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# Rapid Assessment on Digital Wages for Decent Work in Indonesia

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31 March 2022

# Outline



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Introduction

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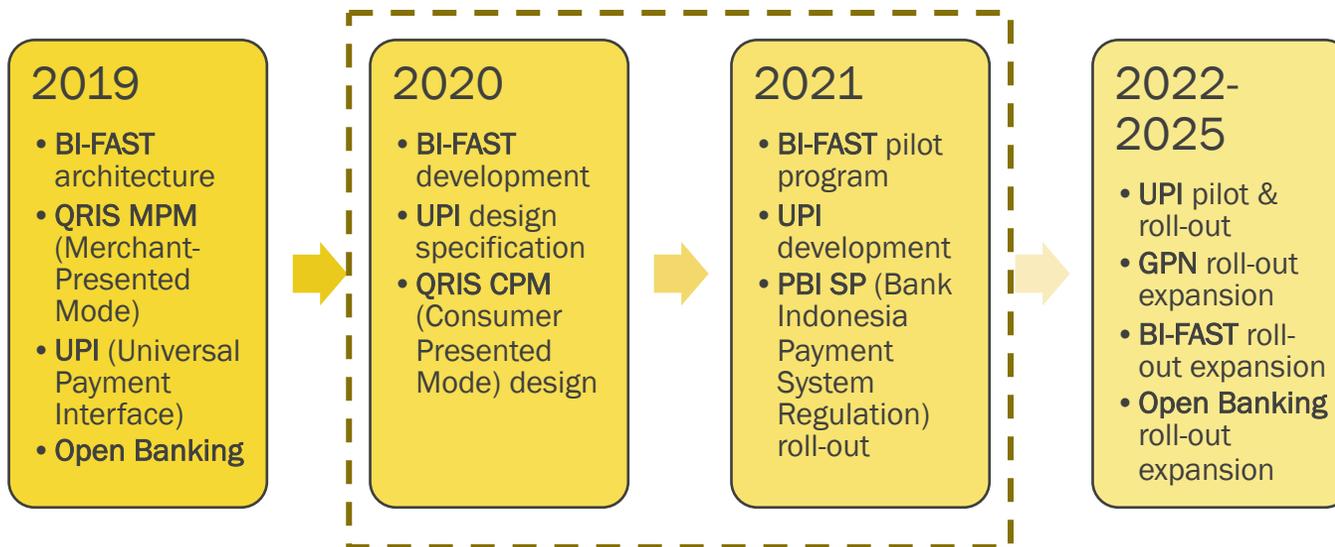
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# Introduction

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# Indonesia has become a high potential market for digital payments over the last decade



Source: Indonesia Payment System Blueprint 2025 by Bank Indonesia

In Indonesia, around 7 out of 10 people have access or exposure to internet...



...where about 54% of them utilizing mobile banking applications.



Source: Indonesia Fintech Report 2020 by Fintech Singapore

# Despite the digitization trend and the benefits of going digital, most of the Indonesian total workforce still receive wages in cash



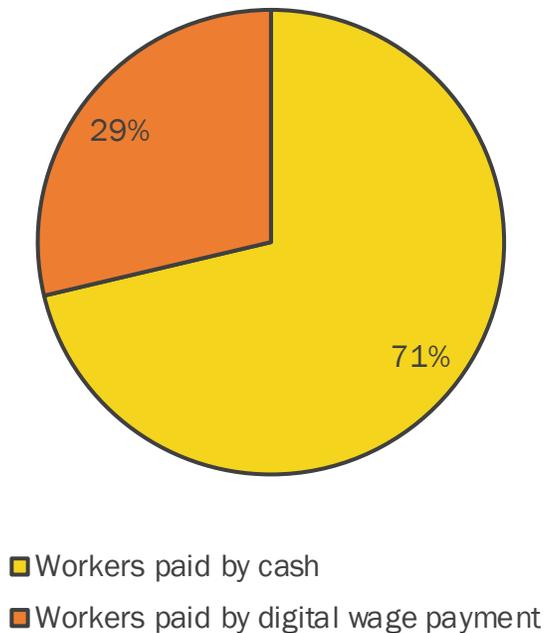
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### Workers and Wage Payment



Source: World Bank Financial Index 2017

## Digital wage payment have several economic and social benefits

- 1 Minimizes manual procedures and saving time
- 2 Lowers cash management activities
- 3 Improve payroll efficiency
- 4 Reducing risks for both employers and employees
- 5 Improve business efficiency
- 6 Boost financial inclusion
- 7 Empowerment for vulnerable workers (including women)

Source: BSR HERProject

# This study aims to conduct country rapid assessment to help the ILO's Global Centre on Digital Wages for Decent Work



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## General Objectives

- Learn the prospects for responsible digital wage payments in Indonesia
- Identify associated opportunities and challenges
- Establish a baseline
- Generate actionable insights to facilitate the transition

## Specific Objectives

- Identify the costs, benefits, risks, opportunities, and distributional implications of the transition for the stakeholders.
- The workers analysis will be viewed from two perspectives: workers as the wage earners and consumers/users of financial services.
- Informs the development of action plans adapted to local circumstances, including phased objectives to promote responsible digital wage payments.

# Methodology

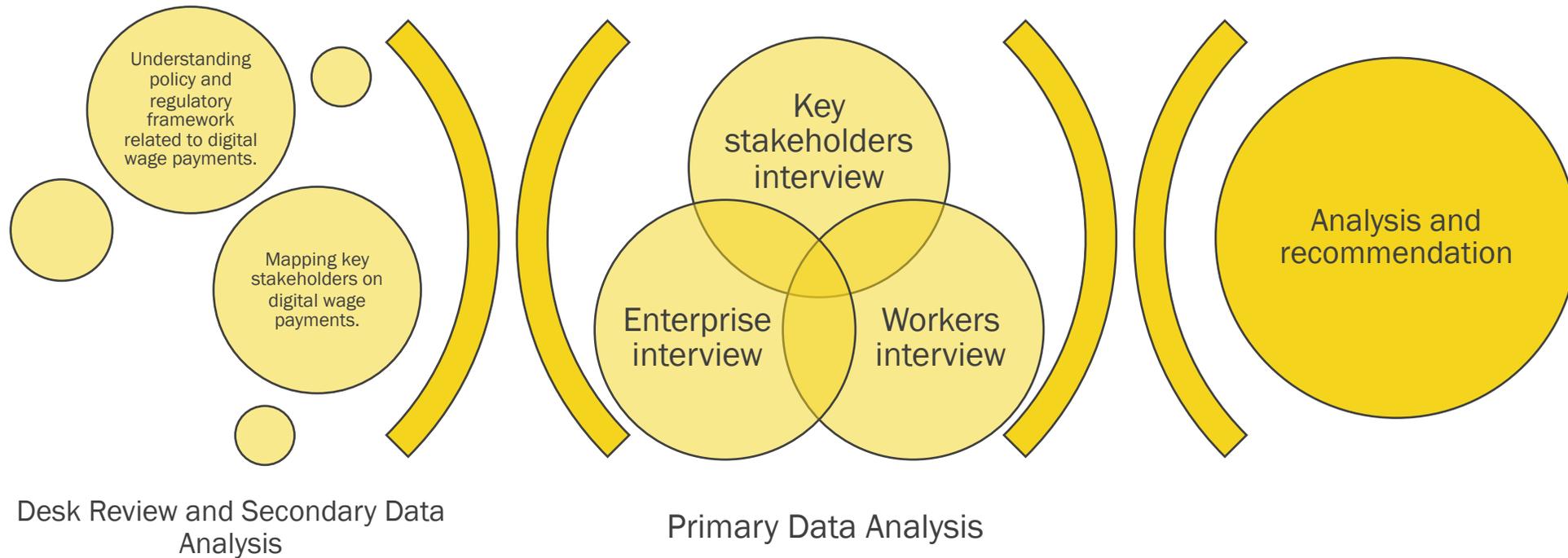


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# Methodology and Limitations



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## Survey Sample

### Survey Enterprises (21 Enterprise):

- 12 Garment, 9 Retail
- 14 small, 7 medium
- 60% Java, 20% Sumatera, 20% Sulawesi

### Survey Workers (110 Workers):

- 51 male, 59 female
- 93 cash only, 17 digital wage (whether digital only or hybrid)

## Data Collection Tools (Computer Assisted Method)

Key Stakeholders : Structured In-depth Interview

Enterprise : Questionnaire

Workers : Questionnaire

## Challenges & Limitation:

- Modify of survey area due to the difficulty in finding the respondents.
- The reluctance of the majority of respondents for participating in the survey from both employer and workers.
- Long working hours in retail and garment resulting difficulties in interview scheduling
- The sample size may not be enough to represent the whole population of garment and retail sectors in Indonesia.



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# Key Findings

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# In-depth Interview



**The GoI has been responsive and proactive, accelerated by the COVID-19 pandemic**

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### Bank Indonesia

- Regional Digitalization Acceleration and Expansion Teams (TP2DD): acceleration and expansion of digitization
- Non-cash campaign
- Launching of a Quick Response Code Indonesia Standard (QRIS)

### Ministry of Manpower

- Wage subsidy: fully digital
- Preparing Siapkerja.id

### Ministry of MSME and Cooperation

- Digital onboarding for MSMEs

Despite fully realized the benefit of digital wage payments, there are challenges hindering the transformation process

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### Digital infrastructure

- Uneven ICT infrastructure within and across regions.



### Digital ecosystem

- A significant portion of the society, particularly where the ICT infrastructure is still underdeveloped, continued to prefer cash payment methods for their daily transactions.



### Internet Penetration

- Between 2015 and 2019, the proportion of internet users in Indonesia increased from 21.98% to 47.69%, suggesting around 130 million have access to the internet in 2019.
- Indonesia ranks **74th** out of **120** countries for “Internet Readiness (Economist Intelligence Unit)



## For employers' organisations with members mostly large enterprises firms, there is no major challenge in adopting digital wage payment

Members of employers' organization are mostly larger enterprises that have been using digital wage payments for a long time.

- Members who still pay their workers in cash are in remote areas that have lack ICT infrastructure or those with small business sizes.

