

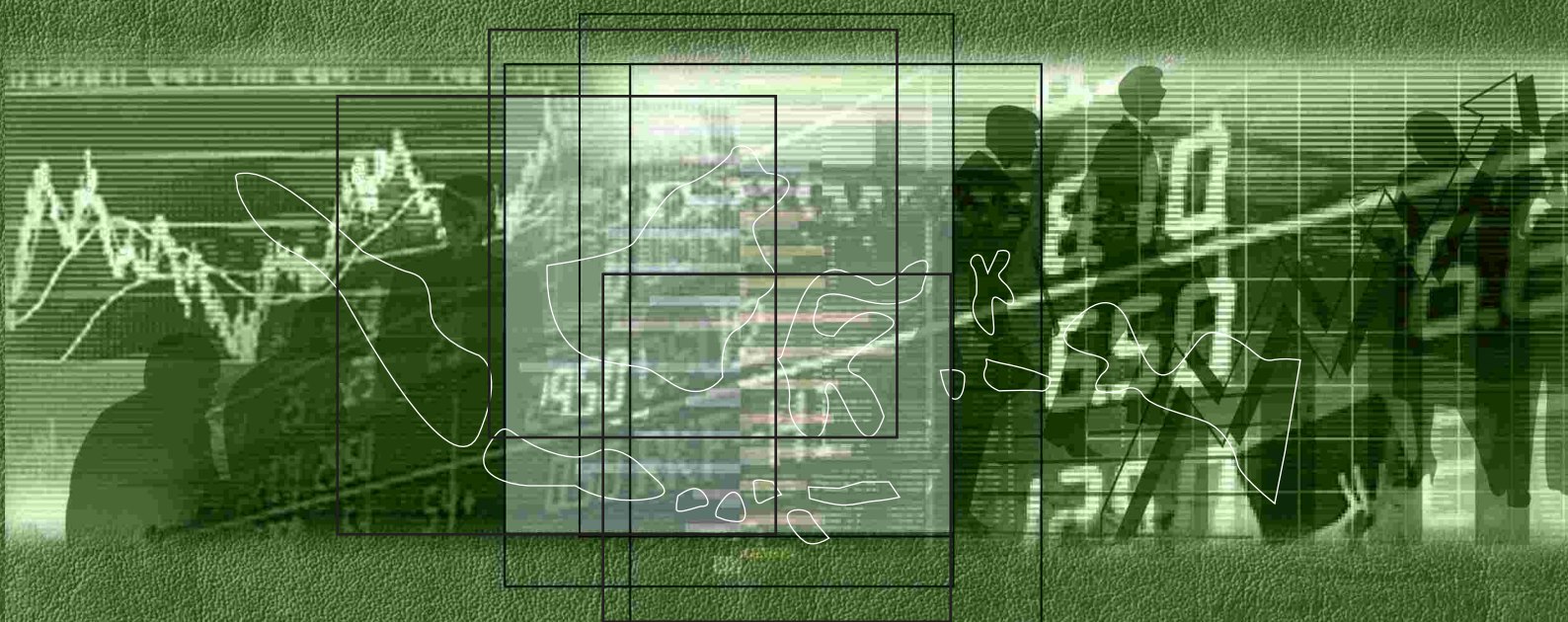
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Labour and Social Trends in Indonesia 2012

Working for a sustainable and
equitable economy



DECENT WORK

A better world start here

ILO Country Office for Indonesia

Labour and Social Trends in Indonesia 2012

Working for a sustainable and equitable
economy

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Foreword

The fifth issue of the *Labour and Social Trends in Indonesia* analyses progress towards the goal of sustainable growth with equity. It is issued by the ILO's Jakarta Office. The International Labour Organisation is the organisation of 185 governments, workers' and employers' organisations worldwide dedicated to the realisation of decent work. 2012 has seen Indonesia maintain economic growth, with unemployment continuing to decline and formality progressively increasing. These trends are paving the way for a more prosperous Indonesia in the future. Last year's report looked at promoting job rich growth from a provincial perspective as regional equality between the provinces in Indonesia has been a concern, particularly as economic growth and employment creation can be spatially uneven in their distribution.

This year we turn our attention to promoting sustainable growth with equity. Indonesia is fast becoming a world leader in the promotion of sustainable development. It has not only committed itself to achieving job rich economic growth, but has also set ambitious targets for the promotion of development that is environmentally, economically and socially sustainable. Indonesia is renowned for both its natural resources, which include attractions such as coral reefs, white sandy beaches, volcanoes, tropical rainforests and peat lands, as well as an abundance in mineral resources and oil reserves. The sustainable management of Indonesia's natural wealth is of the utmost importance for the prosperity of future generations and an imminent challenge for policy makers today.

While there is no 'one-size-fit-all' policy model or 'silver bullet' that provides the optimal solution for promoting development that is socially, environmentally and economically sustainable, it can be argued that the fastest road to environment improvement is along the path of quality employment. Economic activities provide people with livelihoods and also impact on the environment and climate - and vice versa. A key point here is ensuring that employment is sustainable in the short, medium and long term - which is intricately linked to the use of the environment and the decency of work. Employment can also be used as a tool for achieving environmental objectives linked to the mitigation of and the adaption to climate change adaptation. We hope that the ILO's concept of "green jobs" can be used to reduce the environmental impact of employment and be applied to support the achievement of greenhouse gas emissions targets.

This report was prepared by Emma Allen, labour market economist for the ILO Office in Jakarta, with support from colleagues and experts in Indonesia and throughout the region. The report benefited from valuable comments provided by colleagues from the ILO Country Office for Indonesia and Timor-Leste, as well as the Regional Economic and Social Analysis Unit of the ILO Regional Office for Asia and the Pacific.

We hope that the report will generate fruitful discussions and support Indonesia to work towards a more sustainable and equitable economy. We look forward to working with our Constituents in Indonesia through both provision of technical expertise and technical cooperation projects in order to support the realisation of a sustainable and job-rich path of economic growth that benefits citizens today and tomorrow.

Peter van Rooij

Director

ILO Country Office for Indonesia and Timor-Leste

List of abbreviations and terms

ACILS	The American Center for International Labour Solidarity
APINDO	Asosiasi Pengusaha Indonesia (The employers' association of Indonesia)
ASEAN	Association of Southeast Asian Nations
BAPPENAS	Badan Perencanaan Pembangunan Nasional (National development planning agency)
BNP2TKI	Badan Nasional Penempatan dan Perlindungan Tenaga Kerja Indonesia (National agency for the placement and protection of Indonesian overseas workers)
BPS	Badan Pusat Statistik (Statistics Indonesia)
C02	Carbon dioxide
FDI	Foreign Direct Investment
G20	Group of Twenty
GDP	Gross Domestic Product
GHG	Green House Gas
GRDP	Gross Regional Domestic Product
IDR	Indonesian Rupiah
ILO	International Labour Organization
KILM	Key Indicators of the Labour Market
Komnas Perempuan	The National Commission on Violence against Women
LULUCF	Land Use, Land Use Change and Forestry
MP3EI	Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia (The Masterplan for the Acceleration and Expansion of Economic Development of Indonesia)
MDG	Millennium Development Goal
MoMT	Ministry of Manpower and Transmigration
NTB	Nusa Tenggara Barat
NTT	Nusa Tenggara Timur
OECD	Organisation for Economic Co-operation and Development
PKH	Program Keluarga Harapan (conditional cash transfer programme)
PNPM	Program Nasional Pemberdayaan Masyarakat (National Programme for Community Empowerment)
SIYB	Start and Improve Your Business
SMEs	Small and Medium Enterprises
Sakernas	Survei Angkatan Kerja Nasional (National Labour Force Survey)
Susenas	Survei Sosial Ekonomi Nasional (National Socioeconomic Survey)
TNP2K	Tim Nasional Percepatan Penanggulangan Kemiskinan (National Team for the Acceleration of Poverty Reduction)
USD	United States Dollar

Note: English spelling of the island of Java is with a 'v', whereas Indonesian spelling is with 'w', Jawa. When the report refers to the name of a province in Java, it follows the Indonesian spelling (e.g. Jawa Timur)

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Executive Summary

Indonesia is on track to achieve its mid-term poverty reduction target (between eight and ten per cent) and unemployment reduction target (between five and six per cent) by 2014. Poverty and unemployment reduction targets are widely used as indicators for measuring socio-economic development globally. However, these targets provide only limited insight into the quality of growth and development and it is important to have a more precise understanding of employment quality and livelihood development, particularly for those who have managed to escape deprivation, in order to ensure that policies are effective at promoting sustainable growth with equity.

This report therefore shares an analysis of selected indicators that provide further insight to the quality of employment and macro-economic development in Indonesia. Particular focus is given to analysis of trends and strategies that illustrate how Indonesia is working towards a sustainable and equitable economy. The first half of this report highlights key socio-economic trends and labour market performance, with a focus on gender, youth and precariousness. The second half of the report provides more detailed employment analysis as well as strategies for moving Indonesia closer to decent work for all by looking at economic, social and environmental sustainability in the world of work.

The overall outlook for Indonesia in 2012 was largely positive. The economy continued to grow, with GDP growth at 6.23 per cent, despite a backdrop of global uncertainty. Indonesia's economic resilience in recent years has been attributed to the country's strong focus on the development of economic infrastructure to address constraints to growth, as well as on strengthening linkages with domestic and international markets to accelerate investment.

A significant gain for the economy relates to emerging trends towards formality. Trends over the last three years have seen a substantial shift towards formality emerging in the Indonesian economy. In 2012 it was estimated that 53.6 per cent of those employed were working in the

informal economy; the lowest informality has ever been. Employment growth has continued to outpace labour force growth, with employment growing by 1.0 percentage and an additional 1,137,755 jobs added to the economy between August 2011 and August 2012. Young people are also delaying entry into the labour market in favour of participating in senior high school education and vocational training courses, which is important for strengthening labour productivity and employment quality for a more prosperous future in Indonesia.

In 2012 the unemployment rate reduced to 6.14 per cent in August. Trends in unemployment have been declining sharply among diploma and university graduates, resulting in a stronger demand for skilled and educated workers as the Indonesian economy modernizes. Despite the downwards trend in overall unemployment, youth unemployment remains high. Youth unemployment was estimated at 19.56 per cent in August 2012, down from 19.99 per cent in August 2011. However, youth are still 5.97 times more likely to be unemployed than those aged 25 years and above and youth account for over 55 per cent of the unemployed population.

In 2012 the average minimum wage for Indonesia was estimated at IDR 1,121,460, up 11.8 per cent from the previous year. Average nominal wages have been increasing steadily over the last number of years. In August 2012 average nominal monthly wages for employees and labourers were estimated at IDR 1,630,193. Towards the end of 2012, significant increases in minimum wages were passed in a number of provinces. The highest increase took place in Jakarta, where minimum wages will increase by 44 per cent or from IDR 1.5 million to IDR 2.2 million in 2013. This increase in wages is causing firms to assess enterprise viability, particularly in labour intensive manufacturing. As a result, firms are lodging applications to delay the onset of minimum wages and considering relocation options. 2013 may see a decline in the overall employment situation in Indonesia as wage adjustments take place.

In general wage increases in Indonesia have been keeping pace with the consumer price index in recent years, but progress in adequate earnings and productivity has been modest. A gender pay gap persists, with men receiving wages that are approximately 26 per cent higher than those of women. Over time the gap between average minimum wages and average nominal wages has shrunk; average minimum wages were 70.8 per cent higher than the minimum wage in 2001 but only 45.4 per cent higher in 2012. This indicates that even though minimum wages and average wages have been growing steadily, the overall position of workers may have declined. On the one hand, part-time employment has been growing in Indonesia and has played an important role in expanding employment opportunities and in reducing unemployment. Underemployment has also been in decline. On the other hand, the number of people working excessive hours remains consistent with previous years, with 55.96 per cent of employed people working more than 40 hours per week. This indicates a need to strengthen the monitoring

of the minimum wage policy as well as a need to support industrial relations and avenues for social dialogue between workers and employers.

Vulnerable employment, which refers to employment comprising of own-account workers, casual workers and family workers, remains very high in Indonesia. Between 60 to 63 per cent of all those employed could be considered “vulnerable workers”. Analysis of vulnerable employment by gender indicates that there are considerable differences in vulnerable employment between the sexes, and that the nature and composition of vulnerable employment is also vastly different for men and women. Women are three times more likely than men to be considered vulnerable workers due to their status as family workers, while men are more likely to be considered in vulnerable employment due to their status as a casual or own-account work. As it is much harder to transition from being a family worker to other work external to the family unit, the gender dimension of vulnerable employment in Indonesia requires particular attention from policy makers.

In this context access to social protection is highly important, however assessments have found that social protection in Indonesia is limited in terms of coverage and services. Linkages between social protection programmes and employment services are also limited. It is estimated that in order to guarantee a minimum level of social protection to all or to “close the social protection floor gap”, spending on social protection would need to double. However, the degree to which different types of social protection programmes stimulate the economy and create jobs for target groups is unclear. For example, public works programmes and direct transfers both stimulate the economy and reduce poverty, but the overall effectiveness and impact of these tools needs to be better understood in order to optimize results. Public works programmes tend to be better at stimulating growth and creating jobs, while cash transfers tend to have better results when targeted at poor households. Finding the best combination of both kinds of programmes can help Indonesia to optimise development outcomes and better promote sustainable growth with equity.

In addition to striving for job-rich economic growth, Indonesia has also committed itself to the promotion of development that is environmentally sustainable. Indonesia’s National Action Plan to reduce greenhouse gas emissions by 26 per cent (or 41 per cent with international assistance) by 2020 has been supported through the commencement of demonstration projects in Central Kalimantan - the REDD+ pilot province. These initiatives seek to address issues related to conservation of forests and land use change that are major source of carbon emissions in Indonesia through improving access to sustainable livelihoods.

The need for decent livelihoods and quality employment are themes that are central to the concept of environmental sustainability, due to the connection between carbon emissions and economic activities. The ILO has

therefore been working closely with constituents to promote the concept of “green jobs” and estimates that approximately 3.9 million jobs or 3.8 per cent of all jobs could be considered to be “green jobs” (socially and environmentally friendly). Green jobs have been recognized to provide a strategic framework for promoting growth with equity in Indonesia. This has led to the Ministry of Tourism and the Creative Economy launching a Strategic Plan for Sustainable Tourism and Green Jobs in 2012, which provides an integrated framework for the promotion of a job-rich sustainable tourism industry. It is hoped that other ministries will take similar initiatives in the future.

While in 2012 Indonesia continues to be on track to achieve its unemployment rate target by 2014, much work remains to be done to realize the objective of “sustainable growth with equity”. Most of the employed population are still far from having a decent job that provides adequate social protection, meets minimum labour standards and benefits from social dialogue. Against this backdrop, Indonesia cannot afford to concentrate only on reducing unemployment to support equitable socio-enviro-economic development. Further attention should be given to the quality and sustainability of livelihoods and employment, particularly for those who have managed to escape the lowest measures of deprivation. Indonesia has set targets for accelerating economic growth, reducing poverty and decreasing carbon emissions. The challenge is to ensure that the policy framework in place for achieving these targets provides the conditions for realizing sustainable growth with equity.

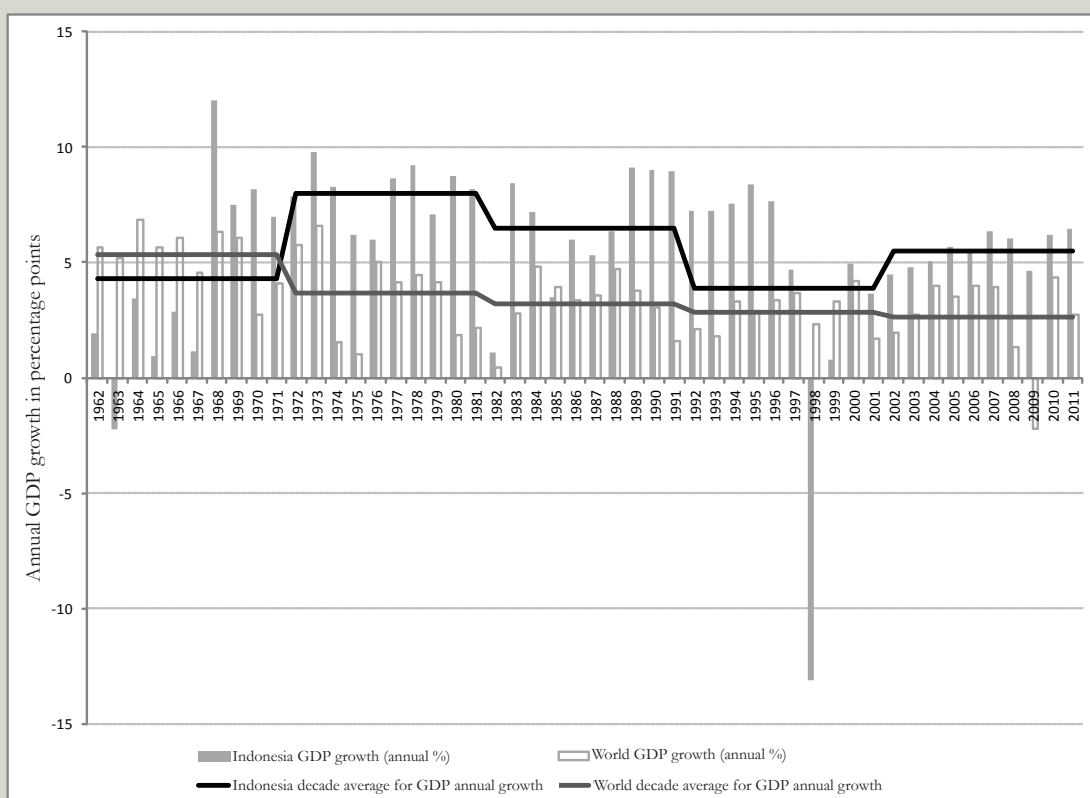
Trends in the economy and the labour market

1.1. Economic trends

The Indonesian economy continues to grow and is one of the few economies in the world that has managed to maintain growth against the backdrop of global economic uncertainty. Annual GDP growth rates have been higher than average global GDP estimates and growth continues to trend upwards. As figure 1 illustrates, Indonesia's GDP growth recovered steadily after the Asian Financial Crisis in 1998 and has often achieved growth rates well above global averages in recent times. In 2012 the trend has continued, with GDP growth in 2012 at 6.23 per cent, falling just shy of the Government's GDP growth target of 6.3 per cent.

