

Labor Market of Chinese Enterprises in Jakarta Metropolitan Area

—A Case Study of Bogor Prefecture—

Ersi SOENARSIH SOENANDAR

Preface

Through the recent investigation of Japanese-affiliated and the miscellaneous industries in the metropolitan areas (Miyamoto: 2001, 2004, 2009), it has been proved that labor disparity has been remarkably enlarged in Indonesia. The labor market has been formulated into the many strata in both the upper and the lower labor market. In Japanese affiliated industries, the labor disparity among the enterprises prescribed by the divided internal labor market is conspicuously shown, particularly in the labor condition and wages of each job stratum. Speaking of the actual labor condition of metropolitan miscellaneous industries, which is indicated at the thick bottom of labor market in the mega-city like Jakarta, the employment is extremely unstable (due to the unskilled-simple labor, and a lack of the improvement of technical skill). The labor disparity in the upper market (especially in regular employed laborers' market), is also obviously indicated.

This paper examines the labor market of Chinese (ethnic Chinese living in Indonesia with local citizenship, the same shall apply hereinafter) enterprises in Jakarta metropolitan area. Considering the large existence of Chinese enterprises in this country, Chinese industries should be also added to the research subjects of labor market. Chinese industries, how-

ever, have the tendency to detest unveiling the internal information due to the family business, which is, generally speaking, characterized by the economic and social environment of the historical background of a group of the Chinese residents. That is the reason Chinese manager has rarely given the investigation permission. Indeed, the author tried to investigate Chinese industries many times in the past, but did not succeed. Being unable to get the investigation permission directly from Chinese manager, the author succeeded in getting the information from the local working staffs of the investigated enterprises through the interviews outside their work place. Although such a precisely indicated data as the amount of capital and the wage structure by job strata of the investigated industries was not obtainable, a lot of the interviews led us to confirm that the labor market has been partially proved.

I Investigated Enterprises

The number of investigated enterprises is two, at the same location of Bogor prefecture next to the south of the metropolitan city, Jakarta. As both have more than 100 of the employees, from the view of the standard of the enterprise classification of BPS (Badan Pusat Statistik), they belong to the big enterprise. The investigation was conducted in 2006, 2008 and 2019, as above mentioned, through the interview with the employees. The following analysis (section I ~ IV) is mainly based on the data obtained in 2006 and 2008.

The chemical industry, Company A, founded in 1990, located at Narogong district, Cileungsi city in the Bogor prefecture, has produced Onix Fiber (FRP), and about 30% to 40% of all the products are exported to Japan (the rate of export is changeable every year), and the remaining

products to the domestic market, and has earned yearly turnover of approximately 0.6 billion rupiah (2007). There are 203 employees (as of February of 2008), which is likely to be changed by the increased employment of the temporary laborers at the busiest time. It is quite difficult to grasp the accurate number of the employees under the influence of the fluctuation of demand and supply.

The general manager of Company A is Chinese president's eldest daughter, and his eldest son is engaged in manager, which is characterized by the typical family management.

On the other hand, Company B, established at the same place as Company A of Narogong district of Cileungsi in the Bogor prefecture in 1991, with capital of \$35 million, has produced mainly the packing materials for the drugs, all of which are sold to the domestic market, earning a yearly turnover of about 2 billion rupiah (2007). To include the temporary laborers, the number of the employees reaches to 175 (as of February of 2008). Company B also reveals the typical family management of Chinese president and his relatives engaged in director and general manager.

II Structure of Job Positions, Method of Employment and Promotion

Table 1 indicates the structure of job positions. The job positions are stratified into 6 layers, including the dispatched and the temporary laborers into the same strata of the irregular production workers.

