

Labour Market Profile 2020



Indonesia

Danish Trade Union
Development Agency

Mondiaal FNV

Mondiaal FNV



ULANDSSEKRETARIATET – DTDA
DANISH TRADE UNION DEVELOPMENT AGENCY

PREFACE

Since 2017, Mondiaal FNV and the Danish Trade Union Development Agency (DTDA) have worked together to ensure coordination and exchange of experience and information between their offices e.g. on social dialogue and labour relations. This collaboration includes harmonisation of planning and coordination of technical assistance, as well as support and development of joint Theories of Change (ToCs).

One aspect is to benefit from joint tools and programme processes, e.g. monitoring practice and designing new project interventions. It includes an application of Labour Market Profiles (LMPs), which are based on a context analysis of the labour market in partner countries or potential partner countries. In practice, Mondiaal FNV and DTDA agreed to produce LMPs on several countries, which includes the Peru Labour Market Profile.

Labour Market Profiles (LMPs) provide a comprehensive overview of the labour market situation in the DTDA's individual countries of engagement. LMPs aim at portraying a snapshot of the structures, developments and challenges in the labour market. Structurally, LMPs are divided into 11 thematic sections describing trade unions, employers' organisations, government, tripartite fora and institutions, national labour legislation, violations of trade union rights, wages and working conditions, workforce status, education, social protection, and economic performance.

LMPs report on several key indicators within the framework of the Decent Work Agenda (DWA) and the Sustainable Development Goals (SDGs). They especially address aspects of labour market development such as the evolution of trade union membership, social dialogue and bi-/tripartite mechanisms, policy development and legal reforms, and the status of ILO conventions and labour standards, among others.

The main sources of data and information for LMPs in general are:

- Specific types of data and information relating to key indicators are collected by data collection tools. The gathering and validation of central data and information for the development of the LMP was made through a national consultancy process in Peru. It consists of both primary/secondary data/information and interviews of stakeholders.
- National statistical institutions and international databanks are used as sources for the collection of general data and information. Other critical sources used are: ILOSTAT and NATLEX, World Bank Open Data, ITUC Survey of violations of Trade Union Rights, the U.S. Department of State and other labour-related global indexes.
- Academic and media sources (e.g. LabourStart, national news, etc.) are used in the general research on labour market issues.

The DTDA's Analytical Unit prepared this Labour Market Profile through research in Copenhagen in close collaboration with Mondiaal FNV. Specific data was gathered by a local consultant in Indonesia by Mr Y. Wasi Gedepuraka, who conducted research and interviewed key stakeholders according to the Template for Collection of Data and Information for Development of Labour Market Profile.

If you have comments or questions to the profile, you may contact Mr. Kasper Andersen (kan@dttda.dk) from the DTDA's Analytical Unit.

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EXECUTIVE SUMMARY

Indonesia has demonstrated solid real economic growth in the last two decades. It supported a significant drop among extremely working poor in employment. Labour productivity is increasing steadily, but its tempo has been superseded by the Asian and Pacific average. The depth of the country's full economic impact of the global Corona epidemic is hard to predict but it will be difficult times.

The draft Bill on Job Creation with a wide range of reforms was sent to approval in the parliament in February 2020. This draft bill fostered strong criticism among the trade union movement concerning workers' rights being eroded. Current central labour legislation has flaws concerning the international standards of workers' rights. Besides, violation of trade union rights is rampant in the country, e.g. the government is criticised for cracking down on organised labour. A vast majority (84%) of the workforce stays in the informal economy that loophole the labour regulations, which include minimum wage.

Fundamental tripartite bodies are functioning. A minimum wage increase formula was introduced in 2015 to curb double-digit wage increases and depoliticising wages. The formula closed local wage councils reducing tripartite social dialogue processes, though. Generally, there is no uniform structure of tripartite dialogue in provinces and districts, as it depends on local officials' needs.

Just 6% of registered companies are operating with Collective Bargaining Agreements (CBAs). Nonetheless, CBAs' clauses are responsive to wage structure, social security, and working hour. To expand the application of CBAs is challenged by the fact that micro-enterprises (with less than ten employees) are predominant where employers and workers frequently lack awareness or incentives to tackle business regulation hurdles, especially to formalise business and to enforce contracts.

In the view of employers, cooperation in labour-employer relations is on medium-level, and they benefit from flexible hiring and firing practices. The trade union movement developed from the primary industrial sector to include financial, public and state-owned enterprises. The number of trade union federations proliferated during the last two decades while it dropped significantly at enterprise-level. Data show that organised workers from trade unions with tripartite recognition declined drastically by 20% from 2007 to 2019; the trade union density reached 5.2% of

employees. Unionism has been challenged by political and internal facets, e.g. union-busting through unilateral dismissal of union activists and the impact of labour flexibility, especially for the outsourced workers. Strike actions are frequent and widespread: industrial disputes occasionally escalate into clashes between strikers and the military.