The Indonesian economy has continued to grow in 2012

Figure 1:
GDP growth for Indonesia and the World, 1962-2011



Source: World Bank (2012) World Development Indicators, World Bank, Washington D.C.

It is noteworthy that growth in the non-oil sector has been accelerating (6.8 per cent), while the oil sector has been declining (-3.3 per cent). Indonesia's recent strong economic performance is therefore linked to strong domestic consumption, as well as demand for primary resources and strong investment growth in the non-oil sector.

*Net exports have
been increasing
steadily.*

Given global volatility, the Indonesian economy continues to be exposed to risks associated with falling demand for its exports and reduced foreign investment. However, conditions are still favourable, with net exports (i.e. export less import) increasing and accounting for 11.3 per cent of GDP in 2011, up from 9.4 per cent in 2007. It will be important that efforts continue to focus on the development of economic infrastructure, linkages with domestic and international markets and macroeconomic stability to provide a supportive environment for economic growth.

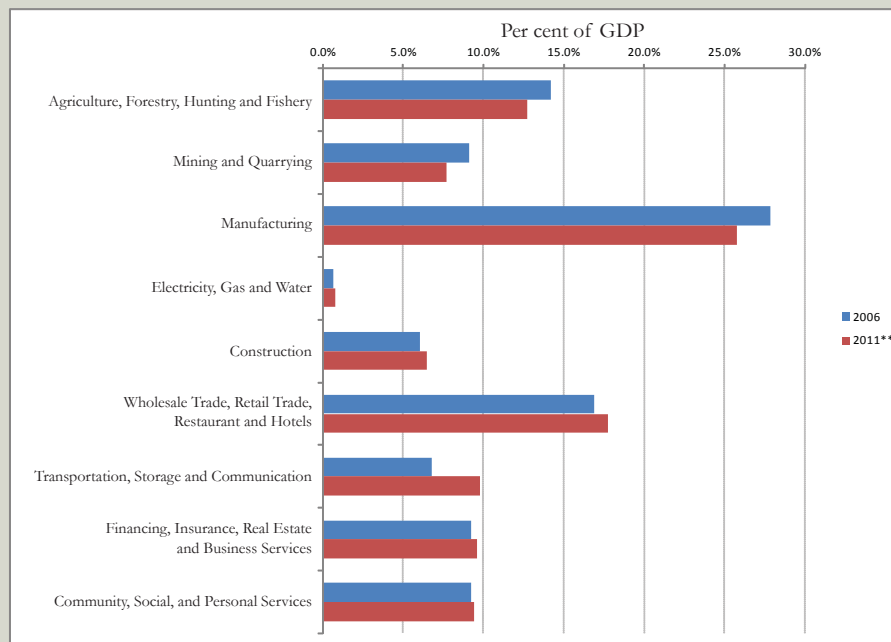
*However, volatility
in commodity prices
continues to influence
outcomes.*

Commodity prices have continued to be volatile in 2012 and this has placed pressure on a number of key commodities that are integral to Indonesia's long term development strategy. The Master Plan for the Acceleration and Expansion of Economic Development (MP3EI) has identified 22 main economic activities to drive the nation's prosperity, including palm oil, nickel, copper, iron and steel, bauxite, coal, oil and gas. In 2012 palm oil and coal prices declined by approximately 20 per cent compared with 2011 prices.

*Sectoral shifts
continue to unfold.*

Indonesia has recently put in place policies to support a transformation of its sectoral structure. Trends indicate that the economy is shifting away from the primary sectors and toward the tertiary sectors. In 2006 the primary sectors accounted for 23.3 per cent of GDP, the secondary sectors for 34.6 per cent, and the tertiary sectors for 42.1 per cent. In 2011, the primary sectors accounted for 20.4 per cent of GDP, the secondary sectors for 33.0 per cent, and the tertiary sectors for 46.6 per cent. In addition, policies are supporting the acceleration of infrastructure investment, which is reflected in the construction sector's increasing proportion of GDP.

Figure 2:
GDP sectoral composition for 2006 and 2011 in per cent

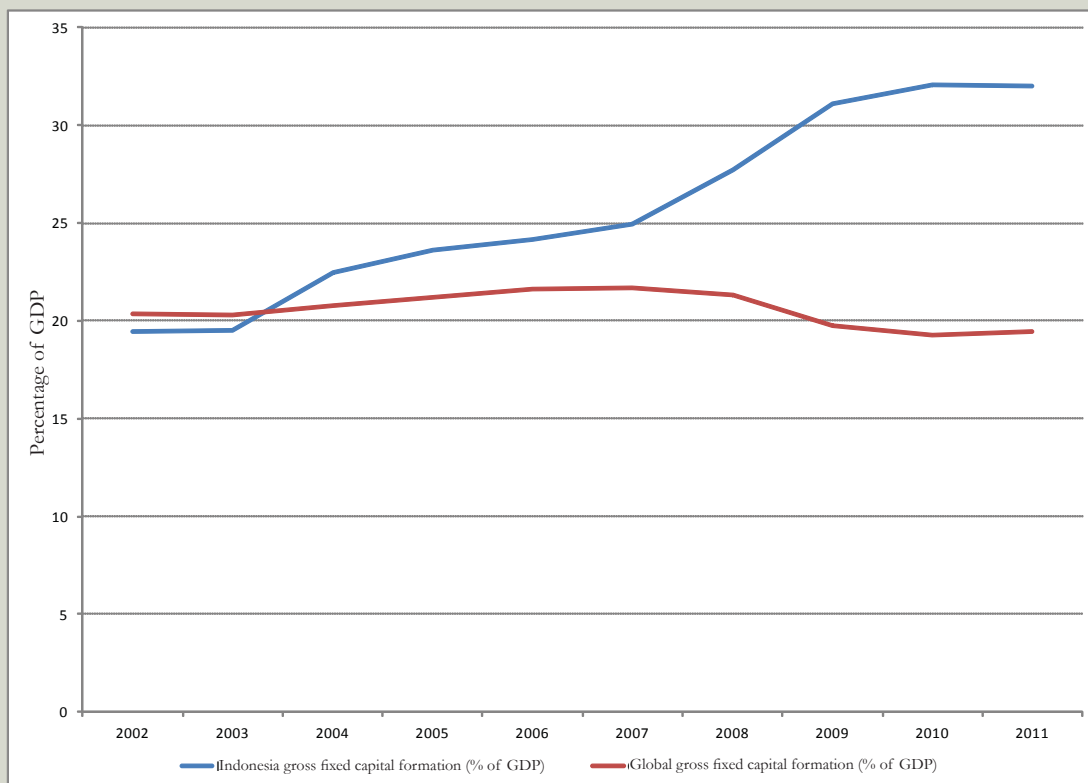


Source: BPS (2012) Gross Domestic Product, Badan Pusat Statistik, Jakarta.

The adequacy and the quality of infrastructure has been a critical constraint to the acceleration of growth in Indonesia. However, recent trends indicate that gross fixed capital formation, which includes infrastructure investments, land improvements, plant, machinery, and equipment purchases, has been increasing. This marks a shift in policy maker priorities and seeks to accelerate development. In 2011, gross fixed capital formation amounted to 32.0 per cent of GDP, which was higher than the proportion of GDP spent on gross fixed capital formation in other ASEAN nations and also higher than the global average of 19.4 per cent (see below).

Investment in infrastructure has been accelerating

Figure 3:
Fixed capital formation for Indonesia and the world, 2002-2011



Source: World Bank (2012) World Development Indicators, World Bank, Washington D.C.

Foreign direct investment (FDI) net inflows have fluctuated with trends in the global economy, but have strengthened over the last couple of years. In 2011 FDI net inflows were equivalent to 2.14 per cent of GDP, but remain below global averages (2.32 per cent in 2011).

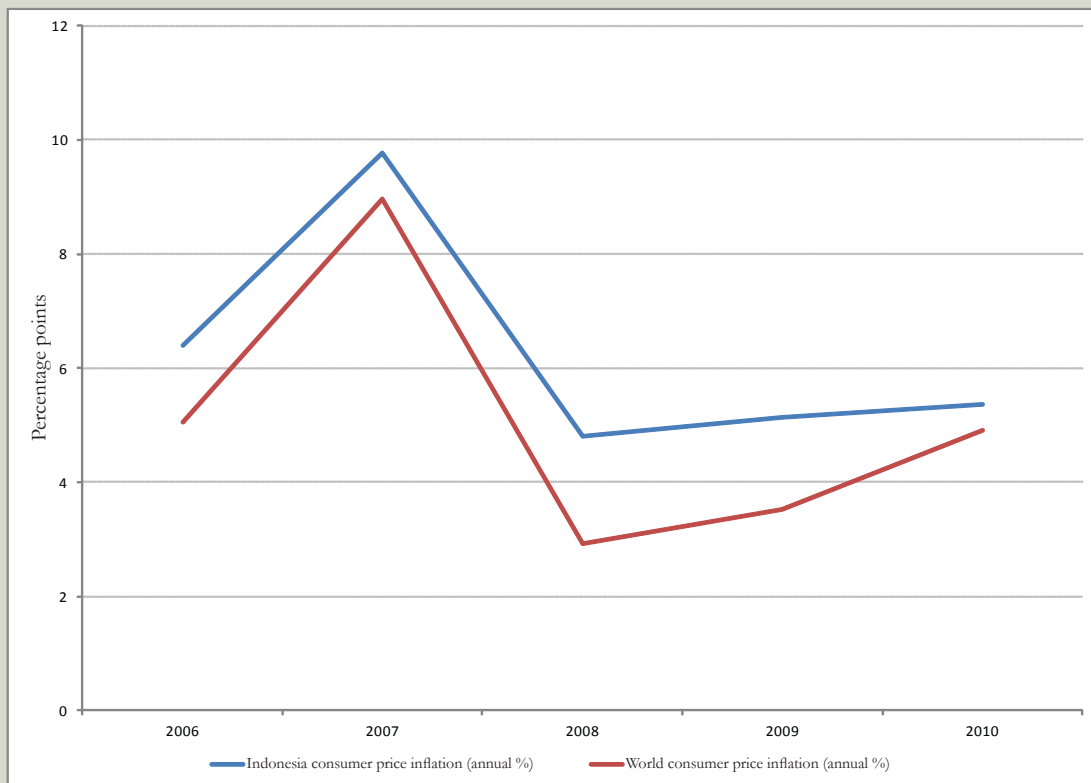
Remittance receipts from workers abroad have continued to grow in 2012. It is estimated that approximately USD 6.7 billion was remitted in 2011 and USD 6.8 billion in 2012. Workers' remittances are often used to support daily consumption and investment in small and medium enterprises, and therefore play an important role in maintaining domestic demand and accelerating growth.

Despite much public debate, Indonesia's fiscal policy continued to include high subsidies for fuel and energy in 2012. Given high spending on subsidies and weaknesses in revenue collection, the budget deficit for 2012 was higher than expected. Indonesia's taxation system includes income tax, export taxes and value added taxes. Tax revenue was equivalent to approximately 11 per cent of GDP per annum in 2010, which was lower than global averages (approximately 14 per cent). The Government hopes to achieve tax revenue equivalent to between 12.4 per cent and 14.2 per cent of GDP between 2010 and 2014. Further support for implementing reforms to the taxation systems will be needed in order to achieve targets.

Consumer price inflation in Indonesia was estimated at 4.3 percentage points in 2012, which was similar to consumer price inflation rates in ASEAN countries. Recent fluctuations have followed global trends, although the global average for consumer price inflation remains slightly lower than that of Indonesia (see below).

Consumer price inflation continues to follow international trends

Figure 4:
Consumer price inflation for Indonesia and the world, 2006-2010



Source: World Bank (2012) World Development Indicators, World Bank, Washington D.C.

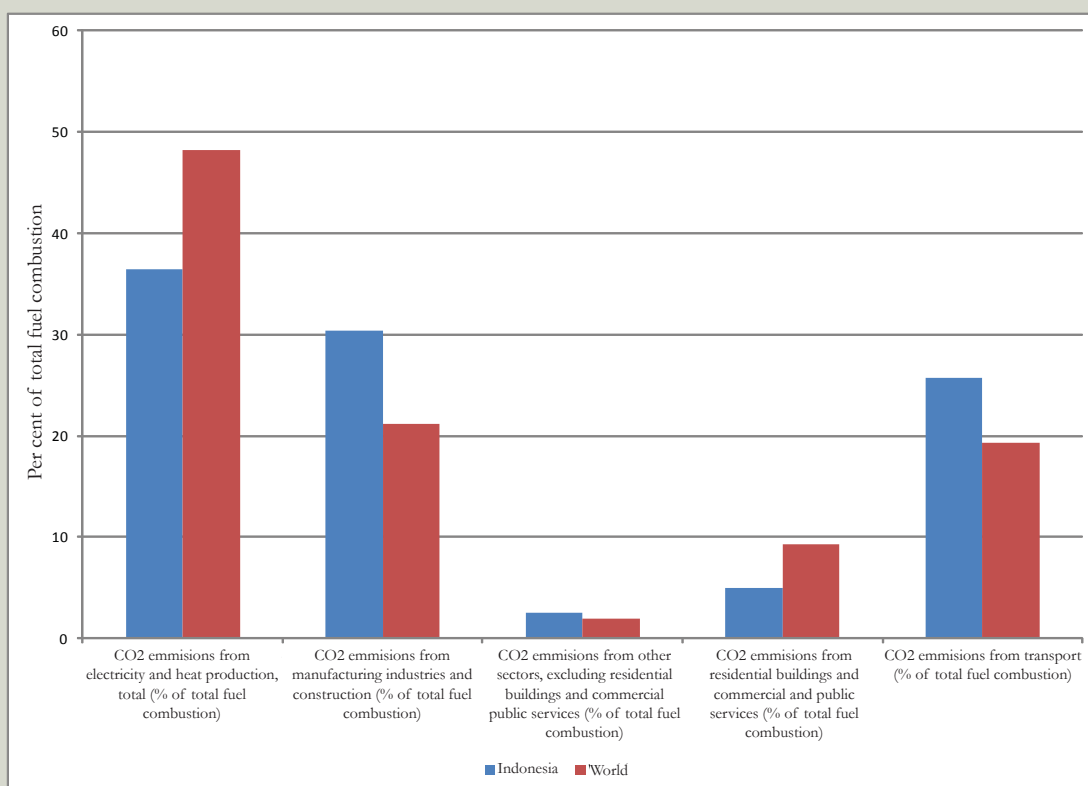
Indonesia has developed a National Action Plan to reduce greenhouse gas emissions by 26 per cent (or 41 per cent with international assistance) by 2020. The five main sectors that will be targeted are forestry and peat land, agriculture, energy and transportation, industry, and waste. In 2005 it was estimated that total GHG emissions for the three main greenhouse gases (without Land Use, Land Use Change and Forestry (LULUCF)) reached 665,543 Gg CO₂e. With the inclusion of LULUCF, total net GHG emissions for Indonesia were estimated at 1,791,371 Gg CO₂e, 2.7 times higher.¹ This indicates that the major challenge for Indonesia in promoting environmentally friendly development and reducing carbon emissions is associated with conservation of forests and land use change.

Indonesia seeks to reduce greenhouse gas emissions by 26 per cent (or 41 per cent with international assistance) by 2020

¹ Ministry of Environment – Republic of Indonesia (2010), Indonesian second communication under the UNFCCC, accessible at http://unfccc.int/files/national_reports/non-annex_i_natcom/submitted_natcom/application/pdf/indonesia_snc.pdf

Without LULUCF, Indonesia's major source of carbon emissions is from fuel combustion. In 2010 it was estimated that Indonesia produced 410.95 million metric tonnes of carbon from fuel combustion, while the world produced 29,327.7 million metric tonnes. Carbon from fuel combustion was most commonly associated with energy from electricity and heat production, followed by manufacturing industries and the transport sector (see below). Methane emissions were estimated at 218,929 Kt of CO₂ equivalent in 2010 and nitrous oxide emissions were estimated at 91,312 thousand metric tons of CO₂ equivalent in 2010, equivalent to 2.9 per cent of global methane emissions and 3.2 per cent of nitrous oxide emissions respectively.

Figure 5:
Carbon emissions from fuel combustion for Indonesia and the world, 2010



Source: World Bank (2012) World Development Indicators, World Bank, Washington D.C.

Methodologies for estimating carbon emissions are still developing, particularly for land use change and forestry, and estimates provided by the Ministry of Environment, the World Bank and the National Council for Climate Change vary. However, Indonesia is considered to be one of the largest contributors of green house gas emissions in the world, largely due to rapid rates of deforestation and peat land degradation.

In both 2011 and 2012 the GINI ratio was estimated at 0.41,² up from 0.35 in 2008. This highlights a need for further emphasis to be placed on supporting equitable development. The provinces with the highest

² Gini Index is the measure of income distribution calculated based on income classes. The Gini ratio lies between null (zero), expresses 'perfect equality' and one (1), which expresses 'perfect inequality'.

estimates of inequality were Papua and Gorontalo, while the provinces with the lowest estimates of inequality were Kepulauan Bangka Belitung and Sulawesi Barat.

