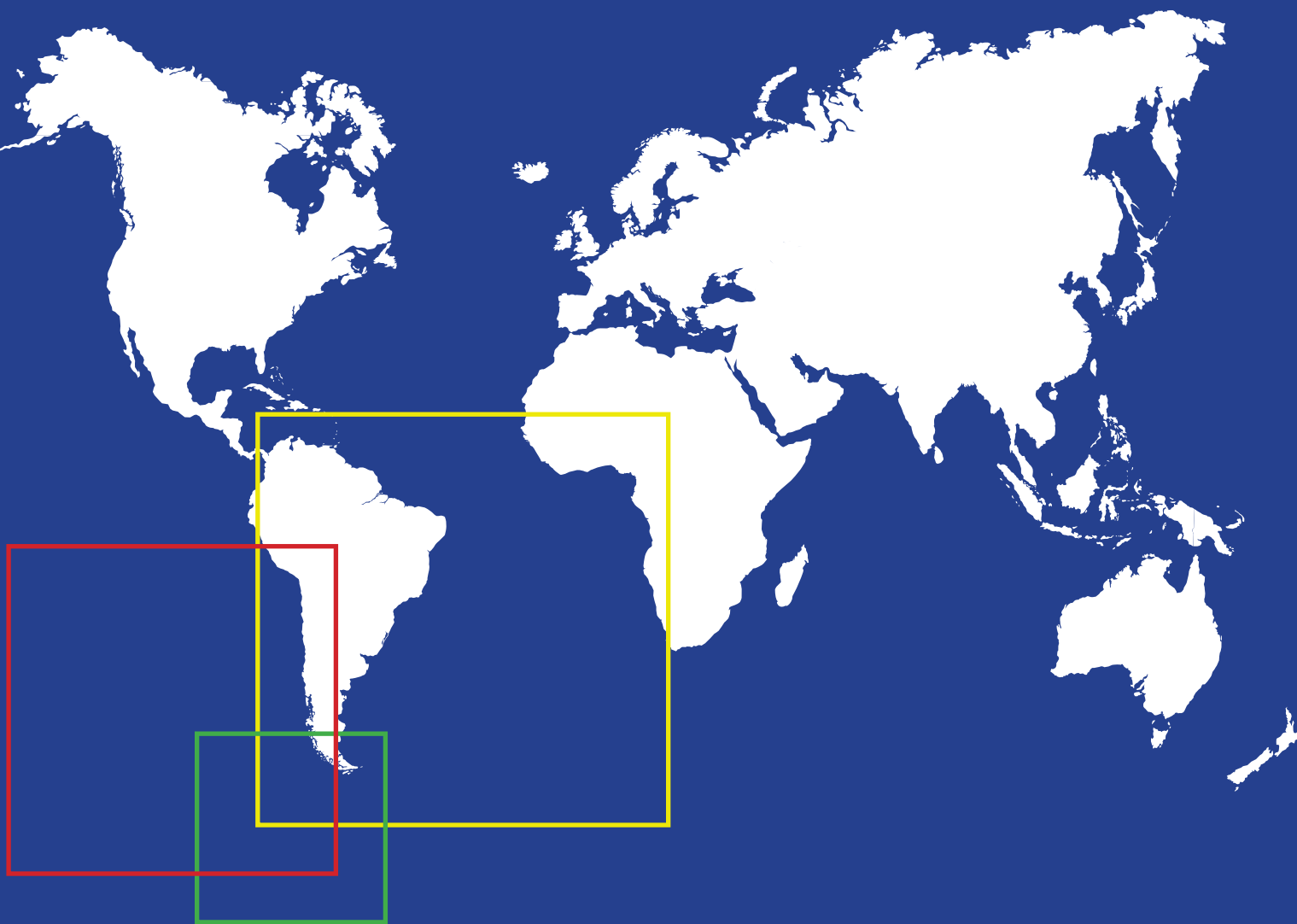




International
Labour
Office

Decent Work Country Profile INDONESIA



Summary

During the last fifteen years, the Republic of Indonesia has undergone tremendous social and political changes that have shaped the landscape for decent work (see Chapter 1). Following the economic crisis in 1997–1998, the country has experienced a political transition to a more democratic system along with fundamental labour market reforms, including the adoption of Act No. 13 of 2003 concerning Manpower (MA), Act No. 21 of 2000 concerning Trade Unions (TU) and Act No. 2 of 2004 concerning Industrial Relations Disputes Settlements (IRDSA).