The employment's landscape is evolving: it is paralleled in a declining share of employment in the agricultural sector, dropping from 45% in 2000 to projected 30% in 2020, which is mainly absorbed in the service sector, which fits with a growing employees-segment. The youth bulge is deflating, which will challenge the social protection system's financial sustainability in the upcoming decades. It is an impact of a declining fertility rate interrelated by one of the fastest-growing urbanisation rates in Asia. Job creation is in progress, and the unemployment rate has experienced a declining trend reaching 5.0% in 2019; it is similarly for the youth unemployment rate, but while their unemployment rate naturally is higher, the high rate of 16% is worrisome. Gender inequalities that disfavour women continue to mar the labour market in Indonesia, for example, reflected in gender gaps in vulnerable employment and wages.

The State Constitution guarantees free education and merely 4.1% of employed have less than basic training. It supports the fact that child labour is relatively low in Indonesia, and it is most located in rural areas. During the 2010s, the education system has been challenged to boost the school enrolment rates in the primary and secondary level, improving the quality of the education, and reinstate the tempo of secondary vocational training rate that got stalled since 2014. Both widespread informality and the relatively high youth unemployment rate echo the pervasive skills mismatches and hard transition from school-to-work.

According to the State Constitution, social security is a right for all Indonesians. It is shadowed by a reality of breaches in its coverage among the population. Especially those working in informality are experiencing difficulties in accessing social protection in the country. Data show that the total population with health coverage is 59%, and just 11% are active contributors to a pension scheme. On the positive side, figures illustrate that coverage of social protection has been on the rise in Indonesia as an impact of formal job creation.

The template below visualises the Status of Key Labour Market Indicators in the Framework of the Decent Work Agenda (DWA) in Indonesia. The selected key indicators are concentrated on areas where the trade union movement has a central role in the labour market.

On next page, the table provides a status of key Sustainable Development Goals in labour market related issues in terms of their updated values and targets.

Status of key labour market indicators in the framework of the Decent Work Agenda (DWA) in Indonesia

Creating decent jobs	
Policy reforms addressing creation of decent employment	Yes. Infrastructure development, accelerating process of investment permits, revamping vocational training education, and village funds are steps to create jobs that currently are being carried out by the government.
ILO standard setting on improvement of status of workers from the informal economy	National law and regulations related to the informal economy is the Law on poverty management (Law No. 13/2012). Indonesia draft legislation under discussion would apply the minimum age provisions to domestic workers. Lack data on tripartite National Informal Economy Forum or other National Forum addressing status of informal economy workers.
Guaranteeing rights at work	
Growth in trade union members from year 2012/15 to 2019 (%)	-4.6% % based on the government's list of national-level list of trade unions. It contrasts with the employment growth rate at 5.6%.
Violations of trade union rights	5 out of 5+ (5 is worst) *
Labour legislation is improved according to ILO standards	No. Latest main laws are back from 2000s, and only few new labour-related laws/amendments/regulations were approved in recent years. However, the government is currently overhauling 79 laws, which includes the Labour Law. The draft Job Creation Law was submitted the House of Representatives (DPR) on February 12, 2020, which supports a stronger education system.
Women unions leaders with minimum 30% representation in decision-making bodies	While women's membership varies significantly depending on the percentage of women in an economic sector, the number and percentage of women union leaders remains low in all sectors. .
Extending social protection	
Health social protection coverage as % of total population	59 %
Workers from the informal economy have access to national social security schemes	Yes, but inadequate coverage as services are voluntary.
Promoting social dialogue	
Trade union density of total employment (%)	2.7 %
Trade union density of employees (%)	5.2 %
Cooperation in labour-employer relations	Ranking 67 out of 141 (1 is best) **
Number of Collective Bargaining Agreements (CBAs)	Increased from 12,113 in 2013 to 13,829 in 2017, which equals an increase of 14%.
Workers' coverage of Collective Bargaining Agreements to employees	Data on workers' coverage were not available. As a proxy indicator, a review of 40 CBAs shows that a large majority (<90% clause coverage) have registered employer contributions to pensions fund, sickness/disability, health/medical assistance, paid leave, and paid maternity leave clauses. On the other hand, few (>50 clause coverage) CBAs have clauses on lowest wage, wages tied to skills, employers contributed to unemployment fund and child-care.
Bi-/tri- partite agreements concluded based on company regulations.	Increased from 51,895 in 2013 to 64,151 in 2017, which equals an increase of 24%.

* This is interpreted as 'No guarantee of rights'; countries with the rating of 5 are the worst countries in the world to work in. While the legislation may spell out certain rights, workers have effectively no access to these rights and are therefore exposed to autocratic regimes and unfair labour practices (Source: ITUC, Global Rights Index).

** This indicator is based on data from the Global Competitiveness Index that represents employers' opinion from surveys (Source: World Economic Forum).