The poverty line for 2012 was set at IDR 267,408 for urban areas and IDR 229,226 for rural areas. There were approximately 10.65 million people in urban areas and 18.49 million people in rural areas that fell below the poverty line. The number of people living in poverty has declined steadily over time, from 11.65 per cent in urban areas and 19.93 per cent in rural areas in 2008, to 8.78 per cent in urban areas and 15.12 per cent in rural areas in 2012. The poverty severity index, which measures inequality among the poor, was estimated at 0.47 in 2012, down from 0.76 in 2008, which also suggests that the situation among the poor is improving.

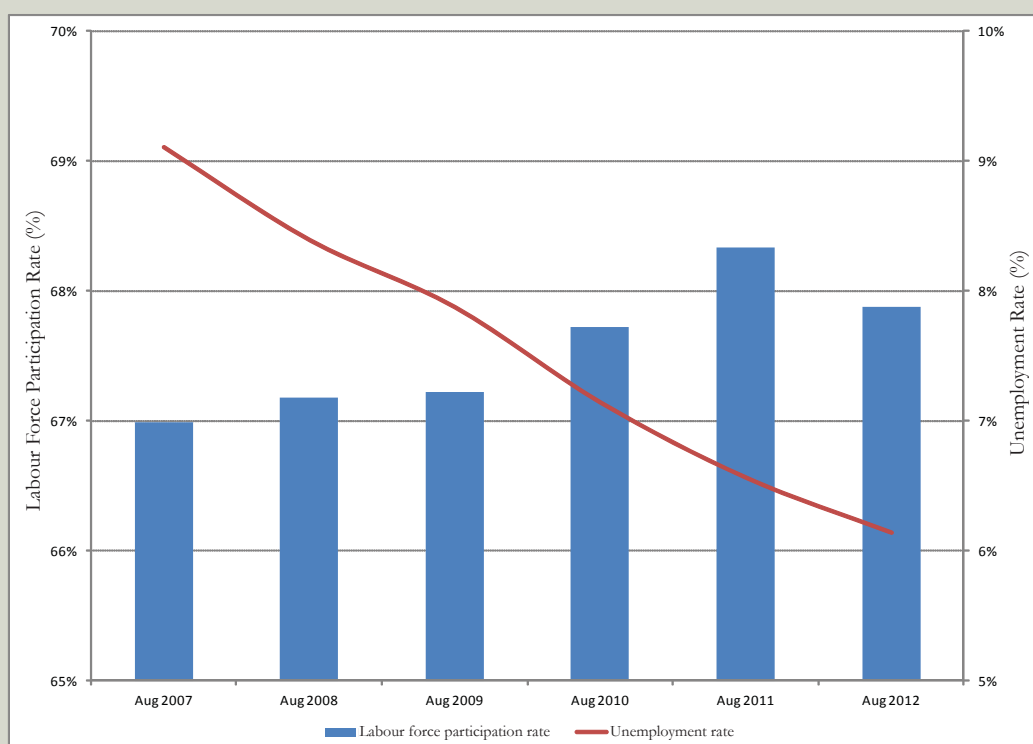
Poverty continues to reduce, while inequality remains a concern

1.2 Labour market trends

In August 2012 it was estimated that the population of Indonesia consisted of 244.75 million people, with 118.05 million people classified as economically active. The labour force participation rate in August 2012 was estimated at 67.9 per cent, slightly lower than 2011 estimates (see figure below). However, employment growth continued to outpace labour force growth, with employment growing by 1.0 percentage point and an additional 1,137,755 jobs added to the economy between August 2011 and August 2012.

Employment growth continues to outpace labour force growth

Figure 6:
Labour force participation and unemployment in per cent, 2007-2012



Source: BPS (2012) Labour force situation: August 2012, Badan Pusat Statistik, Jakarta

In general, labour force participation and employment growth was not as strong between 2011 and 2012 as it was between 2010 and 2011. However this can be partly attributed to the increased participation of the working age population in senior high school education and vocational training courses, which is important for strengthening labour productivity and employment quality in the future. Therefore the slight decline in the economically active population aged between 15 and 24 years between August 2011 and August 2012 is associated with preferences for increasing educational attainment.

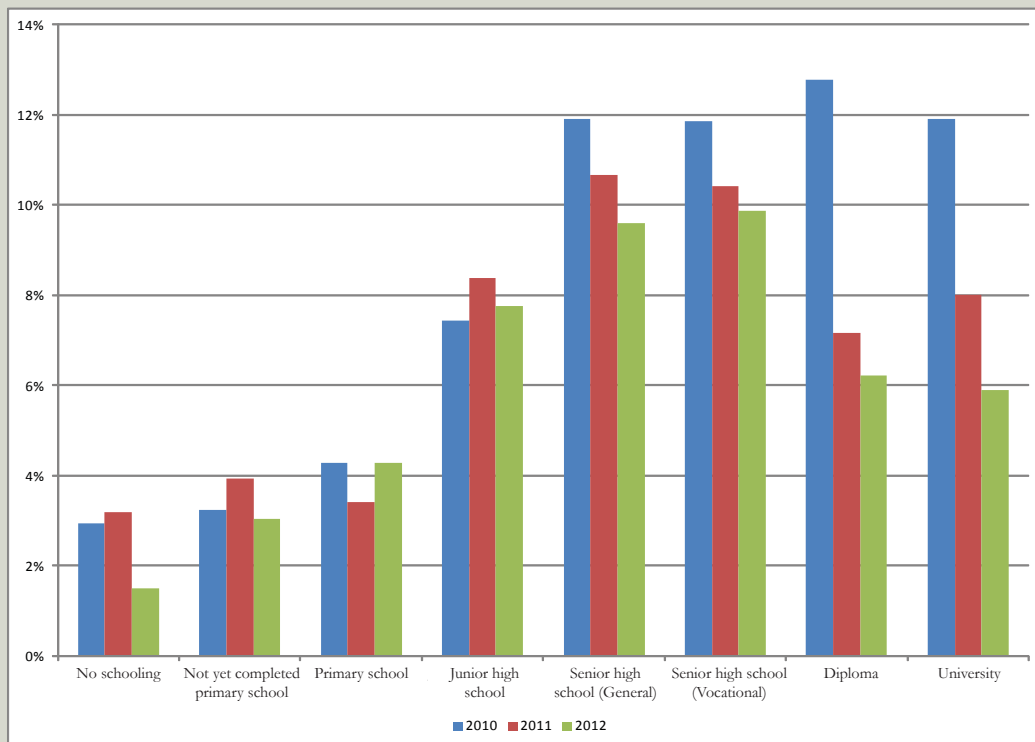
The labour force continues to be clustered around the islands of Java, Sumatera and Bali (81.2 per cent in 2012). Indonesia exhibits persistent regional inequalities in both its economic and employment outcomes. Inequalities in regional development have been linked to factors such as population density, resource endowment and geographic isolation. In general employment and economic outcomes tend to be worse in the eastern parts of Indonesia.

The employment-to-population ratio – the share of the working-age population that is employed – ranged between 63 and 65 per cent in 2012, which is higher than the 2012 global average of 60.3 per cent. However, the employment-to-population ratio for people aged between 15 and 24 years was estimated at 39.7 per cent in August 2012, which is the lowest it has been since 2006. The employment-to-population ratio for people aged 25 and above was estimated at 71.4 per cent in August 2012, which is the highest it has been since the Asian Financial Crisis. There has also been a slight fall in the youth unemployment rate and youth are increasingly delaying labour market entry in favour of further education. Therefore, the declining employment-to-population ratio for youth may be a positive trend, if policies are in place to support demand for a more highly educated labour supply.

Unemployment continues to decline, but remains high for high school graduates suggesting a need for further focus on school-to-work transition.

In 2012 the unemployment rate declined from 6.32 per cent in February to 6.14 per cent in August. Those most likely to report being unemployed in 2012 had senior high school as their highest level of educational attainment. High unemployment among senior high school graduates can be attributed to factors such as demand deficiency and skill mismatch. This means that the quantity of jobs and the jobs available in the labour market may not match well with the skill sets and skill levels of high school graduates. Improving access to support services associated with school-to-work transition, such as career orientation, employment counselling, internship opportunities and employment supply-demand databases, can help to improve the labour market prospects of senior high school graduates. Further reforms are needed to strengthen the effectiveness of school-to-work transition policies, in order to ensure that school leavers are job-ready.

Figure 7:
Unemployment rate by educational attainment, 2010-2012



Source: BPS (2012) Labour force situation in Indonesia: August 2012, Badan Pusat Statistik, Jakarta

Unemployment has also declined sharply among diploma and university graduates, indicating that the demand for skilled and educated workers has become stronger as the Indonesian economy modernizes.

Unemployment decreased in almost all provinces between August 2011 and August 2012, with the notable exceptions of Aceh and Sulawesi Tenggara. Unemployment increased in Aceh from 7.43 per cent in August 2011 to 9.10 per cent in August 2012, while unemployment in Sulawesi Tenggara increased from 3.06 per cent to 4.04 per cent over the same period. Reductions in unemployment rates were most notable in DKI Jakarta, Banten, Jawa Barat, Riau, Kalimantan Timur and Papua Barat - all of which have been identified as important growth centres in the Government's MP3EI. In particular, it is worth noting that unemployment in DKI Jakarta was estimated at 9.87 in August 2012, which is the first time unemployment in Jakarta has been under 10 per cent in over ten years.

Unemployment in DKI Jakarta has reached 10 year lows

Despite downwards trends, unemployment remains high for youth. 2012 saw a slight decline in unemployment for people aged between 15 and 24 years. Youth unemployment was estimated at 19.08 per cent in February 2012 and 19.56 per cent in August, down from 23.92 per cent in February 2011 and 19.99 per cent in August 2011. Moreover, it is worth noting that youth are still 5.97 times more likely to be unemployed than those aged 25 years and above, and that youth accounted for 56 per cent of the unemployed population in August 2012.

Youth employment outcomes have been improving, however, youth are still 5.97 times more likely to be unemployed than those aged 25 years and above

Youth unemployment has declined from a peak of 33.4 per cent in 2005, and shifts in labour market outcomes for youth are strongly linked to favourable economic conditions that have seen household incomes improve and returns on education increase. Consequently youth labour market participation rates have been declining, with young people increasingly choosing to delay their entry into the labour market in order to improve their education.

Rapid gains are needed in educational attainment to improve the competitiveness of the Indonesian labour force within the context of ASEAN integration

The educational attainment of the economically active population has been gradually increasing over time (see table below). In particular, school enrolment rates for secondary and tertiary education have improved among the young generations. The average years of schooling of recent generations in Indonesia is more or less on par with other countries in the South East Asian region. However, Indonesia still has a large workforce with modest educational attainment. For example, only approximately 9.0 per cent of the economically active population in Indonesia have senior high school or further tertiary education. Indonesia needs to increase the proportion of the economically active population with senior high school and post secondary education rapidly in order to achieve the objectives outlined in the Master Plan for the Acceleration and Expansion of Economic Development in Indonesia (MP3EI) and to be competitive within the context of ASEAN integration.

Table 1:
Educational attainment of the economically active population in per cent, 2010-2012

Educational Attainment	August 2010	August 2011	August 2012
No schooling	4.6	5.1	4.6
Primary school and below	63.2	62.0	61.3
Junior high school	24.1	24.8	25.1
Senior high school and above	8.1	8.2	9.0
Total	100.0	100.0	100.0

Source: BPS (2012) Indikator pasar tenaga kerja Indonesia: Agustus 2012, Badan Pusat Statistik: Jakarta

Regional inequality persists, requiring both supply side and demand side interventions

It is worth noting however, that interventions are needed that promote functioning of both the supply side and the demand side of the economy. Areas that have a history of depressed local economy may be caught in situations where both demand side and supply side processes interact to maintain prevailing conditions. High poverty and low levels of human capital can make localities unattractive to investors and entrepreneurs. Experience shows that efforts to support development through employability and entrepreneurship initiatives need to be coupled with sound development strategies so that skills training does not result in further ‘churning’ of the labour market - that is, unaccompanied by sustainable improvements in livelihoods and innovations in economic development. It is therefore important that local actors be empowered to determine trajectories that

both appreciate local conditions and identify feasible strategies to move local economies toward more sustainable and equitable models. Both human capital and enterprise development are an integral part of this.

The number of hours worked by employees has an impact on the health, welfare and productivity of the working population and the cost of labour for enterprises. Understanding trends in the working hours of individuals and different groups of workers is important for monitoring working and living conditions. Part-time employment has been growing in Indonesia and has played an important role in expanding employment opportunities and reducing unemployment. In August 2012, part-time employment accounted for 19.42 per cent of the employed population, revealing a continuing trend in the expansion of part time work in Indonesia. Part-time employment was estimated at 19.21 per cent in 2011, illustrating continued growth from 16.7 per cent in 2010, 15.4 per cent in 2009 and 15.7 per cent in 2008. Further research on this trend is needed in order to better understand the profile of part-time workers as well as the extent to which demand-side and supply-side factors play a role in the increase in part-time work.

Part time work has been increasing rapidly, while underemployment has been decreasing steadily in Indonesia

Part time employment, defined as employment that is less than 35 hour per week, can provide a stepping stone into more permanent, full-time employment. It is worth noting, however, that part-time employment is unlikely to stimulate consumption and aggregate demand in the same way full time employment does due to wage differentials. The use of part-time workers can be a consequence of economic uncertainties and indicative of the need for greater levels of flexibility within the workplace in order to reduce labour costs and cope with fluctuations in demand. Short-term contracts and sub-contracting arrangements also allow employers more flexibility in the work place.

People who are employed part time may choose to be so due to preferences for greater work-life balance. Some workers want to work additional hours and are considered to be part of the “time related” underemployed (working less than 35 hours and willing to work additional hours). In August 2012 11.52 per cent of the employed population were considered underemployed, which is a decline from August 2011 (12.33 per cent) and August 2010 (14.10 per cent). Part time employment and underemployment are more common amongst women than men and also more common in rural areas than in urban areas.

Many people in Indonesia work long hours and also excessive hours. Long hours are considered those totalling more than 40 hours per week as specified by Indonesia’s Manpower Act No. 13/2003. Working hours of over 48 hours per week are considered excessive, as specified in ILO conventions No. 1 and No. 30. In August 2012 29.4 per cent of employed people worked between 40 to 48 hours per week, 15.09 per cent worked between 49 to 59 hours and 11.44 per cent worked 60 hours and above. In total 55.96 per

cent of employed people worked more than 40 hours per week in August 2012, which is consistent with the proportion of the employed population working long and excessive hours in previous years.

Vulnerable employment is a measure of work by employment status that provides insight on employment quality and livelihood vulnerability. Indonesia defines vulnerable employment as including own-account workers, casual workers and unpaid family workers.³ Vulnerable workers are far less likely than waged and salaried workers to benefit from labour market regulations and social protection systems. They typically work in the informal economy, are vulnerable to fluctuations in income and are likely to have limited purchasing power.

In 2012 between 60 to 63 per cent of all those employed could be considered to be “vulnerable workers”

Global trends indicate that while working poverty has declined substantially over time, the situation for vulnerable employment has remained relatively stagnant. The ILO’s Global Employment Trends Report released in 2013 estimated that in 2012, 59 per cent of those employed in developing countries were vulnerable workers and 61.4 per cent of all workers in South East Asia and the Pacific were vulnerable workers. Vulnerable employment in Indonesia is estimated to be higher than both these aggregate categories. In 2012 it was estimated that 60 to 63 per cent of all those employed could be considered “vulnerable workers” (see table below). The situation in 2012 demonstrates a solid improvement from 2011, when vulnerable employment was estimated at 65.76 per cent in February and 62.17 per cent in August.

Table 2:
Percentage of workers in vulnerable employment in 2012

Male and female	February	March	August
a) Employee	33.81	34.05	36.36
b) Entrepreneur	48.91	49.24	47.49
i) Employer	3.48	3.9	3.5
ii) Own account worker	35.38	34.81	33.57
iii) Casual worker	10.04	10.53	10.42
c) Family worker	17.29	16.71	16.15
d) Vulnerable workers (ii + iii + c)	62.71	62.05	60.14

³ The Indonesian definition of vulnerable employment and the ILO definition of vulnerable employment varies somewhat. ILO defines vulnerable employment as the sum of own-account workers and contributing family workers, while Indonesia also includes casual workers and employers assisted by temporary worker/unpaid worker in their definition of vulnerable employment. This is because of the nature of casual employment in Indonesia, which is often informal and lacking in decent working conditions, and characterised by inadequate earnings, low productivity and working conditions that undermine workers’ fundamental rights.

Male	February	March	August
a) Employee	35.65	35.8	38.18
b) Entrepreneur	56.88	56.92	54.8
i) Employer	4.52	5.03	4.58
ii) Own account worker	40.2	39.06	37.48
iii) Casual worker	12.15	12.83	12.75
c) Family worker	7.47	7.28	7.01
d) Vulnerable workers (ii + iii + c)	59.83	59.17	57.24
Female	February	March	August
a) Employee	30.85	31.23	33.35
b) Entrepreneur	36.12	36.81	35.37
i) Employer	1.82	2.07	1.71
ii) Own account worker	27.65	27.93	27.12
iii) Casual worker	6.65	6.81	6.55
c) Family worker	33.03	31.96	31.28
d) Vulnerable workers (ii + iii + c)	67.33	66.7	64.95

Source: BPS (2012) Indikator pasar tenaga kerja Indonesia: Agustus 2012, Badan Pusat Statistik: Jakarta.

Further analysis of vulnerable employment by gender indicates that there are considerable differences in vulnerable employment between the sexes, and that the nature and composition of vulnerable employment is also vastly different for men and women. For example, vulnerable employment rates for women are significantly higher than for men, with gaps ranging between 7.5 and 7.7 percentage points in 2012. Women are also three times more likely than men to be considered vulnerable workers due to their status as family workers, while men are more likely to be considered in vulnerable employment due to their employment status as a casual or own-account workers. As it is much more difficult to transition from being a family worker to work that is external to the family unit, the gender dimension of vulnerable employment in Indonesia requires particular attention from policy makers.