Two stakeholders responsible for a successful transition to digital wage payment, according to employers' organisations: **Gol and business owners.**

- The Gol: providing infrastructure for digital wage payment
- Business owners: communicating the use of digital payment to their workers



## Financial service providers are prepared to assist SMEs in adopting wage digitization

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- ▶ Currently, there is no specific program or product related to digital wage payment created specifically for SMEs, Nonetheless, there are two ways that SMEs could use banks' services related to wage payment: **payroll or internet banking**.
- ▶ For **payroll services**: SMEs need to register their business for payroll service, including complete information on their workers, to the bank. Each month, enterprises update their internal database related, particularly the workers database, before the payday. Bank will automatically transfer the wage to the workers' account.
- ▶ For **internet banking**, business owners transfer wages from their account directly to workers' account.
- ▶ As an alternative to cash payment, enterprises could also **utilize electronic money (e-money)** as a mean of payment. To use this service, SMEs need to be aware of the deposit limit for each type of user (registered and unregistered user).
- ▶ There is also a payroll system provider that could assist SMEs in digital wage payments



## Workers organizations support wage digitization as long as workers are happy

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Most workers' organizations members, who are workers working in enterprises, already adopted digital wage payments, mainly bank transfer.

- The positive impact that they experience are **transparency**, which potentially provides a guarantee against wage theft, **efficiency** with reduced manual processes, and the **elimination of cash handling management**.

Workers' organization main agenda remains to increase the minimum wage such that workers can live a decent life based on decent living standards.



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# Survey

# Employers' General Characteristic



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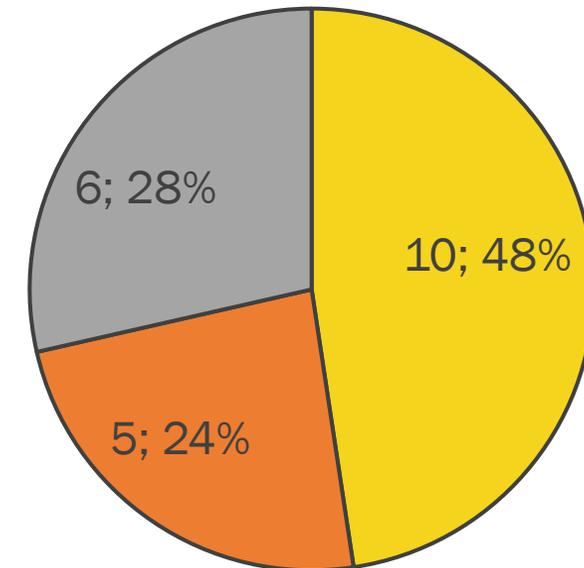


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Detailed Enterprise Respondents based on Size and Sector

|        | Garment       | Retail        |
|--------|---------------|---------------|
| Small  | 9 enterprises | 5 enterprises |
| Medium | 3 enterprises | 4 enterprises |

Wage Payment Method (Enterprise Survey)



■ Cash
 ■ Transfer
 ■ Mixed

Source: LPEM (2022)

## Employer Perspectives: As business go bigger, digital wage payment becomes more prevalent



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There is a general pattern that **as the size of the business grow**, indicated by a higher number of employee, **the chance that the enterprise implements digital wage payment also become higher.**



The main reason behind this pattern is that the **benefit of using digital payment is more substantial when the enterprise is bigger.**



# Employer Perspectives

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It doesn't take long, I just have six employees, it doesn't even take one hour for me to calculate and disburse their wage

- ▶ Y, male owner, UD Indo Lestari, retail, cash wage payment

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“ We realized that our company wasted quite a lot of time calculating wages in cash. Therefore, we are transitioning to digital wage payment because it helps company's performance effectiveness.

- ▶ L, female owner, ZLT by Zelia, garment, digital wage payment

# Employer Perspectives: Business process matters in the implementation of digital wage payment



▶ Another factor that influences the owner's preference is **the frequency of wage payment**.

▶ Furthermore, **payment method from the customers** also affect the decision of using digital wage payment.

- For instance, a grocery store that receives most payment from its customers in cash would have less incentive to switch to digital wage payment since they could **use the money from customers to pay their workers** and will not be bothered to withdraw cash from ATM or bank's branch.



# Employer Perspectives

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Nah, I do not need to go to the ATM or banks every time I want to disburse our worker's wage. I could just use the cash in our safe that we receive from our customers

- ▶ D & H, female and male owner, Toko Maju Baru, retail, cash wage payment

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The transfer fee would be significant if I use transfer payment, since I pay my workers weekly

- ▶ ISJ, female owner, Gayana House, garment, cash wage payment

# Employer Perspectives: Reluctance from workers is the biggest challenge



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**Most of the business owners** stated they are **willing to digitize wage payments**. Yet, they still use cash payment due to the reluctance of the workers.



Low acceptance of digital payment in the nearby area.



Withdrawal cost that deemed expensive by the workers.



Cost of holding bank account, such as minimum initial deposit, minimum balance, monthly fees.



Other needs of workers, such as giving some proportion of their wage to their family who does not have a bank account.



# Employer Perspectives

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Personally, we do not mind transferring their wage using bank transfer, but what could I do if they do not want it?

- ▶ D, male owner, CV. Putra Maricaya, retail, cash wage payment

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I could understand if they do not want to be paid digitally, just think about it, the minimum requirement balance is IDR500,000 in BCA, and then they have to pay for gas and also parking fee, not to mention if the ATM is out of service, they have to find another ATM and thus pay the parking fee again.

- ▶ DS, female owner, CV Dewi Sri Amudrasidi, garment, cash wage payment

# Wage Disbursement Process



# Workers' Perspective



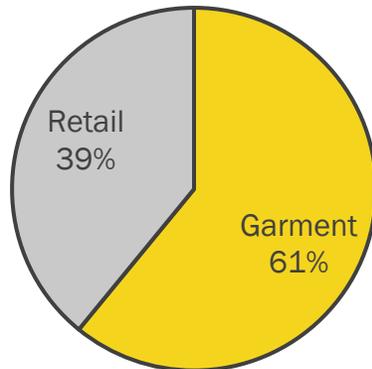
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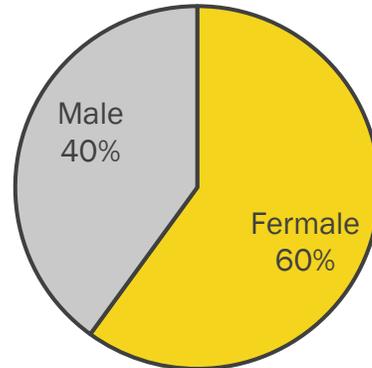


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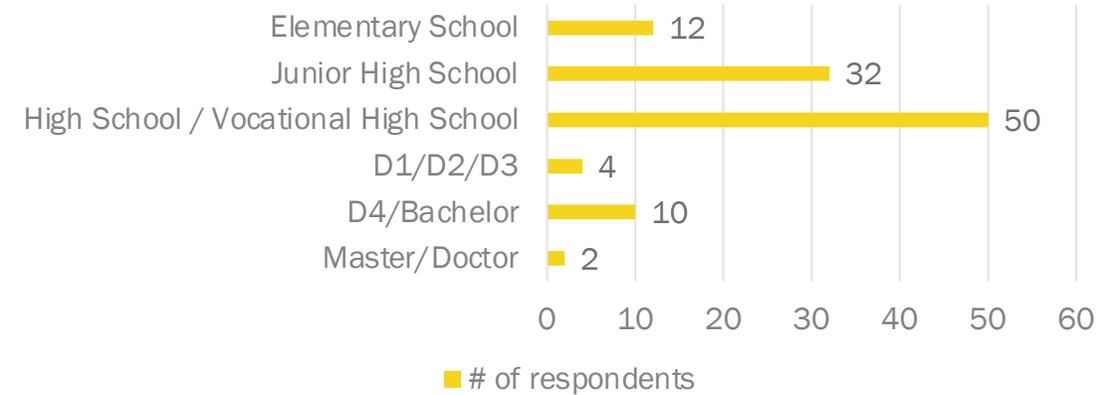
Sector



Gender



Highest Educational Attainment



| Location       | Number of Respondents |
|----------------|-----------------------|
| West Java      | 46                    |
| Banten         | 32                    |
| West Sumatera  | 12                    |
| South Sulawesi | 12                    |
| East Java      | 4                     |
| Jakarta        | 4                     |
| <b>Total</b>   | <b>110</b>            |

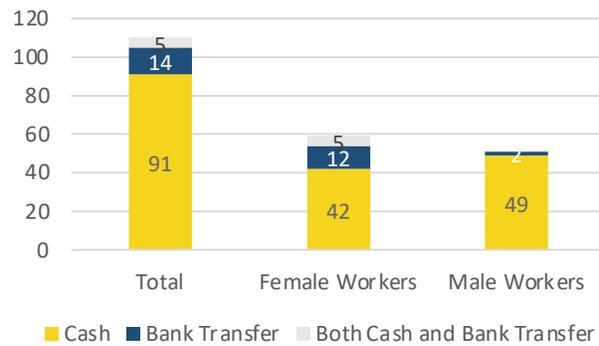
Field of Work



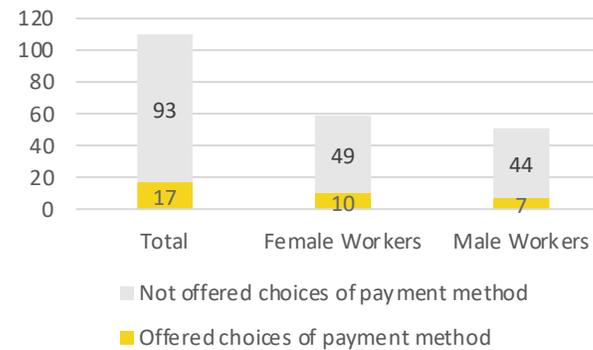
# Most of the respondents are paid in cash and they were not offered choices on how to be paid



