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Decent work in Jakarta: An integrated approach

Wahyu Mulyana
February 2012



Regional Office for Asia and the Pacific

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Wahyu Mulyana

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Preface

The International Labour Organization (ILO) is devoted to advancing opportunities for women and men to obtain decent and productive work. It aims to promote rights at work, encourage decent employment opportunities, enhance social protection, and strengthen dialogue in handling work-related issues. As countries in the Asia-Pacific region continue to recover from the global economic crisis, the ILO's Decent Work Agenda and the Global Jobs Pact provide critical policy frameworks to strengthen the foundations for a more inclusive and sustainable future.

Given the importance of Asia's rapid urbanization, the ILO Regional Office for Asia and the Pacific has commissioned a series of papers on decent work opportunities and challenges in Asia's cities. The present paper, written by Dr Wahyu Mulyana of Indonesia's Urban and Regional Development Institute (URDI), details urbanization trends in Jakarta, South-East Asia's largest metropolitan area, and policy initiatives undertaken to support development and decent work.

This paper is part of the ILO Asia-Pacific Working Paper Series, which aims to contribute to our knowledge of the issues, stimulate their discussion, and encourage knowledge sharing and further research for the promotion of decent work in Asia and the Pacific.

Sachiko Yamamoto
Regional Director for Asia and the Pacific

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Table of contents

Preface.....	iii
Acknowledgements.....	vii
Abstract.....	viii
Acronyms and abbreviations.....	ix
1. Indonesia: An overview.....	1
1.1 Population trends.....	1
1.2 Recent migration.....	2
1.3 Urban population.....	3
1.4 Economic growth.....	5
1.5 Employment.....	6
1.6 Poverty trends.....	7
1.7 Socio-environmental indicators.....	8
2. Decent work in Indonesia: The policy context.....	11
2.1 Decentralization.....	11
2.2 Institutional.....	12
2.3 National policy documents related to decent work.....	12
2.4 Indonesia Decent Work related to decent work.....	14
3. Jakarta Metropolitan Region (JMR): Socio-economic and labour market trends.....	17
3.1 Geographic and administrative	
3.2 History of JMR.....	17
3.3 Population trends.....	18
3.4 Recent migration to JMR.....	20
3.5 Economic dynamics of JMR.....	21
3.6 Employment.....	22
3.7 Poverty.....	23
3.8 Social and environmental indicators.....	23
3.9 Human development index in Jakarta (2007-10).....	24
4. Jakarta policy interventions to promote decent work.....	27
4.1 Medium Term Development Plan for DKI Jakarta (RPJMD) 2007-14.....	27
4.2 Promotion of decent jobs.....	28
4.3 Determination of regional minimum wages.....	29
4.4 Accommodating informal sector within designated locations.....	30
4.5 Human resource development and skill upgrading through public vocational training centres.....	32
4.6 Improving skills and competencies in the construction sector: The National Movement on Construction Training (2010-14).....	33
4.7 Provision of social services through the Empowerment Programme for Urban Village Communities in DKI Jakarta.....	34
4.8 Providing insurance coverage outside of working hours (JSHK programme).....	36

4.9 Reducing child labour through the Family Hope Programme.....	38
4.10 The green building initiative in Jakarta.....	39
5. Conclusions.....	41
References.....	43

List of tables

Table 1.1	Recent migration in Indonesia, 1990-2005.....	2
Table 1.2	Number of autonomous cities in Indonesia.....	4
Table 1.3	Key indicators of the labour market (2005-10).....	7
Table 1.4	Housing conditions in Indonesia.....	8
Table 3.1	Population of the JMR (1990-2010).....	19
Table 3.2	Migration into and out of Jakarta (1990-2005).....	20
Table 3.3	GRDP in Jakarta Metropolitan Region (2005-09).....	21
Table 3.4	Employment status in Jakarta (2005-10).....	22
Table 3.5	Number of persons living in poverty in Jakarta.....	23
Table 3.6	Human Development Index in Jakarta (2007-10).....	24
Table 4.1	Construction training targets in various institutions (2010-14).....	34
Table 4.2	PHK programme transfer scheme.....	38

List of figures

Figure 1.1	Population of Indonesia.....	1
Figure 1.2	Net “recent migration” in Javan provinces (1990-2005).....	3
Figure 1.3	Urban and rural population trends in Indonesia.....	4
Figure 1.4	Poverty in Indonesia.....	7
Figure 3.1	Map of Jakarta Metropolitan Region.....	18
Figure 3.2	Economic sector contribution to JMR GRDP (2005/08).....	22
Figure 4.1	Minimum wage in Jakarta (2005-11).....	30
Figure 4.2	Organizational structure of the PPMK.....	35
Figure 4.3	Flow of insurance scheme payment.....	37

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Abstract

By 2010, the population of the Jakarta Metropolitan Region had risen to 28 million, a rapid increase from 16 million in 1990. Urban areas are both the engines of economic and productivity growth and the centres of trade and innovation, so urbanization provides numerous opportunities for Jakarta and Indonesia as a whole. At the same time, rapid urbanization poses critical challenges, including those of job creation, urbanization of poverty, provision of social services, and environmental degradation. Without addressing these challenges in an integrated and coherent manner, urban areas risk becoming zones of inequality, misery, and degeneration. This paper analyzes trends in urbanization in Jakarta and details a number of policy initiatives aimed at supporting development and decent work in such areas as promotion of decent jobs, skills upgrading, and social protection.

About the author

Wahyu Mulyana is Director of Networking Development at the Urban and Regional Development Institute (URDI), an independent research institute in urban and regional development issues in Indonesia.

The responsibility for opinions expressed in articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them, or of any products, processes or geographical designations mentioned.

Acronyms and abbreviations

AKDHK	Asuransi Kecelakaan Diri Diluar Jam Kerja dan Hubungan Kerja (Accidental Insurance Outside Working Place)
APBD	Anggaran Pendapatan dan Belanja Daerah (Local Expenditure and Revenue Budget)
APINDO	Asosiasi Pengusaha Indonesia (Indonesia Entrepreneurs Association)
BAPPENAS	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency Republic of Indonesia)
BKSP	Badan Kerjasama Pembangunan (Development Cooperation Board)
BLK	Balai Latihan Kerja (Work Training Unit)
BLKD	Balai Latihan Kerja Daerah (Regional Work Training Unit)
BPS	Biro Pusat Statistik (Central Bureau of Statistics)
BRT	Bus Rapid Transit
DKI	Daerah Khusus Ibukota (Capital Specific Region)
DWCP	Decent Work Country Programme
GCBI	Green Council Building Indonesia
GDP	Gross Domestic Product
GDRP	Gross Domestic Regional Product
GER	Gross enrolment rate
GHG	Greenhouse gas
GNPK	Gerakan Nasional Pelatihan Konstruksi (National Movement for Construction Training)
GOI	Government of Indonesia
HDI	Human Development Index
IDR	Indonesia rupiah
ILO	International Labour Organization
Jamsostek	Jaminan Sosial Tenaga Kerja (Social Insurance for Labour)
JKDK	Jaminan Kecelakaan Diri dan Kematian (Death and Accidental Insurance)
JMDP	Jakarta Metropolitan Development Plan
JMR	Jakarta Metropolitan Region
JSHK	Jaminan Sosial dalam Hubungan Kerja Diluar Jam Kerja (Insurance Outside Working Hours)

KJKPEMK	Koperasi Jasa Keuangan Pemberdayaan Ekonomi Masyarakat (Financial Service Cooperative for Empowerment of Village Communities)
KKNI	Kerangka Kualifikasi Nasional Indonesia (Indonesia's National Qualification Framework)
KSBSI	Konfederasi Serikat Buruh Sejahtera Indonesia (Indonesia Trade Union Prosperity)
KSPI	Konfederasi Serikat Pekerja Indonesia (Confederation of Indonesia Trade Unions)
KSPSI	Konfederasi Serikat Pekerja Seluruh Indonesia (Confederation of All Indonesian Trade Unions)
Lokbin	Lokasi binaan (designated location)
MDGs	Millennium Development Goals
MFI	Micro-credit Financial Institutions
MMR	Maternal mortality rate
NAP	National Action Plan
NER	net enrolment rate
NO ₂	Nitrogen oxide
O ₃	Ozone
PAM	Perusahaan Air Minum (Water Supply Company)
PKH	Program Keluarga Sejahtera (Welfare Family Programme)
PM ₁₀	Particulate matter smaller than 10 micrometres in diameter
PPA-PKH	The Reduction of Child Labour in Support of the Family Hope Programme
PPMK	Program Pemberdayaan Masyarakat Kelurahan (The Empowerment Programme for Urban Village Communities)
PRSP	Poverty Reduction Strategy Paper
RPJMD	Rencana Pembangunan Jangka Menengah Daerah (Regional Medium Term Development Plan)
RPJMN	Rencana Pembangunan Jangka Menengah Nasional (National Medium Term Development Plan)
RW	Rukun warga (community unit)
SD/MI	Sekolah Dasar/Madrasah Ibtidaiyah (elementary school)
SKKNI	Standar Kompetensi Kerja Nasional Indonesia (National Competency Standard)
SMEs	small and medium-sized enterprises
SMP/MTS	Sekolah Menengah Pertama/Madrasah Tsanawiyah (junior high school)

SO ₂	Sulfur oxide
SPSI	Serikat Pekerja Seluruh Indonesia (Indonesia Labour Union)
SUSENAS	Survei Sosial Ekonomi Nasional (National Socio-economic Survey)
TCP	Technical Cooperation Project
TPKK	Tim Pelaksana Kegiatan Kelurahan (Implementation Team at the Kelurahan)
TPK-RW	Tim Pelaksana Kegiatan- Rukun Warga (Implementation Team at the Neighbourhood Level)
UMP	Upah minimum provinsi (provincial minimum wage)
UMS	Upah minimum standar (standard minimum wage)
UNFPA	United Nations Population Fund
UPM	Unit Pengaduan Masyarakat (Community Complaint Unit)
UPT	Unit Pelaksana Teknis (Technical Implementation Unit)

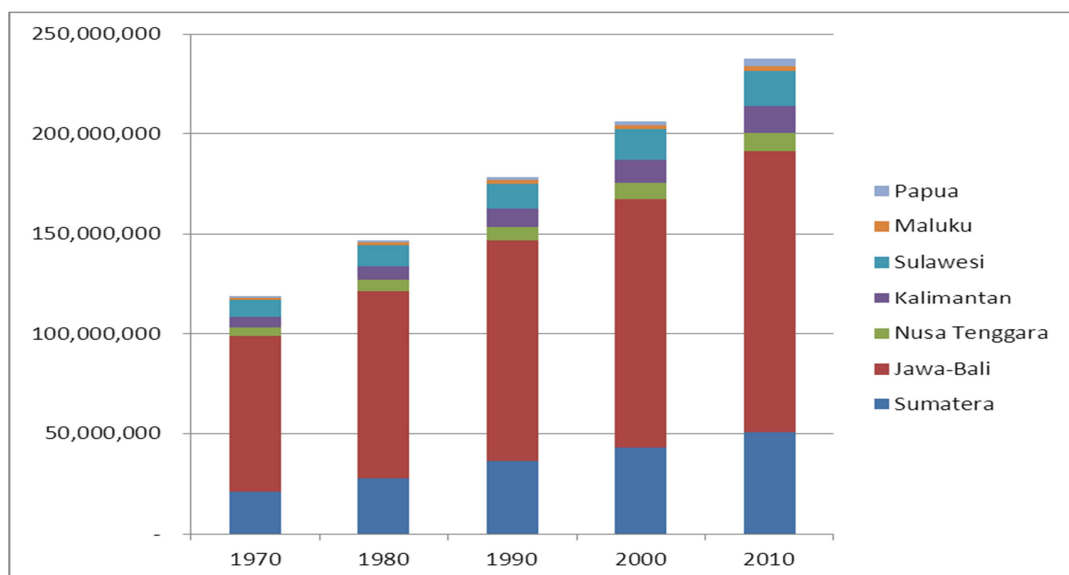
1. Indonesia: An overview

The Republic of Indonesia is the world's largest archipelagic country. It includes 17,504 islands extending both sides of the equator and bridging the continents of Asia and Australia. Indonesian territory extends for 6,400 km (3,977 miles) from the Indian Ocean to the Pacific. With its territorial waters, the country's total area amounts to 1.9 million km². The five main islands are Sumatra (473,606 km²), Java (132,107 km²), Kalimantan (539,460 km²), Sulawesi (189,216 km²), and Papua (421,981 km²).

1.1 Population trends

Indonesia is the world's fourth most populous country after China, India, and the United States, with a population of 237.6 million people in 2010, of which 119.6 million were male and 118 million female.¹ This represents an approximate increase of 33 million people over the 2000 population of 203.4 million, an annual average growth rate of 1.49 per cent. The rapid growth reported in the 2010 census entails concomitant challenges to socio-economic growth and welfare. With around 60 per cent of the country's population, Java is the most populous island in Indonesia, although it extends over only 7 per cent of the total Indonesian land area (Figure 1.1).

Figure 1.1 Population of Indonesia



Source: Population Census 1971, 1980, 1990, 2000, 2010.

¹ Biro Pusat Statistik (BPS)/Central Bureau of Statistics, 2010.

1.2 Recent migration

Indonesia's high population growth in the last three decades has led to an ever-greater need for employment and social services. Uneven economic development, however, means that not every region in the country has the same capacity to meet citizen needs. This situation has led both to internal population movements between regions and to international migration. As with other developing countries, the pattern of migration within Indonesia is one of polarized migration flows to certain areas, especially to large metropolitan cities.² Table 1.1 provides "recent migration" patterns in Indonesia. "Recent migrants" are citizens whose current residence at the time of survey differs from their place of residence five years previously.

