

Indonesian Jobs Pact 2011-2014



“ The Indonesian Jobs Pact is the implementation of the ILO’s Global Jobs Pact at the country level....The Government, including myself, governors, head of districts and mayors, should play an active role in ensuring the effectiveness of the National Tripartite Council in dealing and addressing employment related issues ”

Susilo B. Yudhoyono

President of the Republic of Indonesia

“ Through the Indonesian Jobs Pact, all relevant stakeholders dealing with employment issues will have common visions and missions, focusing on the four priority areas of the Pact: employment creation, strengthening industrial relations, enhancing the quality and coverage of social protection, and improving labour productivity ”

Muhaimin Iskandar

Minister of Manpower and Transmigration

“ The ILO congratulates the Indonesian tripartite constituents on the strong commitment they have shown to developing the Indonesian Jobs Pact. It is an excellent example of successful social dialogue based on mutual trust and genuine commitment. It is a solid step towards a better future for the people in Indonesia ”

Sachiko Yamamoto

ILO Regional Director for Asia and the Pacific

“ The Government of Indonesia fully supports a national Jobs Pact because we can utilize various experiences of other countries in coping with challenges in our labour market. It is also hoped that the economic growth will benefit the Indonesian people through the creation of decent and productive employment ”

Dr. Bambang Widianto

Deputy of Vice President Secretary for People's Welfare and Poverty Alleviation

“ The IJP highlights the importance of social dialogue in ensuring the economic growth. We share social and public concerns, so let us all engage in social dialogue for the sake of togetherness ”

Djimanto

Chair of the Indonesian Employers' Association (Apindo)

“ We fully support the IJP as a vehicle to improve working conditions. We, therefore, hope that employers would involve labour unions and discuss what needs to be done in order to face the difficulties together ”

Rekson Silaban

Indonesian Prosperity Trade Union Confederation (KSBSI)



DEKLARASI

LEMBAGA KERJA SAMA (LKS) TRIPARTIT NASIONAL

Pakta Lapangan Kerja Indonesia 2011 - 2014



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Foreword

The objectives of national development as mandated in the explanation of Law Number 17 Year 2007 concerning the National Long Term development Plan year 2005-2025, are: (a) to support the coordination among the development actors in achieving the national objectives; (b) to guarantee the creation of integration, synchronisation, and synergy between regions, between spaces, between times, between the Government's functions at the central and regional level, (c) to guarantee the relationship and consistency of the planning, budgeting, implementation and monitoring, (d) to guarantee the achievement of resources' utilization in efficient, effective, fair and sustainable manner, and (e) to optimize the participation of the society. To support the national policy, the Government launches economic development policy with the concept of triple track strategy. First track is pro growth; second track is pro job by running real, industry and services sectors including the small and medium sector and cooperative, so that the job opportunity could be created to reduce unemployment. The last track is pro poor to alleviate poverty in rural and agricultural areas by revitalization of the rural agricultural and economic.

In the frame of the implementation of the economic development, needs integration and harmonization between the central Government, Provincial Government, District/City Government, and business. This is meant to achieve comprehensive economic development and could be sensed by all Indonesian citizens.

In relation to creation of decent and productive work, there should an affirmative action taken by all stakeholders. Indonesia, through the tripartite components, has followed up the international commitment adopted by the International Labour Conference in June 2009 of the Global Jobs Pact (GJP) that provided framework designed to guide national and international policies and stimulate economic recovery.

As a follow up, the tripartite meeting was held on February 18th, 2010 in Jakarta, agreed to adapt Global Jobs Pact into the national context to place the creation of Decent Work at the heart of the

recovery from the global financial crisis. The Global Jobs Pact was relevant to Indonesia because of its tripartite nature and integrated policy framework for protecting people and supporting job-rich recovery. Moreover, the development of the Indonesian Jobs Pact is based on the commitment and engagement of employers and workers for joint action with the Government. The Indonesian Jobs Pact is developed in accordance with and to give support to the Government's National Medium Term Development Plan 2010-2014.

Draft Indonesian Jobs Pact has been discussed through a series of consultation and technical review before getting agreement from the Government, employers, and workers. Through this process, the draft has been negotiated and revised. The latest draft was discussed on the National Tripartite Cooperation Institution and then reviewed by the Working Committee of the National Tripartite Cooperation Institution in February 2011. After a series of consultations, the Indonesian Jobs Pact was signed by the representatives of the tripartite in the national tripartite Cooperation Institution and witnessed by the President of the Republic of Indonesia on 13 April 2011.

