

PROFILE OF WORKERS COMPENSATION UNDER WOOD PROCESSING INDUSTRY IN SAMARINDA

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ABSTRACT

Conflicts on working compensation are mostly happen between workers and companies in the wood processing industry in Samarinda, East Kalimantan, and Indonesia. Workers want a higher wages, while the company paid it lower than the amount expected by the workers. The argument of the workers is that the wood processing industry should be paid on the basis of Sectorial Minimum Wage (Upah Minimum Sektoral), while the companies use District Minimum Wage (Upah Minimum Kab/Kota) as the payment basis. Based on this, this study was aimed to provide insight from academic point of view in settling down the discourses towards wood processing industries as leading sector in Samarinda.

The result of this study showed that wood industries cannot be categorized as leading sector, and as the consequence the workers is being paid under District Minimum Wage basis.

Keywords: Wages, leading sector, wood processing industries

INTRODUCTION

Wood processing industry is industries that produce intermediary goods in the form of processed wood such as plywood, and using raw materials and labor as input. The sources of raw material obtained from the neighborhood i.e. Kutai Kartanegara, West Kutai and East Kutai, whilst workers mostly came from another island such as Java and Sulawesi. The relationship between the wood processing industries with its workers usually is arranged under the agreement or collective agreements that defined rights and obligations of workers. Workers are entitled to earn a certain amount of money on monthly basis that meet the standard of decent living set by the government.

Nowadays, there are several regulation discrepancy occurs between workers and companies towards the minimum payment standard used by companies. Workers demand a higher wages considering the law of Minister of Manpower and Transmigration of the Republic of Indonesia Number: KEP-226/MEN/2000 which implies that the amount of Sectorial Minimum Wage (Upah Minimum Sektoral) should be greater at least five percent (5%) of the District Minimum Wage (MW), while the magnitude of District Minimum Wages is prescribed by Decent Living Standard (KHL). The difference in perception of wages is usually brokered a deal between the companies (Association) and workers (trade unions). The provisions relating to this is described in the form of the Ministry of Manpower and Transmigration of the Republic of Indonesia Number KEP-226/MEN/2000 about changing Article 1, Article 3, Article 4, Article 8, Article 11, Article 20 and Article 21 of the Regulation of the Minister of Labor Employment of the Republic of Indonesia Number: PER-01/MEN/1999.

Wood processing industry contribution to GDP is relatively high; making workers' demands for higher wages is quite logical and argumentative. In 2012, there are 7 (seven) wood

processing companies produce 20,000 - 250,000 M³ of woods products. At the same time the numbers of employees are 3,970 persons, range from the lowest 200 to 1,700 people and the highest in a company. In 2011 the contribution to Gross Regional Domestic Product (GRDP) of Samarinda at current prices is relatively high at around Rp. 5,30 trillion.

A lot of things have been done to settle the discrepancy between companies and workers, but the conflict is still remaining until now on. Therefore, this study will provide an insight from academic point of view by 1) profiling the wood processing industry in Samarinda, and 2) studying the criteria of wood industries as leading sector which is used as the basis of worker's payment. Based on the result of this study, it is expected that stakeholders involved can set a regulation about wages, whether use Sectorial Minimum Wage (*Upah Minimum Sektoral*) or District Minimum Wage (*Upah Minimum Kab/Kota*) as the basis.

METHODOLOGY

Research on the wage profile of wood processing industry was held for 4 (four) months during September to December 2012 in Samarinda. Data collected using library research techniques from Central Statistics Agency (BPS) and Manpower Office in Samarinda. Data needed are Region in Figures (DDA) Samarinda 2011 and 2012, and Reports on Labor Condition in Samarinda during 2011 and 2012. The data were then analyzed using quantitative descriptive approach. Analyzing the data is done by looking at trends in the data. The tendency of the data will be further strengthened by observations on the results of the study concluded. Observations conducted in seven companies in wood processing industries in Samarinda. The companies are PT. Dharmawood Agung Industry, PT. Kayu Lapis Asli Murni (Kalamur), PT. Sumalindo Lestari Jaya, PT. Segara Timber, PT. Tirta Mahakam Plywood Industry, PT. Oceanias Timber Plywood (OTP), and PT. Cahaya Samtraco Utama.

