

Indonesia Minimum Wage Adjustment

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Audience: FLA-Affiliated Companies

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Issue

The Government of Indonesia has adjusted minimum wages for all provinces for 2012. The increases range from around 3% to over 30%, with the most significant increases for Sector II (Textile, Leather, Apparel, Bag and Shoes) in Kota Tangerang (increase of 30.39%) and Kabupaten Tengerang (30.93%). The minimum wage increases are effective January 1, 2012.

A number of employers, through the Employer Association (APINDO), challenged the adopted minimum wage increases, particularly in Tangerang, before the State Administrative Court (PTUN). More recently, the Employer Association reached an agreement with the unions on the application of minimum wages and withdrew its complaint. The vaguely-worded agreement between the parties supporting the withdrawal of the case makes reference to the possibility of waivers for small businesses, but the terms and conditions of any such waivers have not been spelled out. The legality of any such waiver that would modify a government regulation is highly suspect.

FLA Company Obligation

The FLA Workplace Code of Conduct, revised on June 14, 2011, defines labor standards that aim to achieve decent and humane working conditions. The Code's standards are based on International Labor Organization standards and internationally accepted good labor practices. Companies affiliated with the FLA are expected to comply with all relevant and applicable laws and regulations of the country in which workers are employed and to implement the Workplace Code in their applicable facilities. When differences or conflicts in standards arise, affiliated companies are expected to apply the highest standard.

The FLA Workplace Code of Conduct element on Compensation states (in part): "Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract." The Compensation code element language is unequivocal in setting out that payment of the legally established minimum wage is not optional and cannot be modified through some alleged waiver negotiated between employers and unions.

Action Requested

The FLA urges affiliates with suppliers in Indonesia, and particularly in the industrial areas of Bekasi, Purwakarta, and Tangerang, to take immediate action to ensure that the legally established minimum wage is being paid by suppliers and that suppliers pay all back wages to workers in all instances where the wage increases were not implemented. The FLA also urges affiliates to exercise caution with respect to alleged waivers from the minimum law, as they are likely to be illegal.¹ The FLA will be directly contacting affiliated companies with factories in

¹ Only in very exceptional circumstances and with the necessary government approvals could there be a deferment of minimum wage payment under the law.

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Indonesia to ask for information on how they have followed up on this issue with their suppliers. The FLA intends to discuss the Indonesia situation and more generally the issue of waivers at the June 2012 meeting of the Monitoring Committee.