

# The 2030 Agenda for Sustainable Development: Challenges and Opportunities for Indonesia

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ILO discussion paper for Conference on  
Indonesia's Agenda for SDG's toward Decent Work for All  
Jakarta 17-18 February 2016

## Moving from ambition to implementation

In September 2015, world leaders met at the United Nations and adopted "Transforming our World: the 2030 Agenda for Sustainable Development."<sup>1</sup>

The 2030 Agenda establishes Sustainable Development Goals (SDGs) and targets which are integrated and indivisible, global in nature and universally applicable.<sup>2</sup> They nevertheless take into account different national realities, capacities and levels of development and respect national policies and priorities. The targets are ambitious and universal, with each Government setting its own strategy guided by the global level of ambition and taking into account national circumstances. Each Government will decide how the global targets should be incorporated into national planning processes, policies and strategies.

Indonesia, along with all other UN Member States, is encouraged to develop as soon as practicable a national sustainable development strategy, building on existing planning instruments, to implement the 2030 Agenda and realize the Sustainable Development Goals.

Planning for the implementation of the 2030 Agenda needs to take account of pressing shorter term challenges while current policy initiatives should equally contribute to building the framework for the medium term goals of sustainable development. This is particularly important for inclusive growth and decent work for all. This background paper for the ILO Conference on "Indonesia's Agenda for SDGs toward Decent Work for All" (Jakarta 17-8 February 2016) therefore aims to stimulate a broad-based dialogue and facilitate discussion of the connections between the horizon of the SDGs and policy initiatives that are under discussion in 2016. It concludes by suggesting questions for discussion during the Conference.

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1 Available at <https://sustainabledevelopment.un.org/post2015/transformingourworld/publication>

2 See Annex 1 for a list of the SDGs

## Broad-based dialogue on decent work for sustainable development

The 2030 Agenda provides a framework for national dialogue on the challenges of transforming current growth paths onto a sustainable development trajectory. The Agenda itself sees such dialogue as vital to the design of a sustainable development policy framework and the generation of broad engagement in the considerable effort over 15 years that is essential to the implementation of the SDGs. The goals and targets related to decent work and inclusive growth are important foci for tripartite social dialogue.

**Goal 8** of the SDGs commits all States to:

*“promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”*

There are a number of other SDGs that are relevant to the mandate of the ILO.

On building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation, **target 9.2** is:

*“promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product...”*

**Goal 10.4** on reducing inequality within and among countries which commits all States to:

*“adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality”*

Under **Goal 1** on the eradication of poverty, the target of implementing nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable is set (SDG 1.3). **Goal 4.4** is to “substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.”

The SDGs are ambitious and will require commitments from all sections of society to promote both more jobs and better quality jobs. In particular, achieving “full and productive employment and decent work for all” will require a concerted effort across many economic and social policy fronts.

In this respect, the decent work dimensions of the SDGs are both ends and means. Realizing full and productive employment is essential to generating the resources needed to achieve all the other goals. Transforming employment structures into new patterns which are sustainable economically, socially and environmentally is at the heart of the political challenges posed and accepted by world leaders.

Well-functioning social dialogue and tripartism, with employers’ organizations and trade unions working with government and international partners, should play a central role in policy design and implementation to ensure that the process of transformation is inclusive and sustained. Laying the policy framework in 2016 to promote decent work for all is thus an important foundation for the broad-based social compact that can provide the momentum for implementation of the SDGs.

## Indonesia's role in establishing the 2030 Agenda

The Government of Indonesia played a significant role in developing the SDGs and was a leader among emerging and developing countries in the negotiations that took place at the United Nations in New York in 2014 and 2015. Indonesia played a critical role in positioning the decent work agenda in the SDGs.

Indonesia's employer and worker social partner organizations, and their respective international organizations, the International Organization of Employers and the International Trade Union Confederation, also supported strongly the process.

This global level action built on the Indonesia Decent Work Country Programme 2012-2015 which encapsulated the partnership between the ILO and its constituents and formed part of the Mid-Term Development Plan and the UN Partnership for Development Framework.