Sources: [Janna Besamusca & Kea Tijdens, ILO's Report on a Survey of Women and Gender Issues in Trade Union Organisations in Indonesia, ILO, Report V\(1\): Transitioning from the informal to the formal economy, International Labour Conference, 103rd Session, 2014, Fifth item on the agenda, 2013](#), DTADA research and own calculations on trade union density as well as CBAs/bi- and tripartite coverage based on ILOSTAT's employment estimations.

Status of key Sustainable Development Goals in labour market related issues Indonesia

Indicators	Value	Year	SDG Targets
1.1.1: Working poverty rate (percentage of employed living below US\$1.90 PPP)	4.7 %	2019	By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day
1.3.1 Persons in the labour force covered in the event of work injury (Contingency)	15 %	2016	Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable
1.3.1 Persons above retirement age receiving a pension (Contingency)	14 %	2016	
5.5.2: Female share of employment in managerial positions *	22 %	2015	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
8.1.1: Annual growth rate of real GDP per capita	5.0 %	2017	Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries
8.2.1: Annual growth rate of real GDP per employed person	3.9 %	2019	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors
8.3.1: Proportion of informal employment in non-agriculture employment	79 %	2017	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services
8.3.1: Women	80 %	2017	
8.3.1: Men	77 %	2017	
8.5.1: Average hourly earnings of women and men employees	-	-	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
8.5.2: Unemployment rate (Total)	4.4 %	2019	
8.5.2: Women, 15+	4.2 %	2019	
8.5.2: Women, 15-24 years	17 %	2019	
8.5.2: Men, 15+	4.5 %	2019	
8.5.2: Men, 15-24 years	16 %	2019	
8.6.1: Proportion of youth (15-24 years) not in education, employment or training)	22 %	2017	By 2020, substantially reduce the proportion of youth not in employment, education or training
8.7.1: Proportion and number of children aged 5-17 years engaged in child labour (Total)	2.9 %	2009	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
8.7.1: Girls	43 %	2009	
8.7.1: Boys	57 %	2009	
8.8.1: Frequency rates of fatal and non-fatal occupational injuries	-	-	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
8.8.2: Level of national compliance with labour rights (freedom of association and collective bargaining)	-	-	
9.2.2: Manufacturing employment as a proportion of total employment	14 %	2017	Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries
10.4.1: Labour income share as a percent of GDP	-	-	Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

* Top manager.

Source: [United Nations, Sustainable Development Goals, Knowledge Platform](#) and [ILO, Key Indicators of the Labour Market \(KILM\)](#)

COUNTRY MAP



Source: [CIA, The World Factbook](#)

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TRADE UNIONS

The trade union movement in Indonesia has experienced changes during the last two decades. In the aftermath of the liberalisation of law governing unionism, launched in 2004, led to an increase in the number of trade unions. The trade union movement expanded from the industrial sector, to encompass the finance, the public sector and state-owned enterprises. The number of trade union federations increased from 24 in 2000 to 137 in 2018 while the number of factory-level work units has fallen by 38% from 2012 to 2018. Unions are represented with diverse political standpoints.¹

Organising workers has continued to be challenged by widespread informal economy just as flaws in national labour legislation to international standards and rampant trade union rights violations in practice. From the 230,000 registered companies, just 7,000 have unions (3%).² The government's verification list of trade unions registered 38 unions and non-affiliated unions representing 3.3 million members in 2019 down by 4.3% since 2014. The trade union density is estimated at 5.2% of 'employees' in 2019 (Table 1). Other data demonstrate that the trade union density declined for all major business fields in recent years: service sector from 18% in 2017 to 16% in 2018, manufacturing sector from 14% to 13% and agriculture sector from 4.3% to 4.0%.³

Table 1: Status of Trade Unions in Indonesia

Number of confederations (2018)	13
Number of trade union federations (2018)	137
Number of trade unions (2018)	7,294
Members in trade unions (2019)	3,256,025 *
Growth in membership (2014-2019)	-4.6 %
Trade union density, employment (2019)	2.7 % **
Trade union density, employees (2019)	5.2 %

* Official national-level list of trade unions (Appendix Table 23).

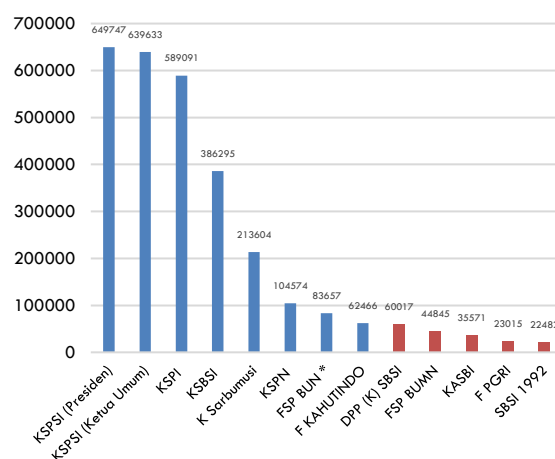
** 'Employment' includes employees, own-account workers, and contribution family workers.

