

# The Declining Pancasila Industrial Relations and the Increasing Industrial Conflicts: Research Findings from Karawang-Indonesia

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**Abstract**—In Indonesia's New Order governance, violations occurred, in which Pancasila Industrial Relation (HIP) was employed as an instrument to give pressure and intimidate the labors. Thus, this concept is considered defective among labors. As democratization opens up the room for political opportunity structure, many labor organizations compete to strengthen their identity and do various movements to fulfill their aspiration. Even though there has been the biggest labor organization which was formed during the New Order era namely Serikat Pekerja Seluruh Indonesia, other regional labor movements, religious movements, and other ideology-based movement were also formed to enforce the implementation of industrial relations that match the principles of their movements. The result of a preliminary study done in Karawang District, at least four factors have been identified to count for the decline in Pancasila industrial relations. First, the law of labors does not strictly set HIP as the basic principle of industrial relations in Indonesia. Second, broader access to the politic domain has been utilized by some labor organizations to forcibly implement other principles of industrial relations outside the HIP. Third, direct regional election allows any candidate to obtain supports from labor organizations by tolerating any ideas or actions of the organizations. Fourth, tight competition occurs as new labor organizations were formed that the identity of the movement became highly significant. Consequently, sporadic solutions had to be used to solve various industrial conflicts according to the preferences of labor organizations and businessman.

**Keywords**— industrial relations; Pancasila; industrial conflicts; Karawang

## I. INTRODUCTION

The enactment of the Act of the Republic of Indonesia Number 13 the Year 2003 concerning Manpower (UU13) marked the birth of a new era of industrial relations from the state-oriented to labor-oriented ones. In the state-oriented era, the state is very powerful to determine all matters relating to laborers' wages, labor union, work facilities, and even strike which must be done with legal state permission. The issued Decree of the Minister of Manpower Number 342/Men/1986 shows how massive the power of the state is operated by the military. In the aforementioned decree, the Minister of Manpower approves military intervention if there are cases of industrial relations. It is not surprising that the dispute appeared in several industrial areas where workers refused massive interference from the security forces. The most phenomenal case was the kidnapping and murder of the labor activist Marsinah in 1993. Other cases were violence in Medan in 1994, arrest and detention of the labor activist Muhtar Pakpahan, and dissolution as well as the prohibition of the Labor Union of Merdeka Setia Kawan (known as SBMS) (Rochadi, 1996).

The strong role of the military in building industrial relations cannot be separated from the development strategy chosen by the New Order. Since Indonesia's financial crisis in the mid-1980s, the government changed its strategy from import substitution industrialization (ISI) to export-oriented industries (EOI) (Rochadi, 2014). The State Revenue and Expenditure Budget, which previously relied on petroleum sales, turned to the export of commodities both natural and processed. Consequently, the government must attract foreign capital as much as possible. To be able to compete with other developing countries, the Indonesian government promises two things, namely cheap labor wages and security as well as order. The first promise was fulfilled by the stipulation of labor wages with the concept of regional minimum wages (known as UMR in Indonesia) based on Permenakertrans Number 1 the Year 1999 concerning Minimum Wages and Permenakertrans Number 226/MEN/2000 concerning Amendments to the Decree of the Ministry of Manpower and Transmigration Number 1 the Year 1999. UMR is a minimum wage that includes minimum physical needs in an area. The amount of UMR is determined by the governor on the recommendation of the Regional Wage Council. Entrepreneurs as employers who obey the rule of the minimum wage are only 72%, while the rest pay workers' wages below the UMR (Rochadi, 1996). Regarding the first promise, the Indonesian government through the Investment Coordinating Board (known as BKPM) promoted the wages of cheap labor and potential markets for prospective overseas investors. Large population and oversupplied labor are viewed as a comparative advantage.