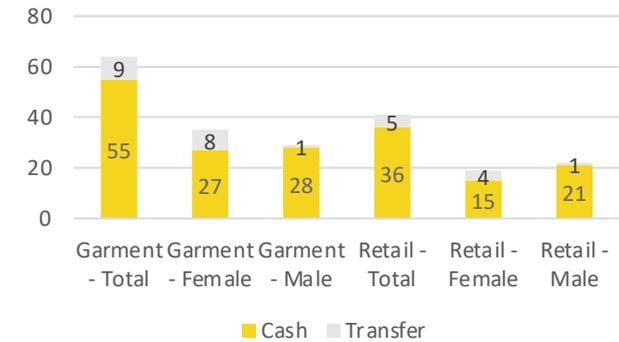
### Wage Payment Method



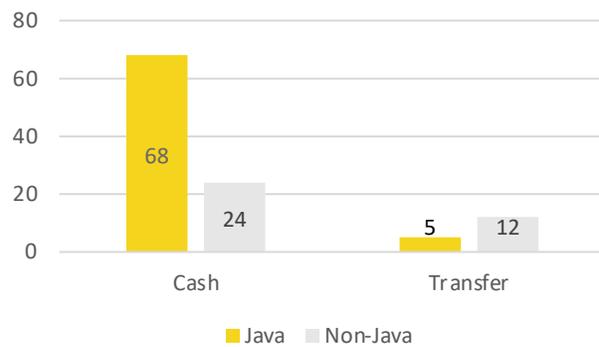
### Determination of Wage Payment Method



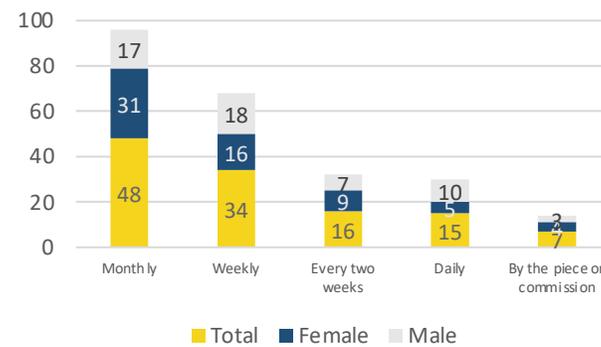
### Wage Payment Method by Sector



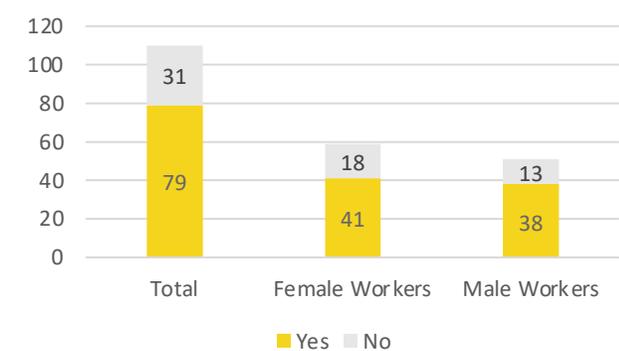
### Wage Payment Method by Region



### Frequency of Pay



### Are Workers Getting Enough Pay?



Mobile phone and internet penetrations are already prominent among the garment and retail workers, which suggests important opportunity for mobile wage payments along with the infrastructure and regulation support



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### Access to Mobile Phone

- Almost all the workers have their own mobile phone (103 out of 110). In addition, about 104 of the workers use the internet in their daily activities.
- About 80 of 92 workers did not have difficulties using phones. However, about 14 of 110 respondents have challenges using a mobile phone, and they usually consult the problems to other workers or go to the mobile phone service counters.



### Access to Computer

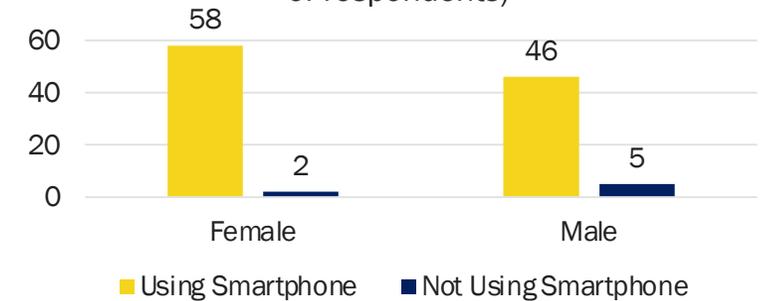
- Only about 32 of 110 workers have used computers (desktop, laptop, or tablet), and some of them reported that they usually use the PC device at their workplace. Six workers did not use the internet since they did not have any access to the smartphone.



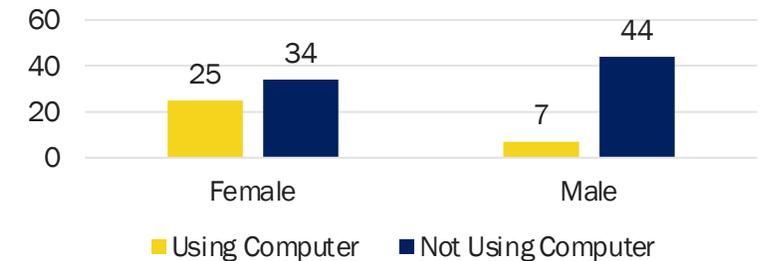
### Consumer Protection

- 90 of 110 workers were aware they had inadvertently provided financial information in response to an email or phone call they later learned was not the true caller.
- As much as 15 of 110 workers have complained or felt the need to complain about the problems (technical and non-technical) they faced while using financial services, and not satisfied with the responses from the financial services provider since they overcome the problems by themselves.
- About 70 of 110 workers search for information online to know more about financial services.

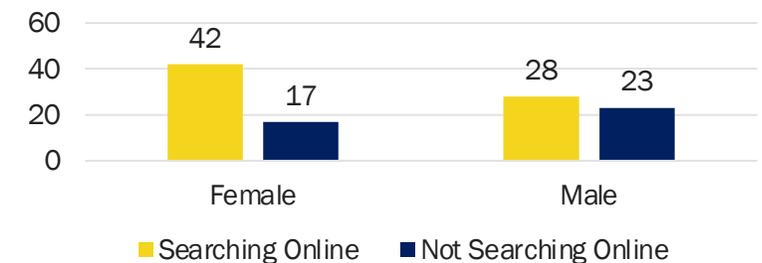
Access to Smartphone / Internet (number of respondents)



Access to Computer, Laptop, or Tablet (number of respondents)



Access to Online Financial Services Information (number of respondents)



**From the perspective of workers with a digital wage payment system, they prefer to be paid by bank transfer or digitally because of some benefits: more accessible to receive money, faster, provide higher safety level than using cash, and flexible**

**Main issues that should be discussed to overcome the problems experienced by workers:**

What to do if they lose their phone, card, or cannot access bank accounts

How to keep bank account information confidential

How to safely deposit money in a financial institution account

*Nonetheless, on average workers needs to pay around IDR 5-10 thousand to access their wages. The cost consist of transportation and administrative & withdrawal fees.*



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## Workers' perspective:

I am satisfied with digital payment because it makes it easier to save money [so that it will not be easily spent]; if money is available in cash, there are other possibilities for spending more money on unnecessary needs.

▶ W, female worker, retail, 27 years old, digital wage payment

Digital payment of wages has the advantage that security is more secure because you don't have to hold large amounts of cash and the payment process is faster.

▶ N, female worker, retail, 25-34 years old, digital wage payment

**Workers with non-digital wage perspective tend to be less satisfied in shifting to the digital wage payment since they need the cash or money on hand to support their daily economic transaction and have no knowledge or access to financial services**



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To increase the workers' satisfaction and lower the worries of being paid digitally, the workers need support and information from several aspects:

How to save money  
in a financial  
institution

What to do when  
workers lose their  
phones, cards, or  
cannot access the  
bank account

How to withdraw  
cash from the bank  
account

How to check bank  
account balance

How to transfer  
money to other  
people/other  
accounts.

**Workers perspective:**

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From my perspective, digital payment of wages is more secure and effective than cash payment. Nevertheless, I am worried about paying a hefty bank administration fee.

▶ N, female worker, retail, 33 years old, cash wage payment

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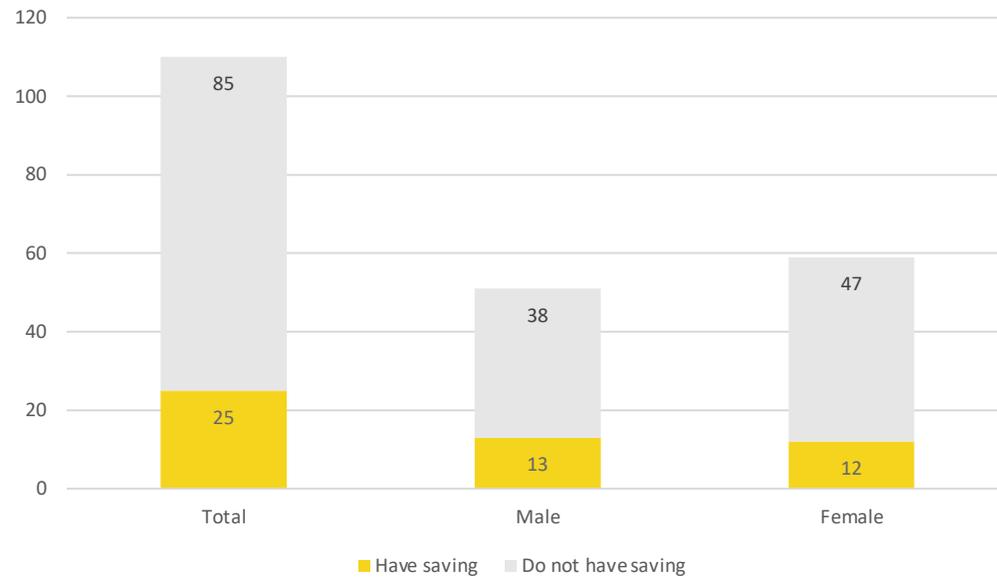
Digital wage payments are faster, although I doubt the data security aspect because several cases of bank account hacking surround me.