Table 1.1 Recent migration in Indonesia, 1990–2005 (in thousands of people)

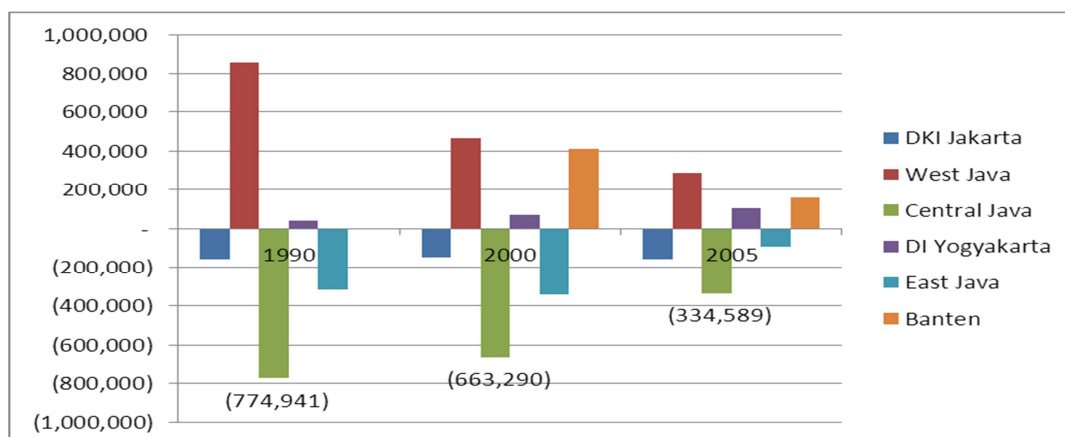
Island	1990			2000			2005		
	In	Out	Net to	In	Out	Net to	In	Out	Net to
Sumatra	1 182	1 020	161	1 318	1 299	18	860	754	105
Java-Bali	3 124	3 473	(348)	3 243	3 412	(169)	2 441	2 443	(2.4)
Nusa Tenggara Kalimantan	64	82	(17)	129	105	24	60	62	(2.2)
Sulawesi	415	226	189	418	176	242	259	169	90
Maluku	295	277	18	329	294	34	236	244	(8.7)
Papua	68	38	29	33	121	(87)	19	46	(26.9)
	73	31	42	63	30	33	51	33	17

Source: Calculated from BPS data 1992, 2001, 2006.

The data show that the island of Java had a negative net migrant population, indicating fewer in-migrants than out-migrants. This negative trend may be explained by such factors as varying community migration habits, relative location advantages, and varied costs of living. Among the Javan provinces, Jakarta and Central Java showed negative net migration (Figure 1.2). The high cost of living in Metropolitan Jakarta likely pushed people to live in surrounding areas. The negative net migration in Central Java, on the other hand, is probably related to urban-rural migration from this province, with Jakarta and West Java becoming the main corresponding migration destinations. Given the high cost of living in Jakarta, these migrants tend to settle in West Java. These factors explain the high volume of positive net migration in West Java.

² Firman, 1994.

Figure 1.2 Net “recent migration” in Javan provinces (1990–2005)



Source: Calculated from Biro Pusat Statistik (BPS)/Central Bureau of Statistics data 1992, 2001, 2006.³

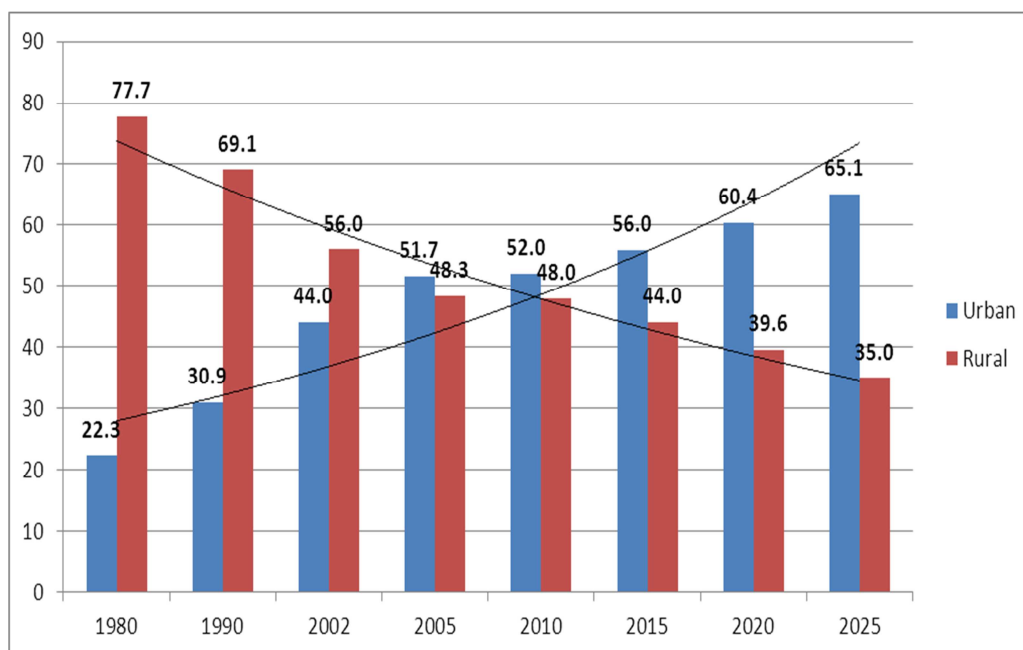
1.3 Urban population

Indonesia experienced rapid urbanization over the three decades prior to 2010. In 2010, an estimated 118 million people, 50 per cent of the population, lived in urban areas. In 2000, the urban population was just 85 million, or about 42 per cent of the population, an increase of 33 million over a decade. By 2025, the National Development Planning Board estimated, the urban population would rise to 65.1 per cent of the total population (Figure 1.3). The rural population, meanwhile, lies scattered across 83.3 per cent of the country’s total area.

Urban population growth is generally influenced by two factors, natural growth and migration from rural areas. The second factor has predominated in Jakarta, and has led to rising pressures on public services due to expanding settlement of fringe areas. However, urbanization has also been interpreted as a structural change in the pattern of population movement from agricultural employment in rural areas to non-agricultural employment in urban areas.

³ Kurniawahyudi, 2007.

Figure 1.3 Urban and rural population trends in Indonesia



Source: Bappenas, BPS, United Nations Population Fund (UNFPA), *Population statistics 2005*.

Countries define “urban area” in various ways, making it difficult to compare relative extent of urbanization internationally. Indonesia uses two alternative definitions of urban area: city as administrative region (autonomous city); and city as functional area, the latter status being accorded on the basis of specific features.

As of 2010, Indonesia had 94 autonomous cities, including 5 municipalities in Jakarta, of which 34 were formed after decentralization policies were implemented in 1999 (Table 1.2). Most of Indonesia’s urban population lives in metropolitan cities (54.3 per cent), followed by medium cities (22.5 per cent), large cities (21.8 per cent) and small cities (1.4 per cent).⁴

Table 1.2 Number of autonomous cities in Indonesia

City type	Number of cities	Area (km ²)	Number of people (in 2010)	% of population
Metropolitan cities	11	3 109	28 356 337	54.3
Large cities	16	4 401	11 367 533	21.8
Medium cities	56	14 691	11 770 504	22.5
Small cities	11	12 339	745 581	1.4
Total	94	34 541	52 239 955	100.0

Source: National Development Planning Board, 2010.

⁴ City size follows the classification scheme used by the Central Bureau of Statistics: metropolitan city (more than 1 million people); large city (500,000–1,000,000); medium city (100,000–500,000); and small city (fewer than 100,000).

Uneven urbanization patterns. Patterns of urbanization and urban activity in Indonesia have been uneven, with city growth and urban areas highly concentrated in Java-Bali, Sumatra, and South Sulawesi. Urban population density varies widely. The most densely populated cities, e.g. Jakarta, Bandung, Yogyakarta, and Surakarta, have as many as 11,500–18,500 inhabitants per km². Cities with medium population density, e.g. Surabaya, Medan, Banjarmasin, Makassar, Denpasar, Malang, and Bogor have as many as 5,000–8,000 people per km²; while relatively low-density cities such as Palembang, Banda Aceh, Manado, Jambi, Kupang, Ambon, and Balikpapan typically have as few as 1,000–3,000 people per km².

Urban sprawl. Rapid urbanization has led to the densification of people and activities in city areas together with uncontrolled development in peripheral areas, resulting in urban sprawl. This has led to the formation of new administrative cities as part of larger urban agglomerations such as Depok City and Tangerang City. Extensive urban development has also led to land classifications changing, most importantly with agricultural land being turned into housing and other non-agricultural uses. On Java, about 58.7 per cent of agricultural land has been converted to housing and 21.8 per cent to other non-agricultural functions.

Critical urbanization issues include the following:

- an urgent need for urban employment opportunities (including more attractive conditions for private investment, as well as more appropriate and strategic treatment of the urban informal economy);
- adequate urban infrastructure and services (including energy, water supply, and waste management);
- affordable decent housing and settlements (especially for those living in urban poverty);
- urban poverty and slum improvement;
- affordable land for urban development;
- security of tenure;
- land-use planning and development control;
- financing for urban development;
- urban economic development;
- urban environment regulation (including air, water, and soil pollution control);
- safety; and
- many other issues (including those specific to women, youth, and the disabled) that city governments need to address internally.⁵

1.4 Economic growth

Indonesia's economic growth has trended upwards since the 1997-98 Asian Financial Crisis. This crisis was sufficiently severe that, over the period 1997-99, the average economic growth rate fell to minus 2.9 per cent per year. The period 2000-04, however, saw positive growth of 4.5 per cent, and, in 2005-08, this rose to 6 per cent. The global financial crisis in the second half of 2008 again slowed Indonesia's growth rate. But the Government took steps to bolster domestic demand, offsetting the negative impact on growth of sharp contractions in global trade and investment flows. Supported by stimulus measures and a

⁵ Sarosa, W., 2007

resilient domestic market, economic growth rose to 4.5 per cent in 2009, accelerating to 6.1 per cent in 2010.

Economic growth lifted per-capita incomes to US\$3,000 in 2010, roughly double that in 2004 (\$1,186). According to *World Development Indicators 2005*, rising per capita incomes had resulted in Indonesia moving from the low-income into the lower middle-income country category.⁶

In 2010, economic growth was boosted by non-oil manufacturing industry (21.6 per cent) and the agriculture sector (15.3 per cent). All economic sectors experienced growth, with transport and communications showing the highest rate, at 13.5 per cent, and agriculture showing the lowest, at 2.9 per cent. GDP growth in 2010 was even higher - if the oil and gas sector is excluded from the calculations - at 6.6 per cent.

1.5 Employment

In recent years, a government pro-jobs strategy has increased the pace of job creation. Between 2005 and 2010, unemployment fell as the labour force increased by an average 2.1 million persons per year, while employment rose by an average 2.8 million jobs per year (Table 1.3). The open unemployment rate consequently decreased from 11.8 million, or 11.24 per cent, in 2005, to 8.3 million, or 7.14 per cent, in 2010.

Increased employment is related to economic conditions that included a more than 6 per cent growth rate in 2007 and 2008. During the late-2008 to mid-2009 economic downturn, employment continued to expand, though this was primarily due to hiring in the informal sector.

Over the last two decades, the data indicate, the ratio of employment to the working age population has declined.⁷ Growth of the working age population has exceeded workforce growth, suggesting a greater preference among students to pursue their schooling to a higher level rather than find jobs immediately upon graduation.

⁶ Gross national income per capita ranges are defined in the 2005 *World Development Indicators* report as follows: high national income per capita (high income = US\$9,386 or more); medium national income per capita (upper middle income = US\$3,036– \$9,385); low national income per capita (lower middle income = US\$766 to US\$3,035, 4) very low national income per capita (low income = US\$765 or less).

⁷ BAPPENAS and UNDP, 2010.

Table 1.3 Key indicators of the labour market (2005–10)

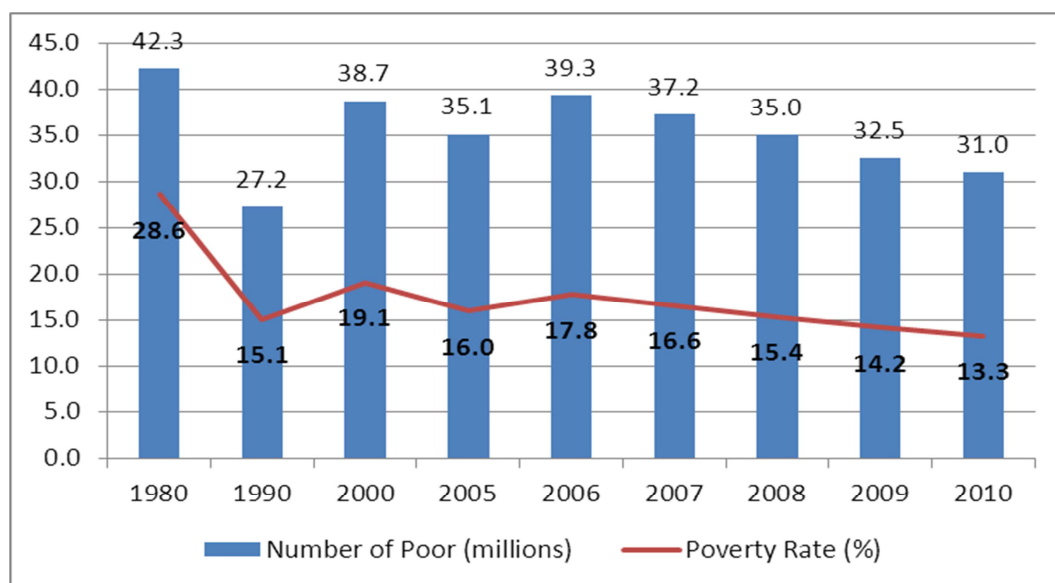
Type of activity	2005	2006	2007	2008	2009	2010
Labour force (millions)	105.8	106.3	109.9	111.9	113.8	116.5
Labour force participation rate (%)	66.79	66.16	66.99	67.18	67.23	67.72
Working (millions)	93.9	95.4	99.9	102.5	104.8	108.2
Unemployment (millions)	11.8	10.9	10.0	9.3	8.9	8.3
Unemployment rate (%)	11.24	10.28	9.11	8.39	7.87	7.14

Source: Sakernas, 2010.

