



## POSITION STATEMENT ASIA FLOOR WAGE ALLIANCE (AFWA) INDONESIA

### Rejecting the Determination of the 2026 Provincial Minimum Wage (UMP): New Formula, Old Poverty

Every year, the determination of the minimum wage in Indonesia is presented as a technical-administrative matter that requires compliance with formulas and macroeconomic indicators. The government speaks of inflation, economic growth, productivity, and investment competitiveness. However, for millions of workers, particularly garment workers and those in labor-intensive manufacturing, the minimum wage is not a technical issue, but a question of whether one can live decently or not.

In this context, AFWA Indonesia firmly rejects the determination of the 2026 Provincial Minimum Wage (UMP), which is once again based on the inflation and economic growth formula as regulated under Government Regulation No. 49 of 2025 on the Second Amendment to Government Regulation No. 36 of 2021 on Wages. This regulation is a direct continuation of the Omnibus Law (Job Creation Law) regime—a policy framework that from the outset was designed to suppress wages, weaken labor protections, and expand labor market flexibility in the name of investment.

The Chair of the AFWA Indonesia National Committee and President of SPN, Iwan Kusmawan, emphasized:

*"The government claims that the new formula—namely inflation plus economic growth multiplied by an alpha factor (0.5–0.9)—represents a 'new direction' in wage policy. However, for workers, especially garment and textile workers who sustain global brand supply chains, this policy brings no substantive change. It merely replaces terms and technical parameters, while maintaining the same outcome: minimum wages that are insufficient for a decent life and that further widen regional wage disparities."*

### The Historical Regression of Wage Policy

The history of wage policy in Indonesia shows a pattern of systematic regression. In earlier periods, wage policy was based on concepts such as Minimum Physical Needs (KFM), Minimum Living Needs (KHM), and Decent Living Needs (KHL)—approaches that linked wages to the real needs of workers and their families. Over the past two decades, however, wage policy has increasingly been detached from living needs and reduced to an instrument of economic stability.

A member of the AFWA Indonesia National Committee and President of GSBI, Rudi HB Daman, stated:

*"Minimum wage formulas over time have never truly been intended to meet the standard of decent living needs, but rather to maintain business certainty and investment competitiveness. The UMP is positioned as an instrument of economic stability, not as a tool of social protection."*

The inflation plus economic growth formula with an alpha factor (0.5–0.9) used to determine the 2026 UMP brings no substantive change. Not a single variable in this formula calculates the cost of social reproduction of workers and their families—such as nutritious food, adequate housing, healthcare, children's education, transportation, and emergency savings.

A member of the AFWA Indonesia National Committee and President of FSB Garteks KSBSI, Trisnur, stressed:

*"There is not a single variable in this formula that directly calculates the cost of reproducing workers and their families. As a result, the minimum wage loses its normative function and turns into an instrument of market discipline."*

### **State Production of Structural Poverty: The 2026 UMP Formula as the Most Failed Product of the Wage System**

The determination of the 2026 UMP through the Wage Government Regulation is not a technical failure, but a deliberate political choice. The state does not act neutrally; instead, it manages the labor market to safeguard capital accumulation. The inflation plus economic growth formula multiplied by the alpha factor ( $\alpha$ ) systematically caps wages at a level of "market tolerance," places workers' lives below investment priorities, and normalizes conditions where full-time work does not guarantee a decent living.

Fundamentally, this formula is flawed because it ignores the cost of social reproduction. Inflation and economic growth never calculate the real needs of workers—nutritious food, adequate housing, healthcare, children's education, and transportation. As a result, minimum wages consistently fall below workers' household needs and actively produce structural poverty.

*"The minimum wage is often claimed to be a living wage, when in reality it becomes a maximum wage that does not cover the living needs of workers and their families,"* emphasized Rudi HB Daman.

The impact of this policy forces workers to survive through excessive overtime, multiple informal jobs, or entrapment in consumer debt. This is not an individual choice, but a structural necessity.