▶ F, male worker, retail, 21 years old, cash wage payment

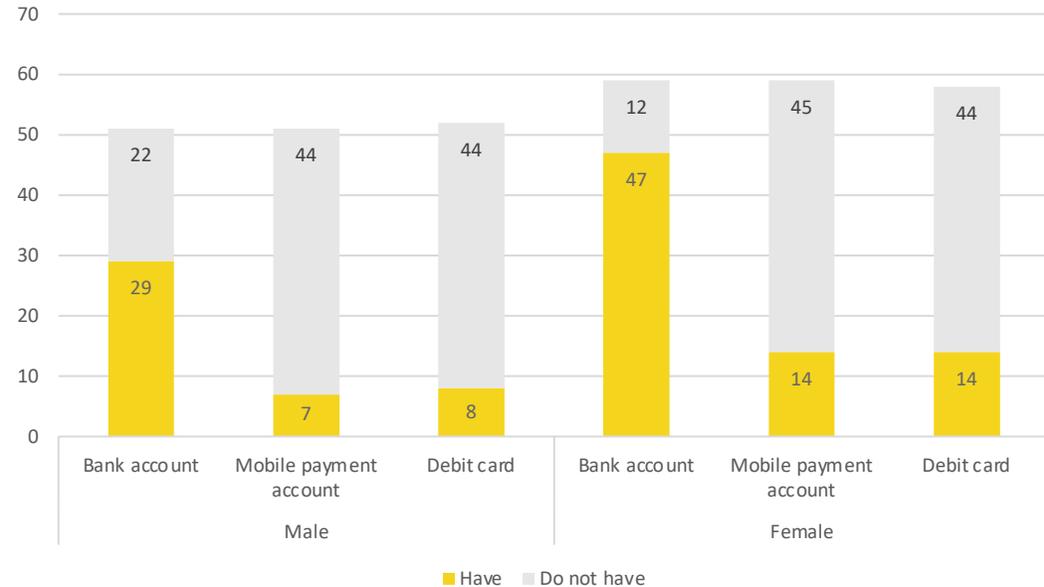
# A few workers have savings in cash, while other forms of savings are even smaller



### Saving Ownership



### Account Ownership



## Workers' perspective:



It's hard to save [money]. [I] want to buy a vehicle but pandemic hits and work orders have dropped.

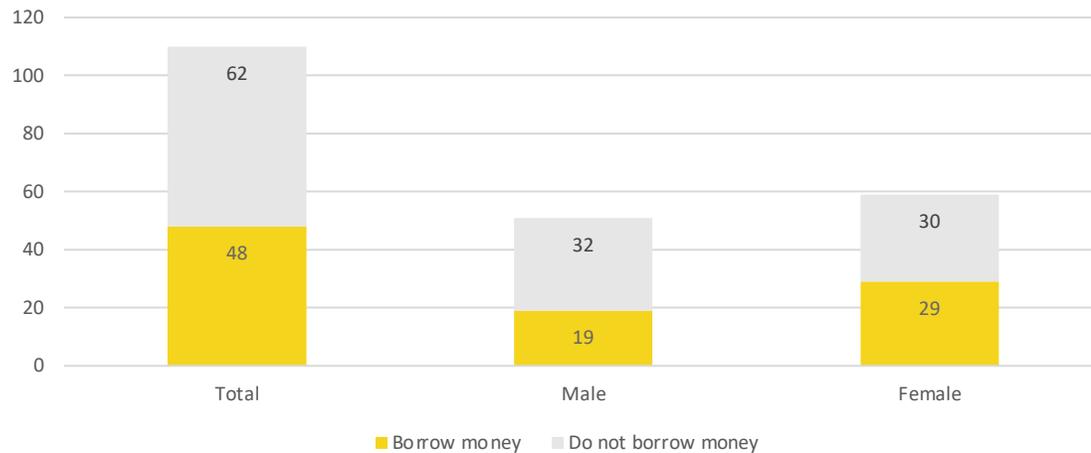
▶ I, male worker, garment, 52 years old, cash wage payment

Source: LPEM (2022)

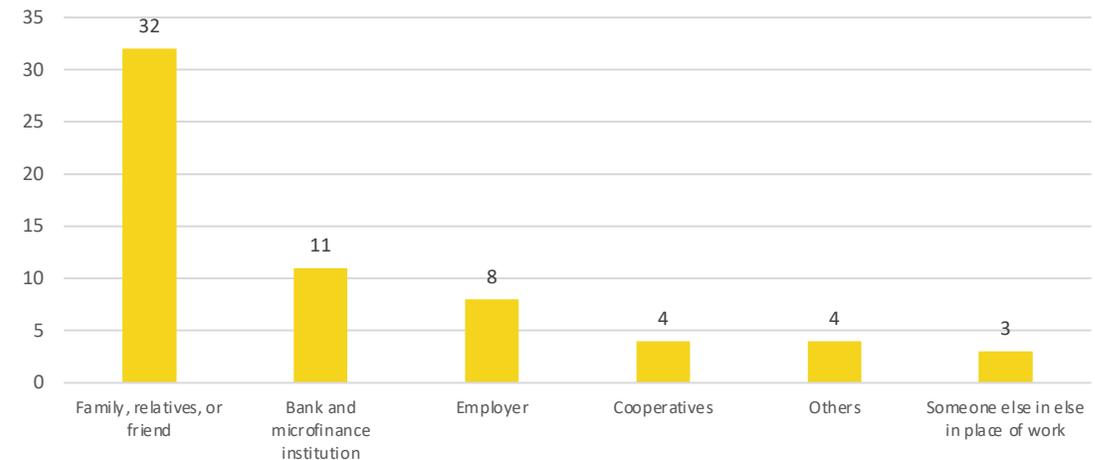
# Some workers had ongoing loans in the last 12 months and prefer to borrow from informal source



Borrow Money



Source of Loan



Source: LPEM (2022)

## Workers' perspective:



I borrowed money from my boss [employers] as there is no condition and he could cut my next salary [for paying the loan]. Simple.

▶ AH, male worker, garment, 19 years old, cash wage payment



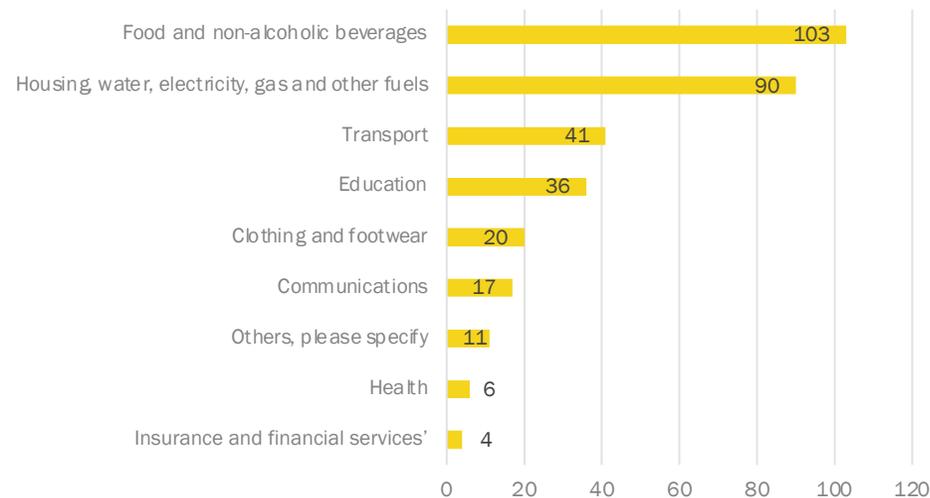
I took loan from the bank and there was no problem. I am quite satisfied with the interest offered and the amount is sufficient to cover my needs.

▶ W, female worker, retail, 27 years old, digital wage payment

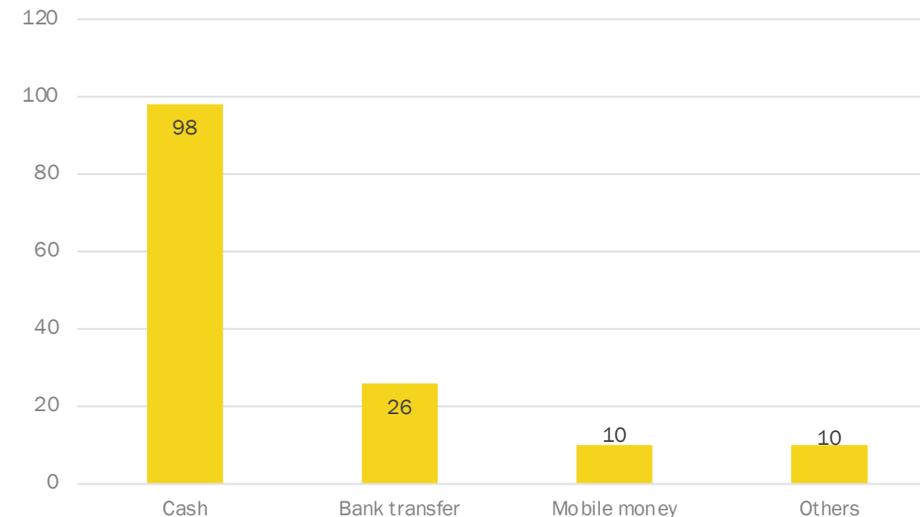
# Food, housing, and utilities are main expenditure for workers' households and paid in cash.



Largest Expenses in the Budget



How to Pay Expense



Source: LPEM (2022)

## Workers' perspective:



[It is] Easy to pay for necessities with cash, no significant obstacle

▶ A, male worker, garment, 35 years old, cash wage payment



I paid the most for food and daily necessities. I paid by transfer. I think it's easy and efficient, in the future I'm sure payments will be easier by transfer or other technology.

▶ N, female worker, retail, 31 years old, digital wage payment



# Recommendations

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# Immediate Policy Actions ( $< 1$ year)



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Collaboration between the Financial Services Authority (OJK) and other implementing agencies to promote program (e.g., Laku Pandai) particularly to workers and employers.

No provision for the initial deposit, minimum balance per month, or administrative fees

Access to account should be suitable for workers working in these two sectors (e.g., garment and retail)

Collaboration between FSPs and employers to build capacities of workers to use digital financial services.

Data security

How to optimize digital technology (e.g., digital bank, e-wallet, digital transfer) for daily activity

Providing access to workers or enterprises that have not adopted or included in the digital payment ecosystem

# Short-to-medium- term recommendations (1-3 years)



## Providing payslip

- Regulation that make it obligatory for employers to issue payslip to their workers before or on the day of receiving pay

## Creating tailored made programs that are fitted to the characteristics of MSMEs

- Aggressively promote Laku Pandai program for workers as it does not require workers to go to the nearest banks and provides a basic account service with low costs
- Continue to support MSMEs in Indonesia to use digital platforms.

## Encouraging the transition into digital payment

- Garment and retail sectors can be the first two sectors that transition towards responsible digital wage payments.
- Creating a system such that MSMEs and consumers are more familiar and used to digital payments.

## Improving the digital ecosystem (e.g., services, infrastructures, and security)

- Improving the digital payment infrastructure.
- Building reliable network, system capacity, and procedure on failed transactions.

## Regular dialogue and discussion among stakeholders

- Engage employers' and workers' associations and the GoI in social dialogue on promoting responsible digital wage payments.