1.6 Poverty trends

Despite significant progress with poverty alleviation, a large population still lives below the national poverty line. The proportion of the population living in poverty in Indonesia declined by 5.1 million, from 36.1 million in 2004 to 31.0 million in 2010 (Figure 1.4).

Figure 1.4 Poverty in Indonesia



Source: Central Bureau of Statistics 2010.

However respectable the continued poverty reduction during a period of significant external uncertainties, the number in poverty remains relatively large. Causes of poverty include the following:

- lack of access to basic services such as health, education, safe water, and sanitation;
- limited economic opportunities;

- limited access to capital; and
- poor connectivity and infrastructure.

Indonesia's two largest islands, Sumatra and Java, are home to 21 per cent and 57.8 per cent, respectively, of those living in poverty.

Successful poverty reduction was the result of high economic growth and appropriate interventions that improved rights and access to economy opportunities among low-income communities. Inequality had fallen in the previous three years. This was reflected by the decline in the Gini ratio from 0.376 in 2007 to 0.331 in 2010. As of 2010, this decreased ratio was supported by improved key economic indicators, including rising employment opportunities and falling poverty. Economic growth has had an impact on middle- to low-income groups in particular. The size of the middle class-people with daily per capita expenditures of US\$2– US\$20-increased significantly from 37.7 per cent in 2003 to 56.5 per cent in 2010. Over the same period, the size of the low-income class - those with daily per capita expenditures of less than US\$2 - shrank from 62.2 to 43.3 per cent.⁸

1.7 Socio-environmental indicators

Rapid and uncontrolled urbanization has created a large and growing demand for urban infrastructure and services. This has not been matched by infrastructure and services development, and every sector is experiencing shortages.

Access to housing. Housing is a basic human need, and plays an essential role in building the national character. Most Indonesian households occupy a non-attached dwelling unit. Of an approximate total of 54 million housing units, about 24 million are found in urban areas.⁹ Although the quality of this housing in general appears to be fairly good, more than 2.5 million units require urgent replacement. The Ministry of Public Housing estimated a housing backlog of 7.4 million in 2009, and a need for more than 1 million new housing units per year if the backlog was to be removed by 2025 (Table 1.4). House ownership is extremely high even in urban areas (70 per cent). A massive campaign to improve land titles by the Land Agency has ensured that the majority of households now hold legal land ownership titles.

Table 1.4 Housing conditions in Indonesia

Description	2005–09
Housing backlog	7.4 million
New households	3.6 million
New housing development	2.5 million
Houses needing improvement	555 000 units

Source: *Strategic plan 2010–14* (Ministry of Housing).

⁸ World Bank, 2011.

⁹ Smith, 2006.

Economic opportunity in cities attracts migration from rural areas. Lack of access to adequate housing, however, means that many people come to live in slum areas without basic housing and services. Despite efforts to improve living conditions in such areas, extensive slum settlements - a total of about 59,000 hectares, as of 2009 - are growing at an annual rate of more than 1.37 per cent. The expansion of urban slum areas has seen concomitant increases in the frequency of fire and flood disasters, social conflict and crime, health deprivation, and lack of infrastructure.

Slum areas are generally characterized by the following conditions:

- building sizes inadequate to healthy living standards;
- high-density housing vulnerable to fire hazards;
- insufficient water supply;
- limited access to electricity lack of proper drainage systems;
- inadequate local pathways and roads; and
- few public toilets and other sanitary measures.

Such conditions typically lead to disease, decreased human productivity, social tension, and other problems.

Water supply and sanitation. Increasing population and associated development increases demand for water supplies. If growth continues, it puts further pressure on existing water supply and water resources. At the same time, water resources are becoming limited, falling to critical levels in some locations, due to such factors as pollution, deforestation, changes to water-catchment areas, water-user behaviour, and climate change.

Data regarding access to water and sanitation in Indonesia vary significantly, depending on their source and the associated definition of “access”. According to the 2010 Millennium Development Goals (MDGs) report,¹⁰ access to water supply stood at 77 per cent, with access to improved sanitation at 55 per cent. According to Indonesia’s 2005 socio-economic survey,¹¹ however, only about 47 per cent of the population had access to water sources considered relatively safe. In 2006, only 18.38 per cent of the population had access to a piped-water supply system, while only 43.57 per cent had access to a non-piped water supply. In 2009, only 51 per cent of the total population had access to improved sanitation facilities.

Education sector. Educational in Indonesia has improved substantially in terms of equal access, quality, relevance, and efficiency of education management. Important measures taken to accelerate the achievement of MDGs by 2015 have contributed to significant progress in this sector.

The net enrolment rate (NER) has increased. Nationally, the primary school (SD/MI)¹² NER improved significantly, rising from 93.3 per cent in 2005 to 95.2 per cent in 2009, while the gross enrolment rate (GER) was more than 100. By 2009, the NER and GER at the junior secondary education level (SMP and MTs)¹³ had achieved 74.5 per cent and 98.1 per cent

¹⁰ BAPPENAS and UNDP, 2010..

¹¹ Survei Sosial Ekonomi Nasional (National Socio-economic Survey).

¹² Elementary school is *sekolah dasar* (SD). *Madrasah ibtidaiyah* (MI) is an Islamic alternative to SD, with more focus on Arabic and Islam.

¹³ Junior high school is *sekolah menengah pertama* (SMP); *madrasah tsanawiyah* (MT) is the Islamic equivalent.

respectively. Government policy of improving sustainable access to basic education has improved participation at both primary school and junior secondary levels.

Educational attainment among those aged 16-18 years has shown promising progress. The percentage of children aged 16-18 years who completed primary education increased from 87.8 per cent in 1995 to 93.0 per cent in 2008. This reflects improved educational efficiency, as the drop-out rate at primary schools has tended to decrease as the continuation rate from SD/MI to SMP/MT has increased.

The literacy rate among the Indonesian population aged 15-24 years has increased significantly. The literacy rate among those aged 15-24 increased from 96.71 per cent in 1992 to 99.47 per cent in 2009. Improvements in participation rates in basic education contributed to improved reading and writing skills.

Health sector. The health sector in Indonesia has steadily improved. This is reflected in such key health indicators in the MDGs report as infant and child mortality and maternal mortality rates.

The mortality rate among those younger than 5 years was 97 deaths per 1,000 live births in 1991; by 2007 this had fallen to 44 deaths. Over the same period, improvement in the infant mortality rate was somewhat less; it fell from 32 deaths in 1991 to 19 deaths per 1,000 live births in 2007.

The maternal mortality rate (MMR) in Indonesia remains high. The MMR has been gradually falling, decreasing from 390 deaths per 100,000 births in 1991 to 228 deaths in 2007, but extra effort will be needed to achieve the MDG target of 102 deaths per 100,000 live births by 2015.

2. Decent work in Indonesia: The policy context

2.1 Decentralization

Indonesia's development policy changed markedly with the initiation of political reform in 1997, following governmental regime change triggered by the economic and financial crisis. As part of this, in the late 1990s Indonesia embarked on a process of decentralization, with a transfer of wide-ranging government responsibilities from the national to local governments.¹⁴ This policy has aimed to bring the public decision-making process closer to those most affected by these decisions.

Enactment of Law 22/1999 on Local Governance (amended by Law 32/2004) and Law 25/1999 on Fiscal Balance between National and Local Governments (amended by Law 33/2004) initiated the process of decentralization. The law on local governance (known as the decentralization law) transfers a large number of obligatory government functions from the national Government to local governments. Only matters related to national defense and security, foreign affairs, the judicial system, fiscal and monetary affairs, macro-economic planning, the judicial system, standardization, and a few other areas remain the prerogative of the national Government.

The accompanying fiscal decentralization law (the law on fiscal balance) aims to provide the financial resources that local governments need to address their responsibilities. While many related problems remain unresolved, this drastic drive to decentralize - conducted within a very short period in a time of political and economic volatility - has been applauded by the international community and various domestic stakeholders.

Indonesia's decentralization and democratization efforts were so dramatic that they effectively changed the way the country was governed at all levels. New institutions were created and old ones terminated. It is therefore unsurprising that numerous existing laws and by-laws currently require modification, amendment, or even replacement, some of them urgently.

Nor is it surprising that various participants in decentralization and democratization must review their roles and needs.

- Government officials and stakeholders at all levels need better information regarding their roles in the current decentralized system of development and governance.
- Members of civil society, meanwhile, have become more vocal about their role in development processes, establishing various urban forums as additional vehicles for participation.
- Private enterprises - domestic as well as international - find they need to adjust to the new environment, not only by adopting more transparent ways of doing business and working closely with local governments, but also by responding to growing demand that they assume corporate social responsibilities.

¹⁴ World Bank, 2002.

2.2 Institutional

Employment is one responsibility that has been decentralized to local government. Following the enactment of Government Regulation No. 38/2007 on the division of authority between central, provincial, and city governments, authority for the employment sector has been divided in the following way:

- policy, planning, supervision, and monitoring;
- human resource development;
- training and labour productivity;
- supervision and placement of domestic labour;
- supervision and placement of migrant labour;
- development of industrial relations and social protection; and
- development of labour.

The following table presents institutions related to the employment sector at the national and provincial levels.

National level	<ul style="list-style-type: none">• Ministry for People's Welfare• Ministry of Labour and Transmigration• Ministry of Education• Ministry of Health• Ministry of Social Affairs• National Development Planning Board• Central Statistical Board• National Board on Placement and Protection of Indonesia Labour• Indonesia Employers Association (APINDO)• KSBSI (Indonesia Trade Union Prosperity)• KSPSI (Confederation of All Indonesian Trade Unions)• KSPI (Confederation of Indonesia Trade Unions)• PT Jamsostek
DKI Jakarta Provincial Government	<ul style="list-style-type: none">• Labour and Transmigration Agency• DKI Jakarta Development Planning Board• Economic Bureau• APINDO Provinsi• Chamber of Commerce• Labour associations

2.3 National policy documents related to decent work

The national medium-term development plan and strategic plan of the Ministry Labour and Transmigration sets out national employment policies and programmes. The Government has also established the Decent Work Country Programme (DWCP) as a framework for delivering coordinated support for decent work priorities in Indonesia, and as a framework

for resource mobilization. Thus the DWCP provides for the integration of ILO programmes and national government initiatives in promoting decent work and poverty alleviation.

National Medium-Term Development Plan (RPJMN 2010–14)

With reference to the National Long-Term Development Plan 2005–25, the National Medium-Term Development Plan (RPJMN 2010–14) aims to make Indonesia more prosperous, independent, secure, peaceful, democratic, and just. The Plan emphasizes improving human-resource quality, the development of science and technology, and strengthening economic competitiveness. The framework consists of three main pillars:

- improving public welfare (prosperity);
- strengthening democracy (democracy); and
- law enforcement (justice).

To achieve these development objectives, the Government has implemented a triple track pro-jobs, pro-poor, and pro-growth strategy.

Various policies aim to strengthen the investment climate, among these measures to strengthen the real sector and small and medium-sized enterprises (SMEs), thereby creating new employment opportunities. The open unemployment rate remains relatively high, and reducing it will require more than ad-hoc programmes.

Various ministries have been tasked with improving the investment climate, particularly with regard to permits, taxation, customs, legal certainty, uncondusive local regulation, infrastructure, and employment. The improved investment climate is aimed at attracting foreign investors and creating employment opportunities.

Strategic Plan of the Ministry of Manpower and Transmigration 2010–14

The 2010–14 strategic plan is an elaboration of the Ministry of Manpower and Transmigration's national development plans. Manpower development aims to achieve real, measurable contributions to worker welfare while fostering a conducive business climate. This policy supports three national priorities:

- poverty alleviation through job placement and expansion of employment opportunities, labour protection, and labour supervision system development;
- an enhanced business and investment climate through the development of industrial relations and improved social protection for labour within an improved supervision system; and
- improved job placement and labour protection for Indonesian workers in other countries.

Progress can already be seen in manpower development, but many challenges remain, including the following:

- high unemployment;
- failure to create enough new employment opportunities;
- insufficient labour-force competence and productivity; and
- non-conducive industrial relations.

The Ministry of Manpower and Transmigration envisions a community which is productive, competitive, self-reliant, and prosperous.¹⁵ This vision incorporates four main missions:

- improved labour competence and productivity;
- more employment opportunities, better placement services, and better migrant labour protection;
- improved industrial relations and social protection of labour; and
- improved manpower protection.

Decent work creation is focusing on creating productive employment and providing adequate social protection. Decent work policies and strategies include the following:

- improved labour competence and productivity through such measures as
 - formulation of basic standards for training institutions and certification of competency;
 - revitalization of training centres; and
 - mobile training units;
- expanded employment opportunities and job placement inside and outside the country by such means as:
 - improving the role of local government in facilitating labour protection;
 - strengthening regulatory and institutional frameworks in job placement;
 - improving placement services;
 - developing labour-market information services; and
 - improving labour protection.
- management of conducive working conditions and harmonious industrial relations through:
 - improving labour regulations;
 - strengthening the role of industrial relations institutions; and
 - improving the social security of workers.
- improvement of labour inspection intensity and quality, safety and occupational health, and law enforcement through:
 - providing additional supervisory staff;
 - facilitating the formation and supervision of monitoring agencies; and
 - applying a system of sanctions to promote safety and occupational health.