We hope that Indonesian Jobs Pact will bring all stakeholders related in the manpower issues, have a common vision and mission, focus on the agreed priorities in the Pact to achieve economic growth for the benefits of the workers, employers and all Indonesian society through the creation of decent and productive employment.

We wish that Indonesian Jobs Pact will bring advantage for joint efforts in developing manpower field and achieve national development objectives.

Jakarta, 18 April 2011

**Minister of Manpower and Transmigration
of the Republic of Indonesia**



Drs. H.A. Muhaimin Iskandar, M.Si

Indonesian Jobs Pact 2011 - 2014

Tripartite Action Plan

The Indonesian Jobs Pact (IJP) which has adopted the approach of the ILO's Global Jobs Pact (GJP), is a joint agreement between the government, employers, and workers to place employment and social protection as key policy priorities in response to external shocks. The IJP also aims to strengthen Indonesia's competitiveness in the region as well as to elevate the prosperity of its people by focusing on job creation, industrial relations, labour productivity and social protection. This joint agreement supports the implementation of the Government's Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah - RPJMN) 2010-2014 in the field of employment.

The IJP is structured so that it can be implemented by relevant stakeholders during the period 2011-2014 and is signed by the three tripartite elements, namely government, employers and workers as evidence of their commitment to implement their full responsibilities.

Agreed in Jakarta, 13 April 2011 by National Tripartite Institution

Table of Contents

I.	Background	9
II.	The Nature of the Indonesia Jobs Pact	13
III.	Objective	15
IV.	Basic Principles	17
V.	Recommended Action Plans	19
	A. Employment Creation	19
	B. Industrial Relations	22
	C. Labour Productivity	26
	D. Social Protection	29
VI.	Implementation, Monitoring and Evaluation	31

1

Background

The Indonesian Constitution of 1945 outlines the State's mandate, namely that of the executive, legislature and judiciary, to provide for the welfare and justice of its citizens in accordance with the ideals of independence.¹ The Long-Term National Development Plan (RPJPN 2005–2025) is working towards the achievement of these development objectives in a sustainable and phased manner, and the Medium-Term Development Plan (RPJMN 2010–2015) acts as a continuation of the long-term national development programme.

In order to achieve the development objectives of the current five-year period, the RPJMN 2010-2014 will be used as the main guideline for the development of economic and social goals in the current context, where Indonesia continues to be affected by economic shocks caused by the global financial crisis of 2008. Indonesia faces major challenges to economic development as a result of the crisis of 2008, and although the economy has improved dramatically, it has not fully recovered since the Asian Financial Crisis of 1997.

The 2008 global financial crisis caused a reduction in the number of workers in the formal economy,² and an increase of approximately 2 million workers in the informal sector during the period from August

1 Article 27, paragraph 2: "Each citizen shall be entitled to an occupation and an existence proper for a human being". Article 28H, paragraph 3: "Each person is entitled to social security enabling him/her to develop his/her entire self unimpaired as a dignified human being". Article 34, paragraph 2: "The state develops a social security system for everybody and empowers the weak and underprivileged in society in accordance with their dignity as human beings. Law No. 40 of 2004 on the National Social Security System: Given point a: "Each person has the right to social security to be able to fulfill the basic needs of a decent life and to improve their status to create an Indonesian community that is prosperous and just."; Article 1, paragraph 1: "Social security is a form of social protection to ensure that all members of society can fulfill their basic needs for a decent life."

2 The Ministry of Manpower and Transmigration reported that 51,000 workers had been laid off as a consequence of the financial crisis while APINDO (Indonesian Employers' Association) reported 237,000 workers were laid off during the period March to October 2009.

2008 to February 2009. According to BPS-Statistics Indonesia data, the quality of work also fell during the period from February 2008 to February 2009, so there was a corresponding increase in the number of workers in vulnerable employment relationships, such as contract workers, unpaid workers and self-employed workers. The increased number of workers engaged in informal economic activities is worrying given the majority of informal workers do not have any social protection coverage.³ Other data based on a study of 2,000 large and medium-sized companies in the manufacturing and mining sector in 33 provinces in Indonesia indicates there has been a reduction in working hours due to a fall in business activity.⁴

To overcome the various challenges that have direct implications for the labour sector, the Indonesian Government adopted a responsive policy which has already delivered positive results. The stimulus package to address the crisis amounted to Rp. 73.3 trillion (about 1.4 per cent of GDP) and was designed to stimulate economic activity through infrastructure improvements and tax incentives for business activities, as well as soft loans and subsidy programmes for rural economic activities that still need to be developed further.