## Targeted support and policies for women worker

- Assistance in access to credit or other financial services (World Bank, 2016)
- Education to enhance digital literacy tailored for women (J-PAL, 2020)

# Medium-to-long term recommendations (3+ years)



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**Policies to build an enabling environment for MSMEs to formalize and grow, including using digital technology.**

- In most cases, bigger enterprises will automatically switch to the digital wage payment

**Collaboration between the Government, MSMEs, financial services providers, and related workers' and/or employers' organizations.**

- Building integrating payment and transaction systems
- Build a coherent ecosystem and all stakeholders need to be part of transition to responsible digital wage payments agenda
- Learning from other MSMEs that have adopted digital wage payment

**Improving financial and digital literacy**

- Improving financial and digital literacy to enable workers and employers to adopt and use effectively digital wage payments and associated financial services

**Building a secure digital economy ecosystem and increasing trust towards digital and financial services.**



# Conclusions

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# Conclusions



This study becomes the first research that explores the prospects for responsible digital payments in Indonesia.

- Even though this study may not represent the whole population of MSMEs in the country, it provides **lengthy information** gathered from a different point of view that can be used as an alternative policy to accelerate the digital wage transformation.
- Future studies need to be done, especially in selecting enterprises in **alternative sectors (e.g., farm or plantation) as a study case**. These sectors may differ from enterprises in the garment and retail sectors and may provide alternative perspectives.

This study focuses more on digital wage payment, yet the findings and policy recommendations from this assessment may have implications on other aspects.

- Policies to increase MSMEs' size that led to the adoption of digital wage payment may increase the **contribution of MSMEs in Indonesia**.
- Moreover, this transformation may accelerate the **formalization of the informal sector**.
- This progress towards a digital wage payment ecosystem may create a society and economy that could provide **decent wages and decent work for workers**.



# Thank you

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# Annex

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# Country Context

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There are three main regulators for digital payment platforms in Indonesia: Bank Indonesia, Indonesia Financial Services Authority (OJK), and Ministry of Communication and Informatics (MoCIT)



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### Central Bank of Indonesia (Bank Indonesia)

- Payment gateways
- Principals
- Switching companies
- Clearing houses
- Settlement agencies
- Cryptocurrency
- National Payment Gateway



### Financial Services Authority (Otoritas Jasa Keuangan)

- Digital banking
- Data security
- Consumer protection
- Peer-to-peer lending
- Crowdfunding
- Insurtech
- Fintech in capital markets
- Venture capital
- Online financing



### Ministry of Communication and Informatics (MoCIT)

- Telecommunications
- Information technology
- Fintech aspects under information technology

## Government of Indonesia provides several regulations to support digital payment ecosystem, improving the consumer protection, and enhancing financial inclusion



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### Indonesia Payment System Blueprint 2025 by Bank Indonesia

- Open banking
- Retail payment system
- Market infrastructure
- Data
- Regulatory, licensing, and supervision

### Bank Indonesia Regulation No. 22/20/PBI/2020 Concerning Bank Indonesia Consumer Protection

- Strengthening consumer protection by monitoring market conduct will ensure implementation of the seven Consumer Protection Principles by service providers
- In terms of consumer protection, the critical role of Bank Indonesia as regulator aims to create and maintain a level playing field between service providers and consumers, thus ensuring equity and equality between service providers and consumers.

### Ministry of Communication and Information Regulation No. 20/2016 on Personal Data Protection in Electronic System

- Digital application should write consent in processing the personal data. The consent must be in writing and can be provided manually or electronically. The consent should be in the Indonesian language, although there is no prohibition in having it in a bilingual format.

### OJK Regulation No.76/POJK.07/2016 on Raising Financial Literacy and Inclusion in the Financial Services Sector among Consumers and/or the Public

- Support for the implementation of SNLKI strategic programs: increasing the financial competence, behavior, and access with three goals: increasing the education and national campaign on financial literacy, reinforcement of financial literacy infrastructure, and development of financial products.

### OJK Regulation No.12/POJK.03/2018 on the Implementation of Digital Services by Commercial Banks

- All banks that wish to issue electronic/digital products must request permission from OJK. Banks must emphasize product innovation, cooperation with partners, and digital processes to ensure better services for customers and effective risk management.

**The government through Bank Indonesia compiles The Indonesia Payment System Blueprint 2025, which aims to build an integrated ecosystem of digital economy and finance in Indonesia.**



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Bank Indonesia developed infrastructures and system that supports the real-time availability of payment services in 24 hours and 7 days (24/7) with reliable end-to-end security and an efficient system and support optimization of interconnection and interoperability of the retail payment system

**BI-FAST**

Provides cheaper transaction costs by two price schemes, the price from BI to service provider (IDR19 per transaction) and the price from service provider to customer (maximum of IDR2,500 per transaction).

**GPN**

(Gerbang Pembayaran Nasional)

Facilitate government programs such as distributing non-cash social assistance, Public to Government (P2G), toll road electronification, electronification of transportation modes, supporting transactions in national e-commerce, and increasing financial inclusion.

**QRIS**

(Quick Response Code Indonesian Standard)

Encouraged to expand the acceptance of non-cash payments more efficiently, especially for merchants and consumers. By using a single QR Code standard, merchants do not need to acquire different types of QR Codes from various providers.

# Responsible Payment of Digital Wage should become the important aspects of wage payments



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In the circumstances of the COVID-19 pandemic, the transformational power of digital payments will be critical in regenerating economies following the epidemic's devastation, particularly for females who are heavily impacted.

## Nine criteria guide the responsible payment of digital wages

- |   |  |  |
|---|--|--|
| 1. Treat users fairly                       | 2. Protect and make funds accessible           | 3. Prioritize women                                |
| 4. Protect client data                      | 5. Design for individuals                      | 6. Be transparent (particularly regarding pricing) |
| 7. Provide user choice via interoperability | 8. Make recourse clear, quick, and responsive; | 9. Advocate for value chain accountability         |

## Wage Payment Regulations in Indonesia are focused on the non-discriminatory wage payment, minimum wage, and channel of wage payment



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| Regulation   | Main Points   |
|--|---|
| Act of the Republic of Indonesia No.80/1957 Concerning Ratification of International Labour Organization Convention No. 100 Regarding Equal Remuneration for Men and Women Workers for Work of Equal Value | Wage between female and male employees in the same function and work category should be equal.  |
| Law of the Republic of Indonesia Number 13 of 2003 concerning Manpower   | <ol style="list-style-type: none"> <li>1. Equal opportunities and treatments for every employee.</li> <li>2. The minimum wage is based on the decent living standard and economic growth at the subnational level.</li> <li>3. Ensuring welfare facilities for employee and their family.</li> <li>4. Protecting employees with disability.</li> <li>5. Prohibition of child labour.</li> <li>6. Work safety guarantee, industrial relations.</li> </ol>  |
| Regulation of the Minister of Manpower of the Republic of Indonesia No. 1 of 2017 concerning Wage Structure and Scale  | Enterprises are required to determine the wage structure based on employees' levels and competencies.   |
| Government Regulation of the Republic of Indonesia Number 36 of 2021 concerning Wages  | <ol style="list-style-type: none"> <li>1. Minimum wage is determined based on economic and labour conditions.</li> <li>2. There are upper and lower limits of province minimum wage.</li> <li>3. Exemption of MSMEs to pay the minimum wage: only for traditional, non-tech, and not labour intensive.</li> <li>4. Overtime wages must be paid by the Enterprise.</li> <li>5. Ensure that employees get the right to take paid leave for specific reasons.</li> <li>6. Wages may be paid to workers/laborers in person or through banks.</li> <li>7. In the event that the Wages are paid through a bank, the wages shall be cashable by the workers/laborers on the date of wage payment agreed by both parties</li> </ol> |

Indonesian wage payment policy has previously taken non-discrimination and equality into account, yet there is still potential for improvement



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## Non-discrimination Wage Policy

Republic of  
Indonesia  
No.80/1957  
Concerning Approval  
of International  
Labour  
Organization's Equal  
Remuneration  
Convention, 1951  
(No. 100)

- The government, laws, labour agreements, and wage-setting agency aim to guarantee an objectively equal remuneration system for male and female employee to perform work of equal value

Republic of  
Indonesia's Law No.  
13 of 2003 on  
Manpower

- Ensure that every worker has equal opportunities without discrimination to get a job and is entitled to equal treatment without discrimination by employers

## Gender Wage Gap in Indonesia

Women are majority represented in the primary and manufacturing sectors.

Female employee earns 23% less than male on average (BPS Labour Force Survey, 2020).

Gender wage gap in average monthly wages was 15.72% in 2019 (ILOSTAT).

The establishment of a digital ecosystem to support the increase in non-cash payments certainly requires supporting infrastructure. Telecommunication and banking infrastructures will play an essential role in promoting digital payment, including digital wage.



