



# Measuring Decent Work in Indonesia

## The Decent Work Country Profile at a glance

### What is Decent Work?

The Decent Work Agenda, developed by the International Labour Organization is widely recognized as a route out of poverty. It has four pillars, in line with the ILO's strategic objectives:

**Creating Jobs** – an economy that generates opportunities for investment, entrepreneurship, skills development, job creation and sustainable livelihoods.

**Guaranteeing rights at work** – to obtain recognition and respect for the rights of all workers.

**Extending social protection** – to promote both inclusion and productivity by promoting safe working conditions, an adequate work-life balance, income protection, and access to healthcare

**Promoting social dialogue** – having strong and independent workers' and employers' organizations is central to increasing productivity, avoiding disputes at work, and building cohesive societies.

**This summary is part of an ILO and European Commission project in nine countries ♦ *Monitoring and Assessing Progress on Decent Work (MAP)* ♦ to support better measurement of decent work in developing and transition countries.**

### Executive summary



- ♦ **Indonesia has had mixed results in creating jobs in recent years.** Unemployment has fallen since its 10-year peak in 2005 but still remains high, especially among women and young people.
- ♦ **Average real wages in Indonesia** have risen but there has been little progress in safeguarding these gains. Real wage growth has lagged behind increases in minimum wages.
- ♦ **Female and casual workers** are generally less well-off than other workers. Women's working conditions still lag behind those of men. Existing social security schemes leave gaps even among the best-covered workers.
- ♦ **The large informal sector** is characterized by a large proportion of workers with low pay and little job security.
- ♦ **Increasing numbers are working for more than 48 hours a week**, compared with the government-mandated 40-hour working week. A growing number of the employed would like to work more hours but cannot find the extra work.
- ♦ **Although the government has committed to eliminate child labour**, more than 1.5 million children between the ages of 10 and 17 are working.
- ♦ **Social dialogue, employers' and employees' representation** have shown some improvement over the past five years, although gaps in official records and controversial data on strikes prevent a full assessment.

### The socio-economic context for decent work

The government has made employment generation one of its main policy objectives for its National Midterm Development Plan, 2010-2014. However, recent progress in this area has been mixed.

The political landscape since the late 1990s has been marked by democratic transition and an ambitious programme of decentralization. The economy has faced several major crises together with structural transition from agriculture to services.

The great economic, social and political transformations of the past 15 years have had significant impacts on the labour market. Fundamental changes began in 1998 with a labour law reform programme and the key Manpower Act of 2003, which provides overarching legislative support for labour relations and further laws concerning trade unions and the settlements of disputes.

The country has also made positive strides in strengthening labour administration.

Poverty has declined and labour productivity has grown, but inequality is on the rise

More children are attending school and literacy is improving.

Labour force participation rates have remained stagnant but unemployment has fallen

Many young people remain outside employment, education and training

There have been many welcome advances in recent years – incomes have risen, poverty has fallen, and labour productivity has grown.

Inequality is a growing problem, however, and the informal sector remains large.

A greater percentage of children now attend school than in 1996, and adult literacy rates have risen.

### The challenge of creating decent jobs

Since 1996 the proportion of the working age population that is employed has remained virtually stagnant at just over 60 per cent. However, large disparities exist between men and women.

Labour force participation (the employed and unemployed) remained much the same at between 66 and 68 per cent.

The unemployment rate has fallen from a 10-year peak in 2005, but remains higher than in 1996. Women are still more likely to be unemployed and the situation for youth is worse with more than a fifth of 15 to 24 year-olds jobless.

The high proportion of young people (aged 15-24) “not in education, employment or training” (NEET) has serious implications for their long-term welfare since many could become discouraged from work, or unemployable altogether.