Company A, as mentioned above, executes the family management, controlled by Chinese president, his eldest daughter, and his eldest son. Furthermore, in Company A, the important positions of the clerical posi-

Table 1 Composition of the Employed by Profession

| | Company A | | | | | Company B | | | | |
|-------------------------|-----------|---------|---------|---------|-------|-----------|---------|---------|---------|-------|
| | Chinese | | Pribumi | | Total | Chinese | | Pribumi | | Total |
| | Males | Females | Males | Females | | Males | Females | Males | Females | |
| Management | 1 | 1 | 5 | — | 7 | 4 | — | 2 | — | 6 |
| Technical | — | — | 6 | — | 6 | — | — | 6 | — | 6 |
| Clerical | 1 | 4 | 13 | 10 | 28 | 6 | 1 | 3 | 4 | 14 |
| Formen | — | — | 31 | — | 31 | — | — | 3 | — | 3 |
| Regular Factory Workers | — | — | 26 | 5 | 31 | — | — | 16 | 20 | 36 |
| Dispatched Workers | — | — | 100 | — | 100 | — | — | — | — | 0 |
| Temporary Workers | — | — | — | — | 0 | — | — | — | 110 | 110 |
| Total | 2 | 5 | 181 | 15 | 203 | 10 | 1 | 30 | 134 | 175 |

(Source) Author's Survey. (As of February, 2008)

tions are occupied by Chinese. Speaking of the structure of the employees, management positions are 7, the clerical and technical positions are 34, all of whom are employed through the indirect-sector employment. On the other hand, at the production site, chief worker class (supervisor) are 31, while production positions (operator) are 131, included 100 dispatched employees. Although all of the indirect-sector personnel are employed as the regular employees, the employees of the management and the technical positions are, in principle, required of the educational background of university and vocational school at the time of the employment, while in the clerical position the high school graduates are employed. Chinese are employed through the personal contact, and at the employment of pribumi (local Malaysian Indonesian), the recruit through internet and the newspaper is utilized. All of the factory workers are composed of pribumi, and at the employment of the regular positions, the personal contact is placed in the center, while the employment of the dispatched workers through the contract, aims to cope with the shortage of the laborers. Although in the regular production positions, the junior-high or the high school graduates should be generally employed, the

standard policy of the school career is not strictly applied in some cases, giving the priority to the personal contact.

Since in both the indirect-sector and direct-sector personnel, no obvious regulation of both promotion and the raise in salary exists, the consequent periodical personnel appraisal has never been performed. The promotion is gotten irregularly on the basis of personnel appraisal by the manager, which reflects nothing but the arbitrary decision-making. As far as the interview surveys was concerned, no regular production employees have been promoted to the indirect-sector employees since the establishment of the company. Furthermore even in the class of foreman, there has ever been no promotion, and also in the indirect sector, there has been no case of the promotion of the clerical-technical position to the management class, either. It can be confirmed that in regard to the additional labor demand, there is no fundamental rule to procure the laborers from the external labor market; the dispatched laborers are employed under the contract of the short-term work of the 6 month unit, and besides, even in the reemployment, the prolonged term is limited to only 1 year in principle (It is prescribed by the labor law of this country that the employer is obliged to employ the worker as the regular employee at the consecutive employment of more than 2 years.)

The system of the large scale employment of the dispatched employees seems to be completed in about 2004. Since economic crisis of Asia in 1997, 20% to 30% of the regular employees are forced to be discharged (the accurate figures are unknown). Afterwards the conversion from the regular production position to the dispatched work has been proceeded to establish the system of the production on the spot to adjust the fluctuation of demand and supply with the number of the dispatched employees.

While company B conducted a family business, managed by Chinese president and his family, the other necessary positions are filled by Chinese as the indirect-sector employees. The employment measure of each stratum of company B seems almost the same as that of company A. At the recruitment of the indirect-sector employees of pribumi, company B utilizes the advertisement through internet and newspapers and so on, while at the recruitment of the direct-sector workers of pribumi, they utilizes only the personal relationship of the acquaintance and the relatives. Nevertheless in the employment of the temporary employees, company B has the method of her own, such as no particular description of the employment period, different from the dispatched employees. Such a temporary employment as the company can employ anytime and discharge unexpectedly is far more unstable than that of the dispatched employees. In company B, temporary work has been formulated since the time of the establishment. After dismissing 30% to 40% of the total employees due to economic crisis of Asia in 1997, company B has gradually shifted the regular production positions to the temporary employee's works. It can be also said from the fact that the female temporary employees of the production position have reached to 75% of all the employees at the time of investigation. Similarly to company A, company B has made no rule of promotion on the basis of personnel appraisal, which proves that any strata of the employees have been procured from the external labor market.