Labour market conditions in Indonesia are very much correlated to the dynamics of social and economic contexts, in particular the 1997–1998 crisis which severely hindered the economy, and the 2008 global financial crisis which also moderated growth. Over the last decade, there has been steady progress in raising per capita income and significant achievement in poverty alleviation. However, poverty rates are still high in many parts of the country, and inequalities remain important. Employment is mainly distributed among the agricultural and services sectors while its share in manufacturing has decreased. Labour productivity has moderately increased at an annual average rate of 3.3 per cent over the last decade, but still lags behind other Southeast Asian economies. With regard to education, significant progress has been achieved in reducing the percentage of children not attending school, while some advancement in adult literacy has also been observed. Moreover, Indonesia faces a significant challenge with the prevalence rate of HIV and AIDS being among the fastest growing in Asia.

Over the last decade, progress in **employment opportunities** has been mixed, notably in three critical areas: gender, youth, and informal employment (see Chapter 2). The employment-to-population ratio has generally remained steady with significantly lower figures for women than for men. Since a ten-year peak in 2005 (9 per cent

for men and almost 15 per cent for women), 2010 has seen a fall in the unemployment rate (6 per cent for men and 9 per cent for women) which nonetheless remains higher than in 1996. Young workers are facing serious challenges on the labor market, even if the situation has improved since 2005, in particular for young women. Finally, only small achievements in reducing the share of workers engaged in informal employment have been observed, with more progress for female workers. Since 2005, female employment-to-population ratio and labour force participation rates have increased, while the female unemployment rate and female informal employment have decreased. The Government of Indonesia has positioned employment creation among the main objectives of the National Midterm Development Plan 2010–2014.

Progress in **adequate earnings and productive work** has been modest (see Chapter 3). Despite a global positive increase in average real wages for both men and women, the increasing trend of the minimum wage proportion to median wages, shows that the increase of real wages is limited in comparison with minimum wages. Also the share of casual employees whose monthly earnings were less than two-thirds of the median earnings has increased in the last 15 years for both men and women. Generally, casual employees and female employees are less advantaged compared to regular employees and male employees, respectively, and regional disparities are also prevalent. Finally, the minimum wage policy has been inadequate to protect employees, in part due to non-compliance and enforcement problems.

Progress on **decent hours** has not been achieved from 1996 to 2010. The relatively high percentage of employed people who work more than 48 hours per week increased during that period. Nearly three in four regular employees and half of all casual employees worked more than 40 hours per week in 2010. In addition, the average weekly hours of

work for male workers have exceeded the range of the legal limit. The rate for time-related under-employment increased, especially for the female workers, while open unemployment declined and the number of casual workers increased.

Indonesia has adopted legal provisions on leave and working time responding to the decent work dimension of **combining work, family, and personal life**, especially for maternity leave and annual leave (see Chapter 5). Working hours have been regulated in order to provide workers with a better balance between work, family and personal life. However, workers including those in informal employment are increasingly working more hours, especially urban workers who are affected by the impact of urban sprawl and high commuting time.

Further efforts are needed with regards to **work that should be abolished**. With regard to child labour, Indonesia adopted Law No. 23 on Child Protection in 2002 (see Chapter 6). The age of admission to employment has been set at 15, and the Government has put in place legal provisions with regard to admission to employment, light work, and hazardous work. Notable progress has been achieved from 1996 to 2010 resulting in increased school enrolment and attendance rates, as well as a decline in child labour for the population aged 10 to 17. Nevertheless, more than 1.5 million children aged 10 to 17 were engaged in child labour in 2010, essentially in the agricultural sector. Almost half the child labour population (aged 5–17) is engaged in hazardous work and more than half of working children aged 13 to 14 years is engaged in work that does not constitute light work.

With regard to forced labour, efforts to eliminate trafficking in persons especially women and children are included in the legal frameworks and in many Government regulations, as well as plans of action. Further efforts are required in order to fully eliminate these abhorrent forms of work but they are gravely hindered by poverty, access to secondary and tertiary education, demand for child labour, as well as gaps in law enforcement.

