

REPORT

Workers and Jakarta Water Privatization

Irfan Zamzami
Nila Ardhianie

RPWN



Employees are the first affected if there is a change in the operation of an enterprise. No matter small or large changes, employees must be the party who first feel the impact. Water privatization in Jakarta also cases an enormous impact for employees. Even when privatization was first undertaken, thousands of employees have been doing protest action every day.

Especially in 1999, about two years after the privatization agreement, the media noted that a variety of increasingly intense action is driven by workers. The issue varied. In March they did a demonstration to demand the water service to be brought back to be municipal-owned utility. Then, a month later, they demanded wage increase. Even in May that year they broke into Palyja's office¹.

Fauzi (pseudo-name), 45, who was involved in various demonstrations, had suffered dismissal in 1999. Fauzi is one of PAM Jaya officials seconded to Palyja.² "At that time, we strongly rejected the privatization because it harms the state," recalled Fauzi, "the agreement was also full of corruption."

Resistance actions were intense and lasted long. In the middle such situation, 12 employees were fired with the reason, as quoted by Fauzi, "can no longer be controlled." This incident attracted media's attention, gave even more pressure to the twelfth employee. "We're ashamed to our family," said Fauzi.

But the firing did not last long. Since it is considered violating the procedure, the dismissal was canceled. Twelve employees were stated again, this time, as employees of PAM Jaya. The

¹ Palyja is private company owned by Suez and Astratel having 25 years contract to operate the western part of Jakarta piped water system.

² PAM Jaya is public water company having contract with Palyja and Aetra.



Jakarta water labor union's demonstration at Aetra's Buaran water installation in East Jakarta, December 22 2010

dismissal, along with other threats from PAM Jaya and the Jakarta government to the employees which are considered rebellious, did not dampen the ongoing action.

The concerns of the workers at that time were not without reasons. The involvement of two private partners as their new boss since July 1997 certainly shake the tranquility of the employees who previously sheltered under PAM Jaya. Various problems arise. Instead of increasingly improved, the relations between labors and the companies are more and more surrounded by a problematic situation.

One of them is the status of PAM Jaya employees which become seconded employees to the private companies. Initially, in the cooperation agreement dated June 6, 1997, all operational employees of PAM

Jaya are automatically to be seconded employees in private partners. Their status remains as an employee of PAM Jaya.

Then, in the revised cooperation agreement dated October 22, 2001, procedures for managing employee is converted into a single management. This latest cooperation agreement provides three options for the employees to become an employee of PAM Jaya (direct employee), a direct employee with identification number, or to refuse to be the private companies' employee and voluntarily resign from PAM Jaya.

The difference is, direct employees are entitled to receive reward money directly from PAM Jaya and also reward money from the private companies, while direct employees with identification numbers are only entitled to receive reward money from PAM Jaya

with no reward money from the private companies. But this arrangement seems fail to realize that based on the Ministry of Home Affairs decree No. 34 of 2000, it's nearly impossible to dismiss employees of PDAM and simply recruited by private partners.

The article 6 of the decree states that a public water company worker can only be dismissed if he:

1. Dies
2. Requests his own dismissal
3. Ends his working time in the age of no more than 56 years old
4. No longer meets the criteria on article 3 points c,d,g,h,and,i.
5. Brings loss to the public water company

The transfer process is practically never realized. Apart from the refusal of the employee, PAM Jaya itself seems reluctant. Since the 2001 agreement, until this article was written in 2011, the employees have never been making agreement to be transferred to the private parties.

The clauses regarding the transfer of employee status is also peculiar. The cooperation agreement seems intentionally made ambiguously when detailing options for employees to be "direct employees" or "direct employees with identification number." There is hardly any difference between them, because if an employee chooses to be either direct employees or direct employees with identification numbers, he would be dismissed from PAM Jaya to

later be transferred to private parties. The second option, carrying the term "with identity number", seems to deceive people so as if still employed PAM Jaya.