The second promise of security and order is fulfilled by involving as intensely as possible the military and police in handling labor issues. Security forces have the authority to give permission for labor strikes, even though the law states that strikes are laborers' rights. Laborers cannot use their rights because they are not permitted by the security forces. In cases of termination of employment (known as PHK), the executor is not the head of human resources management (HRD), but the security forces. Not few laborers who will encounter termination of employment are called to KORAMIL (Military Sub-district Command) and given a decree on termination of employment. Security approach which means the military and police act first to realize order is preferred over dialogue and consensus decision making. In controlling laborers, the state corporatism approach is used, so that in the field of labor there is only the All Indonesian Workers Union (known as SPSI) (Mas'ood, 1989) (Rochadi, 2014). The government and employers tried hard to prevent the presence of trade union, but if laborers want to form a union, they must get the approval of the government (security forces). Therefore all SPSI administrators are people of the company who have been approved by the security forces. Such a strategy shows that the New Order's development strategy does not require laborer participation. The laborer is positioned as a production tool that gets jobs due to the kindness of employers. As a means of production, laborers are easily substituted and replaced.

The fall of the New Order changed the labor political landscape along with ongoing democratization in Indonesia. Freedom of labor union, more appropriate wage policies and the implementation of labor social security start to appear and grow. The welfare of workers increases more than in the previous era. What workers achieved was the result of hard work since the mid-1980s. Nevertheless, industrial conflicts continue to take place, especially in industrial areas. Karawang Regency as one of the industrial areas in Indonesia shows the highest labor dynamics in Indonesia. In addition to the highest labor wage in Indonesia established in this area, the number of investors entering Karawang regency is also the largest. Not surprisingly, the rate of economic growth is always above the national average. The contribution of the industrial sector to the formation of gross regional domestic product (GRDP) since 2012 has reached 70%, while the primary sector only contributed 5.51% in 2016. This evidence shows that Karawang is the most developed industrial area. The area of land used for industrial areas reached 13,718 hectares, the widest in Indonesia with 233,606 companies of which 50% were a foreign investment (known as PMA) (Karawang, 2018).

As the most developed industrial area, industrial conflicts continue to take place every day due to the payment of wages, termination of employment and the non-extension of work contracts. In addition, the fragmentation and pressure of trade unions on laborers and the government took place very intensively. The high labor wages cannot be separated from the hard work of labor unions in suppressing local government. Other causes are not so prominent, and the impact on industrial relations in Karawang regency is not large. Compared to the New Order era, the settlement of industrial conflicts in the era of labor union freedom rarely considers the concept of Pancasila industrial relations. In fact, Pancasila is the view of life and ideology of the Indonesian nation, and therefore Pancasila should be the main reference. With this phenomenon, this study intends to describe industrial relations in Karawang especially the conflicts and consensus that occur between laborers, employers, governments and local political forces.

## II. LITERATURE REVIEW

The main theories about industrial relations were developed by Sidney and Beatrice Webb (Webb & Webb, 1920), Dunlop (Dunlop, 1958), and Hyman (Hyman, 1995). Dunlop put forward a unitary theory, Sidney and Beatrice emphasized pluralist theory, while Hyman rejected these theories and pioneered non-Marxian conflict theory. German sociologist, Dahrendorf (Dahrendorf, 1988) also put forward the authority conflict theory to explain industrial relations at the micro level. A century earlier, Karl Marx (1848-1883) proposed class conflict theory both at the micro and macro levels. These theories have not been able to explain the reality of industrial relations, so another approach emerges. Islam as a belief also has a concept of industrial relations that is different from the existing concepts. This concept is carried by Islamic-based labor movements, such as the Indonesian Muslim Workers Brotherhood (known as PPMI). Industrial relations scholars in Indonesia also initiated the concept of Pancasila industrial relations (known as HIP), a concept developed from the ideology and worldview of the Indonesian people.

Unitary theory considers that industrial relations take place between laborers and employers. Both parties have different interests but have the same goal of promoting business and achieving prosperity. Therefore, unitary theory considers that the relationship between them is a harmonious relationship. Unity of purpose is achieved together with a clear division of tasks in which employers make policies and laborers implement them. This theory leads to a paternalistic relationship between employers because the company is seen as a unitary organization like a family. With this perspective, labor unions are not needed because worker loyalty is divided between companies or labor unions.

