

Indonesia: Labour Party demands 8-10% wage rise for 2025 amid workers' declining purchasing power

Wednesday 23 October 2024, by [BALOWSKI James](#), [MANTALEAN Vitorio](#), [RAMADHAN Ardito](#) (Date first published: 11 October 2024).

Vitorio Mantalean, Ardito Ramadhan, Jakarta — Labour Party President Said Iqbal says that workers are demanding an annual minimum wage increase of 8-10 percent in 2025.

“Based on a Labour Party and Confederation of Indonesian Trade Unions (KSPI) Litbang [research and development] analysis, this extra amount will produce a 10 percent increase in order to prevent a widening [wage] gap”, said Iqbal in an official statement on Friday October 11.

In the same statement Iqbal said that this calculation is based on the 2025 inflation rate which is estimated to be 2.5 percent and economic growth of around 5.2 percent.

If added up, the inflation and economic growth produces a figure of 7.7 percent. He added that workers in industrial areas have had to “nombok-nombok” (scramble to find additional money to cover living costs) in 2024.

He gave as an example inflation in industrial areas, especially in Greater Jakarta (Jabotabek), which was recorded at 2.8 percent, while wage increases were only 1.58 percent. This means that workers have had to try and find an additional 1.3 percent.

Thus, an increase in the minimum wage of 8 percent is considered logical, namely that is derived from inflation and economic growth plus the “nombok” factor of 1.3 percent.

Iqbal also alluded to the wage inequity factor which is also a concern. In bordering areas, wage gaps are still high. For example, he said, wages in Karawang are higher than in Purwakarta, and wages in Purwakarta are higher than in Subang, despite all being in West Java. To overcome this gap, this is added to by a disparity of 2 percent.

“Workers are asking that the minimum wage increase in 2025 not be used as a plaything by the interim Minister of Labour, as well as the Ministry of Labour bureaucrats in the regions. We urge the bureaucrats to wait for the new government under president-elect Prabowo Subianto to determine the increase in the minimum wage”, said Iqbal.

“Don't let regulations that harm workers be issued, especially before November 1”, he added.

Iqbal emphasised that workers' purchasing power has declined over the last five years because their real wages have been eroded. Wage increases have been very low and below the deflation rate.

The KSPI and the Labour Party's Litbang division claims to have found that over this period, workers' real wages fell by 30 percent, which was considered to be in line with a weakening of

purchasing power by 30 percent.

“In the last five months of 2024, there was a deflation that showed a decline in people’s purchasing power. In the upper middle class, deflation means that people have used up their savings on basic needs, thereby reducing the consumption of secondary and tertiary goods”, Iqbal explained.

“In the lower middle class, including workers, farmers, fisherpeople and other employees, deflation occurred because of stagnant income and the price of goods that continue to rise, exacerbating the decline in purchasing power”, he said.

The Labour Party and KSPI also reject the use of Government Regulation (PP) Number 51/2023 in the calculation of minimum wages. The KSPI believes that the concept of a lower and the upper limit in the regulation does not make sense and did not exist in the previous law, including in the Omnibus Law.

According to Iqbal, the formula used by the National Statistics Agency (BPS) and the Ministry of Labour is actually misleading the public and worsening the welfare of society.

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