Source: Ministry of Manpower and Y. Wasi, *Template for collective of Data and Information for Development of Labour Market Profile*, and own calculations of trade union density by data from ILOSTAT.

There are five central union confederations at national-level, and they represent three out of four organised workers (76%). These unions are recognised by the government in the national tripartite structure. Three other unions - The National Union of Workers (KSPN), The Federation of All-Indonesian Wood Forestry and General Workers Union (FSP KAHUNTINDO) and The Federation of Nusantara Plantation Workers' Union (FSP BUN) – are also part of national tripartite bodies

concerning representation from sectorial industries.⁴ These eight organisations represent 84% of total membership rate and play a role in social dialogue and in the formation of government policies. The three largest organisations are KSPSI (Pimpinan Presiden), KSPSI (Pimpinan Ketua Umum), and KSPI (Figure 1). The largest and most active federations are besides being affiliated to an Indonesian confederation, also affiliate to international union confederations (Appendix Table 24).

Figure 1: Main trade union organisations' membership rate in Indonesia, 2019



Note: 'Blue columns' represent main confederation/federations with representation in national tripartite structures while those in 'red columns' are not included in these structures.

Source: Ministry of Manpower, *National Level Data Recapitulation, 2019*

At least 50 unions are not involved in tripartite organs but remain influential and contributing 16% of the trade union membership rate. Non-affiliated unions are on a rise by 57% from 2018 to 2019 reaching 252,000 members. For more details see Appendix Table 23.

A wide range of issues have followed the trade union movement in Indonesia in recent years. An increase in outsourcing (i.e. hand over part of its work to another enterprise) and casualisation (i.e. the process in which employment shifts from a preponderance of full-time and permanent positions to casual and contract positions) have undermined unions' ability to recruit members without significantly rethinking their approach. Labour Law impermanent labour is to be used only for work that is "temporary in nature," while a business may outsource only when such work is an auxiliary activity of the business. In addition, Law No. 21/2000 on Trade Unions has some flaws that furthermore turns into limits for unionise membership to formal workers and industrial workers (see more in the National Labour Legislation section).

Trade unions have been focused narrowly on already unionised workers or workers who have actively approach the union. There are some indications that unions are considering expansion of their reach beyond permanent employees in the formal sector or encompass the enough power to influence genuine change regarding abuses of the rights of formal workers.⁵

Although many employers continue to resist negotiations with unions, many others now recognise that unions no longer can be ignored at the workplace or in higher-level negotiations.⁶ Despite an environment of fragmentation and increased competition, confederations – for instance, KSPSI (Pimpinan Presiden) and KSBSI (Pimpinan Ketua Umum) – have increasingly cooperated to mobilise their members in national demonstrations for labour law reforms, increases in the minimum wage and social security provision.

Unions have been concerned about their exclusion from the minimum wage negotiations, which is criticised for growing too slowly (see also Working Conditions section). The right to higher minimum wages has been central to trade union advocacy across Indonesia up until 2015 when the government abolished the role of unions in negotiations through new government regulation.⁷

In 2017, 13 trade unions formed a coalition and signed a ‘political contract’ with two candidates in the Jakarta gubernatorial elections. They won the governor and vice-governor election based on a political campaign, including wage increases.⁸ Subsequently, the new governor did not conform to his promised wage policy, and the unions have withdrawn their support. Generally, trade unions have continued to urge the government to do more to address the country’s poor workers safety record and lack of enforcement of health and safety regulations, particularly in the construction sector. In practice, trade unions have not fully reached their potentials through the available civic (and political) space for labour force interest. Instead, some trade unions have drowned into practical politics for getting power.

Union busting through unilateral dismissal of union activists by the company. Dismissals even have occurred while the process of discussing the Collective Bargaining Agreements (CBAs) was underway.

The existence of regional autonomy has made unions find space to make changes at regional levels. On the other hand, trade union elites in the region have found an arena to make political concessions with the elite of the

local political oligarchy amid competition with other trade unions in the same region.

With Law No. 2 of 2015 on Regional Government, the authority of labour inspection is transferred from the regency/ municipal level to the provincial level. It has resulted in an even smaller number of companies monitored with a smaller number of labour inspectors.

Key policy issues and concerns brought up by the trade union movement in recent years include:⁹

- Demands of the government to abolish Government Regulation (PP) No. 78 of 2015 concerning the determination of wages. The current draft Employment Creation Bill is one of the main concerns that aims to lowering certain labour standards in order to attract more Foreign Direct Investment.
- Eliminating the status of outsourcing and apprenticeship as it is considered to be detrimental to the workers and prospective student workers.
- Increase in the amounts of contributions to the national health insurance system by 100% on January 1st 2020 and improvements.
- Democratisation and human rights. This agenda is especially led by some left-leaning trade union confederations.
- State policies close the space of opportunity for collective bargaining through regional tripartite by applying standard wage-setting regulation.