The pluralist theory analyzes industrial relations from the perspective of conflicts of interest between laborers and employers. In unitary theory, actors are limited to laborers and employers. On the contrary, in pluralist theory, many actors are involved since various parties have an interest in the production of goods and wages. Conflict is something inherent in industrial relations given that the interests of laborers and employers are the opposite. Industrial relations are bargaining matters influenced by social-political forces in their environment. In this theory, the resources produced and contested between actors are very important, so that companies, labor unions, public policies, and social forces are institutions that must be studied. There are no company decisions that are free from social, economic and political influences.

The Marxist approach stems from the thought of Karl Marx (1848-1883) about the class struggle theory. Marx divides society into two opposite classes, namely the class of owners who own the means of production such as factories, machines and land, and the working class that works by selling labor to the class of owners (the bourgeoisie). Although both need each other, the employment relationship that is built is not equal. Employers can fire their workers, set long hours and provide low wages. Employment relations or industrial relations between laborers and employers are exploitative. Employer's wealth increases with the hard work of the labors. The consequent common developed phenomenon shows increasingly wide inequality between capital owners and workers.

To change the unfair structure, laborers need to make movements. The united large number of laborers can change the situation. Accordingly, class consciousness needs to be built. At first, *class in itself* grows in which laborers have not been able to build strength to deal with the bourgeois class (Ritzer, 2015). Due to the development of technology, especially communication media, they are able to organize themselves nationally. Although still facing internal conflicts and many defeats, the support of small traders, small industries and especially urban intellectuals, helped to encourage the growth of political awareness of the proletariat not only toward its position in the production process but also the great and sustained oppression of the bourgeoisie and overall awareness to eradicate oppression. This is the moment that Marx calls real class consciousness or *class for itself* (Ritzer, 2015) (Magnis-Suseno, 2000). Revolution to take over factories, machinery and other capitals for the benefit of the working class just waits for the perfect time. Thus, exploitative industrial relations must end with laborers' revolution overthrowing capitalism to generate a new, more just society.

Marx's aforementioned thought is far different from industrial relations in socialism although many scholars mix it. Socialism is structured after capitalism has developed rapidly (Dolenec & Zitko, 2016). The rationale for socialism was the empirical experience of the laborers in the early 19th century in Britain. Competition among entrepreneurs including in labor wage results in poverty and unemployment. Fair profit sharing underlies the ideas of modern socialists. The ideas state that workers work hard and have the right to enjoy the rewards of their work, while the product of work should not get rid of workers and it must belong to workers. Robert Owen (1771-1858) not only delivered a lecture on justice but practiced it in his company (Simeon, 2017). As a manager, Owen made major changes such as building housing for laborers, opening shops with lower prices than other shops for laborers and opening schools. It turned out to have a big impact indicating work morale and labor results that increased. Increased income for laborers also benefits the company because the purchasing power of laborers increases so that the company's products are sold more.

Until the late 1980s, before the fall of the Berlin Wall, socialism still gave hope to its supporters. According to Heywood, the optimism of socialism supporters is underpinned by the following considerations (Heywood, 2014):

- a) Widespread political rights among citizens, especially the right to vote which ultimately led to political equality.
- b) Political equality will eventually win the majority in the industry, namely the working class.
- c) Socialism is the natural home for the working class due to the exploitative nature of capitalism. The larger the working class, the stronger the supporters of the socialist party, so the victory and the birth of the socialist community are just waiting for time.
- d) Once the socialist party holds power, the social transformation will continue. Political democracy opens the possibility of achieving socialism peacefully.

Socialism, however, faced a problem that had not been imagined by 19th-century scholars, namely whether the working class would still be the major voters in the advanced industrial society. Along with the various changes made by capitalists such as shares selling (going public), positional shift of managerial seats' owner replaced by professional managers, the emergence of working-class decomposition (Dahrendorf, 1988), the discovery of global markets, the development of multinational corporations (MNCs) and ongoing labor market globalization, socialism is no longer an interest of the working class. The fall of communist countries was replaced by other regimes that were more pro-market, increasingly echoing the fall of socialism. Fukuyama (Fukuyama, 2006) concludes the end of history, the victory of capitalism and liberal democracy. Since the 1950s, according to Samuelson, there are no more countries that practice pure capitalism and pure socialism, but a mixed economy exists (Medema & Waterman, 2010). Capitalism is getting closer to socialism, so its original look is increasingly unclear at the end of the XX century.