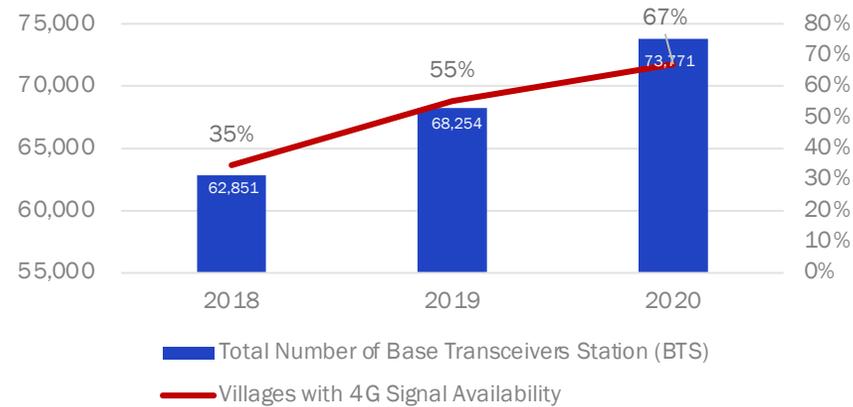
International Labour Organization

Global Centre on Digital Wages for Decent Work

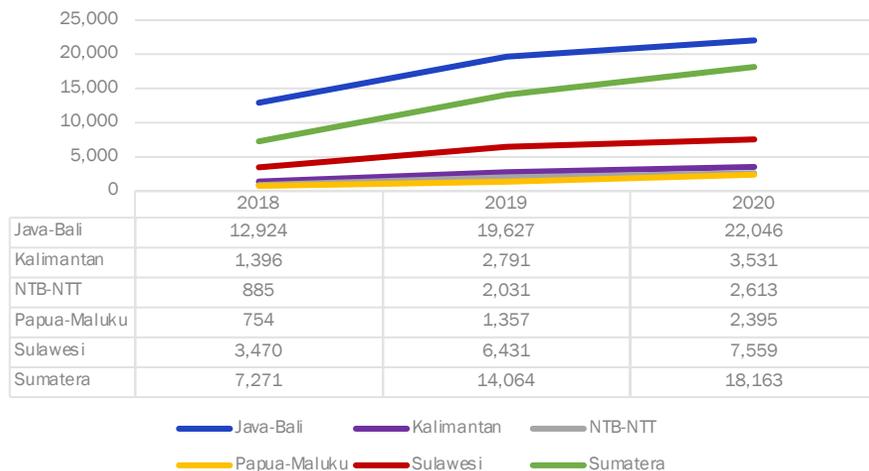


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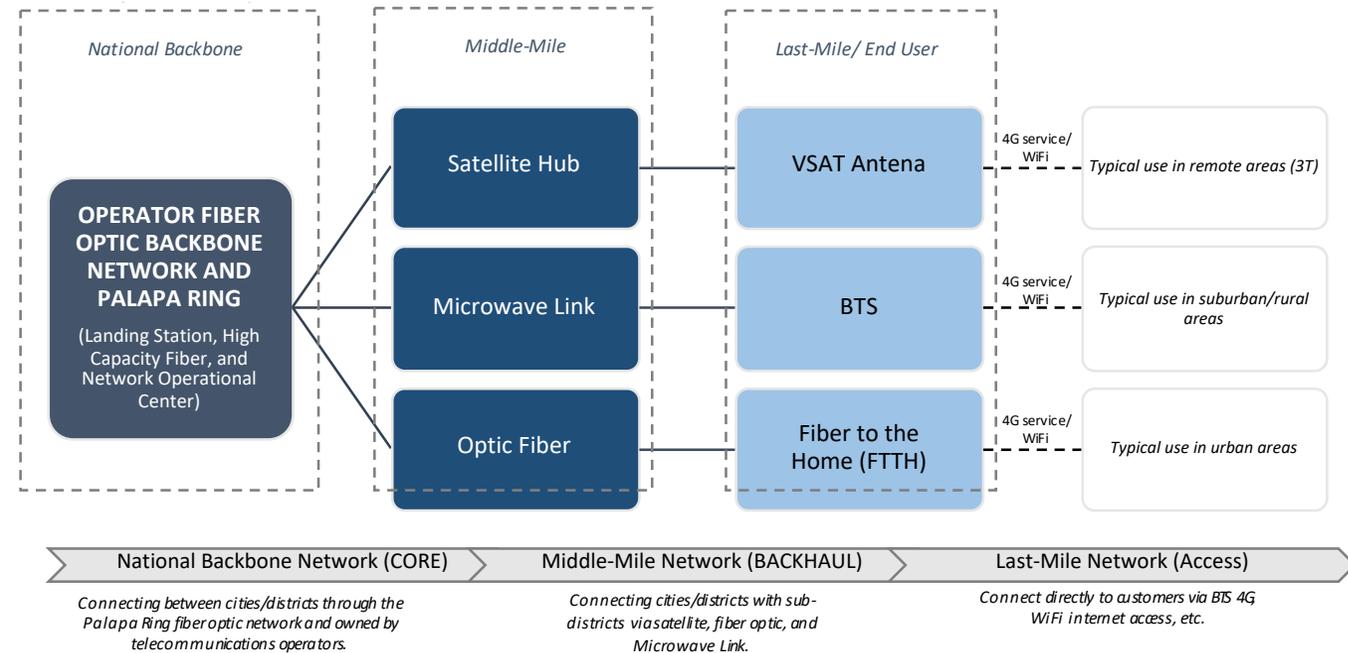
Number of BTS and Villages with 4G Signal (2018-2020)



Number of Villages with 4G Signal, based on Island disaggregation (2018-2020)



Layers of Telecommunications Infrastructure in Indonesia

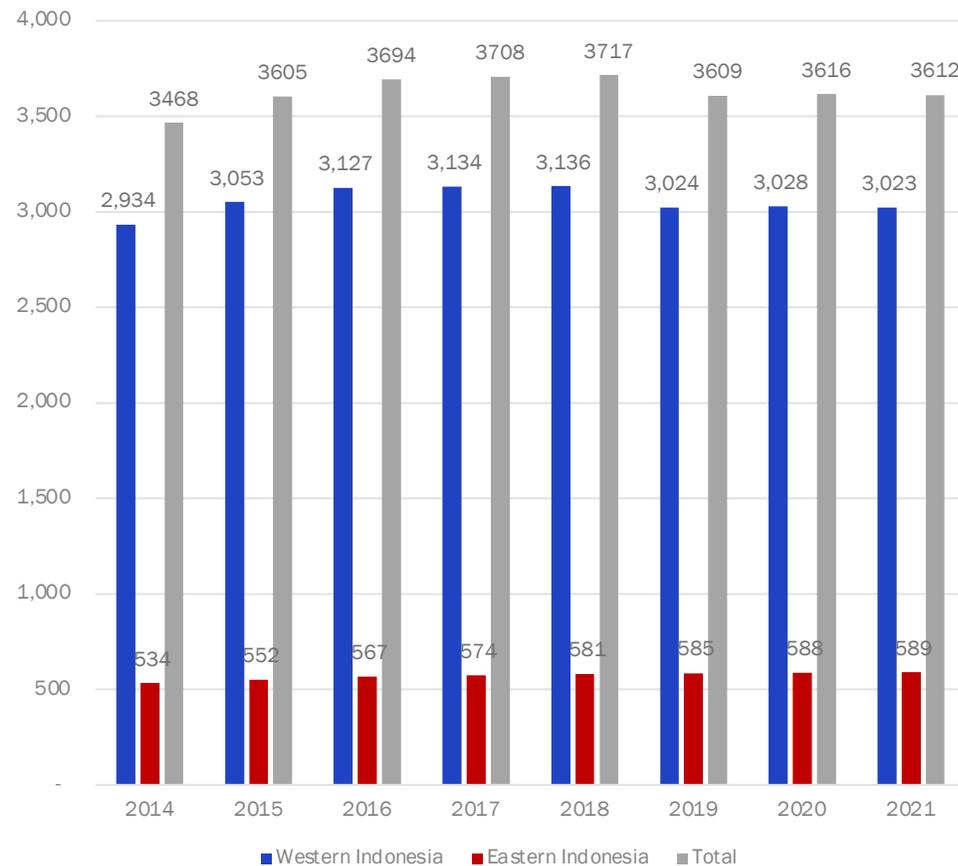


- Through the Ministry of Communication and Informatics, Indonesia launched the Palapa Ring project, which builds fibre optic and microwave radio channels to improve information and communication connectivity.
- For the last mile, the government established a Base Transceiver Station (BTS) and upgraded the existing BTS to 4G BTS.

Unequal bank branch distribution and high transaction costs are two fundamental reasons for the Indonesian government to embrace the agency banking model and digital bank.



Comparison of Bank Branches in Western and Eastern Indonesia (2014-2021)



### Laku Pandai

- Provides banking or other financial services through collaboration with other parties (bank agents) and is supported using information technology facilities.
- Can be access through bank agent and application on users' mobile phone.
- Provides savings with Basic Saving Account (BSA) characteristics, credit or financing to micro customers, and other financial products such as micro insurance

### Digital Bank

- Some commercial banks in Indonesia currently expand their business by established digital bank digital banks
  - E.g. Jenius by BTPN, Digibank by DBS Bank, Jago by Bank Jago, and TMRW by UOB.
- Provide banking services (including account opening, transfers, non-cash payments, etc.) through applications on smartphones without coming to the nearest branch of the bank.

# Indonesia is a potential market for e-wallet and other digital payment platforms.



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## Indonesia Digital Payment Landscape

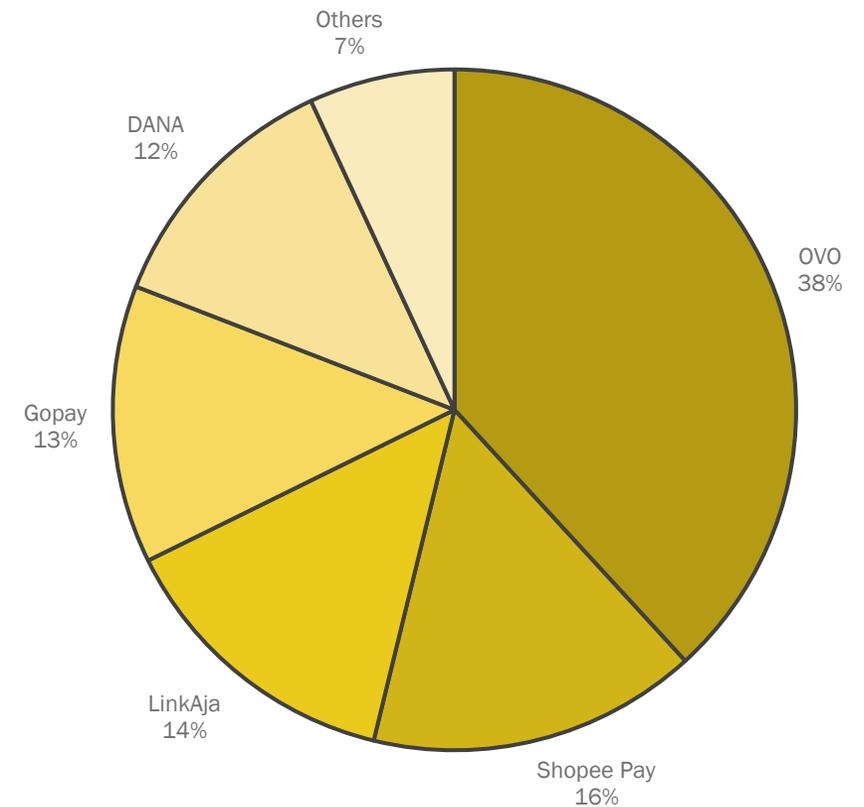
Gross Transaction Value (GTV) for digital wallets is predicted to grow from US\$ 1.5 billion in 2018 to US\$ 25 billion in 2023.

Digital wallet usage is also estimated to increase from 10% (2018) to 20% (2023) of total adults.

