Domestic Product Growth) were used to calculate the MW of 2017 sourced from the Central Bureau of Statistics of the Republic of Indonesia (BPS RI) in accordance with the Letter of the Head of BPS RI No. B-245/BPS/1000/10/2016 dated October 11, 2016, namely: a. National inflation of 3.07%; b. Economic growth (GDP growth) of 5.18%.

21. Letter of the Minister of Manpower No. B.337/M.Naker/PHIJSK-UPAH/X/2017 dated October 13, 2017 on Data Delivery of National Inflation Rate and Gross Domestic Product Growth Year 2017. National inflation data and national economic growth (Gross Domestic Product) were used to calculate the MW of 2018 from the Central Bureau of Statistics of the Republic of Indonesia (BPS RI) in accordance with the Letter of Head of BPS RI No. B-188/BPS/1000/10/2017 dated October 11, 2017, namely: a. National inflation of 3.72%; b. Economic growth (GDP growth) of 4.99%.

Table 1. Banten's minimum wage values year 2009-2018<sup>22</sup>

AREA	2009	(%)	2010	(%)	2011	(%)	2012	(%)	2013	(%)
BANTEN PROVINCE	917,500	9.62	955,300	4.12	1,000,000	4.68	1,042,000	4.20	1,170,000	12.28
LEBAK DISTRICT	918,000	9.03	959,500	4.52	1,007,500	5.00	1,047,800	4.00	1,187,500	13.33
PANDEGLANG DISTRICT	918,950	9.40	964,500	4.96	1,015,000	5.24	1,050,000	3.45	1,182,000	12.57
SERANG DISTRICT	1,030,000	11.05	1,101,000	6.89	1,189,600	8.05	1,410,000 1,320,500	18.53 11.00	2,080,000	47.52
SERANG CITY	1,030,000		1,050,000	1.94	1,156,000	10.1	1,379,150 1,231,000	19.30 6.49	1,798,446	30.40
CILEGON CITY	1,099,000	13.14	1,174,000	6.82	1,224,000	4.26	1,481,000 1,347,000	21.00 10.05	2,200,000	48.55
TANGERANG CITY	1,064,500	11.03	1,130,000	6.15	1,290,000	14.2	1,529,150	18.54	2,203,000	44.07
	1,054,660	10.57	1,118,009		1,250,000	10.6	1,381,000	7.05		
TANGERANG DISTRICT	1,055,000	10.6	1,125,000	6.64	1,285,000	14.2	1,527,150	18.84	2,200,000	44.06
	1,044,500	9.50	1,117,247		1,243,000	10.5	1,379,000	7.32		
SOUTH TANGERANG CITY			1,125,000		1,290,000	14.7	1,529,150	18.54	2,200,000	43.87
					1,245,800	10.7	1,381,000	7.05		

  

AREA	2014	(%)	2015	(%)	2016	(%)	2017	(%)	2018	(%)
BANTEN PROVINCE	1,325,000	13.25	1,600,000	20.75	1,784,000	12	1,931,180	8.25	2,099,385.778	8.71
LEBAK DISTRICT	1,490,000	25.47	1,728,000	15.97	1,965,000	14	2,127,112.50	8.25	2,312,384.00	8.71
PANDEGLANG DISTRICT	1,418,000	19.97	1,737,000	18.36	1,999,981	15	2,164,979.43	8.25	2,353,549.14	8.71
SERANG DISTRICT	2,340,000	12.50	2,700,000	13.33	3,010,500	12	3,258,866.25	8.25	3,542,713.50	8.71
SERANG CITY	2,166,000	20.44	2,375,000	9.65	2,648,125	12	2,866,595.31	8.25	3,116,275.76	8.71
CILEGON CITY	2,443,000	11.05	2,760,590	13.00	3,078,057.85	12	3,331,997.62	8.25	3,622,214.61	8.71
TANGERANG CITY	2,444,301	10.95	2,730,000	10.47	3,043,950	12	3,295,075.88	8.25	3,582,076.99	8.71
TANGERANG DISTRICT	2,442,000	11.00	2,710,000	9.89	3,021,650	12	3,270,936.13	8.25	3,555,834.67	8.71
SOUTH TANGERANG CITY	2,442,000	11.00	2,710,000	9.89	3,021,650	12	3,270,936.13	8.25	3,555,834.67	8.71

with Banten's MWP.

Over two years after PP 78 established (2017 and 2018), it can be seen that the increasing wage seems to be certainly stable and equal based on inflation rate and Gross Domestic Growth (8.25% and 8.71%). Investors can gain a benefit from business certainty condition and job security for increasing wages and regulating wage scale structures.

The dynamics of wage-setting implementation appear in discussions which are conducted on the recommendation of the regent/mayor. In certain situation, one wage recommendation document stands for more than one wage number. This is common to accommodate both trade unions and employers' opinion. Then, in 2017 and 2018, based on Banten Governor Decree, amount of wages must be determined based on mandatory of PP 78 by considering the advice of the provincial wage council.<sup>23</sup>

Up to now, wage regulations seem to apply only to formal laborers. Nevertheless, the informal sector is not paid a good attention; their wage condition is out of control. Thus, informal laborers should be protected

22. Data from Secretariat of Banten Provincial Wage Council, Section of Wage Sector, Field of Industrial Relations of Banten Provincial Labor Office, February 9, 2018.

23. Article 22 of Presidential Decree No. 107/2004 on Wage Council.

by the government by empowering the functions of the Local Work Units in workforce field and maximizing the wage council's function. The number of Banten's formal laborers is higher than those of informal ones. In addition, percentage of formal laborers increased from 61.47% in August 2015 to 61.52% in August 2016. The supervision of formal and informal laborers should be done proportionally and sustainably by all parties. Therefore, the Banten's wage council and all work units take concrete steps to create a fair wage for all parties, especially formal and informal laborers by:

- a. Conducting direct supervision. It is done with persuasive monitoring to all companies in Banten. The main priorities are foreign, medium and large companies.
- b. Obtaining companies data from mandatory employment report and database of Manpower and Transmigration Office of Banten Province.
- c. Surveilling the troubled companies.
- d. Following up on community information about employers who do not pay MW.

### III. Conclusion

This report is summerized as follows:

- a. Wages are both formal and informal private studies. The state contributes and takes the role of protecting its citizens by drafting the MW rules to realize prosperity. The wages rules are very dynamics and they are adjusted to create welfare. Government representation is reflected in the wage council's assignment that they have a mandatory to create and supervise ideal wage system.
- b. Wage legislation has been prepared as well as possible but it is only implemented partially. For example, simultaneous MWP determination has not performed yet. Furthermore, some provinces have not specified MWP. Therefore, the role of the government in monitoring wage system should be improved.
- c. The PP 78 debate takes place between trade unions and company associations as well as the government. Laborers are against in cheap wages. Whereas, company associations and the government support the act by arguing that it is intended for the certainty of the business and laborers' wage assurance through the wage scale structure.
- d. After the issuance of PP 78, the act gives more certainty and clarity to laborers and employers in the law for conducting industrial relations. Furthermore, the low binding of the wages act is caused by reduction of the role of wage councils in determining KHL components review and the type of necessities of life which are carried out within five years.
- e. The dynamics of Banten Province's wage fluctuated before the PP 78 was established. Then, after the covenant appears and consider as a mandatory, the wages determination that held by parties run effectively.



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