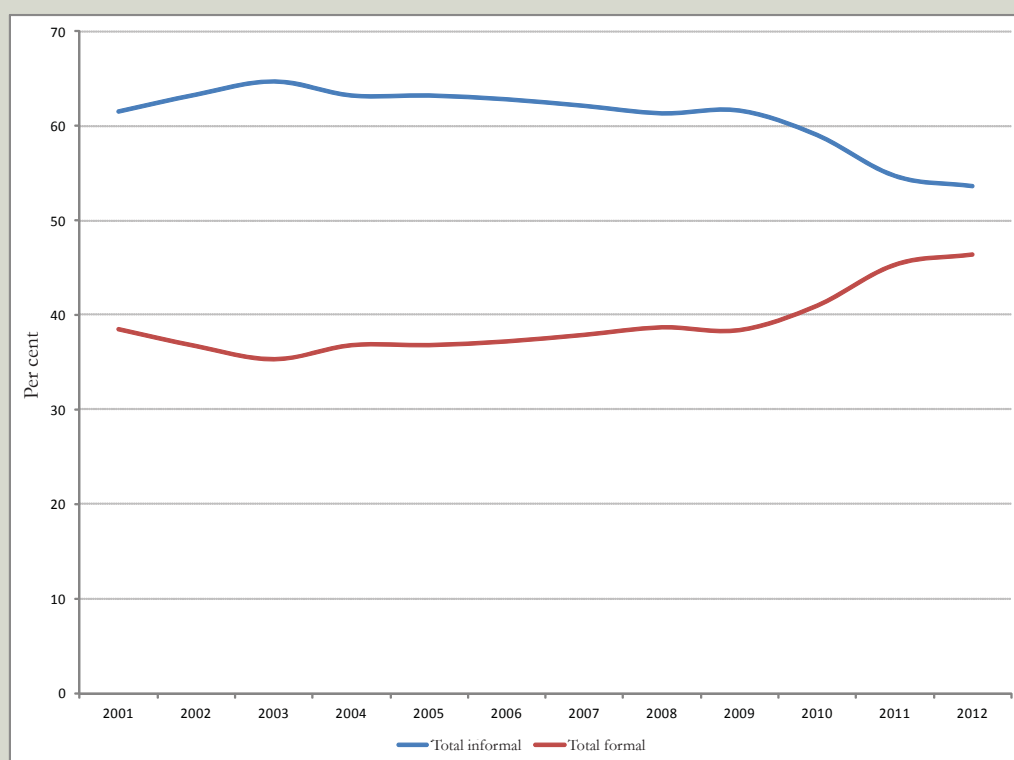
Between 2001 and 2009 the share of employment that was in the informal economy remained relatively stable; 61 to 66 per cent of all jobs were found within the informal economy during this period. However, trends over the last three years have seen a substantial shift towards formality emerging in the Indonesian economy. In 2010 it was estimated that approximately 59.0 per cent of those employed were working in the informal economy. In 2011 and 2012 the trend continued, with informal employment estimated at 54.7 per cent and 53.6 per cent, respectively.

Women are also three times more likely to be considered to be a vulnerable worker due to their status as a family worker than men

Trends over the last three years have seen a slow shift towards formality emerging in the Indonesian economy

Formality has been an important issue for the Indonesian labour market, and considerable efforts have been dedicated to education reform and reducing barriers to formality over the last three years. For example, infrastructure investment has been accelerating, access to primary education is now near-comprehensive and teacher certification programmes have been rolled out. The trend of increasing formality in Indonesia is extremely interesting and may be informative for neighbouring countries in the region also seeking to promote a shift to the formal economy.

Figure 8:
Formal and informal employment between 2001 and 2012, per cent



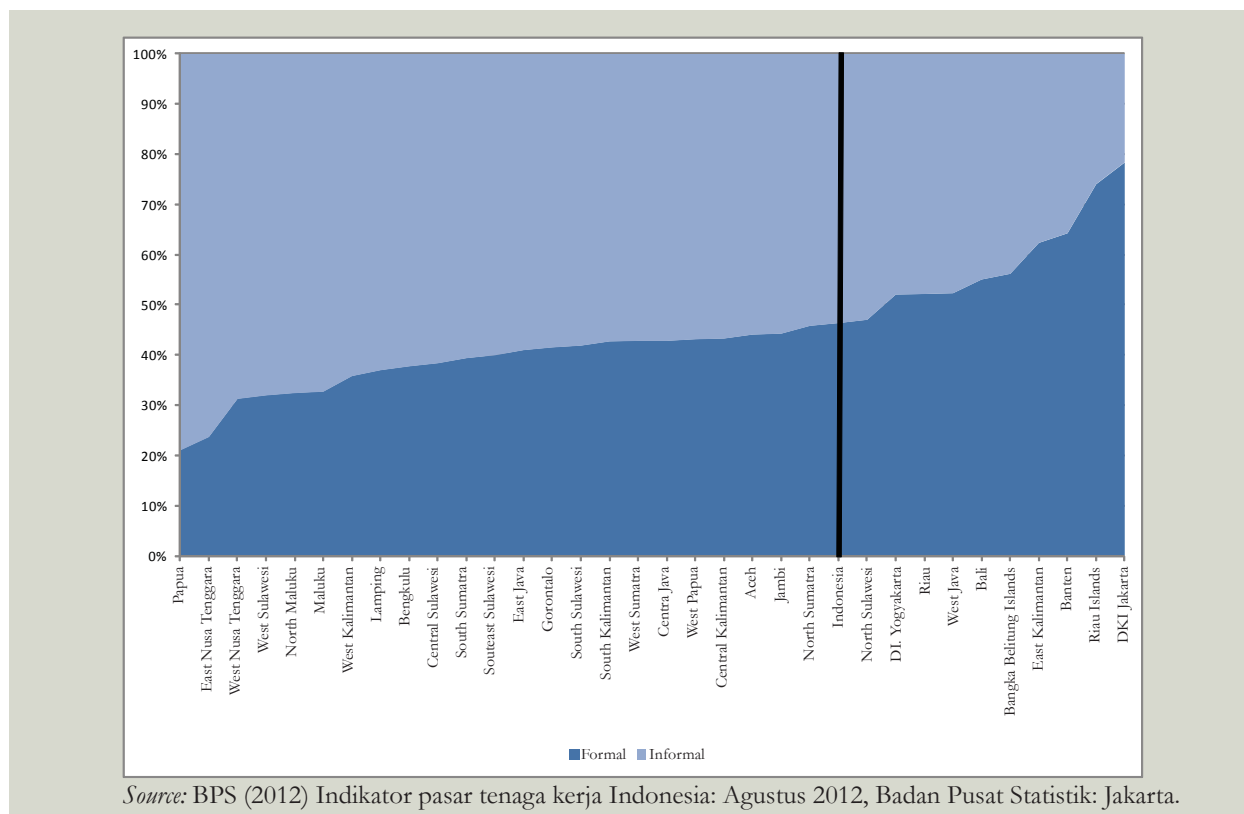
Source: BPS (2012) Indikator pasar tenaga kerja Indonesia: Agustus 2012, Badan Pusat Statistik, Jakarta.

Trends also indicate that men and women's access to formal employment has improved considerably over time, but that outcomes are still uneven for men and women. In 2001 67.5 per cent of employed women and 57.9 per cent of employed men were working in the informal economy. In 2012, 57.5 per cent of employed women and 51.2 per cent of employed men were working in the informal economy. Informal employment for women has fallen at a much faster pace than men, however, further efforts are needed to bridge the gender gap and ensure that both male and female workers have equal access to employment in the formal economy, as formal employment is generally associated with higher levels of productivity and better working conditions.

The degree to which economic activities take place in the formal or informal economy also exhibits regional inequalities, with formality estimated to be highest in DKI Jakarta (78.43 per cent), followed by Kepulauan Riau

(74.10 per cent), and lowest in Papua (21.10 per cent) followed by Nusa Tenggara Timur (23.75 per cent). The average size of the informal economy in 2012 was 53.57 per cent and the formal economy 46.43 per cent.

Figure 9:
Formality by province in per cent, August 2012



Source: BPS (2012) Indikator pasar tenaga kerja Indonesia: Agustus 2012, Badan Pusat Statistik: Jakarta.

Structural shifts in the sectoral composition of the Indonesian economy have continued to unfold in 2012, with employment in the agricultural sector declining and jobs in the services sector on the rise (see table below). Investments from the public and private sector have accelerated development, and in turn employment growth, in the construction sector. Employment in the finance, insurance, real estate and business services sector has continued to expand, and now the sector employs almost double the number of workers it employed in 2008. The growth can be attributed to sectoral reforms that have successfully established stability and strengthened governance. For example, regulations are being put in place that more rigorously link expansion to capital base. Safeguards to ensure that at least 20 per cent of banks' portfolios go to micro, small, and medium size firms are also being introduced.

*Sectoral adjustments
have continued to
unfold*

Table 3:
Employment by sector 2008–2012 in per cent

Sector	2008	2009	2010	2011	2012
Agriculture, Forestry, Hunting and Fishery	40.30	39.68	38.35	35.86	35.09
Mining and Quarrying	1.04	1.10	1.16	1.34	1.44
Manufacturing	12.24	12.24	12.78	13.26	13.87
Electricity, Gas and Water	0.20	0.21	0.22	0.22	0.22
Construction	5.30	5.23	5.17	5.78	6.13
Wholesale Trade, Retail Trade, Restaurant and Hotels	20.69	20.93	20.79	21.33	20.90
Transportation, Storage and Communication	6.03	5.83	5.19	4.63	4.51
Financing, Insurance, Real Estate and Business Services	1.42	1.42	1.61	2.40	2.40
Community, Social, and Personal Services	12.77	13.35	14.75	15.18	15.43
Total	100.0	100.0	100.0	100.0	100.0

Source: BPS (2012) Labour force situation in Indonesia: August 2012, Badan Pusat Statistik, Jakarta.

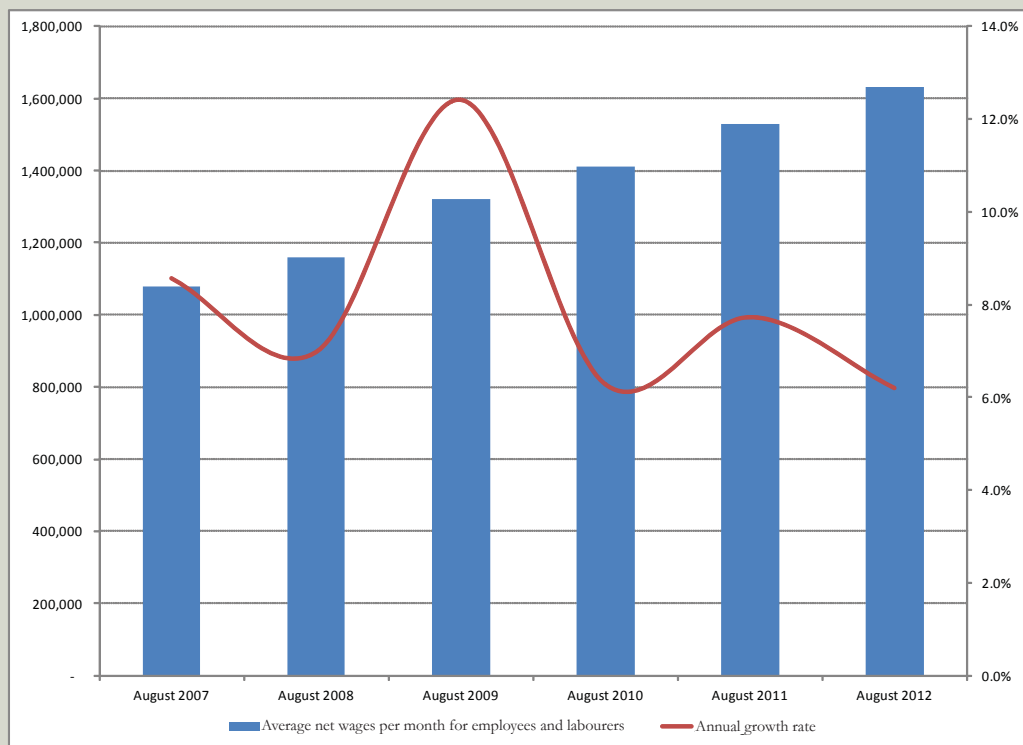
Employment in the manufacturing sector has been growing and is now at a ten year high

Employment in the manufacturing sector has also been growing rapidly and is now higher (in terms of sectoral share and absolute numbers) than it has been in over a decade. Policy makers have long sought to stimulate the manufacturing sector in order to return it to its pre-1998 status, when it was a driver of economic and employment growth in Indonesia. However, the structural composition of the manufacturing sector today is somewhat different from 15 years ago. Many labour intensive activities, such as textile, leather, garment and footwear manufacturing, have stagnated, while food manufacturing (including palm oil processing) and more capital intensive manufacturing (such as machine manufacturing and chemical processing), have grown.

Average nominal wages were IDR 1.6 in August 2012, up 6.2 per cent from the previous year

Average nominal wages have been increasingly steadily over the last number of years; in August 2012 average nominal wages per month for employees and labourers were estimated at IDR 1,630,193. This is an increase of 6.2 per cent from the previous year. Average nominal wage increases are set to continue in 2013 with the passing of significant increases in minimum wages during the last quarter of 2012 throughout Indonesia.

Figure 10:
Average nominal wages for employees and labourers, 2007–2012



Source: BPS (2012) Labour force situation in Indonesia: August 2012, Badan Pusat Statistik, Jakarta.

In general, wage increases in Indonesia have been keeping pace with the consumer price index in recent years, with the exception of 2005 and 2008. For example, in 2012 the consumer price index was 4.3 per cent and average nominal wage growth was higher, at 6.2 per cent. However, inflation for daily commodities, particularly food, has been much higher than the overall inflation rate, which has a substantial impact on the purchasing power of poor workers. Further research on the consumption patterns of poor workers and disaggregated measures of inflation are required to better understand the relationship between wage growth and inflation for different workers in Indonesia.

Achieving the employment target by 2014 require a high economic growth

In terms of location, the province with the highest average of nominal wage for employees and labourers in 2012 continued to be Papua, followed by Kepulauan Riau, Kalimantan Timur, Jakarta and Papua Barat. The province with the lowest average nominal wage for employees and labourers continued to be Jawa Tengah, followed by Lampung and Jawa Timur. The province with the highest growth in nominal wages for 2012 was Jambi at 8.8 per cent, which was likely due to increases in the provincial minimum wage between 2011 and 2012. The provinces with lower growth rates in nominal wages for 2012 included Suawesi Utara (2.2 per cent), Kepulauan Riau (2.6 per cent) and Sulawesi Tenggara (3.8 per cent), all of which had very high growth in average nominal wages (above 13 per cent) in the previous year.

In 2012 average nominal wages per month for employees and labourers were 45.4 per cent higher than the average minimum wage for Indonesia

In 2012 the average minimum wage for Indonesia was estimated at IDR 1,121,460 (BPS, 2012), up by 11.8 per cent from the previous year. The highest minimum wages were found in Jakarta, Papua, Papua Barat and Aceh, while the lowest minimum wages were found in Jawa Tengah and Jawa Barat.

Table 4:
Average minimum wages and average nominal wages for Indonesia, 2010-2012

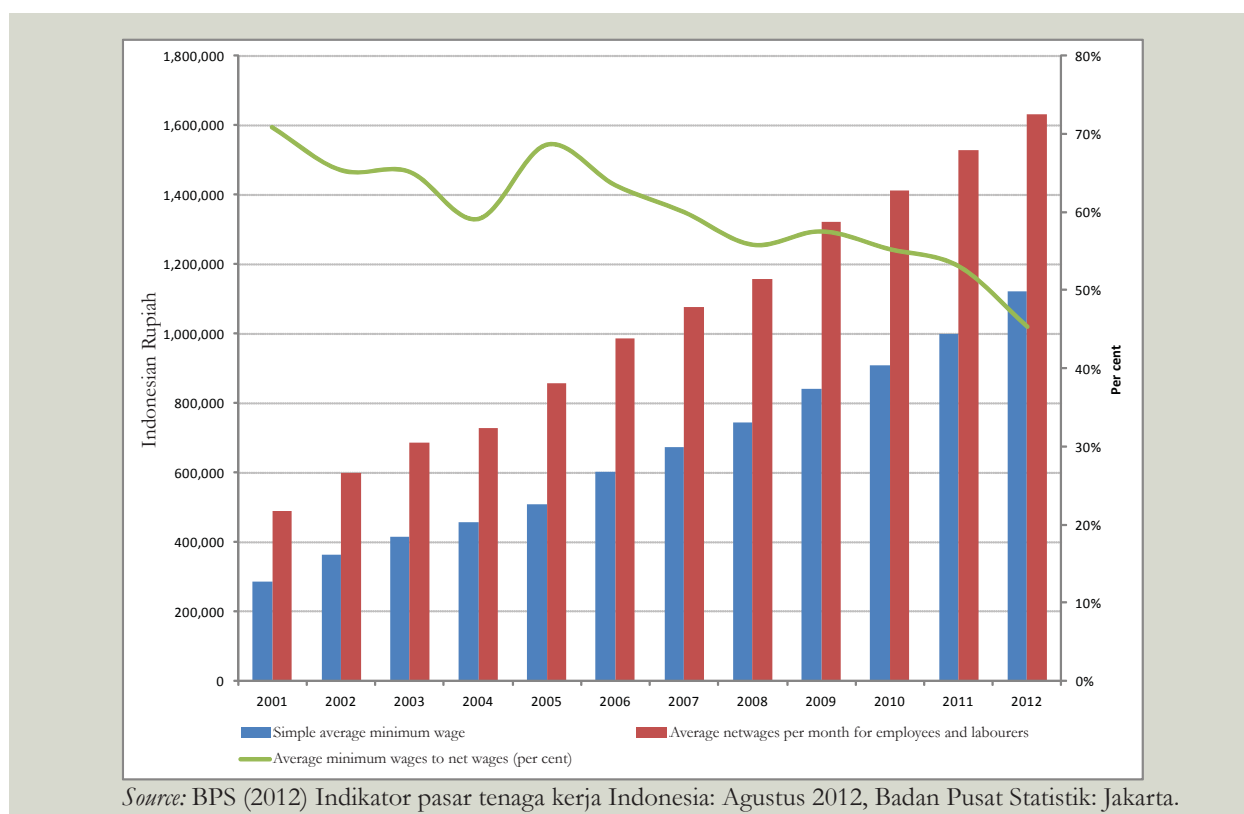
Year	Average nominal wages for employees and labourers (August)	Average nominal wages for employees and labourers (August)
2010	1,410,982	908,800
2011	1,529,161	988,829
2012	1,630,193	1,121,460

Source: BPS (2012) Indikator pasar tenaga kerja Indonesia: Agustus 2012, Badan Pusat Statistik: Jakarta.

