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The Limits of Globalization:

Injustice, Inequality and the Progressive Response





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By: Indrasari Tjandraningsih

Globalization, Labor Flexibility and the Trade Union Crisis: The Experience From Indonesia

Introduction

Neo-liberal globalization has brought about radical changes in the world of work with the implementation of labor market flexibility that has broad implications for employment relations and working conditions. It emphasizes on labor cost efficiency.

Labor market flexibility is one among a variety of capitalist strategies to reduce production cost. Quoting Manuel Castells, other capital strategies concerning labor include downsizing or subcontracting certain parts of the business that can be performed in areas with lower labor costs or adopting new and innovative labor strategies such as temporary labor, part-time workers, and by automating certain tasks and functions and obtaining permission from their labor force to apply stricter conditions of work and payment in return for a furtherance of their employment (Bhalerao and Bhalerao 2017). In a more general sense, labor flexibility 'has changed labor standards, strengthened the bargaining power of employers, changed employment contracts, impaired employment security, and caused labor to become global while unions remained national (Jansson 2020).

The implementation of labor market flexibility, subcontracting and labor outsourcing as capitalist labor strategies is facilitated by state regulations. It brought a shift in work relations which was previously dominated by permanent workers into

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Image: www.adb.org



contract workers. The shift brought about changes in working conditions and labor rights, including the right to organize.

This article aims to explain how the implementation of labor flexibility in Indonesia has caused the union crisis. Indonesian trade unions, that once succeeded in pressuring the government to enact a social security law¹ through phenomenal concerted action, is now facing a turning point. In the last 10 years, unions have been confronting a serious challenge to maintain their existence due to the impact of labor flexibilization. Unions are struggling with the diminishing of their political influence and bargaining power.

Labor Market Flexibility and Its Impact on Workers and Unions

Labor market flexibility is a strategy adopted by capital to minimize the negative impact of economic shocks by hiring and firing workers which is a necessary step to allow business to adapt more easily to economic shocks as the economy liberalizes and internationalizes (Tjandraningsih 2013). It is understood as a powerful regime, created through the collaboration by a range of actors, policies and institutions, which systematically work to “flexibilize” all aspects of production and employment relations in order to maximize capital's profit-making opportunities (Tjandraningsih and Nugroho 2008).

At the practical sphere labor flexibility became the norm of labor relations once the Law Number 13/2003 on Employment was enforced. The law stated that labor outsourcing and business process outsourcing can be applied in the production process. Labor outsourcing is a way of recruitment using labor recruiter agencies while business process outsourcing is a business practice in which an organization contracts with an external service provider to perform an essential business function or task. Labor outsourcing is limited to performing non-core work, i.e.: cleaning service, security service, catering service, transportation service and oil and gas related work activity. The highly controversial new employment law, the Omnibus Employment Creation Law enacted in 2020 removed the limitations: all kind of work can use outsourced workers. The Omnibus Employment Creation Law, in particular, the employment cluster, has been strongly rejected by the majority of unions because it reduced the rights and the protection of workers by reducing

labor costs and mandating government withdrawal from work relation issues and handing over their authority to a bipartite process. In the new law employment regulation as well as other clusters on environment, business licensing, land rights, and investment aim to provide ease of doing business by relaxing various procedures in business and investment. The critical groups see the law as putting a high priority on investment at the expense of labor and the environment.

Labor outsourcing has changed work relations from permanent workers to contractual workers, daily workers, part-time workers, casual workers which reduces workers' rights. Non-permanent workers only receive a small wage and a few allowances while permanent workers get various benefits and allowances. Contractual and casual workers are vulnerable in terms of working conditions and bargaining power. Contractual workers also discriminated because they do the same job as permanent workers but with less rights and benefits. Further implications for contractual workers are the lack of job security, income security and social security.

Workers' vulnerability are also experienced by those who work in labor intensive industries such as garments, shoes and electronics which are integrated in the global supply chain.