In line with this economic stimulus package, a number of national programmes that were initially a response to the multi-dimensional crisis of 1997 have made a meaningful contribution to vulnerable groups in society who require special social protection schemes to address their economic vulnerability. For example, the PNPM Mandiri Programme (*Program Nasional Pemberdayaan Masyarakat Mandiri - National Programme for Community Empowerment*) has enhanced the capacity of communities to face the current global financial crisis and possible crises that may arise in the future. The PNPM-Mandiri Programme has produced positive results in targeted communities, including: consistent increases in access to primary education, increased utilization of health services, and a boost in participation and the level of community confidence in activities designed for the benefit of the community.⁵ Another programme

3 van de Loops (2009).

4 BPS. In general, it can also be said that Indonesia's economic challenges are reflected in the outcome of the National Population Census 2010 that recorded the following important findings: the total population of Indonesia in February 2010 was an estimated 233.24 million, with a working-age population of 171.02 million people. The workforce reached 116 million people with 107.41 million people in work in February 2010. The open unemployment figure was 8.59 million or 7.41 percent. The agriculture, forestry, hunting, and fisheries sectors employed the largest number of workers (42.8 million), while the gas, electricity and drinking water sectors employed the fewest workers (208,000 people).

5 WB, John Voss, EASIS "PNPM – Rural Baseline Report (June 2008).

– PKH (*Program Keluarga Harapan* – Family Hope Programme) – is a conditional cash transfer programme that began in January 2009. In addition to these two programmes, there are empowerment programmes for micro and small business owners to further develop and strengthen their businesses through the provision of soft loans facilities.

Together with the various national efforts to overcome the crisis that have shown positive results, representatives of the government, employers and workers perceived the need to adopt a coherent policy framework to accelerate post-crisis employment recovery. At a meeting of line ministries in December 2009, the Government of Indonesia considered the adaptation of the Global Jobs Pact (GJP) to respond to the impact of the global financial crisis in Indonesia. At a workshop in February 2010, the tripartite Constituents of the ILO officially agreed to adapt the GJP in the Indonesian context.

The GJP was adopted as a policy tool to overcome the global financial crisis of 2008 by the leadership of the three main constituents of the ILO, namely governments, employers and workers, from various nations at the International Labour Conference on 19 June 2009. The GJP is a commitment by governments, employers and workers to prioritise employment creation and social protection issues in their policies in response to the crisis. The substance of the GJP is consistent with the ILO Declaration of 2008 on Social Justice for Fair Globalization. The GJP is not a “one-size-fits all” framework capable of resolving every problem, but has to be adapted to the national context and in accordance with nations’ specific needs.

One factor that makes it important for countries to adopt the GJP as a jobs pact is that the GJP is a joint commitment by government, employers and workers and has the strong support of the Secretary-General of the United Nations, the UNDP, leaders of the G20 countries and various bilateral/multilateral cooperative institutions such as the World Bank and others.

As a follow-up to the workshop of February 2010, a Steering Committee was formed by the tripartite constituents with a membership consisting of two (2) representatives from the government (from the National Development Planning Agency – Bappenas – and the Ministry of Manpower and Transmigration) and one representative from the employers and one from workers.

Through a series of meetings, the Steering Committee agreed on the priorities for the IJP. These are largely based on the priorities of the social partners, the RPJPN 2025 and RPJMN 2010-2014, namely: (1) the creation of jobs, (2) industrial relations, (3) labour productivity accompanied by strengthening respect for international labour standards, and (4) developing a system for social protection.

By agreement of the Steering Committee, the IJP document was prepared in two parts, namely: the IJP itself, and the Implementation Document for the IJP which, although prepared separately, represents one inseparable unit. The first document encompasses the objectives, principles of tripartite agreement, general views, and suggested activities. The second document will describe the detailed plan of activities covering quantitative indicators, responsible parties, timelines, as well as monitoring and evaluation.