In February 2015, during the negotiations, the Government of Indonesia joined with the ILO to host a conference in Jakarta to discuss various components of the then-proposed Goal 8. This conference brought together senior Government officials, trade union leaders, employer representatives, academics and the international community to discuss the relationship between labour market policies and inclusive growth. In March 2015, Minister for Manpower H.E. Mr. Hanif Dhakiri was invited to make a key-note address to the Integration Segment of the Economic and Social Council in New York on "Achieving sustainable development through employment creation and decent work for all".

Building on this collaboration, the Ministry of Manpower and other ministries of the Indonesian Government and the social partners decided to join with the ILO and its multilateral partners in holding a conference to discuss how to implement the new transformative framework offered by the 2030 Agenda and in particular the goals and targets connected to the Decent Work Agenda.

### 2016: a cross road year?

The first year of the fifteen year drive to 2030 has started with a deterioration of global economic conditions making the achievement of the SDGs, and in particular Goal 8, more challenging in all countries. Indonesia is not alone in finding itself at a cross-road in its economic and social development. Planning for the medium term to 2030 thus needs to take account of pressing shorter term challenges while ensuring that current policy initiatives contribute to the medium term goals of sustainable development.

Although external factors including the economic slowdown in China, plummeting commodity prices and volatility in financial markets have sparked memories of the 1997-98 Asian crisis, macroeconomic policy and the economic fundamentals remain sound. The authorities in Indonesia have reinforced their strong commitment to macroeconomic and financial stability and, although there is no cause for complacency, the Indonesian economy has continued to grow at a reasonable pace.

Real Gross Domestic Product (GDP) growth over the year to the December quarter of 2015 was 5.0 per cent, despite delays in implementation of announced public spending on physical infrastructure and other public outlays. Growth rates in recent years have been on a gradual downward trajectory, but Indonesia has avoided the dramatic slowdowns in some other commodity exporting economies. Total wage employment and employment in manufacturing

remained stable. There was a slight upward movement in the unemployment rate due to shifts in labour force participation. There was also some evidence of more quality jobs in capital intensive manufacturing.

Forecasts by the International Monetary Fund (IMF) and others are for growth continuing at around 5 per cent per year through 2016 and 2017.<sup>3</sup> Slower expansion of domestic demand during 2015 and the weakening international outlook for the year ahead both contributed to the slackening of growth and is provoking some uncertainty amongst investors.

Like many other countries, Indonesia may need to consider measures to hold off any further weakening of growth prospects in the near term and establish a solid base for the medium term. Indonesia is a member of the G20 which describes itself as the main global forum for collective policy-making for strong, sustainable and balanced growth. Indonesia therefore has an important voice in seeking to change the direction of current global trends while also acting itself to strengthen the resilience of its economy.

The ILO has drawn attention to the risk that in a weak global economic environment a “beggar thy neighbour” competition may tempt some countries to take a low road of cutting wages to cut export prices. However, a high road option is also available of lifting productivity, moving up the value-added chain, raising wages especially for the low paid and deepening social dialogue.

Indonesia has the challenge and opportunity of working with its international partners to avoid the risks of the low road at the same time as continuing to build the policy framework for the high road to sustainable development.

## **Charting an Indonesian decent work for sustainable development strategy**

Looking ahead over the medium term to 2030, a key driving force in transforming development in Indonesia, and many other developing economies, is the promotion of inclusive and sustainable industrialization. Diversifying current economic and employment structures is central to sustained economic growth, poverty reduction, full employment and decent work.