Hiring contractual workers has significantly reduced labor cost since they only receive wages while permanent workers, aside from wages also get allowances such as health, safety and pension.

The advantage of hiring contractual and casual workers has made employers recruit more of them and reduced permanent workers. Data from plant-level unions show that the proportion of permanent and contractual workers are now 30/40 and 70/60. Before labor outsourcing was authorized by law, the proportion was the other way round.

The increasing number of contractual workers has a negative impact on trade union power. Contractual workers are afraid or are not interested in joining unions because it will bring harm to their jobs. Employers in subtle or direct ways threaten workers of not extending their contracts if workers join unions. The threat seems to work well since more and more workers are avoiding to become union members. They prefer to keep their jobs instead of becoming union members.

¹See Tjandra 2017.



Image: www.wamu.org

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On the other hand, unions are still focusing on permanent workers to mobilize since they have not found a proper strategy to organize contractual and outsourced workers. This has led to a significant decrease in union density.² The decrease of union density and the bargaining power of trade unions is a global phenomenon and there have been various efforts to renew and revitalize trade unions. However, the search for the right strategy to revitalize unions has not been seriously executed in Indonesia.

The diminishing power of trade unions is happening more and more since the Jokowi administration. There were three substantial labor-related policies where unions were not involved in the process, i.e.: the 16-economic policy package, government regulation on wage and employment, and regulation in the Omnibus Employment Creation Law. All of the three policies contain regulation that are not in favor of workers and trade unions. The 16 economic policy package contain stricter requirements for trade unions in

special economic zones. The government regulation on wage has removed the negotiation process in minimum wage rise and replaced it with a formula for determining the minimum wage increase. The omnibus law minimizes workers' interests: decreasing job security with the contractual and outsourced work, simplification of the layoff process, a cut of severance pay and leave and add overtime, all of which are settled unilaterally without involving unions.

The above-mentioned issues in regulation concerning working conditions are priority issues for workers. Trade unions, as the legitimate organisation representing workers, are supposed to be involved in the process of policy formulation.

Various union actions to reject regulation that harm workers' rights ranging from demonstration, protest and lobby to the president³ have not succeeded.

²Union membership in Indonesia according to the Ministry of Manpower is decreasing in the ten-year period of 2007-2017 from 3,4 million to 2,7 million.

³The presidents of the big three union confederations (KSPSI, KSPI, KSBSI) have met the Indonesian president to extend their concerns on omnibus law, but unfortunately has not been successful in bringing any change in the law.

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Union Revitalization

Union revitalization needs a new strategy amidst the fast and vast changing government regulation and capitalist strategy. Union revitalization requires innovative efforts in organizing, good governance, collaboration and coalition, and member services. Organizing needs to include the following ways: mobilize underrepresented groups of workers; improving good governance within union organization; exploring new collaborations and coalitions with other civil society groups and advancements in the area of digital unionism (Chinguwo 2022).

With the implementation of labor flexibility there is a need to think of ways and method to mobilize contractual and outsourced workers whose interests should be represented by unions considering their numbers are significantly increasing while their rights are diminishing. Collaboration and coalition-building with other civil society groups also need to be put as a priority agenda in order to amplify pressures to the government. Good governance and strengthening internal democracy are imperatives to strengthen the institutional basis of union activities. In the digital era utilizing social media platforms to organize and service union members is a must.

Union revitalization will be meaningful only when government and employers weigh in union existence and put unions as legitimate organizations representing worker's interest. It should be re-recognized by both employers and government that unions are their important partners in industrial relations. An equal relationship needs to be maintained to create sound industrial relations and just economic growth. Neo-liberal globalization that created the unequal share of its benefit and marginalized workers and trade unions needs some correction measures. The government needs to step in and make fairer regulations. Exploited workers and weak trade unions are not beneficial for economic growth efforts or capital accumulation because it will only increase potential conflict as a result of dissatisfaction and gaps in the socio-economic and political sphere. ■



Image: www.insideindonesia.org

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