RESULT OF STUDY

Wood Processing Industry in Samarinda

In 1970's East Kalimantan was the biggest producer of logs, rattan, and *damar* which are directly taken from the forest and able to export those forest product abroad. That era was known as 'banjir kap'. In 1990's the government set a regulation prohibiting exporting raw forest product such logs and so on. It has to be transformed first into finished goods such as plywood, furniture, boards etc. Along with this regulation, the development of wood processing industries i.e. sawmill, moldings and plywood has started to grow. At the moment, wood processing companies. Some of the companies engaged in the wood processing industry, spread across several areas such as Samarinda, Kutai Kartanegara, Berau and Bulungan. In Samarinda itself, those companies mostly located around Mahakam river banks which are Loa Duri, Loa Buah, Loa Janan, Pulau Atas, Palaran and Anggana.

There are 25 (twenty five) wood processing companies listed in 2005. 17 (seventeen) of them are plywood oriented, while the rest are sawmill and molding. However, the numbers of those companies are decreasing into eight companies (6 plywood oriented companies and 1 Sawmill. The production capacity of these wood processing industries in 2012 was 736,000 M³ with total employee as much as 3970 workers in 2012. PT. Sumalindo Lestari Jaya is company that has the biggest capacity in plywood production, i.e. 250,000M³ per year. PT. Cahaya Samtraco Utama focused itself on sawmill and molding, which is 20,000 M³ per year. PT. Tirta Mahakam Plywood Industry is recorded as company with the biggest number of workers in the amount of 1,700 workers. PT. Dharmawood Agung Industry has the least amount of labor, which are only 200 workers.

Table 1. Companies listed by production capacity and number of labor 2012

<i>Companies</i>	<i>Type of Industry</i>	<i>Production capacity (M³) per annum</i>	<i>Labor</i>
<i>PT. Dharmawood Agung Industry</i>	Plywood	36.000	200
<i>PT. Kayu Lapis Asli Murni</i>	Plywood	140.000	700
<i>PT. Sumalindo Lestari Jaya</i>	Plywood	250.000	800
<i>PT. Segara Timber</i>	Plywood	90.000	350
<i>PT. Tirta Mahakam Plywood Ind.</i>	Plywood	200.000	1.700
<i>PT. Oceanias Timber Plywood (OTP)</i>	Plywood	26.616*	119*
<i>PT. Cahaya Samtraco Utama</i>	Sawmill/Moulding	20.000	220
<i>Jumlah</i>		736.000	3.970

Source: survey of Manpower Office, Samarinda, 2012

Note: ongoing production, *) Production in 2011

In general, actual exports of plywood production of these companies tend to decrease. Specifically, those companies are PT. Kayu Lapis Asli Murni (Kalamur), PT. Sumalindo Lestari Jaya and PT. Tirta Mahakam Plywood Industry and PT. Cahaya Utama Samtraco. Regardless the decline of export realization, PT. Segara Timber and PT. Oceanis Timber Plywood (OTP) tends to increase compare to those plywood companies.

Companies incorporated in the wood processing industry are organized in an enterprise organization under the name of the Association of Indonesian Companies (APINDO). Workers, on the other hand gathered in Worker Union (Ind: *Serikat Pekerja*) or Labor Union (Ind: *Serikat Buruh*). These worker organizations are located in each company, so it is also known by the name of SBMI trade associations, KAHUTINDO, SBSI and OSKM and Seribu Tirta.