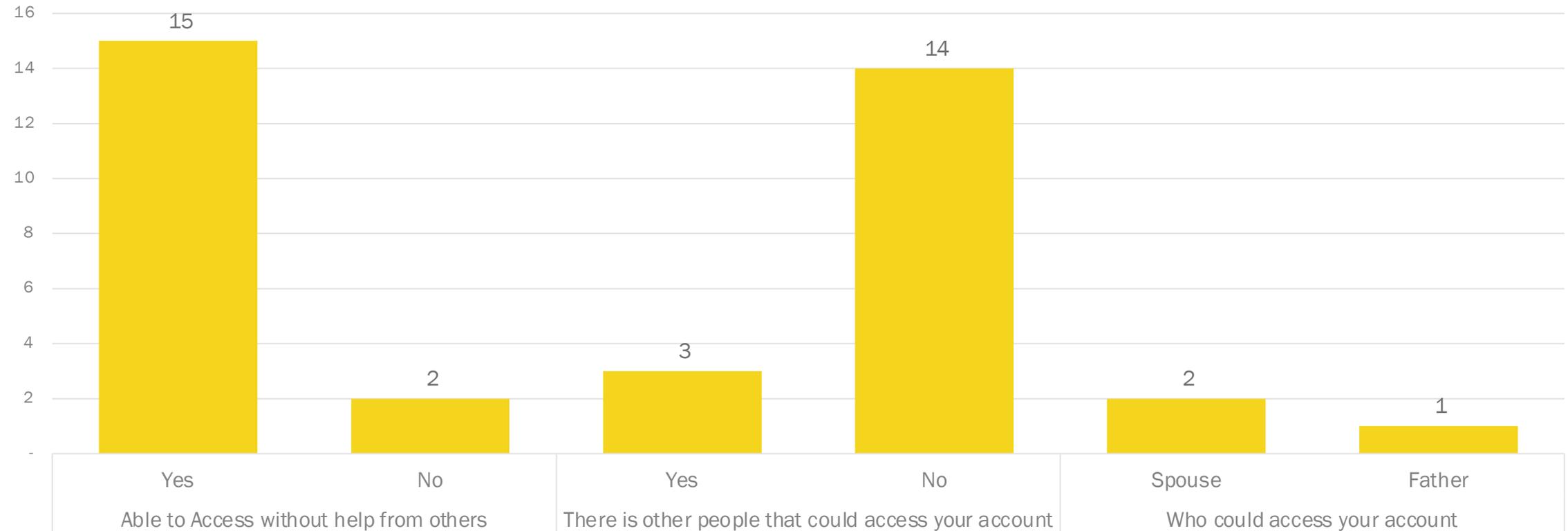
Indonesia's financial literacy stood at 38.03%, with urban financial literacy at the regional level at 41.41% and rural financial literacy at 34.53%.

Specifically related to payroll and digital wage, Indonesia has many well-known e-Payroll platforms, including Talenta by Mekari, Sleekr by Mekari, Gadjian, and GajiGesa.

## Market Share of Indonesian E-Wallet (2021)



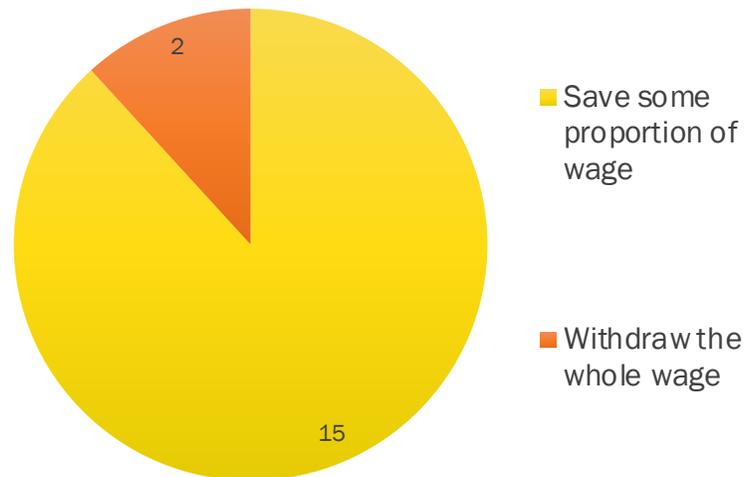
## Access to Bank Account: Majority of workers who received digital payment have access to their account without help from others.



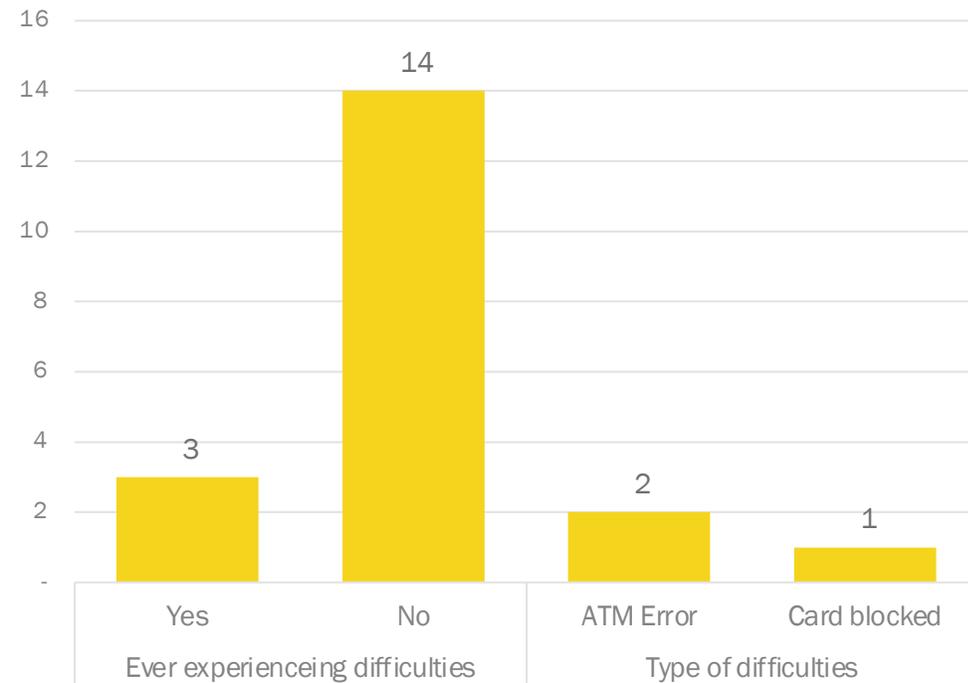
# Access to Bank Account & Withdrawal Pattern: Majority of workers who also never experiencing difficulties



### Withdrawal Pattern



### Difficulties Faced in Accessing Digital Wage

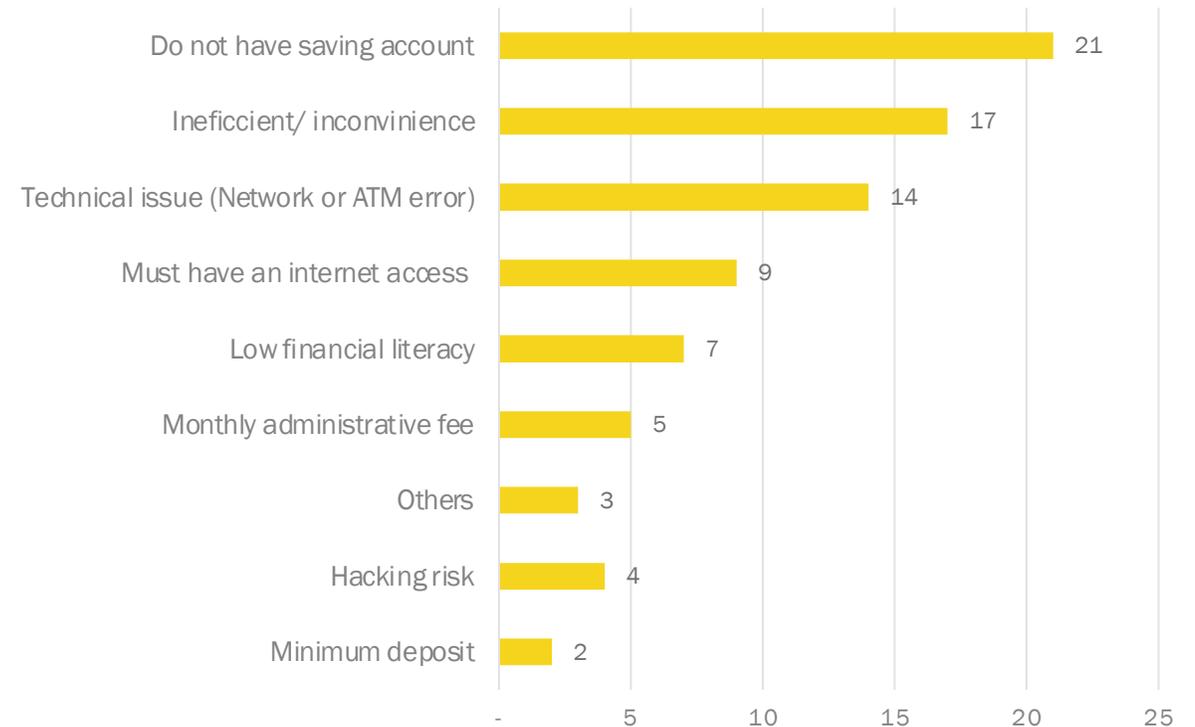
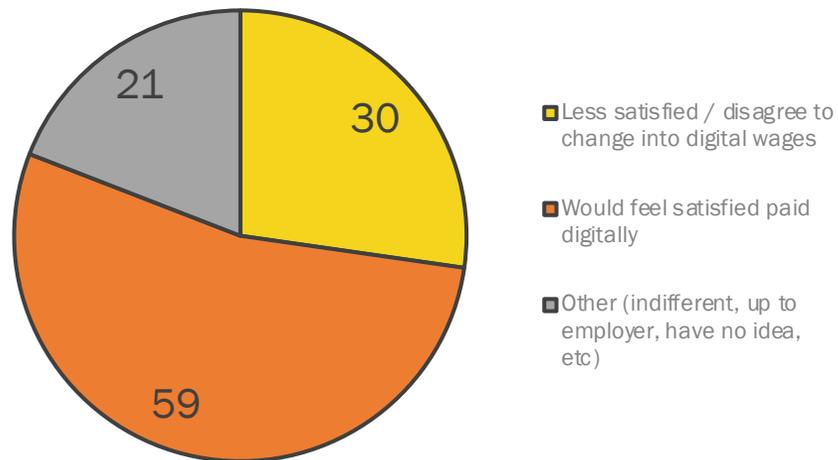




**On average workers needs to pay around IDR 5-10 thousand to access their wages. The cost consist of transportation and administrative & withdrawal fees.**

| Type of Cost                    | Number of workers who paid this cost | Average (IDR) | Minimum Value (IDR) | Maximum Value (IDR) |
|---------------------------------|--------------------------------------|---------------|---------------------|---------------------|
| Transportation                  | 10 workers                           | 5,558         | 0                   | 20,000              |
| Administrative & Withdrawal Fee | 10 workers                           | 5,676         | 0                   | 18,500              |
| Total Cost                      | 12 workers                           | 10,611        | 0                   | 28,500              |

**Majority of workers said they would be better off if they paid digitally. Meanwhile The main issue for those who disagree with digital wages transition are the possession of saving account and inconvenience.**



## The characteristics and behavior of workers as consumers and savers may represent how workers utilize digital payment in their daily activities.