*“Current wages push workers to work longer hours, seek side jobs, and even fall into online loan traps or loan sharks,” said Iwan Kusmawan.*

The core problem of the 2026 UMP is not the size of the alpha factor, but the underlying framework of thinking. State-suppressed minimum wages function as a hidden social subsidy for global brands that enjoy low production costs without bearing the social costs. Without international brand accountability, Indonesian workers are continuously dragged into a race to the bottom within global supply chains. As long as wage policy is not grounded in the real needs of workers’ families and supply-chain responsibility, the UMP merely ensures that workers do not fall “too far behind” the market—a standard unworthy of human life.

### **AFWA Living Wage Methodology: Calculating Life, Not Merely Economic Numbers**

Fundamentally different from the government’s minimum wage formula based on inflation and economic growth, the Asia Floor Wage Alliance (AFWA) living wage methodology begins with the most basic question: how much does it actually cost for workers and their families to live decently and with dignity? AFWA does not calculate wages based on market capacity or investment tolerance, but on the real, measurable costs of social reproduction of workers and their families.

The AFWA methodology is developed through surveys of actual workers’ household consumption. This approach places workers not as statistical objects, but as the primary source of knowledge about their own living needs.

Concretely, the AFWA living wage calculation consists of the following components:

#### **1. Food as the primary foundation (45%)**

Wages are calculated to ensure adequate nutrition, equivalent to 3,000 calories per adult per day for three family consumption units (for example, two adults and two children). This calculation rejects minimum calorie standards that have long normalized workers’ malnutrition.

#### **2. Non-food needs as conditions for a dignified life (55%)**

This component includes adequate housing, proper healthcare services (including reproductive health), children’s education, transportation, communication, and minimum savings for emergencies. Thus, a living wage is understood as a guarantee of life sustainability, not merely survival.

### **3. A household approach, not a single-worker assumption**

The AFWA methodology explicitly rejects the assumption of workers as single individuals without dependents. Wages are calculated as a family wage, reflecting the social reality of workers in Indonesia and other producing countries.

### **4. Cross-country purchasing power consistency**

All cost-of-living data are converted using World Bank Purchasing Power Parity (PPP), so that the living wage reflects real purchasing power rather than nominal figures, enabling fair comparisons across countries within global supply chains.

Using this methodology, AFWA calculates a living wage in Indonesia of **IDR 9,003,687 per month per worker**. This figure is not an arbitrary political demand, but the result of calculating real living needs that have long been ignored by state wage policy. The gap between minimum wages and living wages explains why workers are forced to rely on excessive overtime, additional informal work, and consumer debt.

Therefore, the AFWA living wage campaign is not merely an advocacy of numbers, but an effort to reclaim the meaning of wages as a social right. A living wage must be understood as a structural obligation of the state and global corporations to ensure the survival and dignity of workers and their families—not as a flexible variable to be sacrificed for investment competitiveness.

### **Closing – A Call to Struggle**

AFWA Indonesia expresses full support for all labor movements currently fighting for a living wage for a more humane and dignified life—through collective action, policy advocacy, and international pressure on states and global corporations. Workers' lives must no longer be treated as cheap production costs. A living wage is a right, and rights must be fought for collectively.

**Asia Floor Wage Alliance (AFWA)** is an alliance of textile, garment, footwear, and leather sector trade unions in Asia that campaigns for a living wage based on real living needs within global supply chains. AFWA consists of trade unions and NGOs from Indonesia, Cambodia, Vietnam, Bangladesh, India, Sri Lanka, and Pakistan. In Indonesia, AFWA Indonesia members include the Indonesian Trade Union Confederation (GSBI), National Workers Union (SPN), Garteks Trade Union Federation (FSB Garteks), Indonesian Prosperous Workers Union (SBSI) 1992, Indonesian Trade Union Federation (FSBI), Trade Union Rights Center (TURC), and the Sedane Labour Information Institute (LIPS). AFWA also networks with international labor movements in the United States, Honduras, Mexico, and Morocco.