

The Achievement of Regional Minimum Wage (RMW) Based on Decent Living Standards (DLS)

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Abstract. To survive, people are encouraged to make their income by working. Therefore, workers/laborers expect an increase in their wages to improve their living standards. It is a common phenomenon, as happened in Lumajang District. As the government had issued Government Regulation No. 78/2015 concerning the Wages, in addition to Manpower and Transmigration Ministerial Decree No. PER.17/MEN/VIII/2005 concerning the Components and Implementation of Achievement Scale on Decent Living Standards, East Java Government followed up the regulation with the issuance of Gubernatorial Decree concerning the Regional Minimum Wage (RMW) based on Decent Living Standards (DLS) in Lumajang District. Since the enactment of those regulations, Lumajang District Wage Board has recorded the increase in the value and percentage of RMW. It proved the positive impact of the issuance of Government Regulation No. 78/2015 to the determination of RMW and DLS, in addition to people's purchasing power.

Keywords: wage, RMW, DLS, achievement, percentage

INTRODUCTION

Job is a substantial matter to support people's lives, especially to fulfill their daily needs and actualize themselves in social life. However, Indonesia is still facing unemployment issues due to the imbalance of work field growth compared to the number of workforces. Labor exploitation with low salaries and the use of natural resources as basic capitals have thrived everywhere [1]. As a result, reliance on human resources, high-value products, and global competitiveness has emerged as massive issues that urgently require fast solutions. It creates a big gap between the increasing number of job seekers and the limited capacity of available jobs. The worse condition is even boosted with the abundant workforces having low educational backgrounds and lacking in skills, professionalism, and expertise in certain fields.

People are motivated to work and produce income in the form of wages (money). With the increasing necessities of life, their purchasing

power depends on their income. Therefore, workers/laborers always expect greater wages to improve their living standards. The similar normality also happens to the workers/laborers in Lumajang District.

In the past five years, Regional Minimum Wage (RMW) in Lumajang District was ranked 20 out of 30 districts/cities in East Java Province due to the imbalance of job market and abundant low skilled job seekers. The large gap of wages for a similar profession in different sectors also appeared as an urgent problem that required responsive solutions. The dynamics of regulations on wages based on daily needs led to different perceptions. The implementation of different policies on wages also caused unfavorable impacts on industrial relations. In addition, it may cause unstable relation between employers and employees. In the side of employees, they demand that the wage should be similar to other region. In contrast, the employers demand that the wage should be as cheap as possible in order that they obtain maximum revenue or do not get any lost.

As an effort to improve the workers/laborers' welfare in Lumajang District, the determination of a proper RMW rate is considered substantial to achieve a decent living, as stipulated in Manpower and Transmigration Ministerial Decree No. PER.17/MEN/VIII/2005 concerning the Components and Implementation of Achievement Scale on Decent Living Standards [2]. The achievement of a decent living is expected to enable the workers/laborers in properly fulfilling their family needs. In fact, there is always difference perception among the three parties namely employer, employee, and government to decide the living cost standard.

A wage determination system based on provincial or district/city level aimed to create uniformity in remuneration, considering the companies' conditions and capabilities. Therefore, RMW should be proportional to the needs of decent living purposes. With regards to the idea, the government has issued Government Regulation No. 78/ 2015 to assist the determination of proper RMW. The regulation will also contribute to the Indonesian workers/laborers' welfare, social justice, and minimizing the conflicts among the three parties especially in Lumajang District.

METHOD

Approach

This study implemented a qualitative method. According to Chariri, qualitative research possesses some characteristics regarding the researchers' roles, relationships among variables, processes of implementation, interpretation, and findings [3].

Data Source

The data sources consisted of primary and secondary sources [4]. The primary data derived from the 1945 Constitution and other relevant regulations, including the East Java Gubernatorial Decree that presents the data on the RMW from the period of 2016 to 2020. Meanwhile, the secondary data derived from relevant literature, information, and opinions from competent parties, including Lumajang District Wage Board.

Data Collecting Technique

The study utilized interview and observation as the data collection techniques. Furthermore, the necessary data were compiled as the basis in deducting any possible measures to leverage the Regional Minimum Wage (RMW) of Lumajang District based on the Decent Living Standards (DLS).

Data Analysis

The analysis systematically consisted of the following procedures:

- Classification of RMW in Lumajang District from 2016 to 2020.
- Classification of DLS in Lumajang District from 2016 to 2020.
- Systematical description of the interview, relevant documents, and references from various literature to provide comprehensible results of the study.

RESULT & DISCUSSION

RMW in Lumajang District After the Implementation of Government Regulation No. 78/2015

Based on Government Regulation No. 78/2015, the standardization of Regional Minimum Wage (RMW) should be determined by the District/City Wage Board and Provincial Wage Board. The regulation mentions that the determination of RMW should meet with the Decent Living Standards (DLS) based on the productivity and economic growth of the local people.

From 2016 to 2020, Lumajang District recorded the increasing RMW based on its value and percentage, as explained in the Table 1.

