

**Capital Mobility, Corporate Paternalism and The
Labour Process
In the Indonesian Cigarette Industry**

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Philip Morris in the Global Economy

- Philip Morris → largest cigarette company in the world – with only a small number of important competitors (R.J. Reynolds; BAT; Lorillard)
- Produces and markets:
 - 18 separate brands in the US
 - 74 brand names in international markets

Shift of Philip Morris to Asia

- From 1,2 billion smokers in the world, half are in Asia.
- China, India, and Indonesia considered to be a potential market (demographically)
- (WHO) predicts – the number of smokers in East Asia will increase 6,5 % in the next 10 years. Western Europe will decrease by 8 % persen; and smoking in the US will remain stagnant.
- Indonesia: 6 of every 10 smoke cigarettes (particularly *kretek*).

Tempo (Indonesian weekly), 16 March 2005

'Foreign takeover' of a national economic heritage

- In May 2005 → Philip Morris Indonesia (PMI), an affiliate of Philip Morris International had bought 98 percent of the Sampoerna shares.
- foreign takeover became an entry point for conflicting issues raised by the different political actors
 - outsourcing as a form of exploitation;
 - the anti-smoking lobby on the one hand;
 - employment opportunities
 - cultural heritage → Sampoerna brands (such as *Dji Sam Soe* and *Sampoerna Hijau* for instance) → a result of a historical and cultural process, cultivated by the company but also reflecting the public's familiarity with these brands.

Complicates the nature and analysis of global-local links

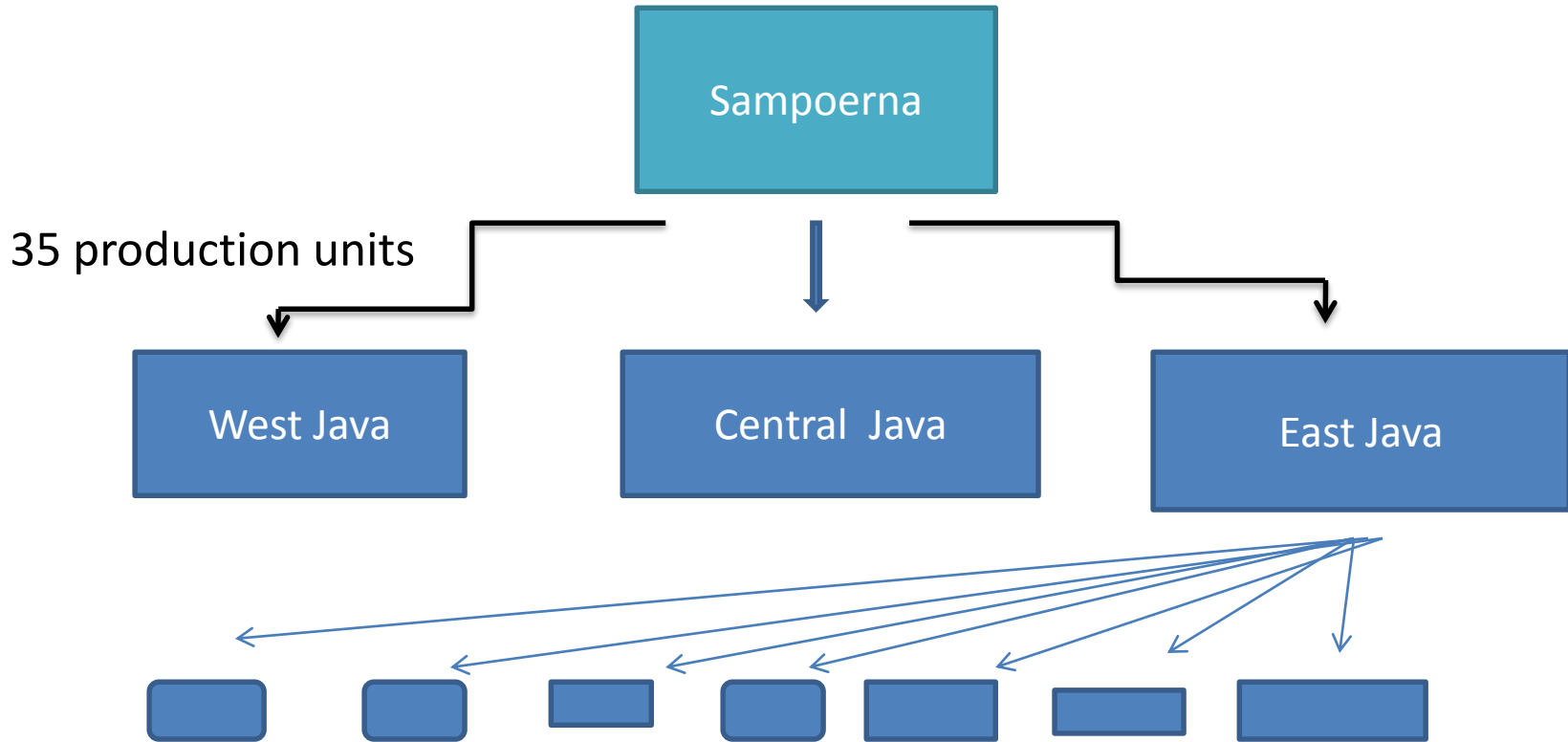
- How does this affect the dynamics of the workplace *after* the takeover of Sampoerna by Philip Morris?
- What is the role of locality in shaping workplace environments in increasingly connected networks of production?
- How then would the different positions within the chain; and also the different locations of the factories create different spaces of contention for the workers?