Average nominal wages per month for employees and labourers were 45.4 per cent higher than the average minimum wage for Indonesia in 2012. In 2011, the average nominal wage per month for employees and labourers was 53 per cent higher than average minimum wages, indicating that wage growth slowed in 2012.

Over time the gap between average minimum wages and average nominal wages has been shrinking. To illustrate, in 2001 the simple average minimum wage for Indonesia was IDR 286,100 and the average nominal wage for employees and labourers was IDR 488,788; the average wage was thus 70.8 per cent higher than the minimum wage. In 2006, the average wage was 63.4 per cent higher than the minimum wage, and this narrowing trend has continued into 2012. This indicates that even though minimum wage increases have been keeping pace with inflation, the overall position of workers has declined.

Figure 11:
Trends in minimum and average wages for Indonesia, 2001-2012



Wages of men and women increased gradually over the course of 2012, with average wages for male employees increasing by 2.9 per cent and average wages for female employees increasing by 3.3 per cent between February 2012 and August 2012. Despite higher growth rates in the wages of women in 2012, a considerable pay equity gap persists between male and female employees. In 2012, the wages of men were approximately 26 per cent higher than the wages of women, with men receiving approximately IDR 1.7 million in average wages throughout the year and women receiving approximately IDR 1.3 million.

Table 5:
Average wages of employees by gender and location, 2012

Variable	February	March	August
Men	1,707,229	1,727,777	1,756,606
Women	1,346,733	1,365,545	1,390,681
Urban	1,718,710	1,740,869	1,761,303
Rural	1,267,024	1,298,924	1,324,900
Total	1,580,882	1,600,808	1,630,193

Source: BPS (2012) Indikator pasar tenaga kerja Indonesia: Agustus 2012, Badan Pusat Statistik: Jakarta.

There are also wage disparities between urban and rural areas. On average wages for employees in 2012 in urban areas were between 33 and 35 per cent higher than in rural areas. Rural wages also experienced seasonal fluctuations; the average wages of urban employees increased by 2.5 per cent between February 2012 and August 2012, while the average wages of rural employees increased by 4.6 per cent.

Working for a sustainable and equitable economy

2.1 The importance of employment quality for equitable development⁴

Indonesia has become a strong player in the global economy. In 2011 Indonesia was elevated to the status of a middle income country as per capita GDP had surpassed USD \$3000 a year. Economic growth has remained strong and the Global Financial Crisis of 2008 has had a limited impact on macroeconomic indicators. Indonesia is on track to achieve its poverty reduction target (between eight and ten per cent by 2014) and its unemployment reduction target (between five and six per cent by 2014).

While Indonesia is on track to achieve its unemployment rate reduction target, it faces challenges in providing quality employment

In spite of these positive indicators, research has found that Indonesia has experienced a significant decline in growth-to-employment elasticity across economic sectors since the 1998 Asian financial crisis (see table below). Underemployment persists and formal economy employment opportunities and social security coverage have been slow to expand. These trends have important implications for equality and sustainable development in Indonesia.

Table 6:
Output elasticities of employment by sector

Sector	Pre-crisis 1993-97	Post-crisis 2000-06	SBY 1st term 2005-09
Agriculture, forestry, hunting and fisheries	1.576	1.132	0.653
Mining and quarrying	0	0.492	0.287
Electricity, gas and water	0		0.825

⁴ This section of the Labour and Social Trends Report has drawn upon contributions from Tadjoeuddin, Z. (2012) Decent work: On the quality of employment in Indonesia, University of Western Sydney, Sydney (unpublished working paper); and ILO (2011) Decent work country profile : Indonesia, International Labour Organization, Geneva.

Sector	Pre-crisis 1993-97	Post-crisis 2000-06	SBY 1st term 2005-09
Manufacturing	2.488	0.408	0
Construction	0.931	0.563	0.753
Wholesale trade, retail trade, restaurant and hotels	1.345	0.874	0 . 5 2 4
Transportation, storage and communication	1.16	0.703	0
Financing, insurance, real estate and business services	1.008	0.632	0
Community, social, and personal services	0.411	0.316	0.460

Source: compiled from Tadjoeidin (2011) The Making and Implementation of National Employment Policy: Lessons from Indonesia, International Labour Office: Geneva (Unpublished report).

Unemployment and poverty have been widely used to measure the quality of development; however additional measures are needed to better understand the dynamics of growth and development

For example, over the last decade progress in the expansion of employment opportunities has been mixed, notably in three critical areas: gender, youth, and informal employment. Young workers face serious challenges in the labour market, even though the overall situation has improved since 2005. Only small reductions in the share of workers engaged in informal employment have been observed. Gender inequality in labour market outcomes also persists.

Progress in adequate earnings and productive work has been modest. Despite an overall positive increase in average real wages for both men and women, the gap between the minimum wage and the median wage has been narrowing, with increases in real wages limited when compared to minimum wage trends. Monitoring of the minimum wage policy needs to be strengthened to protect employees, particularly to address non-compliance and enforcement problems.

Over the last decade, a significant and increasing part of the employed population has been engaged in casual work (from 6 million in 2001 to 11.5 million in 2012). The share of workers in informal employment fell slightly but remains high, with nearly three out of five workers employed in the informal sector. The real wages of casual employees remain approximately two-fifths of the level for regular employees. The increasing number of workers receiving low pay (two-thirds of the median wage) between 1996 and 2012 is also a worrying trend.

Further efforts are needed to address hazardous employment and child labour. Notable progress was made between 1996 and 2010 in raising school enrolment and attendance rates, and the number of child labours in the population aged 10 to 17 declined. Nevertheless, more than 1.5 million children aged 10 to 17 were engaged in child labour in 2010, mostly in the agricultural sector. Almost half of child labourers aged 5–17 engage in hazardous work. With regard to forced labour, there has been some effort to eliminate trafficking in persons, especially of women and children. Further measures are required to fully eliminate these abhorrent forms of work but efforts are gravely hindered by poverty, access to secondary and tertiary education, demand for child labour, as well as gaps in law enforcement.

Rates of poverty and unemployment are widely used as key indicators for measuring socio-economic development globally. The Millennium Development Goals include a target for achieving full and productive employment and decent work for all, including for women and young people. However these targets provide only limited insight to the quality of growth and development. In order to ensure that growth is promoting the principle of social justice, it is necessary to have a broader understanding of deprivation and the quality of development, particularly the quality of livelihoods for those who have managed to escape deprivation.

Indicators that could provide further insight to the quality of employment and macro-economic development include underemployment, formality, vulnerable employment, low income, and social security coverage. Underemployment is defined as those working less than 35 hours a week and seeking additional work. There has been some improvement to the level of underemployment in Indonesia recently. Informal employment has also been contracting, however there are considerable regional inequalities in formal economy development. The proportion of workers in vulnerable employment, which is a measure of workers who are own-account, casual or family workers, remains at approximately 65 per cent of all those employed.

Indonesia is on track to achieve its unemployment rate target by 2014, however there is still much work to be done to improve employment quality. Most of the employed population are still far from having a decent job that provides adequate social protection, meets minimum labour standards and benefits from social dialogue. Against this backdrop, Indonesia cannot afford to concentrate only on reducing unemployment to support equitable socio-economic development. Instead further focus should be given to the quality of livelihoods and employment among those who have managed to escape the lowest measures of deprivation. Emphasis should be placed on the quality of employment rather than solely on reducing the unemployment rate. Moreover, broadening the scope of the indicators used to measure employment and unemployment would support the nation's goal of achieving decent work for all.

In order to move closer to the goal of achieving decent work for all, emphasis should be placed on the quality of employment rather than solely on reducing the unemployment rate

Box 1: The Vice President's "Employment Action Plan"

In May 2012 the Office of the Vice President presented an Action Plan for Job Creation for Indonesia consisting of five strategic pillars including:

1. Labour market information and employment services;
2. Strengthening skills and workforce capacity;
3. Develop MSEs and entrepreneurship in order to create job opportunities;
4. Labour intensive infrastructure programmes; and
5. Emergency employment creation programmes.

The Employment Action Plan seeks to improve the coherence of and standards among labour market policies and programmes by making strategic investments in systems and services to strengthen employment outcomes. For example, it acknowledges issues related to relatively limited private sector involvement in the development of training programmes and seeks to improve coherence and minimum standards to promote the functioning of competency-based training programmes. It plans to strengthen entrepreneurship by consolidating business development services, increasing access to finance and further involving the private sector in programme design. It will also reinforce strategic linkages between employment creation programmes that invest in infrastructure and broader economic development objectives. It is intended that these efforts will strengthen both the capacity of the workforce and employment outcomes for the labour market, and promote growth with equity.

2.2 Social protection for economic sustainability

The Indonesian Constitution recognizes the right to social security for all

The Indonesian Constitution recognizes the right to social security for all, and the responsibility of the Government in the development of a framework for provision of social security. Indonesia considers social protection to be an important element of socio-economic stability and sustainability. Though current social protection programmes tend to be fragmented, progress is being made towards the provision of more comprehensive social protection coverage. An important milestone is the progressive implementation of the National Social Security Law (Law No. 40/2004 regarding the National Social Security System). The law mandates the extension of social security coverage to the whole population in areas of health, work injury, old age, and death of the household breadwinner.

The Law includes provisions for non-contributory schemes for the poor, contributory schemes for the self-employed, and statutory social security schemes for formal economy workers. Another important piece of legislation related to social protection is the Law on the Social Security Provider (BPJS). BPJS Kesehatan (Health) is expected to commence operations in 2014, while implementation of BPJS Ketenagakerjaan (Employment) is anticipated to begin in 2015.

The ILO and the Government of Indonesia have been cooperating to support the realization of social security for all using the ILO's Social Protection Floor (SPF) framework. From April 2011 to November 2012 the ILO, in close collaboration with relevant line ministries and the UNPDF sub-working group on the social protection floor in Indonesia, engaged line ministries, UN agencies, social partners, civil society organizations, academia, and other relevant stakeholders to assess Indonesia's social protection situation, identify policy gaps and implementation issues, and draw appropriate policy recommendations for the achievement of a comprehensive social protection floor in Indonesia.

The assessment found a number of common gaps and issues across social protection programmes in Indonesia, namely: limitation of coverage, limited access to social services - particularly in the eastern parts of Indonesia, limited linkages between social protection programmes and employment services, almost no social security for workers in the informal economy, high social security evasion in the formal economy, data limitation and targeting issues, as well as issues of coordination and overlap among various government programmes.

The assessment put forward a number of recommendations for improving social protection in Indonesia, including:

- Designing and piloting a Single Window Service (SWS) for social protection programmes at the local level;
- Ensuring that the health care package includes an adequate level of protection;
- Extending the coverage of Program Keluarga Harapan (PKH), a cash transfer programme that facilitates access to nutrition, education, and care for children from poor families;
- Supporting the implementation of BPJS Kesehatan (BPJS I) and BPJS Ketenagakerjaan (BPJS II);
- Conducting a feasibility study for unemployment insurance with links to employment and skills programmes;
- Extending the coverage of programmes for vulnerable elderly and for people with severe disabilities;
- Developing a comprehensive database of individuals in target groups such as people with disabilities.

The effectiveness of social protection programmes in Indonesia is influenced by coverage and access to services, linkages between social protection services and employment services, and mechanisms for monitoring compliance

Box 2:
Social Protection Floors Recommendation, 2012 (No. 202)

The social protection floor concept was articulated in the ILO's Recommendation Concerning National Floors of Social Protection (No. 202) which was adopted by an overwhelming majority of government, employer and worker delegates attending the International Labour Conference in June 2012. The Recommendation reaffirms social security as a human right and a social and economic necessity. The Recommendation provides guidance to countries for establishing and maintaining national social protection floors as a fundamental element of comprehensive social security systems. In addition, the Recommendation offers direction to developing strategies for progressively ensure higher levels of social security are available to as many people as possible over time.

The social protection floor constitutes of a set of nationally defined basic social security guarantees that enable and empower all members of a society to access a minimum of goods and services at all times. The social protection floor aims to achieve a situation where:

- (1) All residents have access to affordable essential health care, including maternity care;
- (2) All children receive basic income security including access to nutrition, education, care and any other necessary goods and services;
- (3) All persons of active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability, receive basic income security and;
- (4) All residents in old age receive basic income security through pensions or transfers in kind.

The components of the social protection floor are flexible and should be aligned with social protection frameworks at the national level. The four guarantees set minimum performance standards with respect to the access, scope and level of income security and health care rather than prescribing a specific architecture for national social protection systems. While not all countries will be able to immediately put in place all components of the social protection floor for the whole population, it provides a framework to plan progressive implementation of a holistic social protection system.

The social protection floor framework can be used to describe existing social security, social protection, and poverty alleviation programmes, identify policy gaps and implementation issues, and draw recommendations for the further design and implementation of social protection provisions. The cost of the proposed social protection schemes can be estimated and projected using a simple economic model, which can in turn provide important inputs for discussions on fiscal space and possible social protection policy options.

2.3 Estimating the cost of the extension of social protection in Indonesia

The cost of extending social protection programmes in selected areas can be estimated and projected by developing scenarios for input into a simple economic model – named the Rapid Assessment Protocol (RAP). The RAP model is based in excel and uses data from the system of national accounts to calculate the cost of providing selected social protection programmes to a target population. It does not provide recommendations for the financing of such additional benefits, but acknowledges that social protection may be fully subsidized by government, partially subsidized, or fully contributory.

Scenarios were developed concerning access to health care and income security for four target groups, namely:

- Children;
- The working age population;
- People with disabilities;
- The elderly.

The model was used to estimate additional provisions that would be required to offer social protection and income security to all Indonesians across their life cycle - to “close the social protection floor gap”. It was estimated that it would cost 2.45 per cent of GDP by 2020 to guarantee a minimum level of social protection for all. This is in addition to existing social protection expenditure, which represented 1.2 per cent of GDP in 2009 and is relatively low compared to other ASEAN countries such as Thailand (3.6 per cent) or Vietnam (4.7 per cent).

In regard to health care, closing the SPF gap for health care is estimated to cost between 0.17 per cent of GDP (“low” scenario) and 0.98 per cent of GDP (“high” scenario) by 2020. Both low and high scenarios for health care provision correspond with packages currently being developed within the implementation framework of the BPJS Kesehatan (BPJS I). The “low scenario” includes:

- The extension of a third-class moderate level health insurance benefit package for the poor, near poor, and vulnerable (bottom 40th percentile by income);
- Human Immunodeficiency Virus (HIV) testing for the most-at-risk populations;
- Regular check-ups for all people living with HIV (PLHIV);
- Antiretroviral (ARV) treatment for those who are eligible; and
- The introduction of a universal package to reduce mother-to-child-transmission (MTCT) for HIV and syphilis.

The “high scenario” includes:

- The extension of a first class-high level health insurance benefit package to the entire informal economy population;
- Inclusion of HIV testing for the general sexually active population (age 15-49);
- Regular check-ups for all PLHIV;
- ARV treatment for those who are eligible; and
- The introduction of a universal package to reduce MTCT for HIV and syphilis.

In regard to securing income security for children, closing the SPF gap is estimated to cost between 0.03 per cent of GDP (“low” scenario) and 0.18 per cent of GDP (“high” scenario) by 2020. The “low scenario” includes the expansion of the PKH programme to cover all poor households. The “high scenario” includes a universal child allowance for all children of primary school age. The proposed allowance is similar to the current PKH benefit.

Closing the SPF gap for the working age population through the establishment of a public works programme linked with vocational training is estimated to cost an approximate minimum of 0.47 per cent of GDP by 2020. However, more detailed feasibility studies of unemployment insurance schemes, public infrastructure and public employment programmes need to be conducted.

In regard to income security for the elderly and people with severe disabilities, closing the SPF gap for the elderly and people with severe disabilities is estimated to cost between 0.08 per cent of GDP (“low” scenario) and 0.82 per cent of GDP (“high” scenario) by 2020. The “low scenario” includes the extension of the existing non-contributory pension scheme to all persons with severe disabilities and all vulnerable elderly. The “high scenario” includes the extension of the existing non-contributory pension scheme to all persons with severe disabilities and the establishment of a universal pension for old age covering people 55 years of age (the legal retirement age in the formal economy) and older.

Box 3:**Healthcare provision for workers: Variations in productivity and efficiency at the firm level: A case study of the apparel industry in Greater Jakarta⁵**

Existing policies and laws regarding the provision of universal healthcare are designed to ensure that employers provide workers with a minimum level of health care insurance. In the formal economy, firms employing more than 10 workers, or having a cumulative payroll of IDR 1 million, are required to enrol workers and their dependants (spouse and up to 3 children under the age of 21) in the Jamsostek Social Security plan or get approval to use an alternative health care provider. Jamsostek has the widest coverage and provides the most benefits to workers. It is also the most expensive provider. Consequently, many firms in Indonesia choose to fulfil their healthcare provision requirements through other providers, particularly as there has been little evidence to suggest that spending more on the social security and healthcare for workers will directly or indirectly benefit the firm.