*Most workers make their own decision related to financial decisions.*

- About 89 of 110 of workers make decision for the money they earn (the proportion for female workers is higher than males).
- About 72 of 110 workers make decision about money in the household (the proportion for female workers is higher than males).
- The others determined by other family members, such as spouses or parents.
- Workers note that both decision-making by themselves or other family members has no significant problem.

**I manage my household finances. I feel happy because all expenses depend on me.**

▶ L, female worker, garment, 25 years old, digital wage payment

**My partner manages daily finances because she knows better what he needs to buy everyday.**

▶ S, male worker, retail, 43 years old, cash wage payment

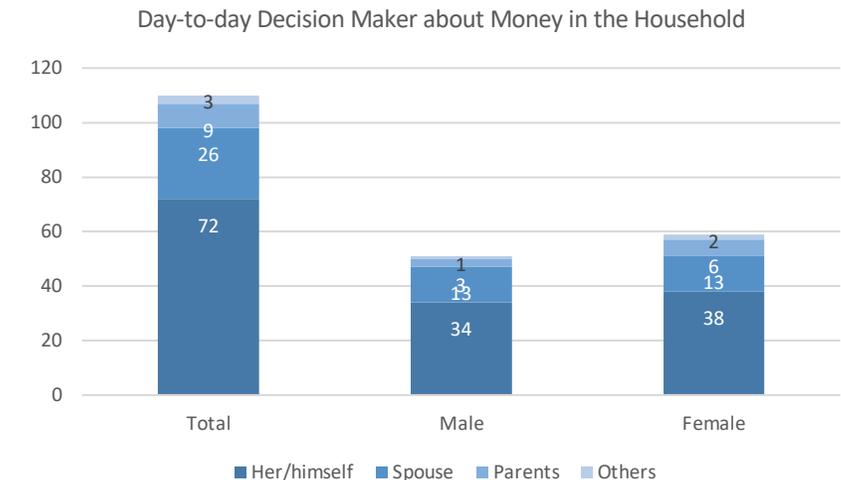
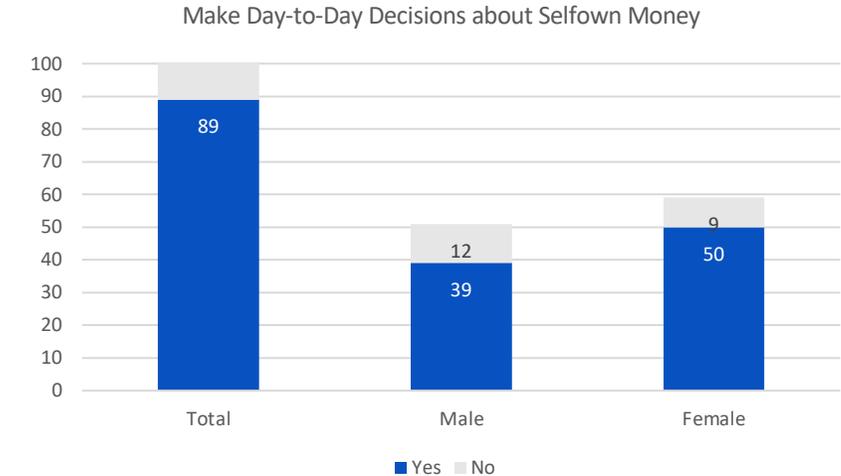


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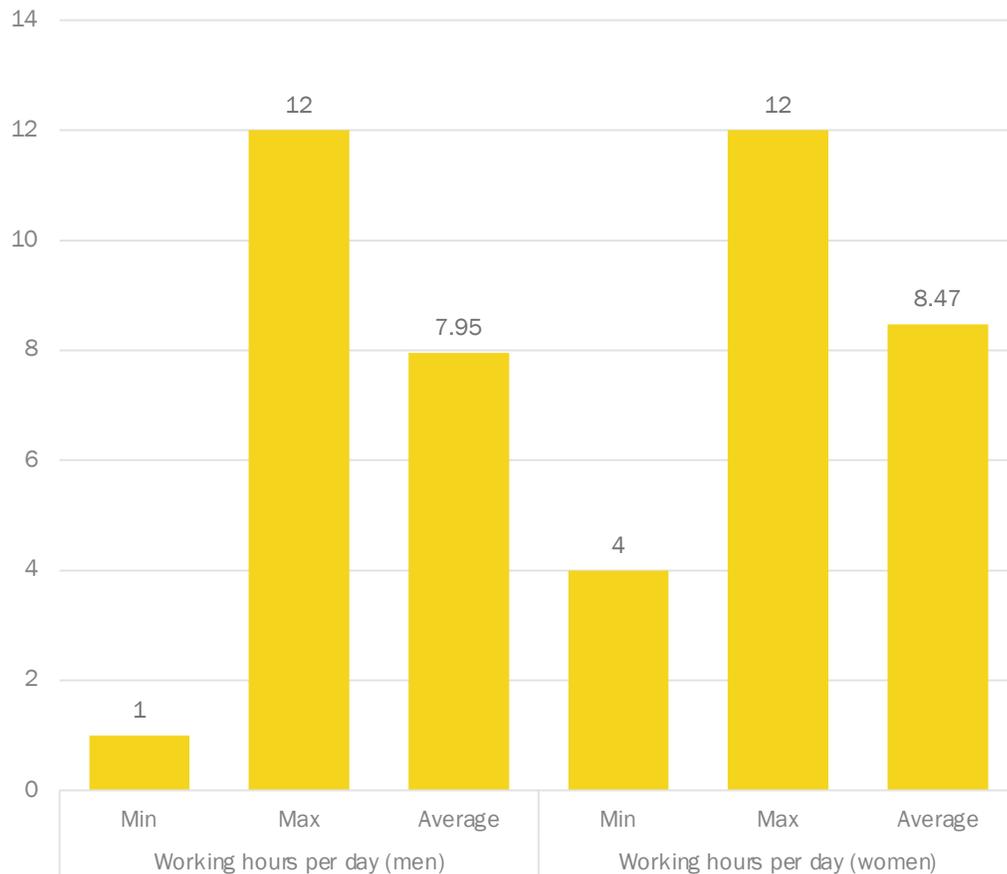


Source: LPEM (2022)

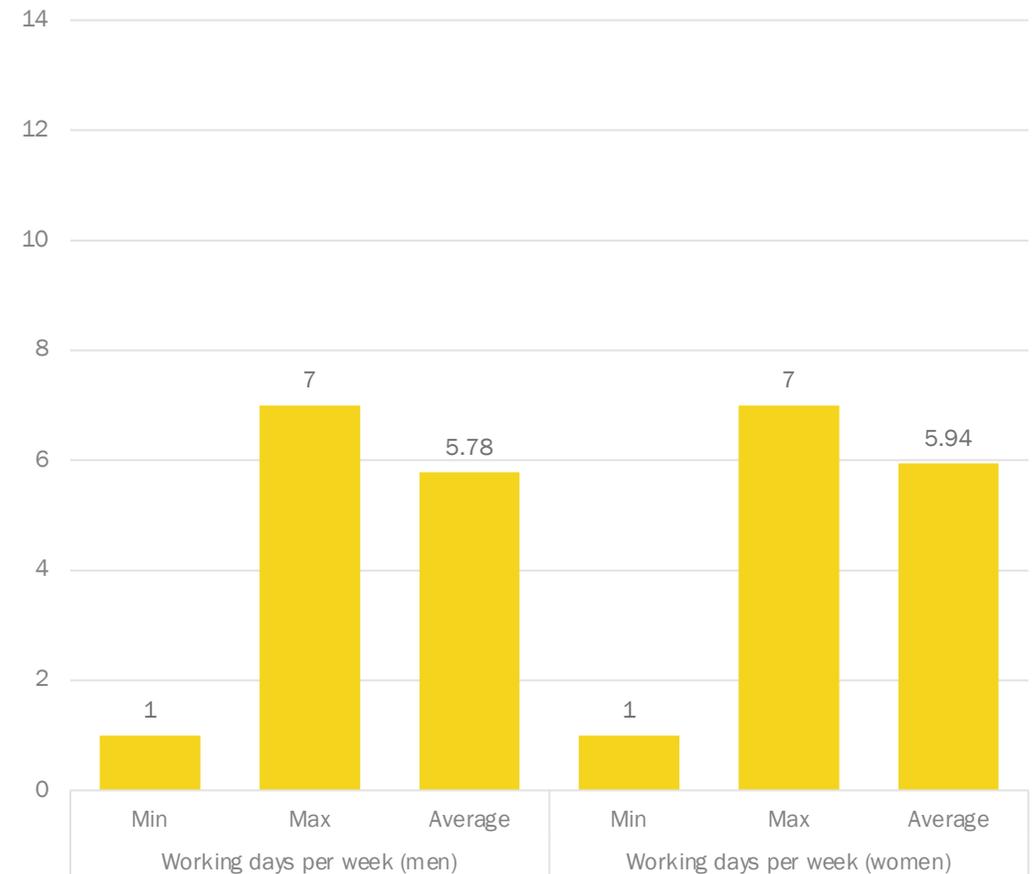
**Working Hours: Garment and Retail Sector in Indonesia** in general have long working hours with female workers have a slightly longer working hours compare to the male workers.



Working hours per day



Working days per week



# Benefit: The most common benefit received by the workers is the benefit that directly affects worker's performance such as performance bonus or meals allowance.