III Structure of Educational Background and Wages

Table 2 depicts the employees' educational background of Company A. Being unable to obtain the information of all employees' educational ca-

reer, the data is obtained from the sample survey including the irregular employees. It has been suggested from the data that at the indirect-sectors, the management/technical positions are required of the university graduates, the clerical position being of the high-school graduates, at the time of employment. In the case of the employment through the personal contact of the acquaintance and the relatives, the rule of the educational requirement has not been always applied. Similarly it could be said that the rule has not been strictly applied in the direct-sectors to require the educational background of the junior high and senior high school graduates.

The average wages by positions is reflected in Table 3. From the in-

Table 2 Labor Composition by Educational Attainment in Company A (sample survey)

| Highest Educational Attainment | Production Work | Clerical/ Technical | Total | Composition Ratio (%) |
|--------------------------------|-----------------|---------------------|-------|-----------------------|
| No Educational Attainment | 1 | 1 | 2 | 4.2 |
| Elementary School | 9 | — | 9 | 18.8 |
| Lower Secondary | 11 | — | 11 | 22.9 |
| Upper Secondary | 18 | 4 | 22 | 45.8 |
| Junior College/University | — | 4 | 4 | 8.3 |
| Total | 39 | 9 | 48 | 100 |

(Source) Author's Survey. (As of February, 2008)

Table 3 Average Wages (Monthly) by Position

(unit: rupiah)

| | Company A | | Company B | |
|-------------------------|------------|-----------|-----------|-----------|
| | Chinese | Pribumi | Chinese | Pribumi |
| Management | 11,500,000 | 6,000,000 | 5,000,000 | 4,000,000 |
| Technical | — | 1,200,000 | — | 2,500,000 |
| Clerical | n.a. | 1,800,000 | n.a. | 568,000 |
| Formen | — | 1,200,000 | — | 1,500,000 |
| Regular Factory Workers | — | 568,000 | — | 568,000 |
| Dispatched Workers | — | 568,000 | — | — |
| Temporary Workers | — | — | — | 568,000 |

(Note) Exchange rate at the time of survey: 1 yen = 85 rupiah

(Source) Author's Survey. (As of February, 2008)

interviews with the various strata of the employees, wages of the upper position are shown in the estimated numbers. The wages of all of the regular production positions, the dispatched, and the contracted are the minimum wages. As at the time of the interview, there is no overtime work in both companies, the wages are, in spite of the disparity of the rankings, at the standard of the minimum wages. Although the temporary employees of Company B are paid by piecework under the day-rate system, the average monthly income is closely equal to the minimum wage.

It can be said that the large wage disparity among working strata is found, in the management position between Chinese and pribumi, in the class of the positions between the indirect and direct-sector employees. In the production positions of Chinese enterprises, only the minimum wages in this country is provided both the regular and the irregular workers.

Concerning the welfare programs except wages from the view of employment stability, the regulation of the national standard is applied to the regular employees, as the paid holidays (for ceremonial occasions, in detail, two days for the marriage, 2 days for the relatives' ceremonial occasions, 2 days for a son' circumcision, 2 days for baptism and so on) and the maternity leave (3 months) is allowed. But the dispatched and temporary employees are excluded from the provision of the welfare programs. They are ensured to be provided only with a meal and overwork allowance. It is, therefore, recognized that the irregular laborers are placed in the extremely low standard of living because of the short-term employment insurance and very low wages.