Therefore BetterWork Indonesia⁶ designed a study to examine the connection between social benefits and productivity. Data gathered from 42 garment factories in the Greater Jakarta region between September 2011 and February 2012 was used to analyze the research question using linear regression analysis.

Preliminary findings establish a connection between spending by a firm on social benefits for its employees, including health insurance, and the productivity and efficiency levels of the firm. It suggested that firms that spend more on social benefits typically have lower production gaps and lower workforce turnover rates. In particular it was found that:

- Factories that have a higher quarterly workforce turnover typically spend less on benefits for their employees, and the same is true for factories that have a higher production gap.
- Factories using Jamsostek are associated with a lower production gap and with a lower quarterly workforce turnover.

Further research using a panel data set is needed to examine the nature of the relationship between provision of benefits, such as health care programmes, and firm productivity.

5 Sarwar, I (2012) Healthcare Provision for Workers: Variations in Productivity and Efficiency at Firm Level - A Case-Study of Apparel Industry in Greater Jakarta, ILO Country Office for Indonesia and Timor-Leste, Jakarta (unpublished).

6 BetterWork Indonesia aims to improve working conditions and productivity in targeted employment-intensive sectors by improving compliance with international core labour standards and Indonesian labour law. In tandem, the project will promote productivity and competitiveness of enterprises linked to the Indonesian global supply chain. BetterWork Indonesia is funded by AusAID between 1 July 2010 - 30 June 2015.

2.4 The economy-wide impacts of public works programmes and cash transfers in Indonesia

Indonesia has a number of social protection programmes that to support the progressive empowerment of poor households

Indonesia's current social protection system comprises a range of social security, social assistance and government subsidy schemes. These programmes include subsidies for food and fertilizers, provision of social security and health insurance, conditional and unconditional cash transfers, public works and community empowerment programmes, and microfinance services. Indonesia's range of social protection programmes can be clustered into three groups, namely:

- Cluster 1: Household social assistance;
- Cluster 2: Community empowerment, and;
- Cluster 3: Micro and small enterprise development.

Cluster 1 on household social assistance seeks to support very poor households through universal and targeted interventions. Programmes include health insurance for the poor (Jamkesmas), rice for the poor (Raskin), conditional cash transfers (PKH), scholarships for the poor, and social assistance for the disabled, the poor elderly and abandoned children. Cluster 2 on community empowerment is intended to improve the capacity and income of poor households, while involving poor communities in the development process. Programmes in cluster 2 include PNPM Mandiri, Padat Karya and Jalan Pertanian, among others. Cluster 3 on small and micro-enterprise empowerment aims to support the development of small and micro-enterprises, and its flagship programme is known as KUR (microcredit).

The three intervention clusters are designed to support the progressive empowerment of poor households, with the idea that beneficiaries will progress from social assistance, to community empowerment, to enterprise development, and subsequently be able to move out of poverty in a sustainable manner. However, the overall effectiveness and success of the programmes supporting households to transition out of poverty is still being determined.

The economy wide effects of social protection programmes can be estimated using economic models

The economy-wide effect of these programmes is also unclear. For instance, providing a direct cash transfer to households stimulates household consumption, while providing a wage-income through a public works programme stimulates the construction sector and the income of certain households. The degree to which each programme stimulates the economy and creates jobs for target groups is unknown. Public works programmes entail certain benefits, but their targeting efficiency is not well understood. Similarly, direct transfers can effectively target poor households, but the implications for stimulation of the economy are currently not well known.

The role of cash transfers and public works programmes in the Indonesian economy can be better understood through application of a tool known as a ‘Dynamic Social Accounting Matrix’. The term ‘Dynamic SAM’ (DySAM) describes an instrument based on an existing ‘static’ Social Accounting Matrix (SAM) for any economy and the available up-to-date time series of national accounts (SNA), which provides the basis for estimating SAMs in future years. The DySAM that has been created in Indonesia includes a very detailed employment satellite account as well as information on technology choice in the construction sector. This makes it a useful tool for examining the effectiveness of social protection programmes.

In order to examine social protection programmes with a DySAM, it is necessary to define a simulation. In terms of cash transfer programmes, the Government plans to upscale its cash transfer programme (PKH) so that it will reach 3 million households by 2014. Currently the PKH programme covers one million households and costs approximately IDR 1.6 trillion per year. The average payment per household is 1,300,000 IDR per year and the expansion of the programme would entail additional administrative costs. It is therefore estimated that to reach three million households, the PKH would require an additional injection of IDR 2.9 trillion per year. In addition, it is known that approximately two-thirds of the programme’s beneficiaries work in rural areas in the agricultural sector and that the programme targets the poorest households in Indonesia. Based on this information, the scenario mapping for the simulation is outlined in the table below.

Table 7:
Scenario mapping for a cash transfer simulation

Household classification	Share of PKH	Budget estimate (billions IDR)
Rural Agricultural Labourer	33%	957
Rural Agricultural Smallholder (<0.5 Ha)	33%	957
Rural Agricultural Medium Farmer (0.5-1 Ha)	0	0
Rural Agricultural Large Farmer (>1 Ha)	0	0
Rural Non Agricultural Low Income	17%	493
Rural Not in the Labour Force (NILF)	0	0
Rural Non Agricultural Medium-Upper Income	0	0
Urban Low Income	17%	493
Urban Not in the Labour Force (NILF)	0	0
Urban Medium-Upper Income	0	0
Companies	0	0
Total	100%	2900

Source: ILO (2012)

In order to examine the economic and employment impact of labour intensive public works investments and to compare the impact of this programme with the cash transfer programme of Indonesia, scenario two also injects 2,900 billion IDR into the construction sector in the commodity account as shown in the table.

Table 8:
Scenario mapping for a public works simulation

DySAM commodity sectors	Public works	Injection (billions IDR)
Labour Intensive Roads	60%	1740
Capital Intensive Roads	0	0
Irrigation	0	0
Rest Construction	40%	1160
Total	100%	2900

Source: ILO (2012)

The simulation indicates that the upscale of both cash transfer and public works programmes would be beneficial for economic growth and poverty reduction

In general, the results of the simulations indicate that an upscaling of the cash transfer programme (Scenario 1) and an upscaling of the public works programmes (Scenario 2) would be positive for the economy. However, it is expected that the public works programmes will have a greater impact on sectoral output than the cash transfer programme. The public works programmes will increase total sectoral output by approximately IDR 8.2 trillion or approximately 0.075 per cent, while the cash transfer programme will increase sectoral output by approximately IDR 5.3 trillion or 0.049 per cent.

Further analysis of the results by economic sector indicate that the manufacturing sector is expected to receive a significant positive impact in both scenarios. However, the upscaling of the public works programmes would have a greater impact on the manufacturing sector than the upscaling of the cash transfer programme. The public works programmes will increase the output of the manufacturing sector by approximately IDR 2.2 trillion, which is moderately larger than the impact of the cash transfer programme's projected output increase of IDR 2.1 trillion. This is because the construction sector has strong links with the manufacturing sector due to its need for inputs (for example, supply of cement and steel parts).

Cash transfer programmes are more effective at reaching poor households than public works programmes

The cash transfer scenario provides a cash injection to poor households. These households typically use the additional income to finance the purchase of commodities or to remit to their families. This will stimulate the economy and create more demand in downstream and upstream sectors. The largest percentage of low income household expenditure is on the food, drink and tobacco sectors, which are part of the manufacturing sector. The food, drink and tobacco sectors have a very strong backward linkage to the agricultural

sector. Therefore, higher demand in the food, drink and tobacco sector -as a result of money transferred to low income households under cash transfer programmes - will create more demand in the agricultural sector as well.

In terms of household income, cash transfer programmes are likely to have stronger impacts than public works options. The simulation results suggests that the cash transfer programme will increase household income by 0.11 per cent, while the public works programme will increase household income by 0.07 per cent. Public works programmes are likely to have a more even distribution of impact over all household groups, entailing that the intervention does not explicitly target poor households. Cash transfer programmes can deliver more targeted impacts that benefit low income households comparatively more.

In terms of employment, public works programmes are likely to have stronger impact than cash transfer programmes. The simulation results suggest that the up-scaling of the cash transfer programme will create approximately 80,000 new jobs, while the up-scaling of the public works programme will create approximately 103,000 new jobs. This means that dollar-for-dollar, public works programmes will create 30 per cent more jobs than cash transfer programmes.

The sectors that are predicted to benefit the most in terms of employment from the up-scaling of social assistance programmes are the agricultural sector, trade, hotel and restaurant sector and construction sector. It is estimated that the cash transfer programme will create over half of its new jobs in the agricultural sector and approximately 15 per cent of its new jobs in the trade, hotel and restaurant sector. Public works programmes will create approximately half of their new jobs in the construction sector, with the remaining jobs most likely to be found in agricultural sector and trade, hotel and restaurant sectors.

Public works programmes will create more new jobs for youth than cash transfer programmes. Most of the new job opportunities would go to unskilled labour in both simulations. In terms of gender, the new jobs are available mostly for male workers. It is estimated that more than 62 per cent of new jobs in both simulations will go to men.

In summary, there are several important findings that we can draw from the analysis:

- First, public works programmes are more likely to have a larger impact on sectoral output relative to cash transfer programmes;
- Second, cash transfer programmes are expected to be more efficient at increasing the household income of poor households than public works programmes. Furthermore, this initiative will also reduce the income gap between high income and low income households;

Public works programmes are more effective at creating new jobs than cash transfer programmes

- Third, cash transfer programmes will create more jobs for unskilled workers, informal workers and casual agricultural workers;
- Fourth, public works programmes will create more jobs than cash transfer programmes.

2.5 Revitalising the Padat Karya Programme

The Vice President's Employment Action Plan includes particular focus on the Ministry of Manpower and Transmigration's Padat Karya (Pillar 2) Programme, a public employment programme that extends short-term job opportunities to unemployed, underemployed and vulnerable workers in the informal economy through investing in village level infrastructure. Padat Karya or "labour intensive" is a programme concept that has been implemented by various line ministries since the late 1960s, with the general purpose of providing a wage income transfer to vulnerable households, particularly in times of crisis.

The current Padat Karya Programme, which is implemented by the Ministry of Manpower and Transmigration, includes two programmes, namely:

- Padat Karya Infrastructure: builds village level roads and tertiary irrigation infrastructure; and
- Padat Karya Productive: builds economic infrastructure such as goat stalls, fish ponds, small buildings for SME operations in villages.

Infrastructure investments creates employment opportunities for communities

It is intended that these investments will produce multiplier effects which impact on local economic development and lead to the creation and development of new employment opportunities for communities after the initial investment.

In 2012, the Padat Karya Programme provided 360 infrastructure and 834 productive projects for villages, with an average allocation of IDR 136 million for infrastructure packages and IDR 150 million for productive projects. In 2013, Padat Karya is providing 1,025 infrastructure projects and 296 productive projects. The average budget per package is set to increase from IDR 136 million to IDR 252 million to allow for the use of equipment to improve the quality of the infrastructure investments. In 2012 the two components of the programme were worth approximately IDR 202 billion and in 2013 this will increase to IDR 372 billion.

In 2011 during the preparation of the G20 Country Policy Briefs for the meeting of Labour and Employment Ministers held in Paris between 26-27 September, the Ministry made a request to the ILO to support them in undertaking a review of the Padat Karya Programme. The objective of

the study was to review the current performance of the programme in relation to its strategy, objectives and implementation arrangements, and to provide strategic recommendations that could be used to strengthen its impact in the future. The ILO was then asked to support the development of a “Grande Design” for the new Padat Karya programme. Throughout 2012 the ILO collected data from eight districts in Indonesia, with specific focus given to reviewing the planning, implementation and post implementation phases of the programme.

In general, it was found that there is considerable diversity in programme implementation. One of the notable challenges of Padat Karya is its cooperation with other technical line ministries, as well as development of linkages and coordination with other labour market/poverty reduction programmes. Improvements in quality control for both social safeguards and infrastructure standards would help to optimise both the short and long term impacts of the programme, even without a change in technology or approach. Therefore investments in both technical training and project administration are needed to strengthen programme outcomes. Such investments would also help to strengthen programme transparency.

Strengthening capacities will improve programme transparency

More specifically it was found that the Ministry of Manpower and Transmigration has limited access to technical expertise, tools and databases, to support them in planning. Human resource capacity needs to be strengthened (both in quantity and quality) to support the systematic review of proposals and reports that are received each year, especially if there is to be a goal of improved technical quality of infrastructure works undertaken.

At the local level, it was noted that the programme is fully integrated with the musrenbang processes, but that due to the limited number of grants that are available for Padat Karya every year, the participation of village government and communities in proposal formulation tends to be lower, particularly when compared to programmes such as PNPM Mandiri.

The programme is often considered by villages to be a community infrastructure programme, rather than a poverty reduction programme. Community targeting lead by village government is used to identify the project beneficiaries, however, as Padat Karya is not widely viewed to be a poverty reduction programme, the inclusion of vulnerable groups in the employment opportunities could be improved.

The programme sets national standards for daily wages that are based on an eight hour day, with remuneration at IDR 40,000. However, at the local level daily wages vary substantially, and it is reportedly difficult to find labour (particularly youth) for the remuneration. To overcome this problem, many of the sampled locations applied piece or task-rate approaches rather than daily wages to compensate workers. In some locations workers had chosen to forgo wages and use the allocations to purchase additional inputs

for extending the asset that they had chosen to build. While community members may agree to this in principle, it is important that such trends don't result in vulnerable groups having reduced access to the wage income and poverty reduction benefit from the project.

*Development of
a strategic plan is
vital to effective
programme
implementation*

A national assessment is also needed to provide an inventory of the Ministry's existing capacities for implementing Padat Karya and for developing a strategic plan for building capacity to effectively implement the programme. Skills for planning, monitoring, reporting and evaluation need to be strengthened or budgeted for and engaged from the private sector in order to improve the overall impact of the programme.

The capacity of the Ministry to undertaking project socialisation and targeting need to be improved to prevent corruption and improve implementation of the programme as a poverty reduction programme. While technical training has previously been provided to field staff, it has been on an ad hoc basis. For example, 45 days training was provided on a one-off basis through the National Vocational Training Development Centre in Bandung. However, follow up-training and refresher courses have been limited due to budget constraints. At the local level, district offices compensate for this by developing stronger cooperation with the Public Works officials. The programme would therefore benefit from greater access to technical services and from skills training programmes to strengthen the capacity of the ministry to implement a programme incorporating elements of the ILO's LRB approach and to achieve quality and cost effective results.

The ILO has recommended that a technical assessment be undertaken that reviews human resource capacities in order to develop a strategic plan for strengthening programme implementation in the future. It is recommended that synergies between the Padat Karya programme and other labour market and poverty reduction programmes be identified in order to strengthen the overall effectiveness of the government spending. To improve the efficiency of the programme's contribution to poverty reduction, it may consider introducing targets for the inclusion of disadvantaged and vulnerable groups and using planning tools to ensure that disadvantaged areas are being targeted.

To improve the quality of infrastructure that is created through the Padat Karya programme, the Ministry plans to gradually introduce the ILO's "Local-Resource-Based" (LRB) approach. Technical assistance is needed to ensure the successful introduction of the approach. It is also recommended that asset maintenance be an integral part of the cooperation, with reforms that assess the capacity of communities to undertake asset maintenance, provide training on asset maintenance and ensure that communities will undertake asset maintenance after the Padat Karya investment is complete.

This would ensure that the infrastructure investment helps to stimulate the local economy in the longer term, and may also create some additional short term job opportunities for villagers involved in maintaining assets.

In order to optimize the employment and poverty reduction impact of the Padat Karya programme, an economic analysis will also be essential, including consideration of additional costs for essential technical support and quality assurance, the purchase of quality materials, and the hire of appropriate equipment needed to achieve minimum technical quality results for the infrastructure works. This analysis will also need to assess the impact of rising minimum wage levels and the overall employment impact that changes in technology choices and methodologies have on the number of beneficiaries that are able to participate in the programme.

It is recommended that asset maintenance become an integral part of the Padat Karya programme

Box 4:

A unified database for accelerating poverty reduction

A unified database for supporting the targeting of social protection programmes has been developed by the Office of the Vice President. It is an electronic database containing information on social, economic, and demographic variables for the 24.5 million households or 96 million individuals with the lowest welfare status in Indonesia. The unified database is designed to support planning processes in order to improve the use of budgets and the efficiency of targeting of social protection programs. Government ministries at the national, provincial and district level that are involved in poverty reduction and social protection can use the data from the unified database maintained by the Secretariat of the National Team to Accelerate Poverty Reduction (TNP2K) to increase the effectiveness of their programmes and projects.

2.6 Green jobs for a green economy

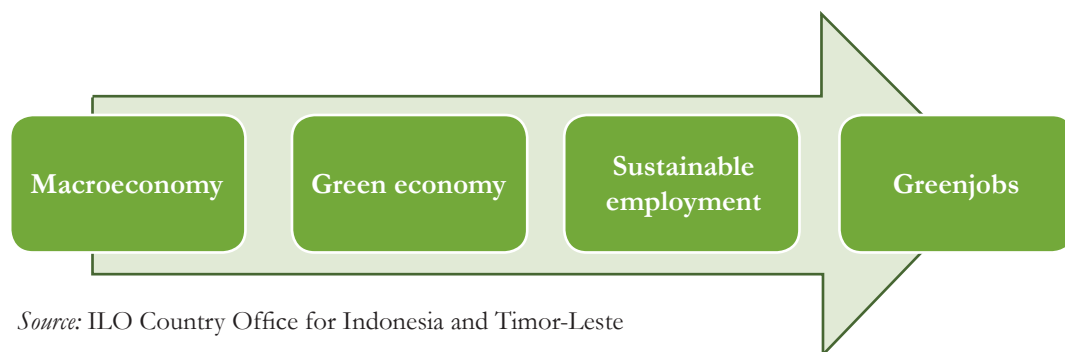
In June 2011, the Indonesian President stated at the 100th International Labour Conference that “Indonesia intends to advance a national green skills development strategy, plans to pursue a decentralized youth apprenticeship program for green jobs and take measures to foster entrepreneurship and self-employment in the green sector”. The ILO Country Office for Indonesia and Timor-Leste in cooperation with the ILO’s Regional Office for Asia and the Pacific has been supporting implementation of this vision through a project titled “Green Jobs in Asia”. The project sought to increase access to reliable sources of data and information on green jobs and therefore commissioned a study to identify and estimate green jobs

across the economy in Indonesia. The study sheds light on linkages between the environment, the economy and employment and provides baseline information on green jobs in Indonesia, as well as recommendations that could support the country to progress towards a job-rich green economy.