All Indonesian unions furthermore struggle to improve financial viability, due to limited access to check-off systems and low wages of members making dues collection logistically difficult and member contributions low. This situation is challenged by the corruption that prevails within some unions. It remains easier for unions to finance activities from external funding than to collect enough revenue from their low-waged members. A vicious circle exists where some unionists become increasingly disillusioned with a national centre that, in their view, does not support the union at a grass-root level sufficiently. Only the minority of unions can afford to employ full-time organisers or support staff, leaving most union officials in a situation where they have to juggle their work and their union commitments.¹⁰

Organised workers are mainly from the formal sector. Some confederations have federations that organise informal workers such as Grab and GoJek online motorcycle taxi drivers. For example, the Federation of the Indonesian Metal Workers Union (FSPMI) has members from the Various Industrial Workers Union

(SPAI). It consists of various types of informal workers ranging from online motorcycle taxi-drivers to motor vehicle repair shop workers, motor vehicle showroom workers. In addition, informal workers in the construction sector are also handled by the Federation of General Construction and Informal Workers.

Data on the number of informal workers organised by trade unions is not found in government statistics but must be traced to a database belonging to trade union federations. Information regarding women's participation in trade unions has not been able to obtain. Most confederations do not separate their membership by gender except GARTEKS, Kahutindo, PGRI, SPML and SPN (see Appendix

Table 23). Generally, the statistical basis for membership or percentage of women representation is with reservations, and figures must be interpreted with caution. The mechanism of the composition of the leadership structure in each union has its constraints, namely favouritism or gender bias.

EMPLOYERS' ORGANISATIONS

At least three entrenched business patterns can be traced behind political parties.¹¹ Businesspeople have been seen as donors to either single party donors, several parties at once or founder of their party. Transparency of political party funding sources tends not to be strong in Indonesia's electoral political system.

Based on estimations from the International Labour Organisation (ILO), employers represent 3.5% of the workforce in Indonesia, which is slightly higher than South-Eastern Asia and the Pacific average of 3.2% (see more in Figure 4 ahead).

A part of the Global Competitiveness Index provides the employers' view on several aspects. In particular, Pillar 8 engages with the labour market and measures the labour market efficiency in a given country (Table 2). The pillar is based upon surveys among employers and other statistical data. In Indonesia, employers considered the labour market to be moderately effective, i.e. placed as number 85 out of 140 countries (1 is the best) in Pillar 8. Compared to 2018, Indonesia scored three ranks better in 2019.

Out of the 12 labour market efficiency indicators, the best scorings are in hiring/firing practices (23 out of 140) as well as pay and productivity (28), indicating that the workforce is flexible and productive. The country scores low when it comes to workers' rights (93), women's

participation in the labour force (95), and redundancy costs (136), which reveals a room for improvements. Indonesia scores moderately well (67) when it comes to cooperation in labour-employer relations (see more in Table 2).

Table 2: Employers' view of the labour market efficiency in Indonesia, 2019

Indicator	Rank *
Total	85
Redundancy costs (weeks of salary)	136
Hiring and firing practices	23
Cooperation in labour-employer relations	67
Flexibility of wage determination	81
Active labour policies	46
Worker's rights	93
Ease of hiring foreign labour	47
Internal labour mobility	56
Reliance of professional management	44
Pay and productivity	28
Women participation in Labour force	95
Labour tax rate	40

* Rank from 1 to 141 (1 is best).

Source: [The Global Competitiveness report 2019- Pillar 8](#)

Employers' organisations in Indonesia have raised several policy issues or concerns in recent years.¹² First, the policies of ministries and local governments are contradictory to the direction by the president of simplifying regulations. This has been further complicated by the central government having difficulty in arranging regional regulations that conflict with national government policies. Second, the employers' organisations ask for a reduction in taxes and import duties. Third, they ask for revising labour arrangements such as severance arrangements, the mechanism for determining minimum wages, the Specific Time Work Agreement or the system of work contract and apprenticeship.

The employer is the prime provider of social welfare. Employers with more than 10 employees or paying a monthly salary exceeding IDR1,000,000 (US\$71) must register with the Jaminan Sosial Tenaga Kerja (Jamsostek), which is state-owned company provided the Worker's Social Security Programme (see more in Social Protection section). There are requirements for both employee and employer contribution rates based on a percentage of salary.

Two central institutions protect the business interests in Indonesia: the Asosiasi Pengusaha Indonesia (APINDO) and Indonesian Chamber of Commerce and Industry (KADIN). Both organisations gather businesspeople in general election processes.¹³ For example, KADIN led a

declaration of 10 thousand entrepreneurs for the presidential-vice presidential candidate in 2019. It is worthwhile to mention that several other independent sectoral business associations are present, e.g. API (the textile business association), GAPKI (the palm oil one), GAPMMI (the food and beverage), among others.