It is assumed that in Chinese enterprises, the extremely large wage disparity exists between the upper positions of the indirect-sector em-

ployees and the production positions, and that a large percentage of the irregular laborers in the production position, in addition to employment disparity from the regular laborers, are situated in the same unstable employment and low standard of living as the lower stratum of the metropolitan miscellaneous industries (Miyamoto: 2009).

IV Strata of Employees by Hometowns and Job Transfers

As the labor demand characterized by Chinese enterprises has been manifested so far, in this section, the author would describe the feature of supply of the employees from the obtained data.

As to the employee's hometown, the employees who come from the regional laborer's hometown are 24, holding a half of the whole employees, and the most of the regional laborers come from the agricultural villages. To more precisely classify 24 regional employees are composed of 10 from the Bogor, 7 from Bekasi, 3 from Sukabumi prefecture, and owing to the location of the plant, not a few employees come from the neighboring Bekasi prefecture within the commuting area.

The occupation structure by employees' hometown households is displayed in Table 4 (classified by the occupation of the father or mother, who earns the main income of the household.) According to Table 4, the agricultural households (agricultural management household + households engaged in agriculture) make up 30%, and the next is those engaged in commerce and public service. Especially in the production positions, the agricultural households occupies a extremely high ratio. To be worth noticing is that the miscellaneous industries are included in the employee's parents occupation. It could be confirm that not a small number of the employees come from the strata of the miscellaneous indus-

Table 4 Composition by Occupation of Worker's Family of Origin in Company A (sample survey)

| | Production Work | Clerical/Technical | Total | Composition Ratio (%) |
|---------------------|-----------------|--------------------|-------|-----------------------|
| Farm Management | 5 | 1 | 6 | 12.5 |
| Farm Laborer | 12 | — | 12 | 25.1 |
| Factory laborer | 1 | — | 1 | 2.1 |
| Clerical/Technical | 1 | 2 | 3 | 6.3 |
| Merchant | 5 | 1 | 6 | 12.5 |
| Self-employed | 2 | — | 2 | 4.1 |
| Government Employee | 4 | 2 | 6 | 12.5 |
| Soldier | 1 | 1 | 2 | 4.2 |
| Teacher | — | — | — | — |
| Others | 8 | 2 | 10 | 20.8 |
| Total | 39 | 9 | 48 | 100 |

(Source) Author's Survey. (As of February, 2008)

tries in the agricultural villages.

In regard to the experience of job transfer, 23 of 39 employees of the production positions in the direct-sector (59.0%) have changed their job. 17 employees (43.6%) have experienced job transfer more than twice, and 8 of 9 employees of the clerical-technical positions have experienced job transfer, 6 of whom have experienced twice. The fluidity of the employees can be said especially high in the clerical-technical position, which, as already mentioned, elucidates the dependence of the employment mainly on the external labor market.

It can be confirmed that in the indirect-sector employees, a lot of the employees have the job career of the clerical- management position in the private enterprises, while 23 of the direct-sector employees experienced job transfer. Speaking of their previous occupations, 3 are the sellers at the roadsides, 2 the construction workers and 14 the factory workers. As to the transfer from the miscellaneous industries of the metropolitan areas, it leads to elucidate that at the direct-sector employ-

ment, the education and the technical skills are not so strictly required. It is also not difficult for the production laborers to transfer from the miscellaneous market because the employment of the production positions relies on the personal relation and the acquaintance.

V Current Labor Condition of Company B

Based on the limited information obtained through an interview to a staff after working hours, the author could identify the information about labor condition of Company B as of August, 2019. As identified in Table 5 below, nowadays, the number of employees who are working in the factory site are 154 employees. If compared to the previous labor condition in 2008, the number of employee has decreased gradually from 175 to 154 employees. Such decrease is caused of the modernization of production machines. The total of 154 consist of 134 permanent employees, 20 contract employees and the apprentices.

Based on gender clasification, overall, there is a relatively balanced composition between man and woman, where the permanent workers and contract workers are dominated by man, and on the other side the apprentices are dominated by woman.