### key stats (2010)

**3.4%** Real GDP growth (per capita PPP, 2009)

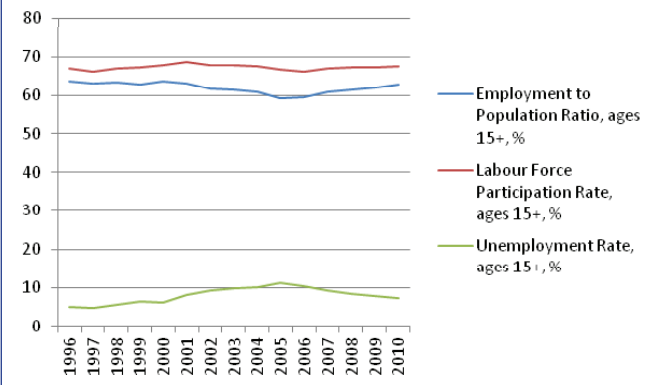
**2.8%** Labour productivity growth

**13.3%** Poverty Rate

**18%** Children aged 5-17 not in school (2009)

**0.18%** HIV prevalence rate (2009)

### Labour Market Trends



### key stats (2010)

<b>21.4%</b>	Youth unemployment rate	<b>M 8.7%</b> <b>F 6.1%</b>	Unemployment rate [Total: 7.1%]
<b>28.6%</b>	Youth not in education, employment or training	<b>M 36.7%</b> <b>F 20.7%</b>	Share of youth not in education employment or training (2009) [Total: 28.6%]
<b>M 83.8%</b> <b>F 51.8%</b>	Labour force participation rate [Total: 67.7%]	<b>M 28.2%</b> <b>F 51%</b>	Own account workers and unpaid family workers [Total: 36.8%]
<b>M 78.6%</b> <b>F 47.2%</b>	Employment-to-population ratio [Total: 62.9%]	<b>M 57.2%</b> <b>F 61.8%</b>	Informal employment (15+) [Total: 59%]

There has been slow progress in moving people from informal to formal employment

Vulnerable employment remains widespread, especially among women

Women are now more likely to be in “prestigious” occupations than in 1996 and the gender wage gap has narrowed

Indonesia is tackling child labour and people trafficking but there is still a significant way to go

Rising school attendance has helped reduce child labour, but numerous other factors hinder its eradication

Progress in bringing workers from informal to formal employment has been slow, although it has been faster for women than for men.

Women’s participation in the labour force has risen by just over one percentage point since 1996.

Since then, men’s participation rates have remained stable at more than 80 per cent.

The figure for women is just over 50 per cent.

Despite falling since 1997, more than 50 per cent of employed women remain in own account work or contributing family work, as opposed to less than a third of men.

Such vulnerable jobs typically lack formal work arrangements and so are more likely to lack decent working conditions, adequate social security or a voice through trade unions.

## Rights at work

There has been progress since 1996 in ensuring equal opportunity and treatment for women in employment.

In 2010, women made up a greater share of “prestigious” occupations, as legislators, senior officials or corporate managers. Nevertheless, their shares in these occupations remain lower than men’s.

The gender wage gap has narrowed, particularly for regular workers. Unfortunately, little is known about the conditions of persons with disabilities and migrant workers, despite improving legal provisions to safeguard their rights.

Indonesia has demonstrated its commitment to eliminating child labour and combating trafficking in persons. It has enacted legislation and ratified principal UN and ILO conventions on forced labour, child labour and child rights and protection.

But there were still more than 1.5 million children between the ages of 10 and 17 engaged in child labour in 2010. Many of these jobs were in agriculture. It is estimated that around half of child labourers aged 5 to 17 are in “hazardous work” –in jobs that may compromise their health, safety, and moral development.

Increased school attendance rates have helped reduce the number of child labourers in Indonesia by almost a million.

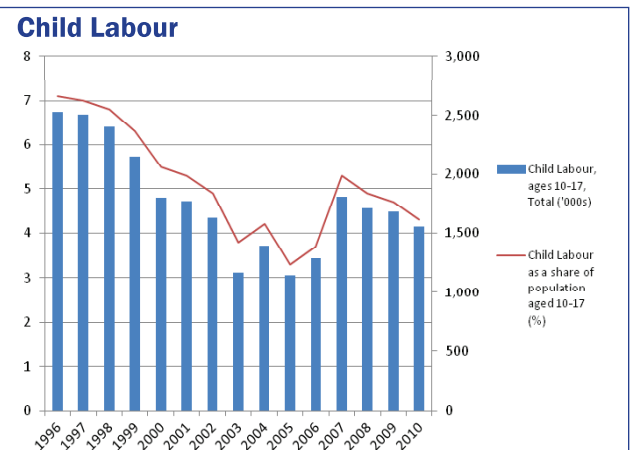
In 2010, 4.3 per cent of 10 to 17-year-olds were in child labour, compared with 7.1 per cent in 1996. Persistent poverty, remaining