2.4 Indonesia Decent Work Country Programme

The primary goal of the ILO is to help provide greater opportunities for people to obtain decent and productive work in conditions of freedom, equity, security, and human dignity. The concept of “decent work”, as such, was introduced in 1999 in the Report of the

¹⁵ Kementerian Tenaga Kerja dan Transmigrasi, 2010.

Director-General to the 87th Session of the International Labour Conference. The decent work perspective integrates four issue areas: rights at work, employment, social protection, and social dialogue.

For most people, decent work is prerequisite to a satisfying life. Work generally comprises a major part of human life in terms of time devoted to it, as well as in terms of its roles in social integration and fostering individual self-esteem. Productive work provides the main source of income for the vast majority of people and is the driving force for sustainable development.¹⁶

The decent work agenda finds basic support in Indonesia's Constitution of 1945, where Article 27, Subsection (2), states that every citizen is entitled to proper work and living conditions. The current Government has stated that its policies aim to be pro-growth, pro-poor, pro-employment, and pro-environment. This approach is expected to create more employment and significantly reduce poverty. Indonesian national development has always proposed decent work as the ultimate goal.

And Indonesia has made progress in achieving its decent work objectives. The Decent Work Country Programme (DWCP) incorporates the ILO mandate within ILO contributions at the country level and their integration with national development and other initiatives related to poverty reduction and decent work promotion. The first country programme was developed for the period 2002-03, and the second for 2004-05. The ILO constituents participated in developing the 2006-09 continuation, building on evaluations of previous country programmes and initiatives.

The 2006-09 Indonesia DWCP focused on three main activities:

Ending exploitation at work. Programme focuses included the implementation of laws and policies to reduce labour exploitation, particularly among vulnerable groups, i.e. children, women, and migrant workers. This programme had two main outcomes:

- effective progress in the implementation of Indonesia's national plan of action (NAP) on the worst forms of child labour; and
- improved labour migration management for better protection of Indonesian migrant workers, especially those employed as domestic workers.

Employment creation for poverty reduction and livelihood recovery, especially for youth. This element of the programme focused on creating productive and robust employment, a sustainable way of reducing poverty, and achieving MDG and Poverty Reduction Strategy Paper (PRSP) targets. Related activities led to three main outcomes:

- RPJMN employment policies and programmes emphasizing pro-poor employment growth;
- effective implementation of employment-intensive and other livelihood programmes for crisis-affected areas (i.e. Aceh, North Sumatra, and eastern Indonesia); and
- education and training systems and policies to better equip young people for employment and entrepreneurship.

¹⁶ Widiarti, 2005.

Social dialogue for economic growth and rights at work. This element of the programme focused on strengthening the institutional capacity of the ILO constituents to effectively implement the legal framework governing labour rights. There were two main outcomes:

- application of labour laws and practices fully in line with fundamental principles and rights at work, including the strengthening of labour administration; and
- bipartite cooperation of employers and unions to improve labour market flexibility and job security.

The ILO Office operates a wide range of programmes to support the implementation of the Decent Work Agenda in Indonesia through Technical Cooperation Projects (TCPs). These focus on the following:

- employment promotion;
- ending exploitation at work; and
- and promoting social dialogue.

The implementation of ILO Jakarta's DWCP saw 8 of 18 TCPs completed by 2008/09. The TCPs are funded by such donor agencies as the Government of Norway, the Multi-Donor Trust Fund, the Government of Japan, and the European Commission.

Despite progress in the implementation of the decent work agenda, however, Indonesia still experiences serious decent work deficits.¹⁷

¹⁷ Widiarti, 2010.

3. Jakarta Metropolitan Region (JMR): Socio-economic and labour market trends

3.1 Geographic and administrative

Jakarta, Indonesia's capital city, covers an area of 650 square kilometres. It performs important functions and roles locally, nationally, and internationally.

- At the local level, the Jakarta city government supports development that serves the livelihood of the population by providing public services and by seeking satisfactory resolution of outstanding public issues.
- At the national level, Jakarta is the centre of government and economic affairs, while serving as the barometer of accomplishment for other regions in the country.
- At the international level, Jakarta aims to achieve competitiveness with other world cities.

Administratively, Jakarta comprises the five municipalities of South Jakarta, North Jakarta, Central Jakarta, West Jakarta, East Jakarta, and the district of Kepulauan Seribu. At a lower administrative level, there are 44 *kecamatan* (sub-districts) and 267 *kelurahans* (villages).

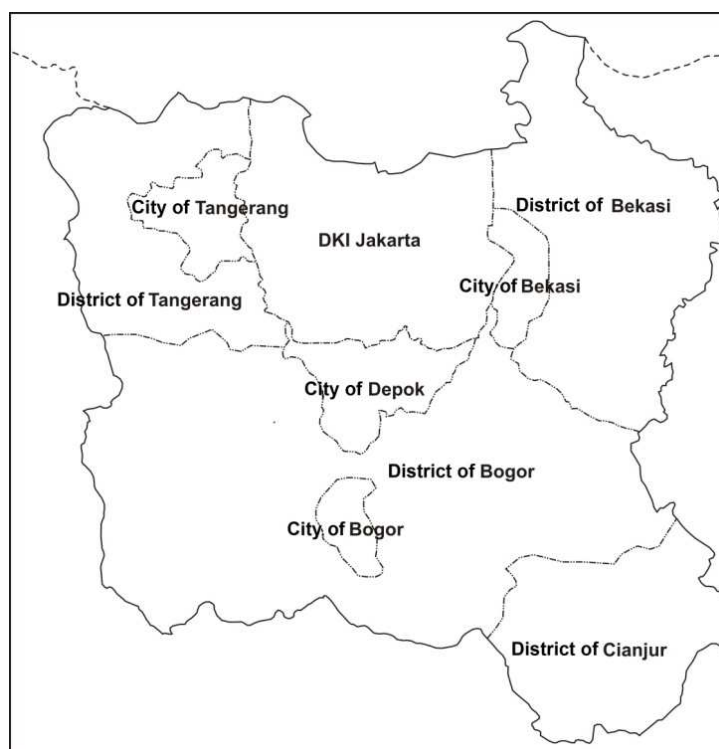
Jakarta City development issues must be considered together with those of the Jakarta Metropolitan Region (JMR) as a whole. This includes a surrounding area under the administration of three provincial governments - DKI Jakarta, West Java, and Banten - and nine district governments - Kota Bogor, Kabupaten Bogor, Kota Depok, Kota Tangerang, Kabupaten Tangerang, Kota Bekasi, Kabupaten Bekasi, Kabupaten Cianjur, and Kota Tangerang Selatan. Kota Tangerang Selatan, established in 2008 as an expansion from Kabupaten Tangerangis, is the newest JMR autonomous region. The greater metropolitan region is known as Jabodetabekpunjur, a portmanteau abbreviation including the names of each district.

The JMR has become one of the largest metropolitan regions in the world. Its rapid development has been spurred by growing domestic and foreign investment, especially in the service, trade, and manufacturing sectors. This economic development, meanwhile, has attracted migration from other areas, resulting in tremendous population growth.

3.2 History of JMR

The JMR concept was initially introduced by the Ministry of Public Works in 1950, when it was considering how to create a master plan to guide future development of the Indonesian capital. Although regional considerations did emerge during the early stages of Jakarta's development, this concept was not fully developed until the 1970s, when the formal development planning process began.

Figure 3.1 Map: Jakarta Metropolitan Region (Jabodetabekpunjur)



The Jabotabek Metropolitan Development Plan (JMDP), the first formal regional planning study for the Jakarta Metropolitan area, was conducted by the Ministry of Public Works in 1973. This study explored ways of managing Jakarta’s tremendous population growth, including the concept of “bundled deconcentration”, which was to force growth into a pattern of concentrated clusters linked together by improved transport infrastructure.

The Plan, deemed strategically favourable for development, needed a specific planning and development body to coordinate the interests of the various government units affected by planning efforts. Thus, DKI Jakarta and its surrounding areas (Bogor, Tangerang, and Bekasi) agreed to establish means of joint cooperation as stipulated in a joint decree between the Governors of West Java and DKI Jakarta on 14 May 1976.¹⁸ Shortly after the provision was established, a Badan Kerjasama Pembangunan/Development Cooperation Board (BKSP) was developed; it aimed to promote an integrated development plan and implementation programme in the region.

3.3 Population trends

Jakarta Metropolitan Region (JMR) covers an area of 7,500 square kilometres, including Jakarta City and the surrounding areas of Bogor, Depok, Tangerang, Bekasi and Cianjur. In 2010, following a population growth rate of 3.1 per cent per year from 2000–10, this area had 28.3 million residents¹⁹ - more than 10 per cent of Indonesia’s total population, even though the JMR covers only 0.3 per cent of country’s total area.

¹⁸ BKSP documentation, 2007.

¹⁹ Population censuses for 2000 and 2010, Central Bureau of Statistics (BPS).

The JMR has experienced much population growth over the last three decades, especially in the cities/districts surrounding Jakarta known as Bodetabekjur areas. Between 1990 and 2000, annual growth was 2.7 per cent, increasing to 3.06 per cent between 2000 and 2010. This was significantly greater than the national annual population growth rate, which rose to 1.3 per cent in 1990–2000 and 1.5 per cent in 2000–10.²⁰

In 2000, the population of DKI Jakarta was 8.4 million people, increasing to 9.5 million in 2010. Through 2000–10, the annual population growth of the city was 1.3 per cent, lower than the national growth rate of 1.5 per cent.

The population in the periphery of Jakarta (Bodetabekpunjur), on the other hand, grew faster (at 3.5 per cent annually) than the national growth rate in the period 1990–2000. The painful recession precipitated by the 1997 economic crisis was one major reason for this. Reduced job opportunities in the capital meant that migrant workers who had earlier moved to Jakarta from poorer regions now returned to their home towns or moved to the periphery of Jakarta.

Table 3.1 Population of the JMR (1990–2010)

City/regency	Area (km ²)	Population (in thousands)			Pop. density (thousands per km ²)			Average annual growth	
		1990	2000	2010	1990	2000	2010	1990–2000	2000–2010
DKI Jakarta	653.6	7 106	8 427	9 567	10.9	12.9	14.6	1.7	1.3
Central Jakarta	48.1	1 146	1 089	899	23.8	22.6	18.7	(0.5)	(1.9)
North Jakarta		1 075	1 434	1 645	7.3	9.8	11.2	2.9	1.4
	146.7								
West Jakarta		1 379	1 900	2 279	10.6	14.7	17.6	3.3	1.8
	129.5								
East Jakarta		1 733	2 348	2 687	9.2	12.5	14.3	3.1	1.4
	188.0								
South Jakarta		1 774	1 655	2 057	12.6	11.7	14.6	(0.7)	2.2
	141.3								
Bodetabekpunjur	9 312.4	8 859	12 502	20 523	1.0	1.3	2.2	3.5	5.1
Bogor City	118.5	255	714	949	2.2	6.0	8.0	10.8	2.9
Depok City		-	973	1 737	-	4.9	8.7	-	5.9
	200.3								
Tangerang City		-	1 312	1 798	-	7.0	9.6	-	3.2
	187.0								
South Tangerang City		-	-	1 304	-	-	8.9	-	-
	147.2								
Bekasi City		-	1 664	2 336	-	7.9	11.1	-	3.5
	210.5								
Bogor Regency	2 371.2	3 735	3 100	4 763	1.6	1.3	2.0	(1.9)	4.4
Tangerang Regency	1 160.4	2 765	3 097	2 839	2.4	2.7	2.4	1.1	(0.9)
Bekasi Regency	1 484.4	2 104	1 643	2 630	1.4	1.1	1.8	(2.4)	4.8
Cianjur	290.8	-	-	379	-	-	0.6	-	-
Jabodetabekjur/JMR	6 823.9	15 966	20 929	28 301	2.3	3.06	4.14	2.7	3.1

Source: The Statistical Board of each *kota* and *kabupaten* in Jabodetabekjur.²¹

Note: Kepulauan Seribu was established in 2001, Kota Depok in 1999, Kota Tangerang in 1993, and Kota Bekasi in 1996. The Cianjur population consists of 4 *kecamatan*s (Cugenang, Pacet, Sukaresmi, and Cipanas).

²⁰ Idem.

²¹ A *kecamatan* is a subdistrict—a subdivision of a regency (*kabupaten*) or city (*kota*). A subdistrict is divided into administrative villages, or *kelurahan*.

In line with the JMR's growing population, its population density had steadily increased over the previous three decades. In 1990, this was 2,300 people per square kilometre. The density increased significantly to 3,060 people per square kilometre in 2000, and then increased again to 4,140 people per square kilometre in 2010. These data indicate a serious problem, one evidenced by concomitant land conversion, infrastructure bottlenecks, and other issues.

DKI Jakarta's average population density is also high. In 1990, it was 10,900 people per square kilometre; by the year 2010 this had risen to 14,600 people per square kilometre. The rising density indicates that, despite problems with crowding, Jakarta continues to attract migrants from other regions. At the same time, construction of apartments in Jakarta has drawn people from peripheral areas to re-settle there. As with Jakarta City itself, its peripheral areas are experiencing rising population densities, especially in cities such as Kota Bogor, Kota Depok, Kota Tangerang, and Kota Bekasi. Increased population densities in district areas were less significant.

3.4 Recent migration to JMR

As the largest metropolitan city in Indonesia, Jakarta became the main destination for migrants from other regions, and internal migration is one factor that has led to high population growth in that city. Census data show that DKI Jakarta is the largest receiving migrant area in Indonesia.