Capitalism with its variants has at least three important characteristics, namely personal ownership, competition, and rationality. The capitalist system allows even unlimited private ownership. Competition between business people is intended to create efficiency, so not only prices are equal to the items purchased, but also are quality. Competition occurs not only among producers but also workers. A number of characteristics of capitalism in its pure form, namely (1) ownership and control of a number of production instruments, especially capital made by the private sector, (2) establishment of economic activities towards profit formation; (3) existing market framework that regulates all activities, (4) appropriation of profits by capital's owners, and (5) provision of labour by workers who act as free agents.

The previously mentioned characteristics of capitalism are condemned by humanists for trampling on justice, especially by exploiting laborers, taking up their hard work for the benefit of capitalists. Such classical model capitalism had lived in England and the United States in the nineteenth century and was often known as the *laissez faire* era. The industrial relations

built are exploitative relations, where the laborers are merely seen from their workforce. Laborers are paid with the concept of "no work, no pay." The amount of wage is determined by its productivity. In an unbalanced labor market, especially in situations of oversupplied labor, industrial relations are dominated by entrepreneurs who are free to determine working hours, wages, provide limited work tools and demand a certain amount of work. Free market ideology does not recognize human rights, nationalism, and justice. On the contrary, this ideology is in line with liberalism which demands individual freedom, capital accumulation, and wealth enrichment. In work relations, this kind of ideology manifests itself in competition between entrepreneurs and between workers (Caporaso & Levine, 2015).

Capitalism itself is not single. In Indonesia, it is known as state capitalism (Robinson, 1986) and false capitalism (*erzats capitalism*) (Kunio, 1992). Baumol, Litan and Schramm (Baumol, Schramm, & Good, 2010) who study XXI century capitalism states that there are four variants of capitalism, namely state-led capitalism, oligarchic capitalism, large corporate capitalism and entrepreneurial capitalism. In state-led capitalism, the government tries to direct the market by supporting certain industries that are expected to be winners. In large corporate capitalism, the most important economic activities are carried out by large established companies. This type of capitalism is often difficult to distinguish from industrialists. The authoritarian nature of the regime against laborers is increasingly evident in oligarchic capitalism since the state, and its officials use policies and then state wealth for personal and family interests.

In Muslim-majority countries, labor activists initiated industrial relations based on Islamic teachings. In Indonesia, this idea was conveyed by the Indonesian Islamic Workers Union (known as SBII) in the 1950s and later by PPMI in the late 1990s until now. Why does Islam care about industrial relations? According to Khudori, Islam from its emergence develops freely as a society and as a religion, government, and state. This is evident since Islam emerged and raised without any form of domination (Khudori.ed, 2013). The Islamic economic system is between capitalism and socialism. Islam not only recognizes private property but guarantees a wide and useful distribution of wealth through institutions established in accordance with Islamic principles. The principles of industrial relations in Islam are based on the fulfillment of laborers' rights, and according to Jalil's study, the principles have been fulfilled by the Act Number 13 the Year 2003 (Jalil, 2006). This view is in line with the Indonesian Muslim Workers Union (known as Sarbumusi) (Rochadi, 2016). Islamic movements including the labor movement are always not singular in purpose. Khudori argued that because Islam was born in a vacuum of social, economic, cultural and political systems, the ideals of the movement were directed to build an Islamic society structure (Khudori.ed, 2013). This opinion is in line with Nusrati's conception of the Islamic political system whose ultimate goal is to build the structure of Islamic society. Nusrati affirmed this argument by quoting Allamah Tabataba'i, "there is no doubt that Islam is the only religion that firmly and explicitly places its teaching principles on social principles" (Nusrati, 2015). In any case, the religion of Islam will never ignore social factors.