Target SDG 9.2 in the 2030 Agenda proposes a significant rise in industry’s share of employment and gross domestic product by 2030, in line with national circumstances. The movement of workers from low paid jobs in agriculture and the informal economy into higher paid jobs in manufacturing should help reduce inequality and poverty as it focusses on workers in the lower half of the income distribution. SDG 10.1 aims to “progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.” A range of economic policies will need to be brought to bear on realizing SDG 8 including many aspects of tax, social and labour market policy which are also relevant to SDG 10. Infrastructure investment and an enabling environment for sustainable enterprises are further key features of the policy framework for the SDGs in general and SDG 8 and 9 in particular

The Government has commenced an extensive reform programme, with the announcement of several packages in the latter months of 2015. Many aspects of these reforms address policy fields of direct relevance to the 2030 Agenda and the promotion of inclusive and sustained economic growth and decent work for all. An important issue is ensuring that current policy choices are

<sup>3</sup> IMF (2016) World Economic Outlook: Update, January 2016. ADB (2015) Asian Development Outlook 2015 Update, Asian Development Bank, Manila; World Bank (2015) East Asia and Pacific economic update, October 2015, World Bank, Washington D.C.

consistent with the longer run objectives contained in the SDGs. This report and conference will therefore discuss options that bear upon key issues in the design of a policy framework to support a pattern of growth that reduces poverty, generates decent work opportunities and narrows inequalities in the context of Indonesia's implementation of the 2030 Agenda. \

## **Transforming and diversifying economic and employment structures**

A central issue for the transformation of the Indonesian economy onto a sustainable development path is the expansion of output and employment in the manufacturing and service sectors, and a movement up the value chain in these sectors. The manufacturing sector has performed fairly strongly in the last few years, partly offsetting the slowdown in the resources sector. Real output from the manufacturing sector expanded steadily between 2004 and 2014 and total employment in the sector rose by roughly 45 per cent over the decade. Between 2012 and 2014 employment levels in the sector dipped and then recovered but real output continued to expand at a solid pace. The broad trends in output and employment within manufacturing in recent years imply that labour productivity has been improving thus providing scope for real wage increases.

Despite this strong recent performance, a larger and more diversified manufacturing sector could play a still more prominent role in driving growth in Indonesia. Debate continues about the right mix of policies to achieve this goal. Indonesia has considerable experience, and comparative advantage, in various labour intensive manufacturing activities. These parts of the economy have performed well in recent years. In terms of output growth, productivity and export performance the record of labour intensive manufacturing has been robust. Low labour costs and a reasonably well trained workforce have increasingly made Central Java an attractive choice in the Asian region for investors in the clothing, footwear and related industries and major multinational brands that contract production for sale worldwide.

Indonesia completed its ratification of the ILO's fundamental conventions in 1998 which helped to build confidence in the country's commitment to respect for freedom of association and the improvement of working conditions. This is an important element in decisions to invest and source in Indonesia, especially by high profile multinational companies, which are sensitive to the reputation of their supply chains. Application of these standards in practice is vital and the Government of Indonesia will be reviewing the findings of the ILO's Committee of Experts' comments regarding freedom of association and the right to organize and bargain collectively.<sup>4</sup> A complaint lodged by the International Trade Union Confederation in December 2015 has been received by the ILO Committee on Freedom of Association.

At the same time, Indonesia will need to move up the value-added chain towards more capital intensive production in order to raise productivity and living standards. Public policy therefore also needs to support capital and resource intensive manufacturing activities. So far Indonesia has not captured its fair share of foreign direct investment in capital intensive manufacturing.<sup>5</sup> Given the size of the domestic market, very competitive labour costs and the geographical location of Indonesia, one would expect far greater integration in global supply chains centred on capital intensive manufacturing.

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4 General Report and observations concerning particular countries of the Committee of Experts on the Application of Conventions and Recommendations to the 2016 International Labour Conference

[http://www.ilo.org/ilc/ILCSessions/105/reports/reports-to-the-conference/WCMS\\_448720/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/105/reports/reports-to-the-conference/WCMS_448720/lang--en/index.htm)

5 Haryo aswicahyono, Hal Hill and Dionisius Narjoko, "Indonesian Industrialization", Working Paper No.2011/53, UNU-WIDER, September 2011

## International competitiveness and labour market regulation

Maintaining the international competitiveness of the Indonesian export sector is essential. There are many aspects to international competitiveness – price, quality, speed and reliability of delivery, innovation. Some of these factors are affected by labour market regulations which can either promote or hinder the production and distribution of goods that are price and quality competitive.