Table 3.2 Migration into and out of Jakarta (1990–2005)

Province	1990		2000		2005	
	In	Out	In	Out	In	Out
North Sumatera	200 135	14 096	230 137	19 640	174 847	20 456
West Sumatera	154 485	15 107	152 966	16 485	141 249	24 354
Riau	22 237	11 992	24 179	22 329	26 968	17 006
South Sumatera	93 088	16 752	65 565	11 955	56 174	19 502
Lampung	24 184	16 954	52 293	17 582	55 818	15 439
Other Sumatera provinces	34 855	11 798	80 274	13 967	39 096	7 557
West Java	859 938	794 987	924 020	1 515 672	743 558	1 680 538
Central Java	1 139 985	67 492	1 277 549	85 250	1 274 304	99 986
DI Yogyakarta	90 339	19 342	126 889	25 692	124 229	30 863
East Java	301 476	34 710	355 270	46 852	302 093	56 339
Bali	9 027	3 535	10 007	8 487	4 779	6 487
Nusa Tenggara	21 248	3 422	26 378	4 639	15 200	9 026
Kalimantan	88 722	17 343	85 368	22 993	87 672	22 517
Sulawesi	80 031	16 604	86 804	18 812	12 816	18 766
Maluku-Papua	19 926	7 036	22 852	6 309	11 435	5 914
Total	3 139 676	1 051 170	3 520 551	1 836 664	3 070 238	2 034 750

Source: Central Bureau of Statistics, 2005.

The data show that in-migration to Jakarta was dominated by people coming from Central Java, West Java, and East Java (Table 3.2). Three large provinces in Sumatra - North Sumatra, West Sumatra, and South Sumatra - also significantly contributed to Jakarta in-migration. Given limited access to work in rural areas, Jakarta has remained an attractive city for rural migrants. Urban migrants to Jakarta have attained a higher educational level than migrants to other regions.

3.5 Economic dynamics of JMR

Gross Domestic Regional Product (GDRP) represents the economic output of a region. As the centre of economic activity in Indonesia, the JMR accounts for a high share of national GDP. In 2009, for instance, its contribution to national GDP rose to 24.71 per cent, nearly a quarter of national GDP, clearly indicating the importance of this region to national economic development (Table 3.3). At the same time, the relative dominance of this small area also suggests an imbalance in national development.

Table 3.3 GRDP in the Jakarta Metropolitan Region (2005–09) (constant 2000 price in billions of rupiah)

Province/region	2005	2006	2007	2008	2009*	Annual growth (%)
DKI Jakarta	295 271	312 827	332 971	353 694	371 399	5.9
West Java	242 884	257 499	274 180	290 180	302 630	5.7
Banten	58 107	61 342	65 047	68 803	72 031	5.5
Jabodetabekjur (JMR)	419 749	446 623	475 219	505 645	538 019	6.4
Three provinces	596 262	631 668	672 198	712 677	746 060	5.8
Java	1 012 598	1 071 136	1 137 414	1 204 599	1 262 007	5.7
Indonesia	1 750 815	1 847 127	1 964 327	2 082 316	2 176 976	5.6
% of JMR to three provinces	70.40	70.71	70.70	70.95	72.11	
% of JMR to Java	41.45	41.70	41.78	41.98	42.63	
% of JMR to Indonesia	23.97	24.18	24.19	24.28	24.71	

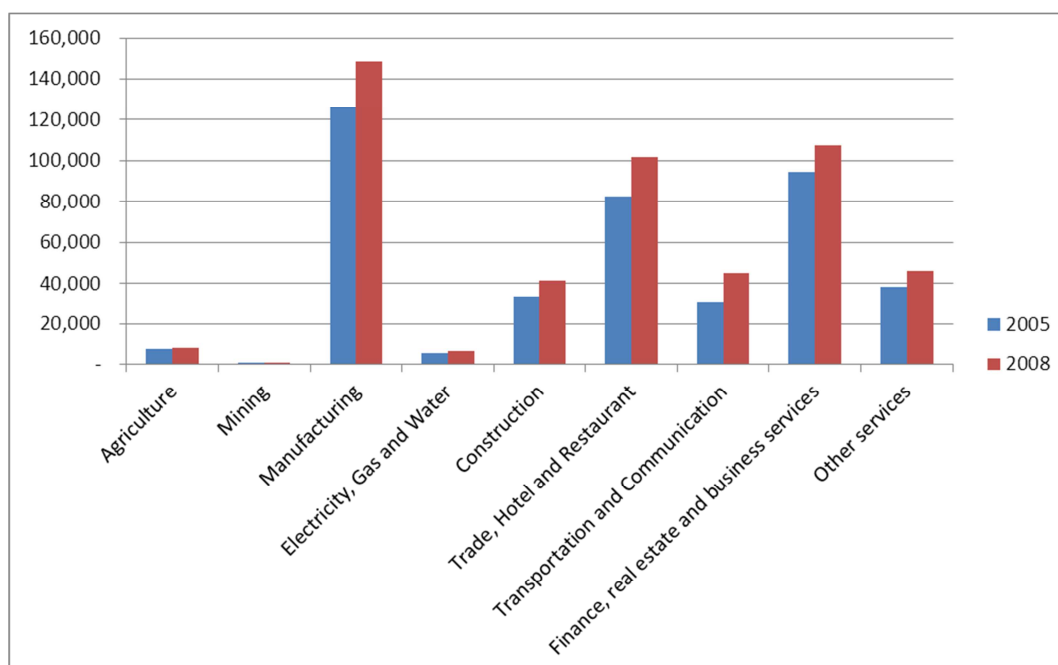
Source: Various sources of BPS data.

* Provisional.

Over the previous two decades, the JMR's economic structure was dominated by the tertiary sector, located mainly in Jakarta, including retail trade and financial services (Figure 3.2). The secondary sector, especially manufacturing, has also contributed significantly to economic development of the region. Due to the relative availability and affordability of land, this sector is mainly located on the JMR's periphery. Government provision of good infrastructure to support supplier access and other policy incentives has also helped to encourage manufacturing to the JMR periphery. Given rising land requirements for industry and housing, available agricultural land in the JMR was limited and declining. Thus agriculture, the primary sector, contributed less to the JMR economy than did the other sectors.

In the previous decade, the economy of DKI Jakarta constantly grew at a rate ranging from 5.0–6.2 per cent. In 2009, mainly because of the global financial crisis, growth slowed to 5.0 per cent. In 2010, the national economy picked up, and data yet to be released for DKI Jakarta will likely show a corresponding recovery in the growth rate.

Figure 3.2 Economic sector contribution to JMR GRDP (2005/08) (constant 2000 price in billions of rupiah)



Source: Central Bureau of Statistics, various years.

3.6 Employment

Labour conditions in Jakarta improved over the five years previous to 2010, as indicated by increasing employment and falling unemployment (Table 3.5). In 2010, the employment-to-population ratio rose to 62.0 per cent, an increase of about 7.4 percentage points from 2005 (54.6 per cent), while unemployment rates decreased from 15.8 per cent in 2005 to 11.1 per cent in 2010. The ratio of youth not in education and not in employment decreased from 20.1 per cent in 2005 to 10.9 per cent in 2010 and the youth unemployment rate also decreased from 36.9 per cent in 2005 to 19.8 per cent in 2010. In 2010, almost 27.3 per cent of Jakarta workers were engaged in the informal sector, while the remaining 72.7 per cent were employed in the formal sector.

Table 3.4 Employment status in Jakarta (2005–10)

	2005	2006	2007	2008	2009	2010
Employment to pop. ratio, age 15-64	54.6	58.8	58.1	61.9	60.0	62.0
Unemployment rate, age 15+ (%)	15.8	11.4	12.6	12.2	12.1	11.1
Share of youth not in education and not in employment, age 15-24 (%)	20.1	14.2	15.8	14.5	13.5	10.9
Informal employment, age 15+ (%)	26.8	25.2	28.2	27.3	30.6	27.3
Labour-force participation rate, age 15-24 (%)	64.6	66.4	66.5	70.6	68.5	69.7
Youth unemployment rate, 15-24 (%)	36.9	27.5	29.1	25.6	25.0	19.8

Source: Statistics for DWI, 2010.

3.7 Poverty

Poverty, whether measured in terms of income or consumption, remains a persistent problem in Jakarta. More than 310,000 persons were living below the poverty line in Jakarta in 2010, about 3.48 per cent of the total Indonesian population, and that ratio has remained largely constant over the previous five years (Table 3.6). To reduce this number, the provincial government of DKI Jakarta has been conducting a poverty reduction through community empowerment programme at the *kelurahan*/village level, aiming to engage the local people in developing the economic, social, and physical environment of the community-neighbourhood unit.

Table 3.5 Number of persons living in poverty in Jakarta

Year	Number in poverty	% of total population
2004	277 100	3.18
2005	316 200	3.61
2006	407 100	4.57
2007	316 200	3.61
2008	342 500	3.86
2009	323 200	3.62
2010	312 200	3.48

Source: DKI Jakarta Statistical Office, 2010.

3.8 Social and environmental indicators

Access to housing: As Indonesia's capital city and the centre of the national economy, Jakarta has become the main destination for job seekers and migrants from across the country. An estimated 200,000 people per year swell Jakarta's labour force, arriving from various regions, especially Java Island.

This large migrant population and labour force have increased the need for housing. Meanwhile, land prices keep rising, with housing becoming increasingly unaffordable for the majority of those who work in the capital city. This situation has encouraged the emergence of residential areas on what had often been the rural city outskirts. Bogor, Depok, Tangerang, and Bekasi, for example, have become densely settled areas with relatively affordable housing prices.

Housing and settlement improvements have been implemented by the DKI Jakarta Provincial Government through Kampong Improvement Programmes (KIPs) and healthy city programmes. However, many settlements remain in slum conditions. In 2004, the number of areas categorized as slums rose to 410 RWs,²² decreasing to 364 RWs in 2009. In total, slum areas covered 2,727 hectares (4.12 per cent of the Jakarta City area) and were inhabited by 170,097 households (8.76 per cent of total households).²³

By 2015, Jakarta will be home to more than 12 million people, and provision of adequate housing presents a challenge for the DKI Jakarta Provincial Government. Over the last 10 years, the demand for housing units rose to 700,000, or 70,000 houses every year. But with

²² *Rukun warga*, or community unit.

²³ DKI Jakarta Statistical Office, 2009.

only 39,691 hectares of residential land available in Jakarta, high-density housing such as flats are becoming an increasingly attractive alternative to single dwellings. The Housing Agency of DKI Jakarta Provincial Government has adopted a strategy of providing landed houses and flats at a ratio of 60:40.²⁴ The demand for flats in Jakarta is now about 28,000 flats per year, with 20 per cent of these categorized as higher-cost flats (5,600 flats per year), 40 per cent as medium-cost (11,200 flats per year), and 40 per cent as lower-cost (11,200 flats per year).

Education services. To improve the quality of education, the DKI Jakarta Government has followed the national mandate in allocating a minimum of 20 per cent of total local budget to education, while providing free schooling (subsidized) for elementary-level students. These efforts have improved education attainments in Jakarta, as indicated by the literacy rate rising to 99.3 per cent in 2010, and the gross school-enrolment rate reaching 102 per cent for elementary school, 101 per cent for junior high school, and 81 per cent for senior high school (Table 3.7).

Table 3.6 Human Development Index in Jakarta (2007–10)

Social indicators	2007	2008	2009	2010
Life expectancy	75.8	75.9	76	76.2
Literacy rate (%)	98.83	98.68	99.71	99.3
Average length of schooling (years)	11.16	11.56	11.5	11.56
Per capita income (rupiahs)	620 780	625 700	627 460	n.a.
HDI	76.6	77.03	77.36	77.6

Source: HDI Report DKI Jakarta 2010.

Health services. Improved health indicators such as life expectancy and infant mortality rates show progress in the development of health services in DKI Jakarta. Indeed, life expectancy in Jakarta has increased significantly, from an average age of 75.8 years in 2007 to about 76.2 years in 2010, reflecting the improving health conditions among city dwellers. In 2007, the infant mortality rate decreased significantly, from 22 to 8.4 per 1,000 live births, reflecting improved public understanding of the importance of maternal health, as well as the availability of better health services in Jakarta.

Water supply. Jakarta still needs to extend the availability of piped clean water. An estimated 46-56 per cent of households are connected to a piped water system.²⁵ Unofficial estimates, which attempt to account for the large number of informal residents in the city, estimate that only 25 per cent of Jakarta households are being served. Domestic water consumption is estimated at between 70 and 80 litres per capita per day. Those not connected to the Jakarta municipal water-supply system rely on a variety of sources (rivers and streams, lakes, rainwater, shallow and deep wells) and distribution methods (private household wells or rainwater collection system, water vendors, bottled water, standpipes, private localized networks connected to deep wells and water trucks). Two big private operators, joint ventures PT Thames PAM and PT PAM Lyonnaise Jaya, have responsibilities for supplying water in Jakarta.

²⁴ Rencana Pengembangan Perumahan dan Permukiman Daerah (RP4D) Provinsi DKI Jakarta.

²⁵ DKI Jakarta Statistical Office, 2005.

In many instances, alternative water sources are contaminated to a degree that compromises public health. Fewer than 2 per cent of Jakarta households are connected to a sewage system. The vast majority of wastewater is disposed of directly into rivers, canals, or into (often poorly functioning) septic tanks. Groundwater is severely polluted with pathogenic bacteria, and people in Jakarta spend significant resources on boiling water to make it drinkable. One study found that the average household spent more than 100,000 rupiahs a month on kerosene for boiling water.

Increasing demand for water has led to over-utilization of groundwater resources through excessive pumping. This in turn has resulted in natural water levels dropping and subsequent seawater intrusion in North Jakarta.