In addition, PDAM's employment status is, in the first place, not as clear as the employees of state owned companies. Actually, employees of local government owned companies don't have a clear position; they are in the gray area between those serving as civil servants's status that follows Korpri (The Republic of Indonesia Employee Corps) rules and those working as professional private employees. PDAM Workers Union is given the same treatment as workers union from other companies. It is different with the workers union of state owned companies, including the electricity and telecommunication companies. For these two state owned companies, the government actually facilitates the founding of its workers union through the issuance of State Owned Enterprise Minister Letter No. s-19/MSA-5/PBUMN/1999 on March 5, 1999 on Instruction to Facilitate the Founding of Workers Union.

The strange thing is, on company level, the government encourages all PDAMs in Indonesia to become a member of water company association, which is Perpamsi. Based on The Minister of Home Affairs Regulation No. 2/2007, the government clearly instructs all PDAMs to become the association's member (Article 52). But on personal level, there are no regulations that

encourage water sector workers to gather in specific organization.

Many workers themselves, particularly staff, are having some confusion regarding their rights as the employee of a local government owned company: they are uncertain whether they are civil servants or private sector employees. Most of them understand their position clearly as employees of a local government owned company, that they are not civil servants. Usually they came to the understanding by analyzing the recruitment process, wage regulations, and pension fund management.

In Indonesia, civil servants selection process is conducted by each

districts/provinces to recruit employees needed in that district or by a certain ministry to recruit employees needed in the central government level. PDAMs conduct their own recruitment process (the process is called independent recruitment, where PDAMs are entirely entitled to decide how many staff will be recruited, their specific qualifications, where the new staff will be posted, and which selection methods will be used) and usually PDAM recruitment process is not conducted in the same time as civil servant selection in local level.

For wage and salary system, PDAM employees follows the Minister of Home Affairs Instruction No. 5/1990 (article 8) stating that each company are

The labor union's demonstration in front of Palyja's office, in the elite buildings of Central Jakarta, April 2011



entitled to manage its own employees so that each PDAM have different rules and regulation concerning salary system.

For pension management, PDAMs came up with a more integrated model. Perpamsi, as PDAM association in Indonesia founded an independent pension management organization, called Dapenmapamsi (Indonesia Drinking Water Company Pension Fund). Almost all PDAMs — including the privatized companies — give their employee's pension fund to be managed by Dapenmapamsi.

PAM Jaya employees' status confusion, which becomes worse when it comes to the relation with private partners, brings impact on daily life of working condition. Based on the stories of the workers, the private partners are like deliberately making the work situation of employees who are not direct employees uncomfortable. Many employees are transferred to the inappropriate departments. An employee tells about his partner who is an elderly being moved into meter reader department that requires him to always move in the field from time to time.

Jamal, who works in the disconnection department, recalled that all the colleagues who work in the department are direct employees. Disconnection department is a susceptible department because it is often dealing with angry customers. Not infrequently they deal with local thugs. Even one of his friends went home black

and blue because he was beaten by residents.

With such risk, the private companies do not take care about the safety of employees. Nor legal advice. Jamal's colleagues are often in conflict with residents which end up in police's hand. But the company did not budge. Besides, such situations are often unavoidable because the customers have a serious anger due to poor water service pipe. On the other hand, almost there is no any direct employee who is assigned in the field.

Jamal also complains about the lack of facilities provided by private parties. There is no transport facility; he and his colleagues must use their own vehicle while on duty. "The company has accused us lazy, so they do not want to give the facility. It's unfounded allegations," said Jamal.

Currently there are 800 out of 1.390 of Palyja employees are seconded employees.