In the New Order era, labor activists initiated the concept of Pancasila industrial relations (HIP). The basic concept of the HIP as stated by Sukarno positions employers and laborers as partners in the product, partners in profit, and partners in responsibility. Unlike industrial relations in the perspective of capitalist and socialist economics, HIP has special characteristics which are a combination of humanity, society and work productivity (Sukarno, 1982). The special characteristics of the HIP as stated in the Guidelines for the Implementation of Pancasila Industrial Relations (Manpower D. T., 1987) are as follows:

- a) Pancasila industrial relations recognize and believe that workers not only attempt to make a living but do their work as a service to God, to humans, society, nation, and state.
- b) Pancasila industrial relations not only consider workers merely as factors of production but as individuals with all their dignity. Therefore, the treatment of employers to workers is not only seen in terms of factors of production but must be seen in order to improve human dignity.
- c) Pancasila industrial relations view workers and employers as parties who do not have conflicting interests, but those with the same interests, namely promoting the company. With an advanced company, the welfare of workers and employers can be improved.
- d) In Pancasila industrial relations, every difference of opinion between workers and employers must be resolved by deliberation to reach consensus carried out in a family manner. Therefore, every use of unilateral emphasis and actions such as strike, company closure (lockout), is contrary to the principles of Pancasila industrial relations.
- e) In Pancasila industrial relations, there is a balance between the rights and obligations of both parties in the company. This balance is achieved not on the basis of the balance of power, but on the basis of justice and propriety. In addition, Pancasila industrial relations also view that the results of the company's achievement based on workers-employers cooperation must be enjoyed fairly and equitably in accordance with their respective sacrifices.

The theory of Pancasila industrial relations rejects the dichotomy of laborers and employers, as in Marxian theory. Instead, Pancasila industrial relations emphasize consensus decision making and prevent the involvement of wider actors. The building of HIP theory is not different from unitary theory, as seen in the estuary of relations between laborers and employers who are both patronages. In its implementation, the HIP theory adds government involvement in tripartite cooperation, so it invites the

involvement of interest groups which are directly affected by labor policies. Therefore, the HIP theory, especially the formulation of labor policies, is also in line with pluralist theory. For example, the formulation of wage policy is carried out by the National and Regional Wage Councils whose members consist of representatives of laborers, employers, academics and the government.

### III. METHOD

This study used a qualitative approach or popularly called naturalistic research. Neuman mentions it as field research to distinguish between the quantitative approaches commonly practiced in the laboratory (Neuman, 2014). A qualitative approach was an option in this study since the researchers attempted to learn, understand or describe a group of people who interact, especially workers, employers and government (government officials in the labor field) in the Karawang region. The researchers in this case observed and study workers, labor unions, employers and officials in the manpower affairs by coming to them, interacting with them in their daily lives and developing broad theoretical insights from observation and interviews.

Since the three actors, namely labor union activists, employers, and labor officials do not live in the same area, and they do not interact in the same culture, the socio-cultural background is not the basis for data analysis. Therefore, this study more closely follows the logic of qualitative research in general as suggested by Neuman. By describing events in authentic reality, it requires the researchers to enter the research location and interact with informants and participants. Non-participant observers were done in this research because of socio-cultural values not the main reference in their interactions.

Data collection techniques in this study were the adaptation results of Creswell's five-step procedure which resulted in the adapted 3 steps due to the special situation, namely Karawang as an industrial area. The first step was identifying the participants and the places that were studied and involved in sampling strategy. The second step was gaining access to individuals and places by obtaining permission. The third step was identifying the type of information that could answer the research questions. Thus, observations at research locations and interviews with participants became data collection techniques (Creswell, 2015). Testing of data validity that Denzin called as triangulation (Denzin & Yvonna, 2012) and that Burgess referred to as the double research strategy was conducted in this study, namely by confirming information from labor union activists, employers and labor officials. Only confirmed data were considered valid and were analyzed.

The selection of informants is made by purposive sampling technique, by selecting informants who have quality information that supports the research objectives. Informants must fulfill the requirements: local government officials in the field of labor, union leaders who actively promote their ideas and businessmen or company leaders in the Karawang region.

The data analysis used was a combination of ideal types and successive approximations proposed by Neuman (2014). Data analysis techniques with this ideal type compare ideal ideas or concepts with reality in the field (implementation). The researchers focused on general facts and looked for common causes of industrial relations cases in Karawang Regency. The successive approximation data analysis technique is a process of repetitive iteration. The researchers moved from Pancasila industrial relation theory, classification of field data from labor union activists, officials of the Manpower Department, employers, leaders of business association (known as Apindo) and laborers. Subsequently, the researchers sorted the data based on themes both according to Pancasila industrial relation concept and the freelance themes that became the peculiarities of this study and broader findings from this study.