Air quality. Jakarta is one of the most polluted cities in the world. Among other issues, rapid urbanization and industrialization in Jakarta and surrounding areas have created severe air-pollution problems. Air pollution in Jakarta currently exceeds Indonesia's ambient air-quality standards (AAQS) for pollutants such as nitrogen oxides (NO₂), sulfur oxides (SO₂), ozone (O₃), and particulates (PM10).²⁶

Air pollution affects human health. Jakarta has a particularly high incidence of such diseases as respiratory tract infections and asthma. Poor air quality disproportionately affects children and those living in urban poverty, who are more heavily exposed to industrial and roadside pollution than the rest of the population. The main air-pollutant sources in Jakarta are vehicle emissions (70 per cent), the industrial sector (26 per cent), and domestic activities (4 per cent). The high vehicle emissions are due to the increasing number of motor vehicles on the city streets. The total number of motor vehicles in Jakarta has more than doubled between 1995 (2.4 million) and 2006 (5.1 million), with motorcycles comprising the bulk of this increase. Police data in 2005 showed that Jakarta had 2.5 million motorcycles, 1.3 million cars, 400,000 cargo vehicles, and more than 200,000 buses.

Approximately 71 per cent of Jakarta's citizens use motorized transport, and 55 per cent rely on public transport services. Local government, however, has invested much in improving public transportation over the last few years. For example, TransJakarta, the rapid transit bus system (BRT), opened in January 2004 as a means of improving public transport and alleviating traffic congestion.

Electricity. Electricity services support more productive economic activities. These services in the Jakarta Metropolitan Area are mainly centred in Jakarta, and the number of household connections in Jakarta is steadily increasing. In 2000, 6.89 million VA of electrical power was available to 1.96 million consumers. By 2007, this had increased to 9.72 million VA for 2.4 million consumers. Households accounted for most of the electricity used; relatively little power was consumed in social and economic activities or for street lighting.

Jakarta's electricity supply comes from the Java-Bali interconnection system, which has a capacity of 4,000 MW. Other power plants include Muara Karang (1,670 MW), Priok (2,025 MW), and Muara Tawar (800 MW). Overall capacity from these sources is 4,522 MW.

Higher food prices. High and rising food prices present an urgent economic challenge. Increases in food commodity prices have been due mainly to temporary problems:

²⁶ Particulate matter smaller than 10 micrometres in diameter, a common cause of respiratory illnesses.

- supply disruptions due to weather disturbances (La Niña was expected to continue until mid-2011);
- bans on exports from food-exporting countries to secure their domestic supplies;
- quantitative easing in developed countries encouraging investors to seek more profitable investment targets, i.e. developing countries and commodity markets; and
- policies regarding bio-fuel production among food-exporting countries, especially the United States, that resulted in declining world food supplies due to agricultural land conversion.

To deal with increasing food prices in the short term, the Government has engaged in price control interventions through the Logistical Board (Bulog). Data regarding the availability of food stocks should also be provided on a regular basis to help maintain price stability. Other necessary measures include social safety nets and nutrition programmes for people living in poverty.

In the long term, the demand for food will rise as Indonesia's population increases and becomes more affluent. The problem of meeting this rising demand will be exacerbated by rising pressures on agricultural land due to increasing needs for industry and housing, as well as by uncertainties related to climate change. Efforts to address future food shortfalls are focusing on increasing the production of domestic food and reducing import dependency through seed technology.

In the medium term, further investment is needed to support environmentally friendly agricultural productivity with a view to climate change mitigation and adaptation.

4. Jakarta: Policy interventions to promote decent work

Referring to case studies, this section presents policy interventions and programmes undertaken by both the national Government and DKI Jakarta Province, as well as by other stakeholders, in promoting decent work. These interventions are being undertaken in light of the four pillars of decent work: rights at work, employment creation, social protection, and social dialogue.

4.1 Medium Term Development Plan for DKI Jakarta (RPJMD) 2007-14

Since the end of 1999, Indonesia has been implementing decentralization and democratization policies. Reforms have included direct election of major public officials, as well as the formulation of a new local development planning and budgeting process. With regard to development planning, the elected regional head (governor/mayor/head of district) is expected to prepare a medium-term development plan (RPJMD) to further a development policy, strategy, and programme for the following five years.

The Medium Term Development Plan for DKI Jakarta (2007–14) presents an elaboration of the vision, mission, and programme of the elected Governor. It consists of general policies regarding local development and financial management; strategies and programmes for local agencies; and indicative budget allocation.

Basically, the Jakarta Governor's vision is to establish a safe, comfortable, and prosperous Jakarta City for all. The following strategies aim to address that vision:

- observing principles of good governance in support of effective programmes and activities;
- applying standards of excellence to delivery of such public services as education, health, security and order, law, and infrastructure;
- empowering communities by engaging local people in all stages of development;
- developing the urban infrastructure needed to achieve a more comfortable and sustainable city; and
- creating a dynamic urban living environment to support growth and welfare.

The main employment issues in Jakarta are the following:

- limited skills among much of the labour force (about 65 per cent of total workers are “lower-skilled”);²⁷
- limited educational attainments among job seekers; and
- an inadequate minimum wage.

In general, the open unemployment rate has fallen. But available job opportunities are insufficient to meet the demands of a rapidly growing labour force. In addition, a skills mismatch problem has emerged, where qualifications offered by the workforce do not meet employers' job requirements.

²⁷ Dinas Tenaga Kerja dan Transmigrasi DKI Jakarta, 2011.

In general, DKI Jakarta manpower management involves two main areas:

- improving the capacity of job-seekers; and
- protecting workers.

The ultimate goal of employment development is to reduce unemployment, aiming to realize the vision of a safe, comfortable, and prosperous Jakarta City for all. Policy directions for decent work creation in Jakarta include these:

- developing a city-wide, comprehensive, and integrated labour policy;
- helping to develop certified training centres in the tertiary sector;
- improving protection for labour;
- improving industrial relations;
- helping to establish a Bipartite Cooperation Institution; and
- developing international standard training centres.

Various programmes and activities aim to improve the capacity of job-seekers, among them training centre programmes, internships, formal placement in companies, non-formal and entrepreneurship development, and support for transmigration. Meanwhile, social protection programmes and occupational safety and health measures are providing support for workers.

4.2 Promotion of decent jobs

In general, efforts to promote decent work have involved, among others, stakeholders from local government agencies, labour associations, employers associations, and non-government organizations. On the national government side, Manpower and Transmigration is the leading agency responsible for implementing manpower-related tasks and promoting decent work creation in Jakarta. Local governments, meanwhile, have recognized decent work as an important concept, but have yet to clearly adopt it within systematic and integrated policies.

Wage and labour protection policies are also critical elements in achieving decent work for all. Industrial relations conducive to labour protection will be promoted by an improved wage system (as stipulated in Law No. 13, 2003, concerning employment) and social security (as regulated by Law 32, 2004). Proper management of these two issues will ultimately increase investment in the country as a whole and in the various respective regions.

Although no specific regulation regarding decent work creation exists as yet, some local government interventions have effectively supported decent work creation in Jakarta. Case studies of such interventions meant to represent the four pillars of decent work include the following:

- determination of a regional minimum wage for Jakarta Metropolitan Region (JMR);
- accommodating the informal sector within designated locations (Lokasi Binaan);
- human resource development and skill upgrading through public vocational training centres (Balai Latihan Kerja, or BLKs);
- Improving Skills and Competencies in the Construction Sector: National Movement on Construction Training (2010-14);
- Provision of Social Services through Empowerment Programme of Urban Village Communities (Program Pemberdayaan Masyarakat Kelurahan/PPMK) in DKI Jakarta;

- Providing Social Protection Outside Working Hours (JSHK PROGRAM);
- Reducing Child Labour Through Family Hope Programme (Program Keluarga Harapan); and
- Green Building Initiative in Jakarta.

4.3 Determination of regional minimum wages

Part of a broader labour reform agenda, the minimum wage policy emerged after the 1997-98 economic crisis. Originally initiated by the central Government, it was then delegated to local governments at the provincial, city, and district levels as part of a more general transfer of authority under a decentralized system of government.

Law No. 13 (2003) on manpower mandated the determination of a minimum wage policy that would provide a decent living for all. Under this law, the Government is obliged to set a wage policy that protects workers. This policy serves as an important basis for improving the living standards of workers. Determining a minimum wage not only improves worker welfare, it provides security for productivity improvement and maintaining national economic growth.

In 2005, the Government issued a ministerial decree regarding necessary components and stages in providing a decent living. The monthly decent living needs of an average worker was 3,000 calories a day plus clothes, education, health, housing, transportation, recreation, and savings. The minimum wage was determined on the basis of on a Wage Council market survey of decent living components in the region.

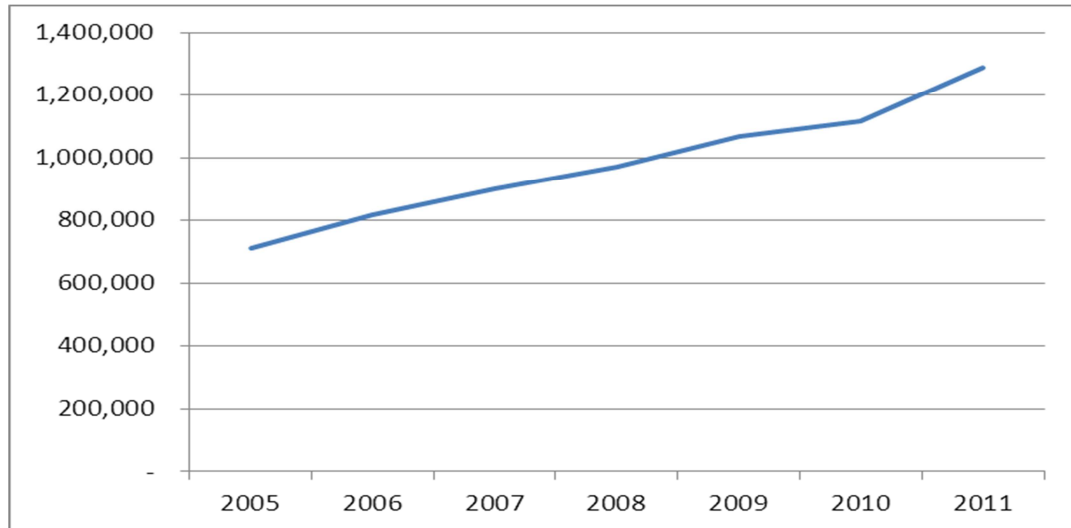
The minimum wage for Jakarta in 2011 was 1.29 million rupiahs a month, an increase of 15 per cent from the 2010 wage (Figure 4.1). The Governor of DKI Jakarta reviews the minimum wage annually, and any new determination is stipulated in a gubernatorial decree. Employers are prohibited from paying workers less than the minimum provincial wage. Where employers feel they cannot meet the regulation, they can propose to the Governor, through the Manpower and Transmigration agency, a suspension of the requirement. This must be done no later than 10 days before the regulation is to be applied.

Challenges for minimum wage policy implementation in Jakarta include the following:

- The current minimum wage is lower than real worker expenditure, and cannot meet worker needs for decent living. This may sometimes reflect a misunderstanding, where employers have effectively viewed the minimum wage as a maximum wage, applying it to all workers without consideration for their work experience or marital status.
- Opportunities have been left open for employers to suspend payment of minimum wages.
- Sanctions for companies that violate the minimum wages are too often ineffective.

Given their wider implications for the performance of Indonesian industry and labour as a whole, these issues need to be discussed by workers' and employers's associations together with the Government.

Figure 4.1 Minimum wage in Jakarta (2005–11) (rupiahs)



Source: Dinas Tenaga Kerja dan Transmigrasi DKI Jakarta, 2011.

The DKI Jakarta Provincial Wage Council plays an important role in setting the minimum wage. The Wage Council is a non-structural, tripartite institution established by the Governor. The Council is responsible for providing advice and inputs to the Governor in establishing the provincial minimum wage (UMP), sectoral minimum wages (UMS), and preparing materials in formulating the national wage system.

Aside from expert consultants, the Wage Council includes representatives from Government (14 persons), employer’s associations (7 persons), labour associations (7 persons), and universities. The membership of the Wage Council of DKI Jakarta Province is established through the Governorial Decree of DKI Jakarta Province No. 596/2010.

4.4 Accommodating the informal sector within designated locations (*lokasi binaan*)

The informal economy comprises a significant part of the urban economy. Many urban activities, either in the form of small-scale activities or unlicensed, not officially registered home industries, and the activities of street vendors, are conducted in the informal economy.

Jakarta supports a large number of informal economy workers, especially street vendors. Data collected by the Economic Bureau of DKI Jakarta Province showed that, as of 2010, about 105,678 street vendors were active across five municipalities: Central Jakarta (22,102), North Jakarta (6,306), West Jakarta (20,102), East Jakarta (29,793), and South Jakarta (27,305).

Most street vendors occupy public spaces. Informal economy activities on sidewalks and roadsides can cause public order disturbances, disruptions to traffic, and environmental hygiene issues. Aiming to minimize such issues while nevertheless accommodating the informal economy, the DKI Jakarta provincial government is relocating them in temporary venues on local government lands. Since inaugurating this policy in 2002, the DKI Jakarta government has provided 215 temporary locations across five municipalities: Jakarta Pusat

(61 locations), Jakarta Utara (43 locations), Jakarta Barat (25 locations), Jakarta Timur (58 locations), and Jakarta Selatan 28 (locations).

In the longer term, the DKI Jakarta government plans to relocate the informal economy from temporary locations to more permanent areas known as *lokasi binaan*, or “lokbin”. The DKI Jakarta government itself has assumed responsibility for land acquisition and site construction. As of this writing, there were 20 locations being operated and managed by the Technical Implementation Unit (UPT) Lokbin, recently established under the Trade, Cooperatives and SMEs Agency.