In the early stages of transformation from economies dominated by low productivity agricultural work to higher productivity manufacturing and services, low labour costs can be critical to gaining a foothold in export markets and reducing poverty. At this stage, education and skill levels are low and constitute a drag on productivity growth. However, in order to sustain and accelerate the reduction of poverty it is vital to move on from this bottom rung of the manufacturing ladder to higher skilled and better paid work that is nevertheless still price as well as quality competitive.

Indonesia has in recent years moved on to a poverty-reducing trajectory in which higher productivity, improved working conditions and export competitiveness interact to realize sustained growth. However, staying on this track is a continuous challenge.

Income inequality increased substantially between 2003 and 2011 and has remained steady at this heightened level in recent years. After many years of progress in reducing the headcount poverty level this progress has stalled recent and was slightly reversed during 2015.<sup>6</sup> The numbers of young women and men seeking work continues to rise as does the flow of rural migrants to the cities. Yet international conditions are fragile not least for the primary goods exports on which Indonesia has also relied. High value-added manufacturing and better quality services based on enhanced productivity are central to realizing the SDGs in Indonesia.

Combining policies to increase decent work opportunities and narrow social inequalities at the same time as maintaining competitiveness and moving up the manufacturing value-added ladder will require a well-balanced combination of policies. These include the promotion of investment in sustainable enterprises, lifting skill levels, further strengthening social protection systems establishing a durable system for wage setting and deepening social dialogue based on respect for fundamental principles and rights at work.

## Wage setting systems for sustainable development

Wage setting systems can complement industry policy in creating decent work opportunities. Many countries combine a system for establishing minimum wages at the lower end of the spectrum with collective bargaining for workers in the middle, and in some countries upper, income ranges. Minimum wages should protect workers vulnerable to exploitation against unduly low wages, and are a component of poverty alleviation policies. Collective bargaining over wages and working conditions enables joint agreement between workers and employers about how the dividends of improved economic performance can be shared, how productivity can be increased, and a range of other workplace matters. By directly engaging representatives of employers and workers, collective bargaining offers a process by which common ground can be established and potentially disruptive disputes resolved.

<sup>6</sup> Badan Pusat Statistik (BPS), Profile of poverty in Indonesia, Press release, 15 September, 2015.

Minimum wage setting systems that include a role for social dialogue help establish common understanding about what is feasible as well as desirable in terms of improved conditions of work. Although most countries have systems of wage setting with these features, the institutional arrangements vary widely. The role of ILO standards (Conventions and Recommendations) is to establish principles of global application within which appropriate national systems can be established.

Especially for countries like Indonesia, where labour intensive, low wage, low productivity industries are seeking to move up the value-added ladder, it is essential to develop a wage policy that reflects the complementarity between minimum wages set through tripartite consultations, and collective bargaining over wages between workers and employers. In light of the 2030 Sustainable Development Goals, a system which commands broad-based support from workers and employers is potentially a keystone in the policy framework.

As part of overall reform measures, the Government introduced reforms to the minimum wage fixing system in mid-October 2015. The new system requires that minimum wages be fixed through a formula which combines the real GDP growth rate and Consumer Price Index (CPI). When a formula-based system has been implemented elsewhere, there has generally been consultation with social partners before its adoption, or the formula has been only intended to provide a technical and statistical basis for subsequent consultation and negotiation. The formula itself is often subject to tripartite dialogue. Experience also tells us that the lack of opportunities for social dialogue can reduce a sense of collective ownership of the level of minimum wages and thus creates the potential for conflict.

Trade unions were attached to the old system in which they were able to play a role in the eventual determination of minimum wages by provincial governors and thus had a strong stake in implementation. They have opposed the new system as a step away from a participative system of labour relations. Government and employers view the formula-based approach as a means of achieving predictability and lessening the conflicts that often characterized the old system. Lack of agreement concerning wage-setting, especially minimum wages, could continue to generate tension and protests, hampering the construction of a broad consensus over an Indonesia strategy for sustainable development.