### IV. FINDING AND DISCUSSION

Political changes in the late 1990s and early 2000s had a major influence on industrial relations in Indonesia. During the New Order, the government including the security forces had very full power. The Ministry of Manpower and its subordinates had full control over employment starting from wages, labor unions, social security and termination of employment. Each manpower problem that occurred would be encountered by the military force according to its level. Problems at the company were handled by the Military Sub-district Command (known as KORAMIL). The problems which covered a number of districts were coped with by the Military District Command (known as KODIM). The All Indonesian Workers Union as a single forum barely functioned as a channel for workers' aspirations. Under these conditions, the labor position was very weak as indicated by the low wages, the absence of freedom of union and unclear social security.

Formally, industrial relations that were implemented in the New Order era were Pancasila industrial relations. Pancasila is also the only principle for political organizations and mass organizations. All students start from elementary school until high education learn Pancasila Education and may not get low grades in the subject to pass to the next grade or graduate. The learning of Pancasila is also supported by the learning of the Guidelines for Understanding and Practices of Pancasila (known as P4) for new students of the secondary school, new university students, civil servants, security forces, private employees to ordinary community members. For 20 years (1978-1998) the New Order government Pancasilaized into all aspects of people's lives, so as to successfully build a common sense of society regarding threats, challenges, obstacles, and disturbances. The similarity of this mindset, according to Gramsci, is called hegemony and is a form of community control. In the process of socializing Pancasila, it was also underlined that the State and nation were built by Generation 45, namely the fighters who succeeded in extinguishing both the regional rebellion and the G30S rebellion carried out by the Indonesian Communist Party

(PKI). Therefore, criticizing Pancasila and the New Order government identically supports the rebels or defends communism. In fact, before the fall of the New Order government, all arrested labor activists were accused of being communist followers or members of a formless organization.

The practices of industrial relations in the New Order era were marked by various violations by both the government and employers. The most serious violation was about wages. According to the Regulation of Minister of Manpower Number PER-05/MEN/ 1989 concerning Minimum Wages, labor wages are determined based on minimum physical needs for decent living. Payment of wages in accordance with the ministerial regulation is still far from welfare standards. Wages only met around 60-65% of the minimum living needs. Nevertheless, employers who paid wages according to ministerial regulations were only 70% (Rochadi, 1996), so many laborers fell into poverty and entrusted their children their hometowns as a strategy to reduce household expenses. Changes were made in 1995 where wages were determined based on minimum living needs which were also still colored by violations.

Pancasila industrial relations seek to eliminate conflicts between laborers and employers. For this reason, labor union control is crucial. The government applies the state corporatism strategy to prevent competition between labor unions. As a result, only SPSI is permitted. Control of the SPSI is very tight, starting from the people who will sit as administrators until the permit for organizational activities. In this format, the labor union becomes an extension of the government and entrepreneurs as employers. Various attempts to form counter-labor unions are foiled by the government with violence. The security approach is used to discipline laborers. There is a triangle changing-ship where security forces maintain stability; technocrats do planning and bureaucracy carries out development programs.

Labor social security that collects money from laborers is managed by a bureaucracy wherein laborers do not have access. Management of social security such as work accident insurance, pension, and death insurance, takes a very long time with a value that is not comparable to the labor money that is deducted every month. As a result, laborers are alienated from institutions that play an important role in Pancasila industrial relations, such as labor unions, employers and government.

#### A. *The Decline of Pancasila Industrial Relations*

Regarding the background which has been previously explained, Pancasila Industrial Relation has not yet been used as the reference among labor organization, businessmen even government officers after the fall of the New Order. The value of Pancasila eroded since new ideologies started to enter in the mid of 1990s as the alternative ideologies outside the national dominance. In labor movement, for instance, the *Serikat Buruh Sejahtera Indonesia (SBSI)* fought for the emersion of social democrat view, *Front Nasional Perjuangan Buruh Indonesia (FNPBI)* fought for the socialism, followed by the movement made by *Kongres Aliansi Serikat Buruh Indonesia (KASBI)* and the view that put Islam as the source of social, economic and politic order was enforced by *Persaudaraan Pekerja Muslim Indonesia (PPMI)*. A number of movements also appeared to support other slightly different views, yet those movements could not last long. As the largest labor organization and the front spokesperson of the HIP in the New Order Era, SPSI did not actually show off its power in the early phase of the reformation era. Besides SPSI was being fragmented, at that time, SPSI was still learning to be an independent labor organization.