A *lokasi binaan* (designated location) is developed by designating government lands as locations for small and micro enterprises. The programme aims to regulate informal-economy land use, and to provide better working spaces and business-permit support. Lokbin facilities include open/half-closed business areas and are equipped with toilet facilities, electricity, and garbage bins. More than 6,000 street vendors have thus far been accommodated at 20 designated locations:

- Pulo Gundul Jalan Pulo Gundul Kelurahan Tanah Tinggi, Jakarta Pusat;
- Abdulgani Jalan Abdulgani Kelurahan Galur, Jakarta Pusat;
- Palmerah Jalan Palmerah Barat Kelurahan Palmerah, Jakarta Pusat;
- Cempaka Sari III Harapan Mulya, Jakarta Pusat;
- Muria Dalam Jalan Muria Raya Kelurahan Menteng Atas, Jakarta Selatan;
- Bintaro Jalan Bintaro Permai Kelurahan Pesanggrahan, Jakarta Selatan;
- Pasar Minggu Jalan Buntu Kelurahan Pasar Minggu, Jakarta Selatan;
- Cililitan Jalan Raya Bogor Kelurahan Kramatjati, Jakarta Timur;
- Jalan Nusa I Jalan Nusa I Kelurahan Kramatjati, Jakarta Timur;
- Makasar Jalan Kerja Bhakti Kelurahan Makasar, Jakarta Timur;
- Susukan Jalan Raya Bogor Kelurahan Susukan, Jakarta Timur;
- Munjul Jalan Raya Hankam Kelurahan Munjul, Jakarta Timur;
- Kramatjati Jalan Raya Bogor Kelurahan Kramatjati, Jakarta Timur;
- Bangun Nusa Cengkareng Timur, Jakarta Barat;
- Tegal Alur Jalan Lingkungan III Kelurahan Tegal Alur, Jakarta Barat;
- Meruya Ilir, Meruya Utara, Jakarta Barat;
- Rawa Buaya Outer Ringroad Kelurahan Rawa Buaya, Jakarta Barat;
- Permai Jalan Lorong 103 Kelurahan Koja, Jakarta Utara;
- Semper Barat Jalan Tipar Kelurahan Semper Barat, Jakarta Utara; and
- Rorotan Jalan Rorotan Kelurahan Rorotan, Jakarta Utara.

Given the great number of current informal-economy operations, local government has only a limited capacity to provide the needed business space. Provision of lokasi binaan has already required major investments in land acquisition and construction. Furthermore, some street vendors have been reluctant to move to lokasi binaan because rental costs are too high. (Some site operators take advantage of the generally uncertain rental costs by charging exorbitant fees.)

4.5 Human resource development and skill upgrading through public vocational training centres

Indonesia is now in transition to a knowledge economy, with new pressures to increase competitiveness, economic growth, and employment performance. The main obstacles are increasing gaps in jobs-relevant, high-quality skills. Thus, education and vocational training, in terms of both formal and non-formal education, needs to be improved to close these gaps.

Although educational attainment is improving, it remains low overall. Many youths are not in school, and significant inequities exist in access to formal education. To support out-of-school youth as well as adults, the Government has provided non-formal education, with public vocational training centres (*balai latihan kerja* or BLKs) being the most popular non-formal education and training programmes.

BLKs are administered locally within a decentralized system of governance. Currently, 162 BLKs are operating in Indonesia. They are financed mainly through government budget allocations, while some BLKs also conduct modest revenue-generating activities.

Jakarta has five regional training centres (in Central Jakarta, East Jakarta, West Jakarta, South Jakarta, and North Jakarta). The training programmes aim to meet development needs in various sectors and regions by enhancing worker skills, expertise, and professionalism. These programmes include skills training and apprenticeships, community training, and training for trainers.

Improving worker competence is an important means of boosting labour competitiveness and productivity. Greater labour competence and productivity in turn leads to new employment opportunities, a current national priority. One strategic element awaiting development is the establishment of competency-based job training institutions that may also serve to test competence according to international standards.

BLKs provide four types of programme: institutional, non-institutional, and demand-based training, plus on-the-job apprenticeships. Institutional training aims to increase the skills of job seekers. Non-institutional training is provided through mobile training units for people in remote areas.

In general, the aim is to conduct demand-based training catering to the current needs of industry. Jakarta BLKs provide the following programmes: computer operator, computer technician, refrigeration engineering, motorcycle engineering, catering, housekeeping, fashion, electronics, welding, electricity, automotive, civil drafting, and English-language teaching. BLKs are public training centres open to all citizens. Target groups include job seekers, public and private officers who want to improve their skills and knowledge, and private entrepreneurs. To ensure placement after completion of training programmes, BLKs cooperate with companies/institutions in graduate recruitment.

Most BLKs in DKI Jakarta are financed through local budgets. (They do not require training fees from workers.) Supported in this way, a BLK can accommodate on average 500-1,000 workers per year. In total, Jakarta BLKs can train about 3,500 workers per year. Training methods are roughly 75 per cent practical and 25 per cent theoretical, and include 3-month internships.

Most BLK participants receive certificates of completion. They may also take company trainee or professional association exams to receive certificates from the company or an association. Indonesia's National Qualification Framework (Kerangka Kualifikasi Nasional Indonesia, or KKNI) and National Competency Standard (Standar Kompetensi Kerja Nasional Indonesia, or SKKNI) provide the bases for most association examination systems.

4.6 Improving skills and competencies in the construction sector: The National Movement on Construction Training (2010–14)

The construction sector in Indonesia contributes 4-8 per cent of GDP (Gross Domestic Product), with the capacity to absorb many more skilled and unskilled workers. In 2009, the capitalization of the construction sector rose to 170 trillion rupiahs and, by 2014, is expected to rise to more than 1,200 trillion rupiahs. The public works sector had capitalized 35 trillion rupiahs and absorbed at least 1.2 million construction workers.

The construction sector needs around 5.8 million construction workers, of which, as of 2009, only 3 per cent were certified. "Construction workers" currently comprise about 10 per cent experts, 30 per cent technicians/skilled, and 60 per cent unskilled workers. Almost 3.48 million construction workers need to improve their competence.

Competency-based training is the priority for construction-sector human resource development. In late December 2009, the Government launched the National Movement for Construction Training (GNPK) 2010–14, which aims to develop well-trained, competent, and highly competitive construction workers.

GNPK 2010–14 plans to accelerate improvement of construction-sector human resource quality to meet labour needs, as well as to close the quality gap with other countries. Accelerated competency-based construction training is part of a strategic effort to transform the Indonesian construction industry into something of higher quality - more efficient, more effective, and safer.

GNPK 2010–14 presents a common agenda wherein all national stakeholders can work together to realize the vision of human resource development in the construction sector. The GNPK agenda includes five main items:

- developing a competency supervision system and construction worker training;
- establishing competency standards for construction work;
- strengthening training institutions/competency-based tests;
- establishing competency-based training infrastructure; and
- accelerating construction worker training.

By 2009, the Ministry of Public Works had conducted training for 250,000 construction workers, about 5 per cent of a total of 5.4 million construction workers.²⁸ Accelerating this process is clearly considered important - over the five years to 2014, GNPK aims to train nearly 3 million more skilled and unskilled construction workers.

Aside from construction training centres under the Ministry of Public Works, these activities involve other training centres under central and local government, as well as private training institutions. Donor support is also possible for this programme. Table 4.1 presents construction training targets from various institutions.

²⁸ BPS, 2008.

Table 4.1 Construction training targets in various institutions (2010–14)

Institution	Target number (people)
Ministry of Education	1 485 100
Ministry of Labour and Transmigration	249 000
Ministry of Public Works	62 000
Ministry of Home Affairs	54 000
Ministry of State-owned Enterprises	28 500
Ministry of Communication	5 000
Construction Service Development Board (LPJK at national and regional levels)	1 217 000
Others	97 600
Total	3 198 200

Source: Calculated from GNPK 2010–14.

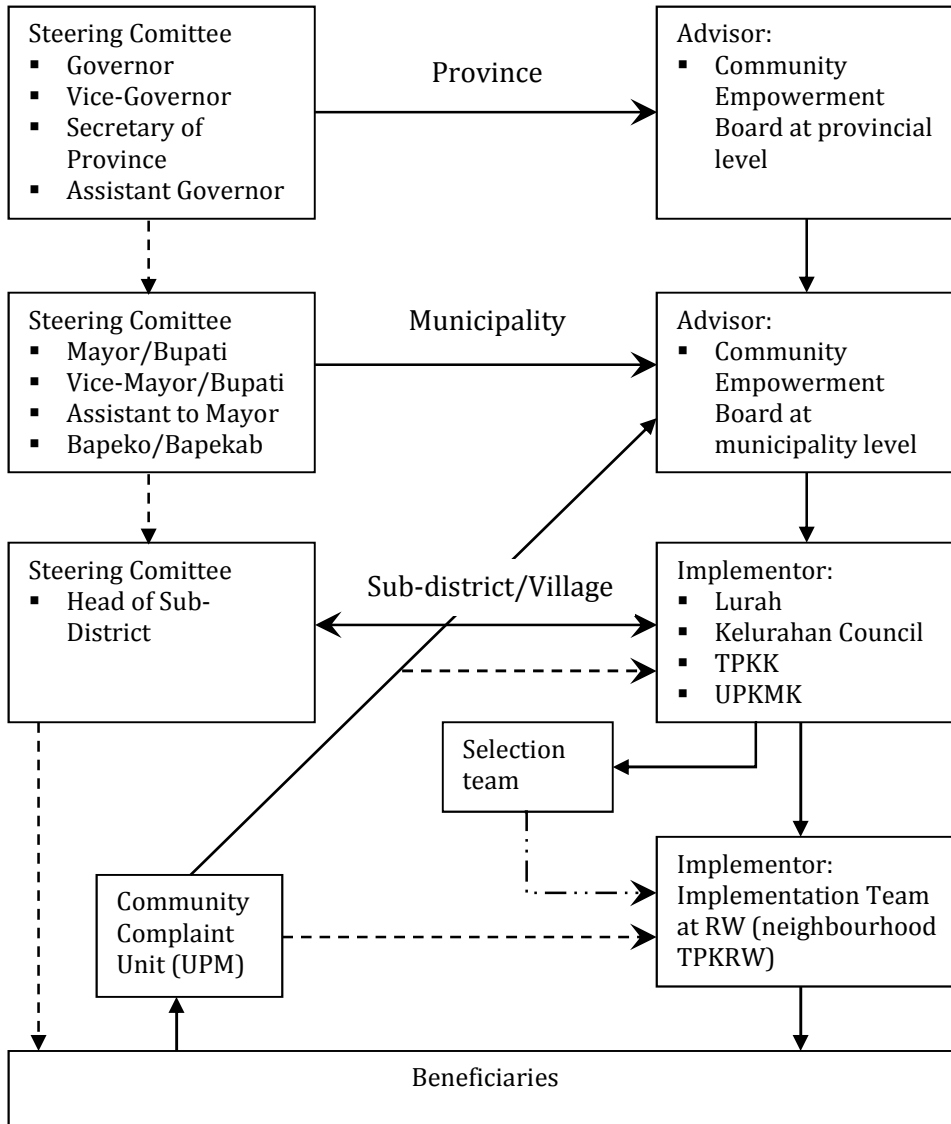
4.7 Provision of social services through the Empowerment Programme for Urban Village Communities (Program Pemberdayaan Masyarakat Kelurahan/PPMK) in DKI Jakarta

The Empowerment Programme for Urban Village Communities (PPMK) was inaugurated in 2001 in response to the monetary and economic crisis of 1998. The crisis led to fewer available jobs and higher prices for basic necessities in the city, impacts that were felt for several years afterward.

The PPMK's initial goal was to empower people living in poverty in Jakarta by providing a revolving loan fund for micro-enterprises. Two types of grants were made available, one for physical improvement and the other for social development. The programme has aimed to strengthen community networks at the village level by encouraging cooperation among individuals to foster social capital and a sense of mutual trust among citizens. Through the PPMK, the community will gradually learn to be more responsible, and will be able to organize itself in an institutionalized manner. In addition, community members have opportunities to practice problem identification, planning, and programme implementation.

The *dewan kelurahan* (village council) is the main actor in implementing the PPMK, assisted by the *lurah* (village head) (see Figure 4.2). Dewan kelurahan members include elected local public figures and community leaders. This council is responsible for helping to establish a Tim Pelaksana Kegiatan Kelurahan/Implementation Team at the Kelurahan (TPKK), Implementation Team at the Neighbourhood Level (TPK-RW), Proposal Selection Team, and Community Complaint Unit (UPM).

Figure 4.2 Organizational structure of the PPMK



Source: PPMK, Team Mirah Saketi, 2010.

The PPMK aims to increase the capacity of people living in poverty in Jakarta to improve their own lives and the quality of life in their communities. The programme has three main pillars:

- **Promoting economic development** involves a revolving loan to extend working capital to village communities, especially for small and micro enterprises. The fund is channelled directly through communities or individuals. Between 2001 and 2007, revolving funds were disbursed to 413,073 beneficiaries, who applied them to small

businesses ranging from catering services, grocery shops, and selling meatballs on the street to computer rentals and bike services.

- “**Physical improvement**” aims to foster cooperation among urban village communities in improving environmental conditions in their neighbourhoods. The infrastructure grant is channelled to community groups who submit successful proposals to the village council (*deket*). It seeks to support micro-scale infrastructure in neighbourhoods not adequately provided by public authorities.
- **The social development programme** aims to build social capital in communities by strengthening community forums and other relevant institutions. The programme also provides skills training for those who need jobs as well as those who have jobs but want to improve their skills. The PPMK started in 2001 with pilot projects in 25 villages (5 villages per municipality). The programme was then extended to the 242 villages that had not obtained PPMK funding in 2001. Each village received 250 million rupiahs. In 2003, disbursed funds rose to 500 million rupiahs and then, in 2004, to 700 million. Since 2005, the funds for each village have been calculated according to certain formula and weighting, with each village receiving between 850 million and 1.6 billion rupiahs.

From 2001 to 2007, the PPMK disbursed a total of 567 billion rupiahs to about 413,000 people.

Learning from previous experience, the DKI Jakarta government revised the design of its economic development programme to incorporate Microcredit Financial Institutions (MFIs) and cooperatives. Since October 2009, a financial service cooperative for the Empowerment of Village Communities (KJKPEMK) has been established.