As an immediate step, consideration could be given to opening a space for social dialogue on minimum wages within the existing framework, including changes to ways of operationalizing the formula-based approach in a transparent and concerted manner. In this respect, Convention 131 of the ILO on the setting of minimum wages offers some broad principles against which the new system could be reviewed.

In addition, the issue of coverage and compliance also requires serious attention. With roughly one in two workers not receiving the wage to which they are legally entitled, compliance with the minimum wage and other labour laws needs to be urgently addressed. This will require building up a well-resourced system of labour inspection and labour courts that operate with increased transparency.

The medium-term goal is the creation of a sustainable and inclusive wage system in Indonesia. While the old system of minimum wage fixing was strongly tripartite, it also at times was conflictual, and suffered from high levels of decentralization and lack of coordination. Moreover minimum wage rates are often close to median wage rates. This is to a large extent due to the under-utilization of collective bargaining which has led to an over-reliance on minimum wages. Thus, there is a need to strengthen such bargaining mechanisms at enterprise level and at the level of economic sectors, provincial and national level, and requires that unions, management and government explicitly commit to pursuing such a policy.

Article 49 of the new wage regulation, for example, concerns the setting of sector level minimum wages, a practice that is already well-established in certain provinces and districts. This Article would appear to provide the necessary flexibility to start a constructive tripartite dialogue about industry level collective bargaining. It would be timely for Indonesia to begin to develop wage setting systems above the minimum in which improving productivity, needed to maintain and increase export competitiveness could be linked to improved wages and working conditions.

In short, the challenge for Indonesia is how to develop a sustainable wage system in which minimum wages and collective bargaining play their respective role in an articulated manner.

## **A Social Dialogue Agenda on Inclusive Growth and Decent Work**

The cross road at which Indonesia finds itself in 2016 coupled with the challenge of devising a national sustainable development strategy to meet the ambitions of the 2030 Agenda is an opportunity to start a broad social dialogue agenda which embraces, amongst other things, investing in skills and improving labour relations.<sup>7</sup>

In addition to minimum wages and collective bargaining, the following topics warrant the early attention of a high level tripartite forum and are central to a policy framework for sustainable development.

### ***Productivity and labour mobility***

Labour productivity is enhanced by workers moving from low to higher productivity jobs, by human capital development such as through learning on the job, by a deepening of the capital stock, and by improvements in the efficiency with which labour and capital are combined. A review of regulations which encourage widespread use of short term employment contracts is needed to encourage longer job tenure to assist with on the job training. Similarly, a review of regulations concerning employment protection legislation, drawing on ILO standards, might be considered. The revision of regulations in these areas could be linked to incentives to firms to invest in skills development.

### ***Investing in a more effective education and training system***

The level of expenditure on education has been rising rapidly for well over a decade. By 2012 public expenditure on education amounted to 18 per cent of total government expenditure, or 3.6 per cent of GDP. However because tax levels and public expenditure levels in Indonesia remain low by international standards, the proportion of GDP devoted to education still remains below the global average of 4.7 per cent of GDP.

The issue is not just a matter of resources. Increased clarity and consistency in public policy towards education and training and efficient implementation are equally important. Improving coordination between different, and sometimes competing, Ministries and between central, regional and local government is the main challenges in the field of education, vocational training and skill development.

Increased collaboration among the education and labour authorities, companies and trade unions in enhancing the quality and the relevance of education and training is vital. The Government can play a catalytic role in bringing education and training providers, employers

<sup>7</sup> The World Bank has been advocating negotiations on a grand bargain of labour reforms for several years. See, World Bank, "Indonesia jobs report: Towards better jobs and security for all", 2010.

and workers closer together to create greater synergies for human capital investment. Dialogue and collaboration among the parties can lead to better identification of skills needs, enhance the relevance of education and training, and improve the jobs prospects of the youth.