Taking a look into the information about education level of employees

Table 5 Labor Composition for the year of 2019

| | Male | Female | Total |
|-------------------|------|--------|-------|
| Permanent Worker | 77 | 57 | 134 |
| Contract Worker | 2 | 1 | 3 |
| Temporary Workers | 1 | 16 | 17 |
| Total | 80 | 74 | 154 |

(Source) Author's Survey. (As of August, 2019)

as shown by Table 6, amidst 134 permanent employees, 87% of them are junior high school or above, with the largest composition is senior high school, then followed by junior college and university. The employees who hold junior college or university degree are 2 in production work, 9 in clerical/technical work and 1 person in the management work.

As shown in Table 7, based on monthly wages information, Company B has implemented payroll system based on the minimum regional wages to its regular workers as well as other additional incentives. For tem-

Table 6 Labor Composition by Educational Attainment for the Year of 2019

| | Production Worker | Clerical/ Technical | Manager | Total |
|---------------------------|-------------------|------------------------|---------|-------|
| No Educational Attainment | — | — | — | — |
| Elementary School | 17 | — | — | 17 |
| Secondary School | 33 | — | — | 33 |
| Upper Secondary | 72 | — | — | 72 |
| Junior College/University | 2 | 9 | 1 | 12 |
| Total | 124 | 9 | 1 | 134 |

(Source) Author's Survey. (As of August 2019)

Table 7 Average Wages (Monthly) by Position for the Year 2008 and 2019

| | 2008 | | 2009 | |
|------------------------|-----------|-----------|------------|------------|
| | Chinese | Pribumi | Chinese | Pribumi |
| Management | 5,000,000 | 4,000,000 | — | 10,000,000 |
| Technical | — | 2,500,000 | 15,000,000 | 7,000,000 |
| Clerical | — | 568,000 | — | 4,510,000 |
| Formen | — | 1,500,000 | — | 5,000,000 |
| Regular Factory Worker | — | 568,000 | — | 4,800,000 |
| Temporary Worker | — | 568,000 | — | 2,900,000 |

(Note) Exchange rate at the time of survey: 1 yen = 85 rupiah (2008) and 137rupiah (2019)

(Source) Author's Survey. (As of February 2008 and as of August 2019)

porary employees, Company B pays 75% from the minimum regional wages.

Similarly as in 2008, Company B implements the different payroll system to pribumi and Chinese employee at the same level. Company B pays Chinese employee twice higher than the pribumi employee, even bigger than the pribumi employee who hold upper position than that Chinese employee.

Summary

Although the surveyed Chinese enterprises, as to the scale of the enterprise, belong to large enterprises, its labor market would rather have the common features of the small-and-medium enterprises of the local pribumi capital. The main reason is to rely highly on the personal relationship in order to employ the indirect-sector employees under family business of the not-matured internal labor market without the internal promotion and a salary raise rule. The second feature is the extreme wage disparity between the indirect-sector employees (specifically the manager and his family) and the production laborers. Simultaneously the wages of the production position are ranked in the same low level as the minimum wages in the metropolitan area, which is, as compared with the income standard of the miscellaneous industries in the metropolitan area, placed in the lower strata. The third is the extremely unstable employment of the dispatched and temporary employees, with the low wages, no welfare program and the very short term work, which indicates the fundamental common features of the unstable employment strata.

References

- Soenandar, Ersi S. (2004), "The Shift of Indonesian Regional Income Distribution: A Case Study of Special Region of Yogyakarta's Economic Development," *Jurnal Ekonomi dan Bisnis* 4(2)
- Miyamoto, Kensuke (2001), *Kaihatu to Rodo (Development and Labor)*, Nippon Hyoronsha.
- Miyamoto, Kensuke (2004), "The Forefront of the Labor Market in Indonesia: A Case Analysis of Jakarta Metropolitan Area," *Economic Journal of Hokkaido University*, Vol. 33.
- Miyamoto, Kensuke (2009), *Ajia Nikkeikigyo to Rodokakusa (Japanese Affiliation Enterprises and Labor Disparity in Asia)*, Hokkaido University Press.