Green jobs are defined to be the direct employment created in different sectors of the economy which reduce the environmental impact of those sectors.

The ILO and UNEP have jointly defined green jobs as direct employment created in different sectors of the economy and through related activities that reduces the environmental impact of those sectors and activities, and ultimately brings it down to sustainable levels. Understanding green jobs at the national level involves a step-by-step process of examining trends that promote green development and connecting this information with standard methodologies for estimating employment within a given country. Criteria for defining what is “environmentally friendly” and what is a “decent job” need to be identified in collaboration with the government, employers’ organizations and workers’ organisations, as well as other stakeholders including specialized national institutions, academia and civil society groups. The methodology for estimating green jobs in Indonesia can be described as a process of “zooming in” from the macro-economy to the green economy, to sustainable employment and finally to green jobs (see figure below).

Figure 12:
Framework for identifying green jobs



Source: ILO Country Office for Indonesia and Timor-Leste

The first step in the methodology for estimating green jobs involves understanding the structure of the economy and its links to employment as per the international standard classification of industry. Each sector of the economy is examined to determine the particular sub-sectors that are strongly integrated with the environment. In Indonesia it was determined that there were nine core environment-related sectors where green jobs were clustered, namely: agriculture, forestry, fisheries, mining and energy, manufacturing, construction, transportation, tourism and waste.

Environmentally friendly sub-sectors that exist within these parent sectors were determined through a combination of focus group discussions with key focal points from each of the sectors as well as a thorough literature

review of national laws and regulations, national or voluntary standards and activities that are associated with each sector. This was a challenging task, as it required a thorough and comprehensive understanding of economic sectors and often involved researching trends towards sustainability that were either not well documented or not accessible in the public domain.

Once the environmentally friendly sub-sectors were identified and further defined, the labour force survey was used to generate estimates for employment that could be considered environmentally friendly within each environmentally friendly sub-sector. The methods applied to estimate green jobs in Indonesia used standard data sets and were consistent with prevailing methods for estimating employment.

After this, “decent work” criteria were introduced to provide insight on employment quality. Focus group discussions with the ILO’s constituents determined that variables providing insight on adequate earnings, formality, safe working environment, access to social security, social dialogue and employers’ and workers’ representation were highly relevant for the estimation of the decency of work in each selected sub-sector. Estimates for green jobs were then derived using a combination of insights collected from focus group discussions and data from the labour force survey.

In aggregate the study found that in 2008 Indonesia had approximately 8.7 million jobs (8.5 per cent of jobs across all sectors) that could be considered “environmentally friendly”, and among them 3.9 million jobs or 3.8 per cent of all jobs could be considered “green jobs” (socially and environmentally friendly). Most green jobs were found in agriculture, followed by transport and manufacturing (see table below).

In 2008 approximately 8.5 per cent of all jobs could be considered “environmentally friendly” and 3.8 per cent of all jobs could be considered “green jobs”

Table 9:
Estimates for Green jobs in Indonesia, 2008

Economic sector	Environmentally friendly jobs	Green jobs
Agriculture	4,809,000	2,434,000
Forestry	214,000	97,000
Fisheries	550,000	242,000
Mining and energy	7,000	5,000
Manufacturing	1,063,000	331,000
Construction	415,000	187,000
Transport	1,659,000	603,000
Tourism	21,000	11,000
Total	8,738,000	3,911,000

Source: ILO (2013) Green Jobs—a key concept for sustainable growth with equity: Identifying and estimating green jobs in Indonesia, ILO Office for Indonesia and Timor-Leste: Jakarta

In the agricultural sector the study identified seven green sub-sectors, namely: low impact rice farming, low impact crops cultivation, smallholder rubber, sustainable palm oil, organic plantations for beverages, low impact poultry, and combination farming. The total number of environmentally friendly jobs in the agricultural sector was estimated to be 4.8 million (12.3 per cent of jobs within the sector) and the total number of green jobs was estimated to be 2.4 million jobs (6.24 per cent of jobs within the sector). In order to increase the number of green jobs in the agriculture sector in Indonesia it will be important to support further development of organic and low-impact farming techniques in rice cultivation and other crops and plantation beverages, as well as increasing access to organic certification labelling for farmers. To promote green jobs in low impact poultry and combination farming as well as for any other type of farming activities, it will be important to focus on improving employment conditions and developing the value chain with a view to improving incomes, productivity and access to national and other markets.

To increase green jobs in the forestry sector in Indonesia, it would be important to promote sustainable natural forest concessions

In the forestry sector the study identified five green sub-sectors: natural production forests that follow sustainable forestry management (SFM) law, sustainable natural forest concessions, collection, harvesting and cultivation of rattan, non-timber forest products and forest services, protection and conservation. The total number of environmentally friendly jobs in the forestry sector was estimated to be 214,000 (38.6 per cent of jobs within the sector) and the total number of green jobs was estimated to be 97,000 (17.6 per cent of jobs within the sector). Many of the identified green sub-sectors within the forestry sector, particularly jobs in non-timber forest products, involve activities that are community based and provide lower levels of remuneration. To improve employment quality in these areas it will be important to support the development of value chains in order to increase producer share of the border price. More generally, to increase the number of green jobs in the forestry sector in Indonesia, it will be important to promote sustainable natural forest concessions through certification and inspection associated with the Eco-Labeling Institute (Forestry Stewardship Council) and the Ministry of Forestry.

Indonesia expects to have 17 per cent of energy sources from renewables by 2025, which will see jobs in the energy sector continue to expand

In the fisheries sector the study identified three green sub-sectors, namely: sustainable fishing in the formal economy for export, seaweed farming and good practices in aquaculture. The total number of environmentally friendly jobs in the fisheries sector was estimated to be 550,000 (41 per cent of jobs within the sector) and the total number of green jobs was estimated to be 242,000 (18.1 per cent of jobs within the sector). To increase the number of green jobs in the fisheries sector in Indonesia it will be important to support the implementation of fishery sector regulations in order to ensure catch quotas and international treaties on fishing are honoured and to improve employment quality. In the aquaculture sector it will be important to ensure that valuable coastal habitats such as mangroves are not depleted by the encroachment of fishing or the expansion of

urbanization. It will also be important to ensure that the Maritime Labour Convention is ratified so that employers and workers can engage formally in industrial relations matters.

In the mining and energy sector the study identified three green sub-sectors, namely: geothermal energy, renewable energy and biomass. The total number of environmentally friendly jobs in the mining and energy sector was estimated to be 7,000 and the total number of green jobs was estimated to be 5,000. In order to expand the number of sustainable and decent jobs in energy and mining, it will be important to commit to expanding the geothermal, biomass and renewable energy sub-sectors more rapidly. Presidential Decree No.5 / 2006 sets a target for the contribution of new and renewable energy to the national primary energy mix – an increase from 4.3 per cent in 2008 to 17 per cent in 2025. This target could be accelerated to support sustainable development and growth of green jobs.

In the manufacturing sector the study identified thirteen green sub-sectors, namely: sustainable edible oils, green agro-processing, lean manufacturing of garments, rattan and bamboo manufacturing, manufacturing of materials that promote sustainability, production of organic chemicals and fertilisers, organic soaps, sustainable essential oils, green cement, manufacturing of pedicabs and bicycles, manufacturing of machinery for steam, turbine and windmills, energy efficiency initiatives and recycling. The total number of environmentally friendly jobs in the manufacturing sector was estimated to be one million (8.5 per cent of jobs in manufacturing) and it was estimated that 331,000 (2.6 per cent of jobs within the sector) could be considered green jobs. In order to expand the number of sustainable and decent jobs in manufacturing, it will be important to develop and implement initiatives that focus on increasing the sustainability of the sector, as well as initiatives to support improvements in employment quality. There is potential to expand the number of green jobs in sustainable edible oils and green agro-processing through provision of incentives/disincentives to firms to support sound management of waste and application of energy-saving practices that reduce environmental impact. In the weave, textiles, garment and apparel sectors there is scope to improve the social and environmental efficiency of factory processes through the adoption of lean manufacturing approaches.

In the construction sector the study identified four green sub-sectors, namely: green buildings, labour intensive transport infrastructure, irrigation and water management and installation of renewables. The total number of environmentally friendly jobs in the construction sector was estimated to be 415,000 (7.6 per cent of jobs within the sector) and the total number of green jobs was estimated to be 187,000 (3.4 per cent of jobs in construction). In order to increase the number of green jobs in the “green buildings” construction sector it will be important for contractors to participate in the green building certification process and adopt green procurement standards in their projects, as well as using certified “green products” and adopting

Strengthening labour inspection in the construction sector is important for improving working conditions

environmentally sound waste management practices in construction. There is considerable scope for strengthening employment conditions in the construction sector through working with government and employers' and workers' organizations in application of minimum wages, inspection of construction sites and in procurement and project design to ensure that work in the labour intensive transport construction and green building sub-sectors is decent.

In the transport sector the study identified three green sub-sectors, namely: mass public transport, non-motorised transport and rail, river and sea transport. The total number of environmentally friendly jobs in the transport sector was estimated to be 1.6 million (26.9 per cent of jobs in transport) and it was estimated that 603,000 jobs (9.8 per cent of jobs within the sector) could be considered green jobs. In order to increase the number of green jobs in transport it will be important to support the expansion of the rail network and mass public transport on roads, and to focus on improving the quality of current transport systems. There is considerable scope for increasing employment quality in "non-motorised transport", which is currently largely informal and unorganised.

To support the expansion of green jobs in the tourism industry, it is important to implement the Ministry of Tourism and Creative Economy's Strategic Plan for Sustainable Tourism and Green Jobs

In the tourism sector the study identified four green sub-sectors, namely, sustainable accommodation services, sustainable tourism services, sustainable management of tourism destinations and green spas. The total number of environmentally friendly jobs in the tourism sector was estimated to be 21,000 jobs and the total number of green jobs was estimated at 11,000. To support the expansion of green jobs in the tourism industry, it will be important to support the implementation of the Ministry of Tourism and Creative Economy's Strategic Plan for Sustainable Tourism and Green Jobs, which seeks to apply a sustainable approach within tourism planning, provide education and training that promotes sustainable tourism, and promote employment standards in tourism.

Box 5: Green livelihood access and REDD+

In acknowledgement of the great need to reduce emissions from deforestation and forest degradation (REDD), the Government of Indonesia issued an instruction on the freeze of native forest clearing between 2011 and 2013 and an instruction (2/2007) requiring the rehabilitation and conservation of the Ex Mega Rice Project (EMRP) area in Central Kalimantan. In accordance with the EMRP's Master Plan, the ILO commenced a 12-month pilot project known as "Green Livelihood Access for Central Kalimantan's Inclusive Environmental Response to Climate Change" (GLACIER), which seeks to improve access to sustainable livelihoods for local communities in Central Kalimantan through introducing participatory local resource-based approaches and building local capacity to rehabilitate degraded forest

land, promote sustainable livelihoods and improve access to socio-economic facilities and markets.

In line with the ILO Convention on the Rights of Indigenous Peoples (C. 169), the project has successfully completed a range of consultation and participatory planning activities with the project stakeholders, which have helped the project to jointly identify activities that will increase access to sustainable livelihoods. By September 2013, the project will have rehabilitated 100 ha of degraded land in the project area, improved access to sustainable livelihoods through investing in infrastructure in five villages, and trained approximately 300 beneficiaries in relevant entrepreneurship and skills training based on demand for developing green value chains.

2.7 Sustainable tourism⁷

Tourism and the creative economy play a crucial role in the Indonesian economy. Altogether tourism and the creative economy contribute approximately 11.8 per cent to GDP and provide approximately 14.7 per cent of the labour force with employment. Much of Indonesia's tourism relates to the natural environment and it is recognised that the welfare and quality of life of employees in the tourism sector are highly important for the economic, social and environmental sustainability of the industry.

In 2012 the Ministry of Tourism and the Creative Economy launched a Strategic Plan for Sustainable Tourism and Green Jobs, which provides an integrated framework for the promotion of a job rich sustainable tourism industry. The strategic plan emphasizes the importance of coordination and partnerships between all stakeholders in the planning and implementation of policies and programmes relating to sustainable tourism in Indonesia. The effectiveness of policies must thus be supported by structures that allow coordination between all stakeholders, and the adoption of a balanced mix of instruments including market-based, regulatory and voluntary approaches.

Complementing the existing national policy framework, set by the Indonesian Government's Long-Term National Development Plan (RPJP), the Long-Term National Tourism Development Plan (RIPPARNAS), and the tourism Mid-Term Strategic Plan (RENSTRA), the Strategic Plan on Sustainable Tourism and Green Jobs 2012 proposes new key policy dimensions as integral to sustainable tourism planning strategies.

In 2012 the Ministry of Tourism and the Creative Economy launched a Strategic Plan for Sustainable Tourism and Green Jobs, which provides an integrated framework for the promotion of a job rich sustainable tourism industry

⁷ This section of the Labour and Social Trends Report was prepared with inputs from Oliver Ortis.

- In line with the pro-poor directive of the national development agenda, tourism is expected to play an important role in poverty reduction;
- The understanding of and commitment of Green Jobs to supporting an adequate transition for workers and employers towards a low carbon, climate change decelerating, socially and environmentally responsible development in Indonesia is a crucial aspect of sustainable tourism and should be mainstreamed into policy;
- Youth is a strategic segment of the domestic market for socio-cultural and sociopolitical reasons, but is also a potential workforce that can meet the demand for dynamic labor to cater for the growing demands of alternative tourism;
- The achievement of Decent Work is an important part of sustainable tourism and the pro-poor and pro-employment agenda;
- Gender mainstreaming and child labour prevention are two significant goals to be further emphasized within the tourism development agenda in Indonesia;
- In order to achieve a consistent path of development, guiding standards for sustainable tourism operations and performance must be developed and implemented.

The strategic framework for sustainable tourism development identifies four key strategies that provide a basis for prioritising action, including awareness-raising to change the mindsets of stakeholders, development and use of sustainable tourism indicators, promotion of green jobs for sustainable tourism and strategic management, and monitoring and enforcement of sustainable tourism objectives.

Following the strategic framework, ten implementation strategies are proposed to follow up on the new policy dimensions:

- Mainstream and Promote Green Jobs through Sustainable Tourism;
- Prioritize Poverty Reduction in Tourism;
- Enhance Opportunities for Youth Employment in the Tourism Sector and Youth Tourism;
- Support the Ministry for Women and Child Protection in Combating Gender and Child Protection Issues;
- Implement a System of Voluntary Codes/Standards for Sustainable Tourism;
- Set Tourism Related Education, Training and Research as Priority in the National Education and Research Agenda;
- Identify Potential and Committed Local Partners;
- Conduct Selective and Creative Marketing;
- Apply a Sustainable Approach in Tourism Planning;
- Establish a Single Coordinative Body for Sustainable Tourism Development.

The Strategic Plan for Sustainable Tourism and Green Jobs has been officially endorsed by the Indonesian Government. It has been integrated into the national tourism policy and also distributed to all 33 provinces for strategic guidance and regional implementation.

By mainstreaming green jobs within national tourism policies it is hoped that the goal of achieving decent and productive work can be accelerated, along with poverty reduction and enhancement of local economic development.

2.8 Social sustainability: Pay equity

Differences in the hourly and monthly compensation of men and women is a persistent feature of labour markets throughout the world. The question, of course, is “why the gender wage gap?”. Research undertaken by the ILO’s MAMPU, Access to Employment and Decent Work project has investigated this question using Sakernas data from August 2010 as well as data collected from the project’s baseline survey. The research, being exploratory in nature, first looked at compensation as being determined by factors including education, experience, and household responsibilities, and then considered wage variation as a consequence of gendered industry and occupation choices. Ultimately the research sought to identify the extent to which variations in pay equity are driven by gender based discrimination.

Preliminary analysis using Sakernas data from August 2010 estimated that the average monthly pay (including own account, employees and casual labourers) typically earned by men is IDR 952,341 and that women on average earn IDR 695,550. This means that women earned IDR 256,791 less or approximately 35 per cent less than men. Therefore, on average, women earn 73 per cent of the monthly wage of men. However, the reasons behind these differences are not immediately apparent. For example, do women earn less than men because they experience discrimination or do they possess certain characteristics that lower their value to an employer?

Further analysis points to lower levels of educational attainment being a significant driver of differences in remuneration between men and women. It was also found that the pay-off for women from obtaining higher education and years of work experience is smaller than for men. Household heads of both sexes also tend to earn more, but again, the effect of this status on women is less than for men.

Women appear to choose fields of study that lead to occupations that tend to pay less than average. Further, breaks in labour market participation impact on their years of experience and subsequently the income earned by working women. Women earn less than men in every

Differences in the hourly and monthly compensation of men and women is a persistent feature of labour markets throughout the world

Factors such as educational attainment, work experience, industry and occupation choice contribute to differences in pay equity between the genders

industry and occupation. Factory work generally pays less than other forms of employment, however for women, there is a pay premium for those women who work in factories.