Table 2. Plywood Processing Industries based on type and amount of export in 2012

<i>Name of the company</i>	<i>Type of Industry</i>	<i>Export (M³)</i>	
		<i>2010</i>	<i>2011</i>
<i>PT. Dharmawood Agung Industry</i>	Plywood	- *	- *
<i>PT. Kayu Lapis Asli Murni (Kalamur)</i>	Plywood	27,790.63	25,039.84
<i>PT. Sumalindo Lestari Jaya</i>	Plywood	56,740	54,337
<i>PT. Segara Timber</i>	Plywood	14,892	19,730
<i>PT. Tirta Mahakam Plywood Ind.</i>	Plywood	97,858	90,834
<i>PT. Oceanias Timber Plywood (OTP)</i>	Plywood	24,651.32	26,616.24
<i>PT. Cahaya Samtraco Utama</i>	Sawmill/Molding	20,894	17,906
<i>Jumlah</i>		242,825.95	234,463.08

Sources: Survey Disnaker Kota Samarinda, 2012* local market, no export

The biggest worker union is the one that is located in Kohutindo PT. Sumalindo Thousand Tirta Lestari Jaya and PT. Tirta Mahakam Plywood Industry, with the number of workers as much as 535 and 518 workers respectively. The smallest is SBSI PT. Cahaya Utama Samtraco and Kohutindo PT. Cahaya Utama Samtraco with total number of member 69 and

98 workers each. Furthermore, worker and labor union condition nowadays are quite alarming, considering the number of members has continued to decline and possibility to shutting down the union.

Table 3. Worker Union and Labor Union in plywood processing industry 2010 dan 2011

Name of the company	Worker/Labor Union	Member	
		2010	2011
PT. Dharmawood Agung Industry	Kahutindo	- *	Shut down
	SBMI	395	374
PT. Kayu Lapis Asli Murni (Kalamur)	Kahutindo	328	283
	Kahutindo	- *	535
PT. Sumalindo Lestari Jaya	SBSI	- *	120
	OSKM	- *	180
PT. Segara Timber	Kahutindo	- *	320
	SBSI	- *	152
PT. Tirta Mahakam Plywood Industry	Seribu Tirta	437	518
	Kahutindo	357	423
PT. Oceans Timber Plywood (OTP)	SBSI	75	Shut down
PT. Cahaya Samtraco Utama	Kahutindo	122	98
	SBSI	77	69

Sources: Survey Disnaker Kota Samarinda, 2012. *_ no data

Placing plywood processing industry as leading sector

Calculation of leading sectors placement of the wood processing industry is based on the Ministry of Manpower and Transmigration of the Republic of Indonesia Number KEP-226/MEN/2000 about changing Article 1, Article 3, Article 4, Article 8, Article 11, Article 20 and Article 21 of Regulation Minister of Labor of the Republic of Indonesia Number PER-01/MEN/1999 concerning Minimum Wage. There are eight criteria for determining of some indicators of the leading sectors of the economy or a sector of an industry, which are 1) Company homogeneity, 2) Number of the Company, 3) Number of Labor, 4) Foreign exchange generated, 5) Value Added generated, 6) production capacity the Company, 7) companies association, and 8) Workers/labor union.

This concept showed that leading sector/commodity has to fulfill requirements as follows (a). Certain sectors are able of contributing to the increased production and income, (b). Able to compete with similar products from other regions, preferably interlinked to other regions, as well as the marketing and raw material suppliers; (c). Ability to absorb high quality worker, (d). Technology used continues to increase and can persist in the long term.

Techniques that can be used to identify or determine a sector or commodity is expressed as a sector or commodity are, first, calculating the amount of forward and backward linkage index. If the value of forward and backward linkage is greater than 1 (one), a sector or commodity is categorized as a leading sector or commodity. Whilst the second technique is scoring the criteria of leading sectors and use a particular benchmark such as the availability of natural resources, the availability of artificial input for production, the availability of human resources, economics of scale, number of employment, local and abroad market potential, investment, technological frontier, and institutional matter

Each of those indicators has a different weight according to its importance. Researchers consider the expert opinion and discussion from fellow researchers to determine the sequence. The order of each indicator is ranging from one to five and based on the weight given. The highest value for the first indicator is 25, while the value of the lowest number of the fifth indicator is 5. So that the sequence of the weight of first indicator is 25, the second is 20 and so on. The next step is multiplying the score with the weight of each indicator. The total value of the overall indicator, will further serve as a benchmark (cut off point) determining whether the wood processing industry categorized as leading sector or not, which is eventually determine the amount of wages of the worker. The total value of overall indicator in this research is shown in the table below.