### ***Vocational training and apprenticeships***

Reforms that would encourage larger firms to invest in genuine long term vocational training programmes that combine on-the-job training with structured courses in state of the art vocational training facilities would make good sense. There is some evidence that employers are under investing in their workforces. A recent survey indicated that, in manufacturing, the proportion of firms that provide “guidance and assistance to enhance the skill of new workers” remained constant between 2010 and 2014, but in the service sector this ratio declined.<sup>8</sup>

The development of an extensive high quality apprenticeship system could be an effective way to ameliorate the skill shortage problem and is strongly supported in ILO Recommendation No. 195 on Human Resources Development, and the Conclusions of the 2008 International Labour Conference on Skills for Improved Productivity, Employment and Development. Apprenticeships systematize collaboration by combining school-based learning and workplace-based training. It effectively taps into existing training resources and equips youth with knowledge and skills for their future occupations. In an apprenticeship model, companies provide practical training at the enterprise using their equipment, and experienced workers transfer technical know-how to the youth. The ILO’s approach to quality apprenticeship emphasizes social dialogue, clear definition of roles and responsibilities, legal framework and shared-financing arrangement.<sup>9</sup>

### ***Social protection as an enabling factor to reduce inequality and promote competitiveness***

In a context shaped by rapidly rising inequality and increasing international competitiveness social protection can and should play a central role in the country development strategy. According to a recent World Bank survey, social protection is ranked by Indonesians as one of the three most important policies for reducing inequality. Its potential impact derives directly from its direct role in income protection and redistribution but also from its positive influence in human capital development and productivity. Developing and implementing a comprehensive social protection system is indeed one of the key axis of the country’s National Medium-term Development Plan (RPJMN 2015-2019).

In line with the ILO’s Social Protection Floors Recommendation, 2012 (No. 202) and with the SDG target of implementing nationally appropriate social protection systems and measures for all (SDG 1.3) Indonesia strives towards the extension of social security coverage. Since its amendment in 2002, the Indonesian Constitution recognizes the right to social security for all, and the responsibility of the State in the development of social security. Though existing social protection schemes exhibited until recently high levels of fragmentation, significant progress towards a more comprehensive provision of social protection coverage is taking place.<sup>10</sup>

The new legal framework is being translated into concrete and ambitious targets, such as minimum 95 per cent coverage under the Social Health Insurance in 2019 and more than doubling workers’ participation in social security schemes. These are serious challenges for

8 Institute for Economic and Social research, Final report: Investment Climate Monitoring Survey (2014)

9 ILO (Forthcoming) *Quality Apprenticeships: Bridging training to productive and Decent Work*, Skills for Employment Policy Brief, International Labour Office, Geneva.

10 An important milestone is the progressive implementation of the National Social Security Law (Law No. 40/2004) regarding the National Social Security System. An effort towards the expansion of health insurance under the Law on Health Social Security Providers commenced in 2014, while other schemes, under Law No. 24/2011 on Social Security Providers, started in 2015, including the launch of a new public pension scheme.

systems that still faces a number of policy and implementation gaps, particularly regarding the extension of social protection for workers in the informal economy. In addition, workers and employers expressed some concerns regarding the governance of the schemes, the benefits adequacy and sustainability of the long-term schemes. Social dialogue will be essential for the future of social protection in the country, particularly in the always difficult element of ensuring coherence between the social security and labour law provisions.

On the social assistance front, efforts to extend coverage to reach the poorest and most vulnerable populations and to better coordinate among various programmes are also in progress. The Program Keluarga Harapan (PKH) is the biggest cash transfer program in Indonesia (3.2 million households in 2014) and facilitates access to nutrition, education, and care for children from poor families.

### ***Moving ahead***

This paper has suggested that several interconnected issues could be addressed through high-level dialogue with a view to constructing a balanced programme of action on decent work for sustainable development. The ILO is also working with partner international agencies through the UN Country Team to support a fully integrated approach to implementation of the 2030 Agenda.