2

The Nature of the Indonesia Jobs Pact

The IJP is a consensus and contribution by the Tripartite partners (the Government of Indonesia, employers and workers) to achieve the objectives of the Millennium Development Goals (MDGs) that express jointly agreed principles and objectives through an industrial relations system that functions with dignity and without discrimination within the framework of justice for all. The IJP is not a new document for development planning, but it is a commitment by government, business operators and workers to face the challenges of economic development together and to make the best use of future opportunities, as guided by the RPJMN 2010–2014. The tripartite approach to interpreting the RPJMN to respond to labour issues is a special feature of the IJP Programme.

3

Objectives

The Indonesian Jobs Pact prepared by the government, employers, and workers aims to:

1. Contribute to achieving specific targets under the MDGs (especially targets 1A, 1B, and 3) and the RPJMN 2010-2014;
2. Ensure the growth of the economy to bring prosperity to every citizen through the creation of decent and productive employment;
3. Prepare to face the impact of external shocks by enhancing social protection mechanisms, broadly understood, which not only include the employment sector but also other sectors; and
4. Accelerate the restructuring of institutions and economic activities so Indonesia will be more competitive in the region and is ready to face challenges in the globalization era and the uncertainty and impacts that could emerge.

4

Basic Principles

In realizing these goals, the government, employers, and workers have established the following main principles as a plan of action in each priority area covered by the IJP:

1. The IJP will be adopted as government policy with a national programme framework, which, in its scope and implementation, must adequately accommodate the specific needs of each region by considering regional potential as well as the distribution of development.
2. The IJP is an agreement and commitment by Government, employers and workers that is based on decent work and a declaration of social justice and, for that reason, the four pillars of decent work are the basis for its implementation.
3. Emphasizing the importance of constructive and accountable, evidence-based policy dialogue. Policy debate and dialogue will be undertaken on the basis of clear evidence, up-to-date data, and in the spirit of mutual trust in fulfilling the needs of the society;
4. Underlining the need for inclusive economic growth, where the entire community benefits from economic development through decent and productive work, as well as combating all forms of discrimination in the labour market;
5. The approach of the IJP programme is to contribute to overcoming structural economic constraints to ensure Indonesia's fundamental readiness to face current and possible future crises, as well as

to enhance Indonesia's competitiveness in the region. Activities undertaken under the IJP must, as far as possible, avoid a protectionist approach that threatens a healthy economic system, with the exception of the national and state interest.

6. The IJP programme must ensure development is sustainable by addressing economic, ecological and social dimensions to ensure there is equality among people.
7. In accordance with the spirit of the GJP, the IJP must reflect the four pillars of decent work: employment standards, employment opportunities, social protection and social dialogue as part of the effort to achieve the MDGs.
8. The IJP approach to industrial development must give priority to the development of human resources and avoid limitless depletion natural resources.
9. The IJP emphasizes the effective and efficient implementation of activities. This requires coordination of the various parties at the national and regional levels in order to synergise policies and their implementation.

5

Recommended Action Plans

Formulation of the recommended action plan on the four IJP priority areas shall be based on a programme approach that can measure the programme's contribution to employment creation and generation of economic benefits. From the onset of the programme formulation, intended and measurable outputs and outcomes of implementing recommended action plan shall be documented with reference to possible regions/provinces for programme implementation, equitable growth and a time frame.

Considering the general principles of the IJP, the priority focus of the IJP, the programme's time period, tripartite discussions and agreement among them, the following are the recommended action programmes of the IJP.

A. Employment Creation

1. *Creating conducive socio-economic conditions for employment creation*

It is believed that employment creation requires conducive socio-economic conditions that cover: (i) the quality of education; (ii) social cohesion; and (iii) a business environment that is conducive and just. Employment creation in Indonesia is influenced by economic conditions such as exchange rates, interest rates, fiscal policy, inflation and trade. We must clearly understand the impact of socio-economic conditions on employment creation, and endeavour to improve these conditions to the maximum extent possible to maximize employment creation.

- Conduct research on the impact of socio-economic conditions on labour issues and launch a social dialogue to achieve development targets as well as the policies to be determined.
- Synchronize regulations between the involved stakeholders, as well as improving regulations that are conducive to creating employment.
- Effective guidance and employment placement.