## key stats (2010)

**22.1%** Gap between male and female wages for regular work [down 3.3% since 2001]

**50.6%** Gap between male and female wages for casual work [down 1.5% since 2001]

**20.1%** Female legislators, senior officials and corporate managers [up 4.3% since 2007]



While average wages have risen, greater shares of workers are now in low pay

Female and casual workers are generally less well off than others

More workers, especially women, are working excessive hours but there is also a significant underemployment problem

Precarious (casual) work has increased since 2001, and casual pay rates remain less than half those of regular employees

deficits in educational access, family perceptions about education and labour-demand dynamics, however, all militate against its total eradication.

The Government still needs to improve monitoring systems to prevent child labour, forced labour and trafficking of women and children.

## Conditions at work and social protection

Average real wages for both regular and casual employees have generally increased since 2000.

Progress has been undermined, however, by the growing share of workers on “low pay” (earning less than two-thirds of the median wage).

Vulnerable workers (i.e. those in unpaid family work and own account work) are most adversely affected by low and sluggishly growing wages.

Female and casual workers are generally less well off than other workers, with lower real wages and higher proportions on low pay.

Non-compliance and weak enforcement have limited the effectiveness of minimum wage policy in protecting the incomes of the poorest and most vulnerable workers.

Progress toward decent hours has been slight. In 2010, nearly 75 per cent of regular employees and 50 per cent of casual employees were working more than the 40 hours a week mandated by Indonesian law.

Increasing numbers of employees are working for more than 48 hours a week.

At the same time, a growing number of the employed are actually underemployed – that is they would like to work more hours than they are currently.

This is particularly true for working women, 16 per cent of whom are working fewer than 35 hours per week and would be available for more work.

By mandating the working week at 40 hours and enshrining annual and maternity leave in law, Indonesia has accepted that an acceptable balance between work, family, and personal life is more than a workplace issue. Long hours can erode labour productivity, and can have negative effects on worker and family wellbeing.

The numbers in precarious or casual work has increased since 2001. This has meant that many workers still lack adequate stability and security at work. Casual pay rates remain around 40 per cent of those for regular employees, with women being paid less than men.

### key stats (2010)

**M 575**

Average real wages, all employees ('000s of Rupiah)

**F 455**

**M 23.9%**

Low pay rate, all employees

**F 31%**

**M 74.3%**

Minimum wage as a % of median wage

**F 94.5%**

**M 12.8%**

Time-related underemployment rate

**F 16.2%**

**M 12.1%**

Precarious (casual) work, ages 15+ (% of total employed persons)

**F 6.9%**

The informal sector remains large, and employs a greater share of women than men

There are fewer labour inspectors to monitor and protect workers' rights

Elements of social dialogue show progress but better data is needed

Around 60 per cent of all jobs are in the informal sector – a figure virtually unchanged from 2001.

Official data show a decrease in both fatal and non-fatal workplace injuries.

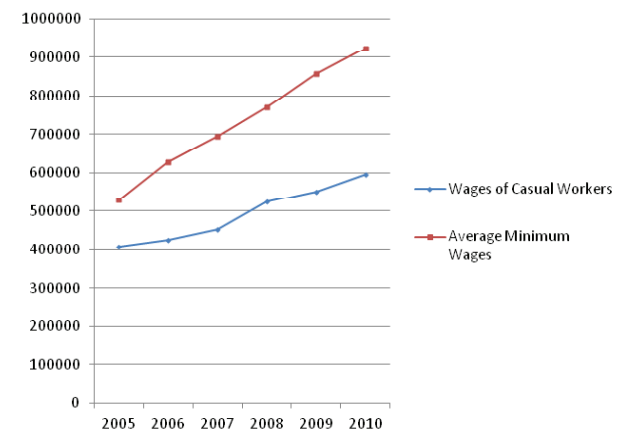
But it is impossible to draw meaningful conclusions from this due to gaps and flaws in both data collection and reporting.

The declining number of labour inspectors since 2007 has exacerbated this problem and has reduced Indonesia's institutional capacity to enforce safety regulations.