The ILO stands ready to provide technical assistance on a range of topics of immediate concern and essential to the construction of broad-based strategy on decent work for sustainable development. A package of measures covering the issues raised in this note would provide strong support to the medium term objectives Indonesia has endorsed in the 2030 Agenda for Sustainable Development. Engaging in constructive tripartite dialogue and adopting policies would help safeguard the progress Indonesia made towards the MDGs, contribute to the further transformation of the economy and accelerated progress towards higher middle income country status.

## **Issues for discussion**

### ***Prospects for inclusive economic growth and decent work***

How have recent changes in the global economic environment impacted on Indonesia's prospects for inclusive economic growth and decent work?

Do the Sustainable Development Goals provide a medium term framework that can assist policy dialogue and tripartite consensus building?

What role should the ILO play in Indonesia in promoting inclusive growth, decent work, and full employment? Can the ILO help facilitate tripartite dialogue and negotiation over a comprehensive package of labour reforms? In what areas should the ILO aim to expand or improve its technical cooperation in support of Indonesia's sustainable development strategy?

### ***Sustainable employment creation strategies***

The Government has announced a wide range of policy reforms to boost infrastructure expenditure, remove barriers to investment and support small business. Is implementation of these reform packages proceeding as planned and what impact have they had so far?

Is further action needed to create an enabling environment for sustainable enterprises?

### ***Increased productivity through vocational education and training***

Is there agreement that skill shortages are inhibiting the labour intensive segment of manufacturing, moving into higher value added products and services and expanding its links into global production chains?

What reforms are required to expand the skill base and diminish the current skills mismatch?

### ***Enhancing labour rights and promoting safe and secure working environment***

What further action could be taken to support the transition of informal enterprises and employment into the formal economy?

Weak enforcement of the minimum wage and other labour laws is a critical issue in Indonesia. How could more resources and greater transparency help improve the labour inspection system, labour courts and other aspects of labour administration? Are there other reforms that could be considered to improve compliance with labour norms?

### ***Sustainable wages policy through social dialogue for decent work and economic growth***

How might further social dialogue on minimum wages be used to develop a sustainable system for wage-setting that commands tripartite consensus?

What additional changes in laws, institutions and attitudes would be required to develop an effective collective bargaining system in Indonesia?

### ***Enlarging social protection for inclusive economic growth***

Income inequality is very high in Indonesia and a significant cause of social tensions. To what extent are labour market issues a factor explaining the high levels of inequality? How might a further strengthening of the social protection system support redistribution efforts and employment mobility?

Does the high proportion of workers on short term contracts and the regular flow of workers between the formal and informal economy contribute to under investment in human capital development?

Do the existing regulations on employment protection of permanent workers and those governing short term contracts explain the heavy reliance on short term contracts? Does the lack of protection impact negatively in the workforce productivity, particularly for SMEs? If so, would participants agree that a tripartite examination of how the integration of social protection and employment protection systems can support human capital development and employment mobility in a strategy for inclusive growth and decent work?

## Annex 1

### *Sustainable Development Goals*

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| Goal 1.  | End poverty in all its forms everywhere  |
| Goal 2.  | End hunger, achieve food security and improved nutrition and promote sustainable agriculture   |
| Goal 3.  | Ensure healthy lives and promote well-being for all at all ages  |
| Goal 4.  | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all   |
| Goal 5.  | Achieve gender equality and empower all women and girls  |
| Goal 6.  | Ensure availability and sustainable management of water and sanitation for all   |
| Goal 7.  | Ensure access to affordable, reliable, sustainable and modern energy for all   |
| Goal 8.  | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all   |
| Goal 9.  | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation  |
| Goal 10. | Reduce inequality within and among countries   |
| Goal 11. | Make cities and human settlements inclusive, safe, resilient and sustainable   |
| Goal 12. | Ensure sustainable consumption and production patterns   |
| Goal 13. | Take urgent action to combat climate change and its impacts*   |
| Goal 14. | Conserve and sustainably use the oceans, seas and marine resources for sustainable development   |
| Goal 15. | Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss |
| Goal 16. | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels            |
| Goal 17. | Strengthen the means of implementation and revitalize the global partnership for sustainable development   |

\* Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.