Indonesia has abundant resources that provide potential sources to contribute to economic growth: extensive land, natural resources, a growing middle class, strong domestic consumption, geographical proximity to major export destinations and a large labour force.

- Each autonomous district/city/province identifies its potential, investment opportunities and maps a strategy to use these as sources of growth.
- Regional governments work cooperatively with social partners to use their regional budgets strategically and effectively to promote investments, the marketing of regional products and services and the management of investments.
- Synchronize involved stakeholders to identify the potential for economic growth.

2. Identify the potential of centres for economic growth

A number of studies point to the various impediments that are faced by investors investing in, and developing their businesses in Indonesia. These impediments include uncertainty about land ownership and spatial planning, lack of adequate infrastructure, bureaucratic business licensing procedures that do not ensure certainty, onerous regional taxes and levies and illegal charges. These obstacles create a high-cost economy and reduce Indonesia's competitiveness.

- Conduct a study to identify the causes of a high-cost economy and inform the government, employers and workers.
- Synchronize the regulations of the involved stakeholders and improve regulations related to the business environment and conducive policy. Stakeholders include the government (both central

3. Business environment and policy

and regional), business and workers, as well as other associated elements.

- As far as possible, harmonize and synchronize the various central and regional government policies and regulations relating to business activities.
- Provide low cost and effective licensing by reforming the bureaucracy.

4. Entrepreneurship and support for SMEs (Small and Medium-sized Enterprises)

Indonesia is categorized as a middle-income country. For that reason, companies are expected to capitalize on the growth in business opportunities as the outcome of growing consumption. The government and its social partners can take on an important role in developing entrepreneurship programmes as well as facilitating and encouraging the community to initiate and develop their businesses.

- Integrate entrepreneurship education into vocational education.
- Support those who are starting a business and/or cooperative.
- Create new entrepreneurs and develop existing entrepreneurs to become more productive.
- Enhance entrepreneurial skills by developing management, technical and creative skills.
- Identify and provide solutions to the various challenges faced by SMEs in the regions (for example access to capital, marketing, the need for skilled labour, and onerous regional regulations).
- Provide fiscal incentives to SMEs that use new and efficient technologies.
- Strengthen community institutions to enhance the role of the community through entrepreneurship.

It is very important to eliminate discriminatory practices in the workplace to achieve equality of opportunity and equal treatment. The principles of equity in work opportunities for men and women are denoted by non-discriminatory treatment, and respect for the basic needs of each individual to improve themselves in accordance with their talents, hopes and skills. For that reason, fair and reasonable treatment in work relations has to be implemented to create a working environment that is harmonious, dynamic and dignified. There is a need to deal with various forms of discrimination effectively, including gender discrimination..

5. Elimination of discrimination in the workplace

When external shocks caused by the global financial crisis suddenly reduced demand for Indonesia’s goods and services, there was a need to create labour-intensive employment in the public sector, funded by the government to protect vulnerable members of the community from these external shocks. Labour-intensive employment has to be productive so it can create sustainable employment.

6. Labour-intensive programmes in the public sector

B. Industrial Relations

Rapid development in the socio-economic sector needs prompt adjustment to reduce conflicts that may arise. We are committed to perform social dialogue based on mutual trust and respect for the rights of each constituent, in order to create strong bipartite and tripartite cooperation based on equity, trust and transparency.⁶ We believe that building the capacity of relevant parties is needed to enhance the quality of social dialogue at the national, regional, sectoral and enterprise levels.

7. Capacity building to develop constructive social dialogue

- Raise awareness about freedom of association.
- Collect and disseminate best/good practices in industrial relations and social dialogue at the provincial/district/city level.

6 The orientation towards conflict has to be changed with cooperation that is dignified, productive and professional by mutually accommodating the needs and respecting and valuing the position of each party. The shift in the industrial relations system from a corporatists model to be contractualist model is a negation of the Constitution, especially Article 27, paragraphs (1) and (2), Article 28H, paragraph (3), as well as Article 28I, paragraph (4) and Article 33, paragraph (1) of the 1945 Constitution that places the state, in this regard the Head of State and the Parliament (DPR-RI) as the parties with the obligation and responsibility to protect, enhance, enforce, and fulfill the basic rights of workers as human beings.