Many government officials, employers and trade union leaders expressed their different reasons about their reluctance to refer to the HIP concept in industrial relations. Government officials stated that ever since the enactment of Manpower Law, both HIP concept and its derivative regulations no longer applied. Government officials ranging from the President up to the general director never acknowledged HIP in public. Decrees of the Ministry of Manpower in the reform era did not explicitly mention HIP either. This has led to misunderstanding in the among regional government officials that it was unnecessary to refer HIP in the development of industrial relations (Suroto, 2018). Entrepreneurs think that the socialization of HIP must be carried out by the government. Employers will implement the principles of business if they do not interfere with the freedom in business. Industrial policy in the present era has been considered too rigid. For example the policy about wages, termination of employment and strikes. The amount of labor wage increases every year without regard the condition of the companies. As a consequence, many companies went bankrupt, and the government did not provide adequate help for companies to deal with the crisis. The procedure of employment termination is also complicated. When a company faced a significant decrease in its revenue, terminating work contracts would take a long time to be approved by the industrial relations court.

Workers believe that the freedom of association must be utilized by standing up for ideal industrial relations. PPMI sees ideal industrial relations should be based on Islamic teachings. PPMI has struggled to fight for this belief by building wider networks which included the *ulammas*, *Partai Bulan Bintang*, *Front Pembela Islam*, and the 212 Movement where the former Chair of the PPMI Karawang Branch held the position as the Secretary-General of 212 Movement. Therefore, PPMI rejected the HIP concept, in addition to the fact that the concept has been considered fail in the New Order era and the concept was considered inappropriate with Islamic teachings (Zainal, 2018). Whereas SPSI and Singaperbangsa SP agreed with the HIP concept. According to those two organization, HIP is the ideal concept to apply in Indonesia as it protects all industrial relation actors. The concept also regards the principles of justice such as profit sharing, responsibility, and production. The failure of this concept in the New Order era might be caused by distortions in obtaining personal benefit among authorities (Khair, 2018) (Zaenal, 2018).

Nevertheless, all parties, including the government, employers and trade unions (except PPMI) agree with the enactment of the HIP. Pancasila as the national constitution and ideology is the main reference of public policy and industrial relations determination. By gradually implementing the HIP concept, the ideals of building Indonesian society based on the principles of Pancasila will be achieved.

### *B. Industrial Conflicts*

The spirit to reform labor policies is in accordance with the spirit of fighting against discrimination and labor violence. The reform is also intended to end the mutually beneficial bad relationship between State officials and entrepreneurs in the forms of corruption, collusion, nepotism, state-led capitalism, and rent-seeking economics. The four points above are under the concern of trade unions in a discussion on a plan of labor law. Labors are guaranteed with freedom of association (even they can easily establish an organization with only 10 members). Furthermore, the Indonesian Government ratified the International Labor Organization (ILO) Covenant No. 87 concerning Freedom of Association into Law No. 21 of 2000. The new policy on freedom of association is ultraliberal, and it appears like a double-edged knife for the workers themselves. In one side, labors are given the rights to protect themselves from the arbitrariness of employers and the government. On the other side, sharp fragmentations occur due to the use of primordial sentiment. It is considered difficult to reach a consensus after fragmentation and as the issue is utilized by employers to avoid the preparation of Collective Labor Agreements to be replaced with company regulations. In Karawang there are 9.979 companies, in which only around 1% own PKB and around 2.5% based on company regulations (Suroto, 2018).

