

Indonesia – Press Statement

International Trade Union Confederation – Asia Pacific (ITUC-AP)

Jakarta, 11 March 2020

“The International Trade Union Movement supports Indonesia Working People to extinguish Omnibus Bill”

We, the International Trade Union Confederation - Asia Pacific (ITUC-AP) representing effectively over 60 million members of 59 affiliated national trade union centres in 34 countries and territories in the Asian and Pacific region, express our full support to Indonesia Working People, in particular to our Indonesia affiliates (KSPI and KSBSI) in their all-out struggles against the Proposed “Omnibus Bill on Job Creation”.

Since October 2019, the ITUC-AP has been closely monitoring the labour issues in Indonesia when President Joko Widodo proposed to streamline overlapping Indonesian Laws into two Omnibus Bills on Job Creation and Taxation, with the primary purpose to attract foreign direct investment, ensure economic growth and create job opportunities.

We learnt that the proposed “Omnibus Bill on Job Creation” which was submitted by the Government to House of Representative (DPR) on 12 February 2020 is widely opposed by the Indonesian Working People and criticised without adequate prior consultation with trade unions.

As per the current draft, our analysis shows that the “Omnibus Bill on Job Creation” would lead to a greater flexibility and lower workers’ welfare significantly.

(1) The proposed Omnibus Bill risks to undermine minimum wages:

- It removes references to minimum wages at the city/district and sectoral level and only refers to provincial minimum wages. The level of the minimum wage will be based on economic growth at the provincial level, rather than based on evidence on the cost of living.
- Wage-setting will become the prerogative of provincial governors contrary to ILO Convention No.131 on Minimum Wage Fixing, which requires a tripartite minimum wage setting mechanism.
- Dissuasive sanctions against employers for not complying with minimum wage levels will also be significantly weakened. The current applicable legislation (Law 13/2003) provides for a punishment of up to 4 years imprisonment and/or the payment of a fine of 400 million rupiah. The Omnibus law would remove these penalties as well as penalties for unjustified late payments. Moreover, micro-small and medium scale enterprises, which constitute the majority of businesses in Indonesia, may be exempt from the obligation to pay workers minimum wages.

(2) Critical provision with regard to severance pay will be removed:

- This will facilitate the hiring and firing of workers for employers, while at the same time depriving workers of a significant part of their benefits. Workers on fixed-term contracts will no longer benefit from severance pay for example.

- Other categories of workers deprived of their severance pay include workers dismissed as part of retrenchment procedures or workers who are laid off due to prolonged sickness and workplace accidents.
- (3) The Omnibus law would also remove limitations against the excessive use of temporary contracts for work of a permanent nature:
- Currently, the legislation does not permit employers to hire workers on temporary contracts for more than two years for work of permanent nature. However, relevant provisions would be removed if the Omnibus law was adopted. This would incentivize employers to perpetually keep workers on insecure contracts.
- (4) The Omnibus law would remove limitations to the outsourcing of workers and the coverage of health and pension schemes:
- Currently, outsourcing is only permitted to five types of work that are not part of the core business of enterprises. However, if the proposed bill were adopted, employers would be able to outsource all their activities to an insecure workforce such as the hourly workers etc. As a result, many workers may not be covered by health insurance and pension schemes with their employers being exempted from their duties and responsibilities.
- (5) The Omnibus law would lead to significant health and safety risks:
- While the limit of the 40 hours per work is maintained in the Omnibus law, daily limitations have been removed. The maximum hours of permitted overtime have been increased, which may lead to significant health and safety risks.
- (6) Consultation with trade unions will be removed:
- Requirements to consult with in order to minimize job losses and to take measures to mitigate adverse effects of terminations in the event of restructuring have been removed.

Any proposed amendments to the existing Bills shall not decrease of the guaranteed rights and benefits by the statutory Law.

Reducing labour standards can only encourage the spread of low-wage, precarious employment and prevent a country from developing more stable high-skilled employment.

Therefore, the ITUC-AP urges the Indonesian government to immediately withdraw the proposed Omnibus Law and calls for open and constructive consultations with the social partners while drafting the proposed Bill.

Shoya Yoshida
 General Secretary
 ITUC-Asia Pacific