Asosiasi Pengusaha Indonesia (APINDO)

Established in 1952, APINDO is the only officially recognised employer's organisation in Indonesia to deal with industrial relations as mandated by the Indonesian Chamber of Commerce and recognised in 1975 by Decree of the Minister of Manpower.¹⁴

APINDO represents the businesspeople interests in Indonesia with a vision of realising national development through competitiveness as well as harmonious, dynamic and equal industrial relations.¹⁵ It plays a role in social dialogue and the formation of government policies (see Social Dialogue sub-section). APINDO develops, organises, and administrates training, education and development programs through the APINDO Training Centre (ATC) to improve the quality of human resources.¹⁶

The organisation consists of three major parts: i) National Congress and National Leadership Council (DPN), ii) Regional Branch Congress and regional Management Council and iii) District/Municipal Branch Congress and Branch Management Board.¹⁷

APINDO was challenged to improve its services.¹⁸ In 2018, the organisation took several strategic steps towards digitalisation. In the aspects of vocations and apprenticeships, DPN in APONDO is in frequent collaboration with the Ministry of Manpower, the Ministry of Industry, KADIN and the Ministry of National Education.

According to the Ministry of Manpower and Transmigrations, APINDO had 13,726 company members in 493 districts/ municipals in 34 provinces with 297 regency/city branches throughout Indonesia in 2018.¹⁹ The Ministry of Manpower and Transmigrations (MMT) listed that the total membership had grown 73% from 2014/15 to 13,726 in 2018.

In July 2018, APINDO launched a platform for companies and philanthropists to support the achievement of the national Sustainable Development Goals.²⁰ During the same year, the organisation called the government to incentivise enterprises as this, according to APINDO, would help bolster the number of

Collective Bargaining Agreements (CBAs) (see more in Social Dialogue sub-section). In April 2019, APINDO drafted an economic road map that will be submitted to the President outlining aspirations, hopes and recommendations of the business community. Both sectoral and inter-sectoral issues are on the agenda.²¹

Indonesian Chamber of Commerce and Industry (KADIN)²²

Indonesian Chamber of Commerce and Industry (KADIN) KADIN is an institution where Indonesian entrepreneurs organise themselves, and it was formed based on Law No. 1 of 1987. The chamber has 1,749,427 members and consists of National Congress, National Congress, and Board of Management. Together with APINDO, KADIN had 184 affiliated members in 2018.²³

The objectives of establishing the Chamber of Commerce and Industry are:

- Fostering and developing the capabilities of Indonesian entrepreneurs in both the state-owned and cooperative and in the field of private business in the context of realising a healthy and orderly economic life and business world based on article 33 of the 1945 Constitution.
- Creating a conducive business climate for every member who is in early starts and develops his business.
- Providing various facilities and support for each entrepreneur, among others, investment services, sources of funds, information regarding market opportunities, and others.
- Gathering advice and input from all or as many entrepreneurs as possible to channel it into government policy.

KADIN wishes to become the first and foremost choice in representing the voice and interests of the business world and all its stakeholders, connecting to the process and implementation of economic policies throughout Indonesia. Its mission is summarised below:

- Build a strong organisational structure and composition of the Chamber of Commerce and Industry so that it becomes a strategic and effective partner for the government and business world.
- The reputation and independence of KADIN, which is well-known as an organisation of Indonesia business world from all aspects: institutions, finance, leadership, community service, political support, and international cooperation.

- Having members, stakeholders, resources, and financing moving in harmony and together to accelerate the re-industrialisation program of the national economy, giving birth to local champions who have the potential to become global citizens.
- Collaboration with the most relevant and strategic international business community in the re-industrialisation program of the national economy, Foreign Direct Investment (FDI), exports and significant transfers of knowledge and technology.
- KADIN, together with trade unions and the world of education, creates as many "ready-made workers" with international qualifications.
- KADIN, together with creative entrepreneurs, creates as much as possible "innovation and ready-made technology".
- Sources of domestic funding on a massive, long-term, and significant scale in developing industries in the most strategic sectors (food, housing, infrastructure, energy, etc.).

GOVERNMENT

The Ministry of Manpower and Transmigrations (MMT; in Indonesia known as *Kementerian Tenaga Kerja Dan Transmigrasi Indonesia*) primary function is to implement the government's mission in the field of labour and transmigration, which includes the promotion of employment, workers' protection and sound and harmonious industrial relations.²⁴ The ministry has the vision of a productive, competitive, and wealthy workforce ("manpower") and a transmigrated society. Transmigration, in this case, refers to the movement of people from urban areas to rural areas and is a part of the government policy. The ministry is also responsible for the on-the-ground engagement with employers and unions on the matter of industrial relations, including mediation.²⁵

The MMT was established in 2000 merging the Department of Manpower and the Ministry of Transmigration.²⁶ Since the mid-1980s, the then Department of Manpower has established several tripartite consultative bodies (see Central Tripartite Structures section).²⁷ The effectivity of the ministry is limited due to the lack of labour inspectors and inadequate sanctions (see also Working Conditions section).