- Develop training materials and conduct workshops to promote constructive social dialogue and industrial relations.
- Improve the quality and quantity of Collective Labour Agreements in companies. Improve the capacity of individuals and institutions of each bipartite element, at the company, city/district, provincial and national levels, followed by strengthening the tripartite Cooperation Institution (*Lembaga Kerjasama* – LKS) in each level.
- Continue the consolidation programme of the National Tripartite Institution (LKS Tripnas) and the Regional Tripartite Institutions by holding regular workshops/seminars at the national, provincial, and district/city level involving resource persons from the three constituents plus competent labour experts.
- Strengthen the capacity of the industrial relations institutions through appropriate support to the personnel of the industrial relations constituents.
- Support programme on social dialogue to develop a conducive employment climate.

8. *Reforming labour laws and regulations*

Laws, regulations and various policies shall be adapted to the changing circumstances. Law No. 3 of 1992 on Workers' Social Security (*Jamsostek*) needs to be amended to the national social security system as regulated by Law No. 40 of 2004 on the National Social Security System (SJSN), as well as the Law on the Social Security Service provider (*Badan Penyelenggara Jaminan Sosial* - BPJS) which is under discussion in the Parliament (DPR). Law No. 21 of 2000 on Trade Unions also needs to be reviewed in order to develop a better regulation.

Similarly, Law No. 13 of 2003 on Manpower also needs amendment. This law has engendered problems related to contract workers and outsourcing which have not yet been resolved.

- Discuss to seek an optimal balance between the labour flexibility that employers need to respond to business fluctuations, and the security of employment that workers need.
- Strive for a solution to the issues of outsourcing and contract workers by strengthening the system of labour inspection and law enforcement.

- Implement an insurance system for severance pay to find a solution which is less of a burden for companies on one hand, and yet provides a protection scheme to guarantee workers' income on the other hand.
- Discuss the comprehensive unification of existing labour laws so they are in harmony and do not overlap.
- Concerning the implementation of Law No.2 of 2004 on the Settlement of Industrial Relations Disputes (PPHI), there is a need for an integrated coordination meeting between the Supreme Court, the Ministry of Manpower and Transmigration, representatives of the trade unions and the Indonesian employers' association (APINDO) at all levels of the organizations.
- Harmonize and synergize Labour Law and ensure the consistency of its implementing regulations.

There is a need to strengthen industrial relations institutions to improve the quality of industrial relations through several activities.

- Empowering the National Tripartite Institution (LKS Tripnas) by prioritizing budgetary funding from the State Income and Expenditure Budget (APBN) and Regional Income and Expenditure Budget (APBD).
- Organizing a Bipartite Award across Indonesia.
- Promoting the establishment of a Bipartite Cooperation Institution at the provincial and district/city level.
- Empowering the trade unions by prioritizing budgetary funding from the APBN and APBD.
- Empowering members of the Bipartite Cooperation Institution.
- Developing the capacity of human resources within industrial relations institutions.

9. *Empowerment of Industrial Relations Institutions*

10. Resolution of industrial relations disputes

We share the view that industrial problems need to be resolved appropriately and promptly by prioritizing the resolution of conflicts outside of the court system in order to minimize the burden on employers and employees. It is hoped that a fair arbitration system managed by a competent institution to handle conflicts between employers and employees can reduce tensions between the disputing parties. In addition, if legitimate industrial action takes place, this has to be handled as an industrial dispute which has to be distinguished proportionally from criminal activities.

- Improve the effectiveness of industrial dispute resolution mechanisms outside the court system through a bipartite system, mediation, arbitration and conciliation.
- Build effective cooperation between employers and workers and strengthen bipartite partnerships.
- Establish a competent conflict resolution system at the district/city level.
- Support the creation of a culture of collective negotiation in the resolution of conflict.
- Build the capacity of workers and employers (human resources) to enhance the negotiation process.
- Socialize the negotiation of Company Regulations/Collective Labour Agreements (PP/PKB) in all provinces.
- Socialize the negotiation of Collective Labour Agreements (PKB) in Special Economic Zones.
- Conduct workshops to discuss and evaluate the mechanisms of recruitment, appointment, placement and the procedures to extend the period of office of ad hoc judges (in the Industrial Relations Court, the District Court, the Court of Appeal and the Supreme Court) involving the stakeholders as regulated in Law no.2 of 2004 on the Settlement of Industrial Relations Disputes (PPHI).
- Conduct ToT (Training of Trainers) in industrial relations for trade union officials.
- Socialize the formation of trade unions (SP/SB) in all provinces
- Conduct a study and evaluation of the industrial relations dispute settlement system.