Table 1. Determination of RMW and DLS in Lumajang District from 2016 to 2020
Source: Lumajang District Labor Office (2016-2020)

No.	Year	RMW (Rp)	Increase		Legal Basis	DLS	Increase	
			Rp	%			Rp	%
1	2016	1,437,000	149,000	11.57	East Java Gubernatorial Decree No. 68/2015 [4]	1,476,250	-	-
2	2017	1,555,552.50	118,552.50	8.25	Government Regulation No. 78/2015 [5]	1,630,446	154,196	10.45
3	2018	1,691,041.12	135,488.62	8.71	East Java Gubernatorial Decree No. 75/2017 dated 17 November 2017 [6]	1,713,891.39	112,712	6.91
4	2019	1,826,831.72	135,790.60	8.03	East Java Gubernatorial Decree No. 188/665/KPTS/013/2018 [7]	1,743,158	29,267	1.68
5	2020	1,982,295.10	155,463.38	7.84	East Java Gubernatorial Decree No. 188/568/KPTS/13/2019 [8]	-	-	-

From 2016 to 2020, Lumajang District has recorded annual increases in DLS. The increases also happened in the values of RMW since the enactment of Government Regulation No. 78/2015 despite the decreasing percentages. Based on the above table, the following are the details on the RMW and DLS in Lumajang District within the last five years:

- Lumajang District recorded an increase in RMW in 2016 by Rp149,000 with the percentage of increase 11.57% from the previous year.
- Lumajang District recorded an increase in RMW by Rp118,552.50 in 2017 with the percentage of increase 8.25% from the previous year.
- Lumajang District recorded an increase in RMW by Rp135,488.62 in 2018 with the percentage of increase 8.71% from the previous year.
- Lumajang District recorded an increase in RMW by Rp135,790.60 in 2019 with the percentage of increase 8.03% from the previous year.
- Lumajang District recorded an increase in RMW by Rp155,463.38 in 2020 with the percentage of increase 7.84% from the previous year.

With the enactment of Government Regulation No. 78/2015, the annual increases of RMW in Lumajang District was expected to enhance the workers/laborers' income in the region.

Equality of RMW with The Increase of DLS in Lumajang District

Despite the increasing RMW that had contributed to the increasing income of the workers/laborers, the government should also consider the fulfillment of DLS. To determine the DLS, the District/City Wage Board surveyed on the market prices of 60 daily needs, which were classified into seven types, including 1) foods and beverages, 2) clothes, 3) housings, 4) education, 5) health, 6) transportation, as well as 7) recreation and saving. The data of the prices were collected through an interview that involved several representative workers/laborers.

Lumajang District Wage Board listed the DLS values in the region from 2016 to 2020 with the following details:

- Lumajang District recorded an increase in DLS by Rp154,196 in 2017 with the percentage of increase 10.45% from the previous year.
- Lumajang District recorded an increase in DLS by Rp112,712 in 2018 with the percentage of increase 6.91% from the previous year.
- Lumajang District recorded an increase in DLS by Rp29,267 in 2019 with the percentage of increase 1.68% from the previous year.

Based on the data, the issuance of Government Regulation No. 78/2015 had contributed to the increasing RMW and DLS in Lumajang District. However, the fluctuation of DLS in the region marked a decrease in 2019. The declining DLS was due to a number of factors that led to the decreasing people's purchasing power.

Effectiveness of Government Regulation No. 78/2015 to The RMW in Lumajang District Based on DLS

Based on Table 1, the comparison between RMW and DLS in Lumajang District is explained by the following diagram:

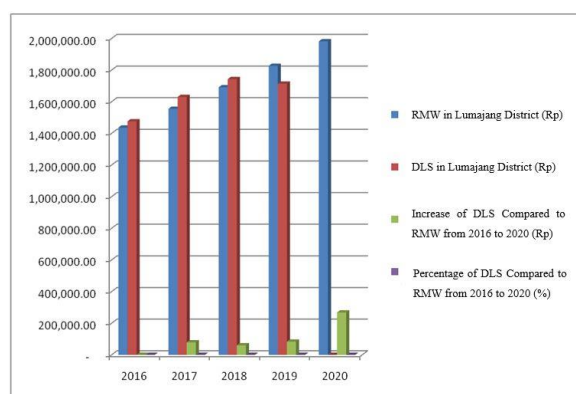


Figure 1. RMW Based on DLS in Lumajang District from 2016 to 2020

The values and percentages of RMW in Lumajang District signified annual increases from 2016 to 2020. However, the DLS rate in the region marked a decrease in 2019. The increase of RMW was boosted by the enactment of Government Regulation No 78/2015, stipulating that the RMW should be determined by the central government and followed up by the District/City Wage Board and Provincial Wage Board. The determination of RMW in Lumajang District was implemented based on the DLS, considering the productivity and economic growth in the region. From 2016 to 2020, the records of RMW in Lumajang District has met with the DLS.

Based on Figure 1, Lumajang District has recorded proportional people's purchasing power compared to the percentages of the DLS. The calculation is based on the current year's RMW plus the product of the multiplication of current year's RMW with the number of current year's national inflation rates and the current year's Gross Domestic Product (GDP). On another side, the region secured increasing values of RMW annually despite the decreasing percentages. As for the DLS, Lumajang District recorded annual decreases, with the most remarkable decreasing value happened from 2018 to 2019. Such a condition has raised concern to the people's purchasing power.

To conclude, Lumajang District has reached the proportional RMW based on the DLS since the

enactment of Government Regulation No. 78/2015. However, the determination of DLS value in the region decreased in 2019. The fact implied the requirement of a review of the Manpower and Transmigration Ministerial Decree No. PER.17/MEN/VIII/2005 concerning the Components and Implementation of Achievement Scale of Decent Living Standards.

CONCLUSION

The discussion deducted that the determination of RMW based on DLS in Lumajang District has been achieved due to the increasing values and percentages of RMW. The enactment of Government Regulation No. 78/2015 has contributed to the increasing RMW. However, the decrease of DLS rate in 2019 marked the urgency to review the Manpower and Transmigration Ministerial Decree No. PER.17/MEN/VIII/2005 concerning the Components and Implementation of Achievement Scale on Decent Living Standards.

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