All organisations, including unions, must be registered at MMT and accept Pancasila as the official state ideology. The state has the right to dissolve an organisation if the

organisation's constitution is not compatible with Pancasila. It is also the case if the organisation fails to report financial support from foreign sources or allows crimes against the state (see National Labour Legislation section).²⁸

Employment creation, especially in the formal sector, has long been a high priority of the Indonesian government.²⁹ The current target is to create two million jobs per year, to absorb the many entrants to the labour market.

MMT is currently preparing a strategic plan for 2020-2024 containing eight policy directions:

- Developing the job market is open to high-value-added employment sectors.
- Improving the quality of education and training that is adaptive to technology, especially vocational education, for millennials and soft skills.
- The development of employment training centres (courses/community institutions) for groups with low education.
- Develop open labour market information and reach out to all regions and the potential "demand" of labour.
- Strengthen the relevance of the world of education and the world of work, both from the curriculum, educators, facilities and infrastructure, learning methods, to certification of expertise (SKKNI).
- Improving the quality of Indonesian migrant workers in certain fields and expertise as well as developing new markets for Indonesian migrant workers abroad.
- Increasing the quantity and quality of industrial relations to create a good employment climate.
- Increasing the capacity of labour inspection to improve a good employment climate.³⁰

Much labour market data is inaccessible from the government agencies that are authorised in the field of employment – even though Indonesia already has a public information disclosure law.

Central Agency on Statistics (CAS)

CAS, known in Indonesia as BPS (*Badan Pusat Statistik*) is a non-departmental government institute in Indonesia responsible for conducting statistical surveys on national and provincial socio-economics, manufacturing establishments, population and labour force.³¹ BPS was established in 1960 and is directly accountable towards the President. The primary source of employment data is the National Labour Force Survey (Sakernas).³²

CENTRAL TRIPARTITE STRUCTURES

Tripartism is a collaboration based on the social dialogue of employer, labour and state affiliations within the economy. The labour relations system is aiming to encourage less adversarial modes of settling disputes and instead ensure speedy disposition of labour cases.

In Indonesia, tripartite consultations are held at national, provincial and district levels or on a sectoral basis in various councils or court. There is no uniform structure of tripartite dialogue in all provinces and districts as it depends on local officials' needs. However, in most cases, the National Tripartite Body, National Wage Council and National Occupational Safety and Health Council are the responsible bodies (see below). Due to a decentralisation law, greater autonomy has been given to local regions, which frequently has been criticised for deteriorating the labour administration and weakening the formulation and implementation of labour policies.³³ Indonesia's central tripartite bodies are summarised below:

National Tripartite Cooperation Institution (LKS)

The National Tripartite LKS is a communication, consultation and discussion forum concerning employment matters whose members consist of Government, employers' organisation, workers' union/labour union elements at the national level. The members of the National Tripartite LKS shall be appointed and dismissed by the President based on the recommendation of the Minister of Manpower and Transmigration.

The institution is composed of 45 representatives, with an equal number of representatives (15) from the government (various ministries), the employers' association (APINDO) and trade union confederations. The body has a secretariat consisting of three representatives from each tripartite party. It conducts plenary sessions approximately four times annually, where trade unions and employers' associations get the opportunity to share comments and concerns. For example, during 2017, the National Tripartite LKS held 26 workers body meetings, three plenary sessions and produced 26 main points of discussion.

The president signed Government Regulation Number 4 of 2017 aiming to improve the function and effectiveness of the National Tripartite LKS concerning communication, consultation and deliberation forums on employment issues in specific business sectors.³⁴ One of the changes is related to the representation requirements: the chairman and concurrently a member is held by a minister. Three deputy chairs also act as members. Each membership is

held by members representing government elements – whether they come from government agencies responsible for employment, employers' organisations, and trade unions. The membership of the National Tripartite LKS is appointed for one term for three years and can be reappointed for another one time for the next three years. However, this provision is excluded for members of the institution who concurrently serves as the deputy chairman representing the government elements and members who hold concurrent positions as secretaries.

National Wage Council (NWC)

The primary function of NWC is to advise MMT on wage policies and review the governors' proposal on their respective regional minimum wages. NWC consists of 23 representatives from related government ministries (10), employers (5), trade unions (5) and experts from research institutions or universities (3). Based on the cost of 60 certain items, local minimum wages are set by the local wage council every 5th year (see more in Working Conditions section).³⁵ In 2015, a new wage increase formula was introduced, which is considered by trade unions to weaken the three-party social dialogue (see more in Working Conditions section).

National Occupational Safety and Health Council (NOSHC)

The council's main function is to advise the MMT on occupational safety and health. NOSHC facilitates safety audits and conducts a safety campaign. NOSHC is composed of 40 representatives constituting employers (10), trade unions (10), governmental institutions (20) together with experts from universities and research institutions.