- Observe and compile good practices in industrial relations as teaching materials for vocational school (SMK) teachers, university students and participants in non-formal education system which was established on February 13, 2007, by the joint agreement between the Minister of Manpower, the Minister of National Education and the Chairman of Indonesia's Chamber of Commerce and Industry regarding the integration of the ready-to-work programme and understanding industrial relations.

We declare that all Indonesian employers have good faith to fulfil the rights of workers. Therefore, all Indonesian employers should comply with the provision of the applicable laws and regulations. From this perspective, we agree that there is a need to enhance law enforcement and undertake labour supervision activities through the following means.

11. Labour inspection

- Enhance the quality and quantity of labour inspectors through planning, assessment of labour inspectors' needs, and appropriate recruitment and training.
- Improve regional governments' awareness of the importance of labour inspection through appropriate planning, education, training and placement of labour inspectors and allocating an operational budget for labour inspection through the Regional Income and Expenditure Budget (APBD).
- Enhance the participation of the community in realizing the implementation of existing labour laws and regulations.

C. Labour Productivity

We understand that human capital is a necessary source for growth and competitiveness in the global market. We must ensure that our children, the future generation, receive primary and secondary education so they will be equipped with adequate basic skills and knowledge when they enter the workforce.

12. Development of human resources

- Enhance the quality and access to education.

- Effectively eliminate the worst forms of child labour.
- Enhance social policy by providing assistance in the form of scholarships, school subsidies, and conditional cash transfers etc., to break the poverty trap and ensure that children of primary and junior secondary school age can complete their education.

13. Vocational training and education

Economic and industrial development generates a need for new types of skills. Therefore, it is important to ensure there is a qualified labour supply with competencies that match these development needs. Unfortunately, we have observed that the skills and knowledge needed by employers and business entities still do not match the skills of workers in the supply side. Given the importance of labour in fulfilling the needs of business in raising productivity, we agree to improve the quality and intensity of vocational training and education centres.

- Align competency-based training programmes with the demands of the jobs market and national and regional development priorities. Encourage the involvement of businesses in the planning and implementation of trainings.
- Implement competency-based skills training in training institutions, accredited training institutions and implement competency certification nationally.
- Improve the quality of government-owned skills training institutions such as the BLK, including aspects of management, machinery and equipment, instructors and trainers, training modules and programmes, as well as information technology systems.
- Encourage companies and work-training institutions to develop facilities and training equipment, to improve the quality of infrastructure and/or to develop and apply the Indonesian National Work Competency Standards (Standar Kompetensi Kerja Nasional Indonesia – SKKNI) as well as innovative competency-based training programmes.
- Provide fiscal incentives to companies and training institutions that develop skills training facilities and equipment, enhance the quality of instructors and trainers, and/or apply innovative training programmes.

The experiences of industrialized countries show that good relationships between workers and managers induce innovative ideas that contribute to productivity improvement as well as occupational health and safety. Therefore, it is necessary to support and encourage employers and employees to engage effectively in exchanging views and pilot-testing new ideas to boost productivity. By improving the quality of these interactions, it is expected that an agreement will be reached, which is, that any improvement in productivity must be followed by an increase in the income and welfare of workers which, in turn, will lead to an improvement in the work ethic of each worker.

- Raise the awareness of employers and employees about the importance of applying a productive work culture to improve productivity.
- Gather and share ideas and good practices.
- Strengthen an occupational safety and health culture that will enhance productivity when workplace health and safety problems are well managed (by for example increasing the amount of compensation for work accidents so they do not burden employers and workers).
- Measure and analyze the productivity of each sector.
- Support implementation of work competency certification as proof of labour quality in order to improve productivity in the workplace.

Human resource management and rewards for good performance can motivate workers and improve productivity. Therefore it is important to be aware of fair and innovative approaches in human resource management, including career planning, skills development, compensation and benefits, promotions and other non-fiscal recognition/rewards.

- Study best practices in human resource management that motivate workers and raise productivity and disseminate the results of the study.
- Encourage employers and employees to engage in constructive dialogue to explore and implement better human resources management systems.

14. Improve productivity in the workplace

15. Fair compensation and incentives based on performance

- Encourage the application of a wages system which is aimed at a decent life for workers and their families through the achievement of increased productivity.