No less urgent problem and felt by all seconded employees is the basic salary. They have devoted their work to the water service for dozens of years, but the basic salary they receive is felt not worthy and much lower than direct employees. Hadi, a seconded employee in Palyja, said that his basic salaries along with other employees in both Palyja and Aetra have never been increased since 2003³. He also mentioned that since the privatization in 1997, practically there was only 1 out of 6 times basic salary

³ Aetra is private company owned by Acuatico and Alberta Utilities having 25 years contract to operate the eastern part of Jakarta piped water system.



Palyja's cars did not operate in the day when the labor union was having a strike, April 2011

increase that should be implemented. Hadi's basic salary is now only Rp. 1,29 million (103 USD). If the salary increase had been going by the rule, according to Hadi, he should have received a basic salary of Rp.2.1 million (201 USD).

In Palyja, salaries and allowances paid to the Directors consist of four people is Rp 6,771 million (USD 800 thousand)⁴. As for Aetra, total remuneration paid to the Boards of Commissioners and Directors of the company for the year 2009 is amounted to Rp 7,5billion (USD 880 thousand)⁵.

Apart from that, according to Ministry of Home Affair Regulation No. 2 of 2007, an employee who has averagely good performance based on an

evaluation deserves periodic salary increase. In case the employee has not, the periodic salary increase is postponed until the next two years. So from 2007 up to 2011, there should be at least two times of salary increase. In fact, there is no such increase at all.

This situation continues to encourage resistance from employees, such as a demonstration that was held over two days in December 2010. The employee who wore the attributes of PAM Jaya rallied in front of Palyja's water installation in Pejompongan, proceed to Aetra's water installation in Kalimalang. They demanded basic salary increase. An old demand was also still shouted: end privatization.

⁴ PT PAM Lyonnaise Jaya. Financial statement with independent auditors' report years ended December 31, 2010 and 2009.

⁵ PT Aetra Air Jakarta Financial Statements 2009 and 2008.

April 2011 Palyja responded. An internal memo dated 5 April 2011, entitled Basic Salary Adjustments for Seconded Employee Issue, announced that a 10% increase would be implemented retroactively from January 1, 2011 and is payable on April 1 2011.

However, after the payment is made on April, employees found there was something wrong. Those who gathered at the secretariat of the trade union and discuss this issue found that along with the increase in basic salary, there was also a simultaneous decrease in one of the salary components. From there, the employees are suspicious whether the companies are playing with the calculation of their remuneration, by diverting some amount of remuneration based on performance, to raise the basic salary.

That's not all the problem. Because the working period of the seconded employees is closer to the end, retirement is an issue.

Asep Suparman, 56, is one of the employees who are also experiencing problems with the retirement. Since appointed as a permanent employee in 1978, Asep who worked at the General Service did not get a pension fund, by contrast, debts are piling up. Actually he should receive a pension fund as much as 32 times of his salary or Rp. 217 million (21,700 USD). No pension fund, and at the same time, he is stated owing to the company amounting to Rp. 35 million (3,500 USD).

This began when his wife was suffering from lymphatic cancer. For treatment, Asep spent up to Rp. 800 million (80,000 USD), until his wife later died. The problem is, his wife is an employee of a hospital in Jakarta, which under the rules of the company, giving the right to have free medical treatment indefinitely. Asep also ever wrote a letter to Aetra twice to request the company to cover the cost of his wife's hospital as much as the insurance ceiling for which he is entitled, i.e. Rp 35 million (3,500 USD). After a long dispute, Asep is finally offered a pension payment as much as 6 months of salary. But Asep refused. He still firmly requested his pension rights amounting to Rp 217 million (21,700 USD).

In addition, since the operation was taken over by Aetra (2007), the company applies a peculiar pension policy. Employees who retire do not get a salary of one month; the reason is since the beginning of an employee's work period, PAM paid the salary before the employee began to work. According to the employees, this is not true; they admit that their payroll system is the same with the payroll system in general: go to work first and get a salary after that.

According to some of Aetra's employees, the company also implements a fairly large pension deduction for each employee who retires which the value varies; averaging about 25% of pension calculations that should be received.



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