PKB has made industrial relations rather quiet. Evidently, labor satisfaction has been reported high. Workers who work in companies with PKB never striking for the past 3 years and they had high trust in their jobs and companies. As a result, the relationship among workers, trade unions and employers becomes more comfortable. This phenomenon occurs since PKB is jointly arranged by employers and trade union representatives and it clearly states the rights and obligations. A quantitative study done by The World Bank shows that workers' satisfaction with their work reached 96% in companies that own PKB (Manpower M. T., 2018). In fact, industrial conflicts in Karawang occurred in companies that did not have PKB. The general characteristics of companies with high industrial conflicts are (a) the job is a labor intensive job which does not require high skills such as jobs in textiles, textile products, footwear, drinks, and snacks manufacturer, (b) labor wages are set under the city minimum wage (UMK), even many companies paid the wages up to 3 month late (c) there is no work agreement, but there are company regulations (d) there are more than 2 (two) labor unions in a company that keep on demanding for increase in wages, but they share different political orientation (Suroto, 2018) (Khair, 2018) (Zaenal, 2018) (Zainal, 2018).

Industrial conflicts in Karawang have increased in the past 5 years. The industrial conflicts include contradiction, disputes, and resistance among workers and employers, laborers and the government among between trade unions. The most common form of conflict is striken which take place in almost every end of the month in labor-intensive companies. Workers demanded payment of wages that had not been paid by employers even up to 3 months. Companies that produce jackets and shoes pay workers' wages with products. The workers refused and demanded to have their wages cash. The company has filed a report to the Manpower Office regarding their inability to pay wages according to the City Minimum Wage and are willing to sell their assets or relocate to other cities which set a lower rate of wages. There are several major causes of industrial conflict; wages, termination of employment, employment status, rejection of workers outside Karawang by local authorities through Regional Regulation No. 1 of 2011 and the involvement of the village head and the management of the Youth Organization in the recruitment process of workers in the company. This condition is obviously different from the condition in the New Order era since wages, freedom of association and social security are dominating.

Employment termination in Karawang in the last 3 years is considered very high. The data released by the Manpower Office (2018) shows an increase in the number of workers affected by layoffs. In 2015 there were 2.936 employees who then increased in 2016 to 5.212 people, and a total of 29.352 workers in 2017 were terminated. This happened due to the inability of the company in paying labor wages, bankruptcy, and the substitution of human power with robots. This condition is contradictory to the entry of investment in Karawang. Employee status has been the main trigger for serious conflict in Karawang. There are 4 (four) classification of employee status; organic workers (permanent workers), contract workers, outsourcing workers, and apprentices. Ever since the enactment of Act13 (Labor Act), complaints about outsourcing and apprenticeship systems raised. Almost every year, thousands of workers held a rally, demanding for the termination of the outsourcing system as the system is regarded discriminative towards workers. Outsource workers do the same jobs as regular workers, but they receive significantly lower wages. Moreover, outsource workers are ineligible for a career path and other benefits, giving them uncertainty in the future. While this problem had not yet been finished, the apprenticeship policy emerged (based on the Minister of Manpower Regulation No. 36 of 2016). With the enactment of this policy, a number of contract workers were terminated, and retired workers were not replaced by new ones because apprentices took over the same jobs at the same working hours as contract workers. The only difference was that apprentices did not receive transport money. The worries of contract workers increased along with the demand to be appointed as permanent workers (Zaenal, 2018) (Zainal, 2018).

## V. CONCLUSION

Many parties considered HIP is an appropriate concept to be applied in the context of industrial relations in Indonesia. The concept gives labors, companies and other industrial actors protection. Unfortunately, the government has rather been passive in promoting and socializing this concept, resulting in rejections upon this concept to be used as a reference. It is clear that both companies and worker unions felt manipulated by the previous government through the implementation of the HIP concept. However, all parties (excluding PPMI) has agreed to re-implement the concept of the HIP with a brand new spirit. They believe that Pancasila is the national constitution and ideology, and any state policy and policy implementation should be referred to the values of Pancasila.

The increase in the number of industrial conflicts in Karawang was triggered by complex issues instead of merely caused by the absence of HIP. The issues include the one related to rapid movement of Karawang from agriculture sector to industrial sector, the presence of more skillful workers from outside Karawang, inadequate bonding among industrial workers, adaptation of newcomers with Karawang culture, over-protective policies made by the regional government and the competition among workers as well as other industrial relationship problems.

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