In the area of **stability and security of work**, the labour market has experienced more flexible

forms of employment and increased job insecurity (see Chapter 7). Although Indonesia has not ratified the Termination of Employment Convention, 1982 (No. 158), the Manpower Act No. 13/2003 contains provisions for the termination of employment on valid grounds and for severance payment. Over the last decade, despite existing policies, a significant and increasing part of the employed population has been engaged in precarious or casual work (from 6 million in 2001 to almost 11 million in 2010). The share of workers in informal employment fell slightly but remains high, at nearly three out of five workers. The rising trend of precarious work went along with the declining rate of unemployment over the last decade. In addition, real wages of casual employees remain around two-fifths of the level for regular employees. Gender-based wage disparities are also apparent between male and female casual workers.

In terms of **equal opportunity and treatment in employment**, some progress has been achieved over the last decade, resulting in a rise in the share of women's participation in politics and management and a falling gender wage gap among regular employees (see Chapter 8). However, significant challenges remain, including expanding education and employment opportunities for women and differently abled persons, ensuring equal pay for work of equal value and enhancing protection for overseas migrant workers, in particular women engaged in domestic work. To this end, the President of Indonesia issued an instruction concerning the Maintaining Justice Development Programme in April 2010, with a focus on women and children, workers, as well as on the poor and marginalized population.

Regarding **safe work environments**, the Government of Indonesia delegated the responsibility to enforce occupational safety regulations to local governments following the Law on Decentralisation in 2000 (see Chapter 9). Employment injury benefits are provided through a law on social security adopted in 1992 which regulates compensation to injured workers (Jamsostek). In 2006, the Government tried to extend Jamsostek coverage to self-employed workers and to provide injury benefits in particular for workers in informal employment. In addition, in 2007, the Gov-

ernment formed the National Occupational Safety and Health Council (NOSHC) which is a tripartite body consisting of representatives from the local government, businesses, and labour unions. Despite existing gaps in the reporting system from the local level to the central level, the available data show a progress in the last five years, as is indicated by the fall in fatal and non-fatal occupational injury rates. However, the Government is still lacking in institutional capacity to be able to enforce occupational safety regulations, especially as the number of labour inspectors has decreased in the last three years, while the number of registered workers has increased.

Indonesia has launched the Law on National **Social Security** System (NSSS) No. 40 of 2004, which reflects the Government's strong political commitment to improve people's welfare through a national social security system (see Chapter 10). The law mandates universal coverage of social security with compulsory contributions and different programmes (health insurance, work accident insurance, old age pension, pension insurance, and life insurance), but not including unemployment insurance. Altogether, during the last 15 years, much effort has been devoted to increasing the coverage of social security for the benefit of workers and their families, as can be observed in the rising government expenditure on social security and the increasing percentage of health-care expenditure not financed out of pocket by private households. Nonetheless, other deficits remain: a sizeable portion of formal employees are still not participating in the Jamsostek scheme, and programmes to support informal workers are still at an early stage.

Finally, with respect to **social dialogue, and employers' and workers' representation**, Indonesia has ratified the relevant main ILO Conventions (see Chapter 11). However, there has been mixed progress over the last five years. Not only did the number of trade unions demonstrate a declining trend, the rate of union density was also relatively low at around 12 per cent of all employees in 2009. At the same time, the number of registered companies belonging to the employers' association APINDO remained the same, while the number of collective labour agreements increased. In addition, the number of bipartite cooperation councils, which are mandatory for enterprises employing 50 or more workers, was still low but showed an increasing trend. Likewise, the incidences of strikes and lockouts were on the increase, but the number of workers involved tended to be on the decrease.

Despite the achievements mentioned above, Indonesia is still facing many problems in achieving decent work for all, as mandated by MDG Target 1B: "achieve full and productive employment and decent work for all, including women and young people" (ILO, 2011). Indonesia recognizes these problems and has adopted policy strategies in the National Midterm Development Plan (RPJMN) 2010–2014, which focus on pursuing economic growth, alongside labour intensive investment, improving competitiveness, as well as poverty reduction measures.¹ However, robust efforts should accompany these policy strategies in order to make them effective by including decent work indicators into the monitoring and evaluation systems, and action plans.

¹ RPJMN 2010-2014, Chapter III, Book 2.