Table 4. Calculation and Total Value of Overall Indicators

<i>Indicator</i>	<i>Calculation</i>	<i>Score</i>	<i>Weight</i>	<i>Value</i>
Homogeneity	100	5	5	25
Number of company	28	2	10	20
Number of workers	20	2	15	30
Foreign exchange generated	55	3	20	60
Added value	46	3	25	75
Production capacity	43	3	15	45
Association	100	5	5	25
Worker/labor union	100	5	5	25
Total				305

Sources: calculation, 2012

The result showed that the total value of all indicators will be classified as: Very superior (420-500), Superior (340-419), Fair (260-339), Less Superior (180-259) and Not Superior (100-179).

The total value of the indicator at 305, if it is associated with the decision of the wage type wood processing industry, it is fall under Fair category which is means that the wage of workers should be based on District Minimum Wages.

Based on the calculation, homogeneity of the company is 25. Value of this indicator is a picture of industrial firms located in Samarinda relatively homogeneous, so that the companies produce similar production result i.e. plywood.

The value of number of the company is 20, interpreted as the number of plywood and sawmill/moldings companies in Samarinda is very few. The consequence is that the production is homogenous and limited only on plywood, planks and furniture. However, the activities of these companies actually depend on the availability of production input such as log/timber, worker and local/abroad market potential.

The value of indicator of labor amount is 30. This value showed that plywood industry absorbs a very limited amount of workers. This result is in line with the fact that contribution of this sector in absorb employment is relatively low in the previous years.

Indicator of foreign exchange is 60. This value showed that foreign exchange generated by wood processing industry are relatively high in Samarinda, regardless the high fluctuation of exchange rate movements in the stock market.

The main obstacle industrial firm is limited raw materials available. As a result, production cannot continuously meet demand from abroad. In fact, based on the calculation of added value, it is resulted 75 points, which indicates the ability of the added value generated by the wood processing industry is relatively high.

The point generated from ability of the company is 45. This number indicates that company's ability to produce is relatively high. Production capability of the wood processing industry is measured from production of plywood, building materials and furniture and other similar items.

In companies' association indicator it is calculated as much as 25, which is relatively low when compared with the other indicators. This figure showed that the wood processing industry located in Samarinda mostly affiliated with Companies Association of Indonesia (APINDO). Similar to this, worker/labor union indicator is also has the same result. It demonstrates the fact that most workers in these wood processing companies are associated in worker unions.

Furthermore, based on the value of each indicator above, it is recommended to use District Minimum Wage (*Upah Minimum Kab/Kota*) as the payment basis for wood processing industry in Samarinda.

CONCLUSION

Based on the result of analysis conducted before, it can be conclude as the following:

1. Until 2012, wood processing industry in Samarinda tends to decrease, which is caused by several factors such as reduction in number of firms, the amount of labor used and foreign exchange generated, as well as the added value and production capabilities.
2. Based on the calculation it is known that total value of all indicators are 305 points. This figure is fall under fair category (based on score ranging from 260 to 339).
3. Fair category (260-339) has the consequence that the wages set in wood processing industry should be based on District Minimum Wage (Ind: *Upah Minimum Kab/Kota*). This result also showed that the requirement to use Sectorial Minimum Wage (Ind: *Upah Minimum Sektoral*) cannot be fulfilled.

Based on the conclusion, I recommend to:

1. Local government of Samarinda should standardize the wages of worker in wood processing industry using District Minimum Wage (Ind: *Upah Minimum Kab/Kota*).
2. Until 2014 timber business would have be in the same condition as today in term of limited availability of wood raw material which potentially endanger the continuity of production, reduction in number of wood processing company, employment and eventually lessen the contribution on revenue from foreign exchange. Based on this situation, District Minimum Wage scheme should be applied at least until 2015.

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