Government expenditure on social security and health care expenses has risen in recent years with the establishment of the government scheme, Jamsostek, which provides social protection to mostly formal workers.

Coverage of existing social security schemes, however, leave gaps even among formal workers.

**Average monthly wages (Rupiah)**



## Social dialogue

Social dialogue and representation for both employers and employees has shown some improvement in the past five years, despite gaps in official records and controversial data on strikes.

Dialogue among and between government and its two social partners can promote consensus building.

But there are still too few bipartite cooperation councils relative to the size of the working population and number of enterprises.

Membership of the employers' association, APINDO, has remained static since 2005, while trade union membership has risen slightly in the same period – albeit from a lower absolute number of unions. Trade union density remains low.

The increasing number of collective labour agreements may be a sign of maturing industrial relations and increased application –and effectiveness– of collective bargaining.

However, official records do not show how many workers are covered by these agreements.

Recent data show that while the number of strikes and lockouts has been increasing, the number of workers involved has fallen.

There is, however, as to what declining strike activity really indicates. The absence of strikes is not always a positive, since it may indicate obstructions to the right to strike and weak social dialogue mechanisms.

## Where next? Policy implications for promoting decent work

### Employment and labour administration

- The improvement of public bodies engaged in implementation and oversight of national labour policies is an important area for policy consideration as a means to facilitate faster job creation.
- The development of an unemployment insurance policy is also becoming a pressing priority.

### Wages and collective bargaining

- A policy review may be desirable to address how wages are fixed through minimum wages and collective bargaining. The current system is characterized by lack of central coordination, inappropriate role of politicians, and a lack of agreement on the purpose, coverage, criteria and data for setting minimum wages.
- Minimum wage fixing tends to “crowd out” wage fixing through collective bargaining. This can constrain genuine bargaining and weaken unions, and hamper attempts to genuinely link wages and productivity. This may undermine enterprise efficiency in the medium and long term.

### Rights at work

- Indonesia has ratified all eight ILO core Conventions covering fundamental principles and rights at work, and its national laws largely reflect these commitments. However, there remain important gaps in the national framework and challenges in the implementation that need to be addressed.
- Effective policies are needed to keep children in school and to raise awareness about the importance of education for children’s – and society’s – development.
- Empowering parents to access resources in order to provide education for their children has proven to be an effective measure to combat child labour
- Building on successful efforts to promote non-discrimination and equality at the workplace, the government now needs to develop specific equivalent strategies for the protection of migrant workers, domestic workers, and victims of forced labour. Judicial strengthening is part of this process, as is the progression to a strong and unified union movement.

### Social protection

- Indonesia has national legislation governing termination of employment (in the Manpower Act); however it has not yet ratified the ILO Termination of Employment Convention, 1982 (No. 158).
- The government is piloting a scheme to provide workers’ insurance for workers in the informal sector, however coverage remains low. It should also ensure at least a minimum level of protections (against insecurities, for instance) for precarious and informal economy workers as part of the planned harmonization of existing social security schemes (Act No. 40 /2004 on the National Social Security System).

Labour administration

Unemployment insurance

Wage fixing mechanisms

Collective bargaining

Gaps in national legislation

Keeping children in school

Empowering parents

Workplace equality and  
non-discrimination

Improved implementation  
of national legislation

Universal coverage of basic  
social security



Dispute resolution  
mechanisms

Capacity building for social  
dialogue

Effectiveness of bipartite  
bodies

Conciliation and  
arbitration

## Social Dialogue

- Social dialogue and dispute resolution mechanisms require attention. The tripartite national body meets regularly but on certain crucial matters –like outsourcing/short term contracts, termination and severance- is unable to reach consensus.
- Provincial level bodies for social dialogue face unequal power relations and a lack of capacity. Capacity building with the objective of generating workable policy options and consensus is thus an important priority.
- Enterprise level bipartite bodies have helped improve dialogue and reduce disputes, but there is also evidence to suggest that they have been used to undermine unions.
- The formal dispute resolution system requires strengthening. Workers and employers do not have confidence in the conciliation and arbitration systems, and this results in high caseloads for the Industrial Relations Courts (themselves usually underfunded and facing their own governance challenges).



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