Within this scheme, the community establishes an urban village cooperative managed by four board members and four operational co-managers, all of them community-appointed. The cooperative must formulate a business plan to access the fund. To qualify as cooperative members, local people need ID cards and productive businesses in need of financing.

In the outcome, each cooperative initially accessed capital of 540 million rupiahs. Funds amounting to 91 billion rupiahs were already disbursed to 156 cooperatives covering more than 36,000 beneficiaries in 156 villages. These cooperatives do not charge formal interest rates, instead applying a revenue sharing system involving the cooperative and the DKI Jakarta provincial government.

Other PPMK community development and physical improvement programmes are conducted under the Community Empowerment Agency. The programme design has not changed. In 2010, total funds allocated for these programmes rose to 88 billion rupiahs.

4.8 Providing insurance coverage outside of working hours (JSHK programme)

Since 2009, the DKI Jakarta government has conducted a programme that aims to provide 24-hour accident and death protection, both within and outside working hours, for workers in DKI Jakarta. The programme, known as JSHK (Jaminan Sosial dalam Hubungan Kerja di luar jam kerja), replaces the AKDHK (Asuransi Kecelakaan Diri Diluar Jam Kerja dan

Hubungan Kerja) programme implemented during the period 1989–2006, and the 2007–08 JKDK (Jaminan Kecelakaan Diri dan Kematian di luar jam kerja) programme.

The JSHK programme seeks to:

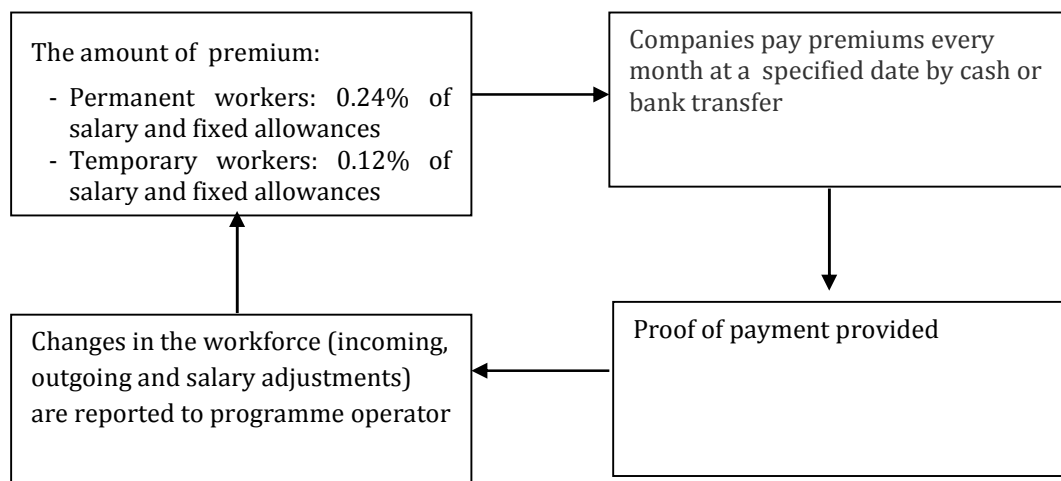
- improve worker welfare by providing accident and death insurance coverage to workers and their families;
- encourage both improved worker motivation and improved labour productivity; and
- promote harmonious workplaces.

JSHK components include:

- temporary allowances for those who cannot work;
- permanent disability benefits;
- death benefits;
- medical expenses;
- reimbursement for tools;
- reimbursement for dentures and/or glasses;
- funeral expenses; and
- compassionate allowances.

Under the JSHK programme, companies make monthly premium payments to a designated insurance provider. For permanent workers, the premium payment corresponds to 0.24 per cent of the worker's salary and fixed allowances; for temporary workers, the premium payment corresponds to 0.12 per cent of the worker's salary and fixed allowances (see Figure 4.3).

Figure 4.3 Flow of insurance scheme payment



4.9 Reducing child labour through the Family Hope Programme (Program Keluarga Harapan)²⁹

In mid-2007, the Government launched Program Keluarga Harapan (PKH), a pilot conditional-cash transfer programme, in 40 cities/districts in 7 provinces including West Sumatra, DKI Jakarta, West Java, East Java, North Sulawesi, Gorontalo, and East Nusa Tenggara. In 2009, PKH was extended to another 5 provinces: Nanggroe Aceh Darussalam, Sumatra Utara, DI Yogyakarta, West Nusa Tenggara, and South Kalimantan. The total number of participants in 13 provinces was 720,000 households.³⁰

The programme aims to help improve, in a sustainable way, education and health among communities living in poverty. The idea emerged in 2005 as an alternative poverty reduction programme to compensate for reduced government fuel subsidies. PKH funds are extended to targeted families living in poverty, the main focus being to improve the quality of human development, especially among children. Families are provided with an allowance conditional on their attention to their children's education and health. PKH provides cash transfers to households through the local post office. Eligible households must be classified as living in chronic poverty, and either have a child aged 6 years or younger or else include a pregnant/lactating mother. Cash transfers are made to households on the condition that certain health- and education-related obligations are met. The Ministry of Social Affairs is the implementing agency, and the post office manages the transfer of funds.

PKH applies the traditional conditional-cash transfer design, with quarterly cash transfers to individual households living in poverty. Recipient households receive regular cash transfers through the post office as long as they use specified health and education services. Health facilities and schools regularly report non-use of these services to the sub-district PKH management office. If a PKH recipient fails to comply with the conditions, after a few warnings the cash transfers are terminated.

Transfer amounts are based on recipient circumstances (see Table 4.3).

Table 4.2 PKH programme transfer scheme

Transfer scheme	Transfer amount per family per year (rupiahs)
Fixed transfer	200 000
Transfer for families living in poverty who have	
• Children aged under 6 years	800 000
• Pregnant/lactating mother	800 000
• Primary school-aged children	400 000
• Junior high school-aged children	800 000
Average transfer per family living in poverty	1 390 000
Minimum transfer per family living in poverty	600 000
Maximum transfer per family living in poverty	2 200 000

Source: PKH general guidelines (2007).

²⁹ Hutagalung et al., 2009.

³⁰ BAPPENAS, 2009.

A two-stage selection process was used to choose eligible households in subdistricts. An initial register of beneficiaries was created by using the unconditional-cash transfer beneficiaries list, and then applying a proxy means test to households on it. Only households living in poverty were then selected for the programme.

The PKH programme aims to provide incentives for poor households to keep their children in school rather than at work. This may be particularly important for poor households with junior high school-aged children. Statistical data for 2004 showed that - at 91.9 and 92.2, respectively - NER did not differ greatly for children from the poorest and richest quintiles. The gap between junior and senior high school levels, however, was quite substantial. With junior high school, the NER for the poorest was 49.9 per cent, compared to 76.6 per cent for the richest. With senior high school, the NER for the poorest was 21.9 per cent, compared to 65 per cent for the richest.

In 2011, the Ministry of Labour and Transmigration, through the Reduction of Child Labour in Support of the Family Hope Programme (PPA-PKH), aimed to return 3,360 child labourers in 15 provinces and 56 districts/cities to school. To ensure the effectiveness of the programme, the Ministry of Labour and Transmigration was coordinating efforts with the Ministries of National Education, Social Affairs, Religious Affairs, and Health as well as with other related agencies and institutions.

The PKH is designed to support demand-side improvements in education and health services for those living in poverty. By 2015, the programme is expected to reach 6.5 million families living in chronic poverty, with qualified families receiving funds for a six-year period. Children from these families, it is expected, can continue their education and thereby avoid the inter-generational poverty trap.

4.10 Green building initiative in Jakarta

Indonesia is one of the world largest greenhouse gas emitters. And its building sector is the country's third-largest energy consumer - accounting for more than a quarter of total energy use in 2004, a proportion expected to rise to nearly 40 per cent over the coming decade. Aiming to be part of the solution to global climate change, the Government has committed Indonesia to reducing its greenhouse gas (GHG) emissions by 26 per cent within 10 years. The top contributors to the country's emissions are deforestation and the energy sector. The latter source is mostly due to power-plant emissions, exacerbated by a high-intensity energy sector and the use of oil and coal as its main fuel.

Since 2008, aiming to achieve the national target of cutting carbon emissions by 26 per cent by 2020, the Jakarta City Government has been working on a number of sustainable initiatives. One of these is a green buildings code that may serve as a model for other cities in Indonesia.

This code will reduce energy consumption in residential and commercial buildings, potentially cutting around 140 million tonnes of carbon dioxide per year. The code will set energy and water efficiency requirements for buildings, and will insist that climate change adaptation practices be included in building design. Other recommendations for green building include replacing currently conventional lighting with energy-efficient light bulbs; developing a system that collects rainwater for cleaning and watering plants; adding meters to

water pumps to minimize water run-off and consumption; improving indoor air quality; and hiring contractors for the disposal, recycling, and composting of hazardous waste.

The Jakarta City Government is encouraging private developers and high-rise building management to apply green building principles. With new construction, on the other hand, these principles should be given force from the outset, with the issuing of building permits. Local regulation of a green building code must start with the permit process and move from there to planning, design, construction, operation, and maintenance. The City Government is also encouraging financial institutions to provide the considerable investment needed to apply the green building concept successfully.

The initiative remains at an early stage and is being implemented first in government buildings. (At the time of writing, for example, the city government is applying green building in the retrofit of the Jakarta City Hall building.) To supervise and control implementation of the green building concept, the city government is cooperating with the Green Building Council Indonesia (GBCI), which had already developed green building standards.

GBCI is a non-profit organization established in 2008 by 50 architecture and interior-design professionals who wanted to promote environmentally friendly homes and other buildings in the country. In its efforts to mainstream the idea of green building, GBCI formulated green building guidelines for new and existing structures that could be used by other people generally.

GBCI's Greenship Rating System provides a tool to assess a structure's eligibility for certification as a "green building". Five requirements must be met to qualify for certification:

- make smart use of land;
- conserve energy and water;
- conserve raw materials;
- reduce toxic chemicals; and
- contribute to improved air quality.

Greenship is voluntary, and applies higher standards than local regulations. As of 2011, about 70 buildings in Jakarta had applied for greenship certification.

Apart from its capacity-building programme regarding the development of green building in Indonesia, GBCI has conducted both internal training for GBC employees and external training with other institutions.³¹ Internal training consists of a series of discussions where GBCI members share experiences. External training activities are usually undertaken in other countries, or they are conducted in Indonesia with guest lectures by experts with experience in implementing green concepts elsewhere.

These and other initiatives highlight the increasingly important role that green jobs and green skills will play in the development of Jakarta and Indonesia.

³¹ Zaituni et al., 2010.

5. Conclusions

The review of urbanization and related policy initiatives in Jakarta and other Indonesian centres highlights a number of key issues and policy implications:

- **Rapid urbanization, concomitant issues.** Indonesia has undergone rapid urbanization over the past three decades. This is especially true in large metropolitan cities on Java Island, which together now comprise more than 10 per cent of the national population. Meanwhile, rapid urbanization has generated a number of critical issues. Among the urban problem areas that city governments need to address are employment, poverty and slum improvement, and deficient infrastructure and services.
- **Decentralization and local government institutions.** Indonesia has had more than 10 years' experience with implementing decentralization policies. Rapid progress has been made, yet enormous problems remain, some of which will no doubt take many years to solve. A decentralized system requires strong institutional capacity at the local government level - and in some cases institutional reform - if the challenges of urbanization are to be successfully addressed.
- **Integrating decent work programmes with local development plans.** Indonesia has formulated and implemented the Decent Work Country Programme 2006–10. One obstacle facing the DWCP is the task of involving all stakeholders in the process, including those from the national and regional levels. This study shows that the DWCP has yet to engage the participation of local governments in the implementation of the action plan. And, to achieve its decent work goals, the DWCP needs to be integrated into local development plans.
- **Interrelated centre-periphery issues, and challenges of inter-governmental cooperation.** The development of DKI Jakarta is intimately related to the dynamics of the surrounding metropolitan region (JMR/Jabodetabekpunjur). Rapid population growth in districts/cities surrounding Jakarta has accompanied rapid industrialization and new municipal development on Jakarta's periphery over the last three decades. Urbanization has led to fast-growing demand for employment and urban services. All this requires effective responses from local government, at the same time inter-governmental cooperation has is presenting a serious challenge in the Jakarta Metropolitan Region.
- **Early decent-work policy initiatives, and need to engage all stakeholders.** Although no specific policy addresses decent work creation as such, the DKI Jakarta provincial government has made efforts in this direction. These initiatives - partially implemented by the respective sectors/stakeholders - have already promoted decent work while increasing that city's competitiveness. In any case, further efforts to promote decent work in Jakarta should involve the various stakeholders in an integrated manner.

- **Further research.** More research is needed on local government responses to the promotion of decent work in Indonesia, with more focus on analysing related programmes and activities conducted by city governments.
- **Formulating tools to mainstream decent work into local development plans.** Such tools should include means of promoting Decent Work Country Programmes and indicators in a way that makes them both intelligible and important to people at the community level and compatible with local development plans.

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Decent work in Jakarta: An integrated approach

By 2010, the population of the Jakarta Metropolitan Region had risen to 28 million, a rapid increase from 16 million in 1990. Urban areas are both the engines of economic and productivity growth and the centres of trade and innovation, so urbanization provides numerous opportunities for Jakarta and Indonesia as a whole. At the same time, rapid urbanization poses critical challenges, including those of job creation, urbanization of poverty, provision of social services, and environmental degradation. Without addressing these challenges in an integrated and coherent manner, urban areas risk becoming zones of inequality, misery, and degeneration. This paper analyzes trends in urbanization in Jakarta and details a number of policy initiatives aimed at supporting development and decent work in such areas as promotion of decent jobs, skills upgrading, and social protection.

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