It is more common for men to receive overtime work, overtime pay and to be associated with jobs that receive performance-based pay, whereas women are more likely to work in part time jobs, for fewer hours (given the bulk of domestic duties are performed by women in Indonesia). Women are also concentrated in occupations that are not generally associated with performance bonuses – such as secretarial work, administration, finance, nursing and teaching. Differences in working hours and occupation help to partly explain why remuneration levels between men and women vary.

There are major differences in exposure to gender discrimination between the formal and informal economies

Overall it is estimated that approximately 59 per cent of the gender pay gap is unexplainable and could therefore be attributed to gender discrimination. However, it was found that employment status and formality play an important role in gender discrimination. Disaggregate analysis that examines the gender pay gap for employees finds that only 31 per cent of the gender pay gap is unexplained and could therefore be attributed to discrimination. Therefore there are major differences in exposure to gender discrimination between formal and informal labour markets.

Pay equity is highly intricate, requiring a complex understanding of decent work

Analysis from the 2012 MAMPU baseline data set identified some distinct gender differential effects in factory work. In general it was found that factory work pays a below average wage for the entire sample that was surveyed in the baseline study. However, for women, the factory wage effect was positive and large. This is likely because factories typically provide employment that is in the formal economy. However, a tension between formality and remuneration was found in the dataset, namely, pay premiums are found in work that is undertaken in a special location in the home, work on a farm, work in an employer's home, and work in no specific location. This suggests that the issue of pay equity is highly intricate, requiring a complex understanding of what decent work actually is - far beyond the paradigms of formality and gender disaggregated analysis.

Another of the most striking findings of the baseline study is that women who supervise five or more subordinates earn less than those who do not. Moreover, female supervisors earn less than their male counterparts. This situation highlights the issue of equal pay for equal work and questions the effectiveness of the application of this principle in the complex range of working environments that exist in Indonesia.

A final concern relates to the impact of social dialogue on wages. Effective social dialogue can promote the rights of workers, including freedom of association, collective bargaining and access to social protection. However, the findings of the analysis regarding union membership and working conditions are not statistically significant, suggesting a need to strengthen the bargaining power of workers' organizations in order to improve their effectiveness.

To promote pay equity in Indonesia, the MAMPU, Access to Employment and Decent Work Project is supporting the Ministry of Manpower and Transmigration to develop Step-by-Step Guidelines for Employers on Conduct Gender-Neutral Pay Evaluations. The Project is also pursuing strategies to strengthen women home-based workers, who are currently operating in the informal economy, to access decent work.

Employers' and workers' organizations can promote equal work for equal pay through gender sensitive audits and raising awareness on gender equality in the world of work

2.9 Working towards a sustainable and equitable economy⁸

Countries across the globe use labour market interventions to promote development that is socially and economically just. The Indonesian government has been very active in this regard, and unlike in previous crises, there were considerable efforts on behalf of the Government to mitigate the impacts of the 2008-2010 global economic downturn. Not only did Indonesia use expansionary fiscal and monetary policies to stimulate the economy, they also directly intervened to protect and create employment. In the future Indonesia may strengthen its resilience through efforts that preserve skills, facilitate matching between job-seekers and employers, and protect the incomes of the unemployed and vulnerable groups. Labour market interventions can also increasingly be used to support the achievement of environmental objectives due to links between the environment and sustainable livelihoods. Such policies and programmes should be developed in times of economic prosperity and designed in such a way that they may act in a countercyclical fashion.

There are many tools that can be used to support the effective and coherent design of policies aimed at strengthening resilience. For example, an online data tool known as "The ILO/World Bank Inventory of policy responses to the global financial and economic crisis of 2008" provides a detailed track record of policies enacted during the height of the financial crisis (2008-2010). The tool includes details on the implications for the design of policies to address future economic downturns. Policy makers and

Tools such as the "inventory" database can be used to draw lessons for more effective policy-making

⁸ This section of the Labour and Social Trends Report has benefited from inputs from the the ILO/World Bank Inventory of policy responses to the global financial and economic crisis of 2008.

researchers are able to use such tools to develop evidence-based policies and draw further lessons that will continue to be highly relevant in an uncertain global economy.

Importantly, lessons from the crisis highlight the role of social dialogue in the development of effective policy responses. Social dialogue becomes even more important during crises, because it can speed up recovery and help the economy move to a new equilibrium more quickly through information sharing and communication. Social dialogue also builds trust and consensus to implement policies required for economic recovery.

Overall, it is recommended that in order to work towards a model that is framed by the principle of “sustainable growth with equity”, a country should focus on:

- Improving the coordination between macro and sectoral policies;
- Expanding the coverage of social insurance to all workers;
- Integrating and strengthening safety nets;
- Rethinking the design of active labor market programs including those used to stimulate labor demand;
- Investing in labor market information systems; and
- Promoting social dialogue and increasing vigilance to avoid violations of rights at work.

Indonesia has had impressive track record of growth in previous years and the challenge now is ensuring that this growth is translated into sustained improvements in livelihoods

Indonesia has prioritised investing in human capital and connectivity, with a focus on sectoral development strategies. It is also positioning itself as a global leader in transitioning to a greener economy. This framework is moving the country towards higher levels of prosperity, sustainability and human development. Many of the mid-term development targets that Indonesia has set for itself are within reach, however, there is still much work to be done to improve employment quality and livelihood sustainability. Improving access to social protection, maintaining effective social dialogue and sustaining developmental gains are ongoing challenges. Against this backdrop, Indonesia can be more ambitious in setting targets to improve the quality of livelihoods and employment, particularly among those that have managed to escape the lowest measures of deprivation, in its next mid-term development plan.

Annex I: BPS disaggregation of employment in the formal and informal economy

Employment Status	Main Occupation									
	Professional, technical and related workers	Administrative and managerial workers	Clerical and related workers	Sales workers	Services workers	Agriculture, animal husbandry, forestry and fishing industry workers, and hunters	Production and related workers	Transport workers and equipment operators	Labourers	Others
Own account worker, working alone	F	F	F	INF	INF	INF	INF	INF	INF	INF
Own account worker, assisted by temporary worker/unpaid worker	F	F	F	F	F	INF	F	F	F	INF
Employer	F	F	F	F	F	F	F	F	F	F
Employee	F	F	F	F	F	F	F	F	F	F
Casual employee in agriculture	F	F	F	INF	INF	INF	INF	INF	INF	INF
Casual employee not in agriculture	F	F	F	INF	INF	INF	INF	INF	INF	INF
Unpaid worker	INF	INF	INF	INF	INF	INF	INF	INF	INF	INF

Source: BPS (2012) Labour force situation in Indonesia: August 2012, Badan Pusat Statistik, Jakarta.

Note: F denotes formal and INF denotes informal.

Annex II:
Statistical appendix - Labour market indicators by gender 2006-2012

Variable	August 2006	August 2007	August 2008	August 2009	August 2010	August 2011	August 2012
Population	NA	NA	229,033,995	231,832,834	238,219,392	241,564,863	244,750,214
• Men	NA	NA	114,586,031	116,050,632	119,852,909	121,625,982	123,246,172
• Women	NA	NA	114,447,964	115,782,202	118,366,483	119,938,881	121,504,042
Population 15 years and over	160,811,498	164,118,323	166,641,050	169,328,208	172,070,339	171,756,077	173,926,703
• Men	80,441,969	82,079,391	82,841,198	84,174,122	85,820,939	85,710,829	86,806,933
• Women	80,269,529	82,038,932	83,799,852	85,154,086	86,249,400	86,045,248	87,119,770
Economically active	106,388,935	109,941,359	111,947,265	113,833,280	116,527,546	117,370,485	118,053,110
• Men	67,749,891	68,719,887	69,144,337	70,409,087	71,881,763	72,251,521	73,284,748
• Women	38,639,044	41,221,472	42,802,928	43,424,193	44,645,783	45,118,964	44,768,362
Not in the labour force	54,422,563	54,176,964	54,693,785	55,494,928	55,542,793	54,385,592	55,873,593
• Men	12,692,078	13,359,504	13,090,168	13,765,035	13,939,176	13,459,308	13,522,185
• Women	41,730,485	40,817,460	41,603,617	41,729,893.0	41,603,617.0	40,926,284	42,351,408
Labour force participation rate	66.2%	67.0%	67.2%	67.2%	67.7%	68.3%	67.9%
• Men	84.2%	83.7%	83.5%	83.6%	83.8%	84.3%	84.4%
• Women	48.1%	50.2%	51.1%	51.0%	51.8%	52.4%	51.4%
Employed	95,456,935	99,930,217	102,552,750	104,870,663	108,207,767	109,670,399	110,808,154
• Men	61,977,289	63,147,938	63,899,278	65,122,526	67,462,223	67,989,943	69,068,965
• Women	33,479,646	36,782,279	38,653,472	39,748,137	40,745,544	41,680,456	41,739,189
Employment-to-population ratio	59.4%	60.9%	61.5%	61.9%	62.9%	63.9%	63.7%
• Men	77.0%	76.9%	77.1%	77.4%	78.6%	79.3%	79.6%
• Women	41.7%	44.8%	46.1%	46.7%	47.2%	48.4%	47.9%

Variable	August 2006	August 2007	August 2008	August 2009	August 2010	August 2011	August 2012
Unemployment	10932000	10011142	9394515	8962617	8319779	7700086	7244956
• Men	5,772,602.0	5,571,949.0	5,245,059.0	5,286,561	4,419,540	4,261,578	4,215,783
• Women	5,159,398.0	4,439,193.0	4,149,456.0	3,676,056	3,900,239	3,438,508	3,029,173
Unemployment rate	10.3%	9.1%	8.4%	7.9%	7.1%	6.6%	6.1%
• Men	8.5%	8.1%	7.6%	7.5%	6.1%	5.9%	5.8%
• Women	13.4%	10.8%	9.7%	8.5%	8.7%	7.6%	6.8%
Part time employment	15325882	15471987	16172862	16174364	18010583	21064033	21519289
• Men	6911014	6724577	7017014	6948257	7974803	9645554	10063378
• Women	8414868	8747410	9155848	9226107	10035780	11418479	11455911
Part time employment rate	16.1%	15.5%	15.8%	15.4%	16.6%	19.2%	19.4%
• Men	11.2%	10.6%	11.0%	10.7%	11.8%	14.2%	14.6%
• Women	25.1%	23.8%	23.7%	23.2%	24.6%	27.4%	27.4%
Underemployment	13774867	14898192	14916506	15395570	15258755	13524054	12770339
• Men	8278796	8444974	8576340	8724692	8647031	7661408	7372591
• Women	5496071	6453218	6340166	6670878	6611724	5862646	5397748
Underemployment rate	14.4%	14.9%	14.5%	14.7%	14.1%	12.3%	11.5%
• Men	13.4%	13.4%	13.4%	13.4%	12.8%	11.3%	10.7%
• Women	16.4%	17.5%	16.4%	16.8%	16.2%	14.1%	12.9%
Informal employment rate	62.8%	62.1%	61.3%	61.6%	59.0%	54.7%	53.6%
• Men	61.4%	59.9%	59.3%	60.1%	57.2%	0.0%	53.6%
• Women	65.4%	65.9%	64.5%	64.0%	61.8%	0.0%	57.5%
Formal employment rate	37.2%	37.9%	38.7%	38.4%	41.0%	45.4%	46.4%
• Men	38.6%	40.1%	40.7%	39.9%	42.8%	0.0%	48.8%
• Women	34.6%	34.1%	35.5%	36.0%	38.2%	0.0%	42.5%

Variable	August 2006	August 2007	August 2008	August 2009	August 2010	August 2011	August 2012
Vulnerable employment rate	68.8%	69.0%	69.5%	69.3%	66.9%	62.2%	60.1%
• Men	67.1%	66.4%	67.2%	67.4%	64.8%	59.7%	57.2%
• Women	72.5%	74.0%	73.7%	72.5%	70.4%	66.2%	65.0%
Employees rate (salaried workers)	28.1%	38.1%	27.5%	27.8%	29.6%	34.4%	36.4%
• Men	28.9%	29.9%	28.9%	28.6%	31.2%	35.9%	38.2%
• Women	26.5%	24.8%	25.1%	26.4%	28.2%	32.1%	33.4%

Source: BPS (2012) Labour force situation in Indonesia: August 2012, Badan Pusat Statistik, Jakarta.

Annex III: Statistical appendix - Labour market indicators for youth 2006-2012

Variable	August 2006	August 2007	August 2008	August 2009	August 2010	August 2011	August 2012
Working age population (15-24)	42,152,876	43,061,390	42,439,529	43,160,687	41,059,233	41,457,814	42,009,547
• Men	21,500,254	21,960,724	52,511,842	21,873,697	20,667,551	20,849,722	21,127,366
• Women	20,652,622	21,100,666	20,927,687	21,286,990	20,391,682	20,608,092	20,882,181
Not in the labour force (15-24)	19,872,306	20,548,852	20,855,631	21,436,435	20,902,784	20,564,495	21,268,284
• Men	8,233,472	8,164,244	8,591,818	8,739,589	8,646,764	8,411,405	8,644,616
• Women	11,638,834	12,384,608	12,263,813	12,696,846	12,256,020	12,153,090	12,623,668
Labour force (15-24)	22,280,570	22,512,538	21,583,898	21,724,252	20,156,449	20,893,319	20,741,263
• Men	13,266,782	13,796,480	12,920,024	13,134,108	12,020,787	12,438,317	12,482,750
• Women	9,013,788	8,716,058	8,663,874	8,590,144	8,135,662	8,455,002	8,258,513
Labour force participation rate (15-24)	52.9%	52.3%	50.9%	50.3%	49.1%	50.4%	49.4%
• Men	61.7%	62.8%	24.6%	60.0%	58.2%	59.7%	59.1%
• Women	43.6%	41.3%	41.4%	40.4%	39.9%	41.0%	39.5%
Employment (15-24)	15,464,354	16,852,502	16,552,881	16,902,483	15,833,385	16,717,575	16,683,372
• Men	9,578,277	10,518,143	10,100,765	10,291,497	9,490,000	10,041,100	10,057,950
• Women	5,886,077	6,334,359	6,452,116	6,610,986	6,343,385	6,676,475	6,625,422
Employment-to-population ratio (15-24)	36.7%	39.1%	39.0%	39.2%	38.6%	40.3%	39.7%
• Men	44.5%	47.9%	19.2%	47.0%	45.9%	48.2%	47.6%
• Women	28.5%	30.0%	30.8%	31.1%	31.1%	32.4%	31.7%
Unemployment (15-24)	6,816,216	5,660,036	5,031,017	4,821,769	4,323,064	4,175,744	4,057,891
• Men	3,688,505	3,278,337	2,819,259	2,842,611	2,530,787	2,397,217	2,424,800
• Women	3,127,711	2,381,699	2,211,758	1,979,158	1,792,277	1,778,527	1,633,091
Unemployment rate (15-24)	30.6%	25.1%	23.3%	22.2%	21.4%	20.0%	19.6%
• Men	27.8%	23.8%	21.8%	21.6%	21.1%	19.3%	19.4%
• Women	34.7%	27.3%	25.5%	23.0%	22.0%	21.0%	19.8%

Source: BPS (2012) *Labour force situation in Indonesia: August 2012*, Badan Pusat Statistik, Jakarta.

Annex IV:
Statistical appendix - Wage indicators 2006-2012

Variable	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Simple average minimum wages (nominal)	362,700	414,700	458,500	507,700	602,700	673,300	743,200	839,400	908,800	998,829	1,121,460
Average net wages per month for employees & labourers (nominal)	599,769	684,915	729,516	856,088	985,028	1,077,312	1,158,085	1,322,380	1,410,982	1,529,161	1,630,193
Growth in average minimum wages	NA	12.54%	9.55%	9.69%	15.76%	10.49%	9.41%	11.46%	7.64%	9.01%	10.93%
Growth in average net wages for employees and labourers	NA	12.43%	6.11%	14.78%	13.09%	8.57%	6.97%	12.42%	6.28%	7.73%	6.20%
Consumer Price Index	NA	5.16%	6.40%	17.11%	6.60%	6.59%	11.06%	2.78%	6.96%	3.79%	4.30%

Source: BPS (2012) *Labourer situation in Indonesia: August 2012*, Badan Pusat Statistik, Jakarta.

Annex V:
Statistical appendix - Labour market indicators by economic sector 2006-2012

Economic sector	August 2006	August 2007	August 2008	August 2009	August 2010	August 2011	August 2012
Agriculture, Forestry, Hunting and Fishery	40,136,242	41,206,474	41,331,706	41,611,840	41,494,941	39,328,915	38,882,134
Mining and Quarrying	923,591	994,614	1,070,540	1,155,233	1,254,501	1,465,376	1,601,019
Manufacturing	11,890,170	12,368,729	12,549,376	12,839,800	13,824,251	14,542,081	15,367,242
Electricity, Gas and Water	228,018	174,884	201,114	223,054	234,070	239,636	248,927
Construction	4,697,354	5,252,581	5,438,965	5,486,817	5,592,897	6,339,811	6,791,662
Wholesale Trade, Retail Trade, Restaurant and Hotels	19,215,660	20,554,650	21,221,744	21,947,823	22,492,176	23,396,537	23,155,798
Transportation, Storage and Communication	5,663,956	5,958,811	6,179,503	6,117,985	5,619,022	5,078,822	4,998,260
Financing, Insurance, Real Estate and Business Services	1,346,044	1,399,490	1,459,985	1,486,596	1,739,486	2,633,362	2,662,216
Community, Social, and Personal Services	11,355,900	12,019,984	13,099,817	14,001,515	15,956,423	16,645,859	17,100,896
Total	95,456,935	99,930,217	102,552,750	104,870,663	108,207,767	109,670,399	110,808,154

Source: BPS (2012) *Labour force situation in Indonesia: August 2012*, Badan Pusat Statistik, Jakarta.