16. Investment in productivity and innovation

Adaption of the latest technology and innovations is the key to maintaining and improving the competitiveness of industry and services in Indonesia. Hard work is needed to undertake efficient innovations in strategic industries with focused investment.

D. Social Protection

17. National Social Security System (Sistem Jaminan Sosial Nasional – SJSN)

The implementation of Law No. 40 of 2004 on the National Social Security System (SJSN) has to be the main priority for social protection. In the short term, institutional strengthening through the establishment of the BPJS is a priority.

- Conduct a series of dialogues between the tripartite parties about the SJSN.
- Conduct an in-depth study, especially on the scheme, regulations, target beneficiaries, and the institutional regulations for the SJSN by involving the government, employers and workers as well as independent experts. Communicate the results of the study to policy makers to obtain support.

18. Social protection

To improve social protection, the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) provides guidance on internationally agreed minimum standards of social protection that are expected to provide direction for a dialogue on social protection. In addition, we will collect and evaluate good examples from middle-income countries on social development and protection.

- Ensure that social protection programmes for vulnerable communities and workers are prioritised.
- Develop a lifetime basic health insurance scheme for the entire community/workers.

Indonesian citizens working abroad have the right to receive social and legal protection in the country where they are working. Through our employment network (embassies, international and regional organizations affiliated with employers' and workers' associations, and voluntary organizations in the migrant worker sector), we will ensure respect and support for the rights and social protection that they are entitled to receive.

19. Protection of migrant workers

- Improve training and education for migrant workers, including human rights training.
- Before departure, provide adequate information to migrant workers on the rights and protection of migrant workers, and contact details for organizations that can assist them in the destination country.
- Support organizations that can assist migrant workers abroad.
- Develop a Memorandum of Understanding between the Government of Indonesia and various associated institutions for the protection of migrant workers by paying attention to the valid regulations in the local country.
- Provide health services and a referral system for Indonesian migrant workers domestically and in the destination country in accordance with valid laws and regulations.

6

Implementation, Monitoring and Evaluation

In order for the programme, that is in line with the efforts to achieve the development targets of the RPJMN (including synergy with the RPJMD), to work well, there is a need for the full institutional and funding support of central and local governments, the business world and donor institutions for implementation of the IJP. This requires a strong commitment from the government to mobilize the relevant ministries in order to synergize the work plans of ministries/agencies to implement the IJP programme. Likewise, serious efforts are required by the central government to involve regions for the implementation in each local province/district/city.

To be able to implement these priorities, there is a need for some guidance, including for monitoring, and evaluation of action plans for each of the recommendations mentioned above, as follows.

- i. ***Pilot project.*** A pilot project is needed to implement the recommendations in some regions. This will be used as a model that can be replicated in other regions and adapted to the specific needs of each region. In selecting places for pilot project implementation, the following criteria shall be considered: areas experiencing significant impacts due to the economic crisis; strong commitment from the local heads, business leaders, and relevant local trade unions; and the presence of a local tripartite council (*LKS Tri-partit Daerah*).
- ii. ***An action plan with measurable performance units.*** All of these recommendations must be described in detail by including performance measurement units in the form of outputs and

outcomes, deadlines, responsible parties, and necessary follow-up actions.

- iii. ***Involvement of central and local government.*** The IJP should clearly describe the mechanisms at central and regional levels for the implementation of these recommendations. To be able to implement them, there is a need for the leading sector of the central Government and local government partners to determine the mechanism for synergizing the programme between the centre and the regions.
- iv. ***Optimize the tripartite LKS at both the central and local government levels.*** As an approach typical of tripartite programmes and the major strength of the IJP, monitoring the implementation of the recommendations will be done by the central and local LKS.
- v. ***Synergize with related programmes conducted by donor institutions.*** Implementation of the IJP is open to cooperation both in terms of financial support and expertise from donor institutions, as well as bilateral and multilateral cooperation agencies and funding for Corporate Social Responsibility.
- vi. ***External Evaluator.*** A monitoring and evaluation system should be part of the IJP implementation strategy, which requires an external evaluator to provide objective input to the implementation of the programme.
- vii. ***Implementation and cost management of the IJP programme/project*** shall be carried out through consultation with the Ministry of Manpower together with the National Tripartite Council.