The language of:

- ‘corporate responsibility’, ‘sustainability’ and ‘employment’ → reframed within local templates of survival and economic stability
- In the context of how Sampoerna basically operates on the basis of two levels of control:
 - The production units directly under the company’s control;
 - Those in ‘partnership’ with Sampoerna classified as ‘Third Party Operators’ (TPOs).
 - MPS (*Mitra Produsen Sigaret* or Cigarette Production Partners) consist of a number of different units, namely private enterprises, village cooperatives
 - *Koperasi Unit Desa* or (KUDs) or religious schools (pesantren).

- Initially factories in two locations in East Java: Surabaya and Malang → around 15,000 workers
- Since 1994 – until the present:
 - Subcontracting relations with local enterprises
 - 2007 → 35 production units amounting to around 40,000 workers in total.

Organization of Production



(around 20 units in E. Java)

Two tier - arrangement

- to examine the connections and differences based on this two-tier arrangement → two production units representing these different tiers within the chain of control.
 - One factory, located in the **Surabaya Industrial Estate Rungkut** (SIER), is directly under the control of Sampoerna and employs around 3000 workers
 - The other factory is a subcontracted unit → *Musa Sufu Sejati*, employs around 1400 workers and is located approximately 80 kilometres to the southwest of the Surabaya Industrial Estate in the

Corporate paternalism

- Corporate paternalism → official company policies to provide social benefits to workers and also to manufacture loyalty and consent among workers has often been associated with the more traditional forms of social relations.

Labour control

Through the labour process

- Piece-rate work (80% of the labour force)
- Paternalistic relations – familial hierarchies

Cigarette Workers and Political Protest

- Despite the importance of 'tradition' and paternalistic labour relations – also a tradition of protest.
- my own research in three areas in East Java:
 - From 1991 – 2008 → every cigarette factory has experienced some kind of workers protest

Collective Protest in the Past

- The workers of Sampoerna Rungkut Surabaya have been involved in a series of strikes in the past; workers recalled strikes in 1991, 1996, 2000/ 2001 and 2003/ 2004, 2005 and also 2008. These strikes have usually achieved significant publicity because of the large number of workers involved.
- Thus for instance the *Tunjangan Hari Raya* (Annual end-of-Ramadan Bonus) and also a fifty percent wage increase were among the demands raised in the strikes of 1991, 2000/ 2001 and 2003/ 2004.
- It was only in 1996 that workers' demands went slightly beyond the usual framework of wages and benefits and were more diverse in nature.

- Despite the existence of collective protest actions in the past, in the last six or seven years, there have been no strikes in either of the two production units
- and that the strict control of production process has made workers become more individualized

- In Jombang workers recalled only two strikes since its establishment in 1999. In 2000 workers demanded an increase in the bonus paid to workers who were never absent from work within a week from, Rp 700 to Rp 1500 per week.
- Despite the existence of collective protest actions in the past in both areas, in the last six or seven years, there have been less in the



One example:
demands based on 'rumour'





- Despite the existence of collective protest actions in the past, in the last six or seven years, there have been no strikes in either of the two production units
- and that the strict control of production process has made workers become more individualized

Manufacturing “Consent” (Buroway)

- A Standardized form of production organization
Combined with
- Attempts to create a more familial atmosphere (‘manufacturing consent’)
(Not necessarily always successful)

Conclusion: The focus on two different localities in East Java

- Although workers regularly contest the symbols of power in the workplace, increasing awareness that what happens in other factories also affects their position in the production chain → redefines the meaning of 'locality'.
- examining the processes of outsourcing here relativizes the concept of locality as a bounded space → as workers' awareness of the existence and fate of the other units shapes also their bargaining position in each particular location.
- Forms of control have not only taken the shape of production control, but also different forms of corporate paternalism – creating the feeling of being part of the 'Sampoerna family'
- At the same time the strict control of production process has made workers become more 'individualized'