National Productivity Council (NPC)

NPC is responsible for consulting about productivity improvements. Members are high officials from various ministries, chaired by the minister of MMT. NPC has three committees: i) Committee of Productivity Awareness, ii) Committee of Productivity and iii) Committee of Maintenance. These three committees include representatives from employers, trade unions, as well as professionals and experts on productivity. NPC conducts workshops and seminars on productivity and occasionally productivity competitions among small and medium scale businesses/enterprises.

National Institute for Training Coordination (NVTC)

NVTC advises the minister of MMT on training policies and has committees dealing with accreditation, training institutions, skills training standards and apprenticeship

programmes. The institute consists of representatives of employers, training institutions, trade unions, related government ministries, universities and research institutions.

The judicial system and dispute resolution mechanism

In general, industrial relations dispute settlement is divided into two parts: i) outside the Industrial Relations Court (IRC) through bipartite settlement and settlement through tripartite mediation, consolidation and arbitration, and ii) at IRC and procedural law – Civil Procedure Law. Cases of disputes in industrial relations consist of four types based on Law No. 2 of 2004 concerning Settlement of Industrial Relations (PHI Law), namely disputes over either rights, interest, termination of employment or between trade unions.

As depicted in Table 3, most disputes cases concern rights (47%, 632 cases) or termination (47%, 636 cases) in 2018. Only 3.5% (48 cases) are disputes deals with interests. The number of disputes is almost the same size between aggregate 2013-2017 and 2018. It shows an indication that the problems around industrial relations disputes is increasing. Layoff disputes decline because employers tend to avoid termination of employment due to the very high severance costs if they choose to take that measure. One of the reasons is the status of decisions of each dispute resolution that starts from the recommended nature such as the mediation, consolidation and arbitration mechanism up to the civil court decision. The difference in the status of the decision sometimes makes workers feel dissatisfied especially when the court's decision cannot be executed because, for example, it requires additional costs to carry out the execution, or the company suddenly declares itself bankrupt, company owner/general manager runs away.

Table 3: Number of disputes in industrial relations, 2013-2018

Type of Case	2013-2017	2018
Rights dispute	514	632
Dispute over interests	114	48
Termination of Employment	960	636
Trade union dispute	-	-
Total number of cases	1,588	1,356

Source: *Industrial Relations Data Pocketbook 2018*

The Industrial Relations Court (IRC) was created to resolve industrial relation issues. If mediation, bi- and tripartite negotiation, conciliation and finally binding arbitration fail in industrial disputes, the case should be handed over to the IRC, which is a specific court within the general court. Depending on the type of dispute, the

decision of the IRC is either final or can be appealed at the Supreme Court.³⁶

The court was established in 2004 in line with liberalisation policies introduced by Labour Law No. 13 of 2004 (See National Labour Legislation). IRC has the authority to examine and decide disputes over rights, interests, work termination and disputes between trade unions for the first and last level. The IRCs decision is final and permanent. A panel consists of chief judges; career judges, ad-hoc judges from trade unions, ad-hoc judges from employers' organisations, assisted by the junior civil registrar and deputy registrar.

IRC has been criticised for prioritising the interest of employers and the free market too often – even in cases that the Ministry of Labour recommends in favour of the workers.³⁷ The court has also been assessed for its low quality of the decision-making process and for failing to apply key principles of a new Industrial Disputes Law. Antiunion discrimination cases have moved excessively slowly through the court system, and bribery and judicial corruption in worker's disputes continues to prevail. While dismissed workers sometimes received severance pay or other compensation, they were rarely reinstated.

The criminal labour law or known as *pidana perburuhan* offers an alternative to the IRC. Violations of the Law No. 21 year 2000 on Freedom of Association and Labor law No. 13 year 2003 imposes criminal sanctions on anyone who engages in certain anti-union activity. Trade unions with help of Legal Aid Institute (Jakarta) encouraged to apply criminal law domain on labour disputes due its advantage of higher probability of success, direct sanctions and stronger enforcement of labour law. The establishment of the labour desk in May 2019 at the police Headquarter in Greater Jakarta area is expected to increase police knowledge in processing reports from Trade unions. Unfortunately, until today the desk is not functioning effectively, thus number of cases of unlawful lay off, union busting, underpaid wages, child labour and other violations are not prosecuted by police.³⁸

Social Dialogue

The concept of social dialogue covers industrial relations, freedom of association, the right to organise and collective bargaining, consultation, the examination of grievances, and settlement of industrial disputes. Apart from the abovementioned tripartite institutions, the social dialogue milieu in Indonesia is moderately well-functioning. As an example, Table 2 above signals the indicator of cooperation in labour-employer relations is

ranking the country as 67 out of 141 countries (1 is best). On the other hand, the ILO cited the lack of a strong collective bargaining culture as a contributing factor to many labour disputes.

According to Manpower Act No. 13 from 2003, company regulations is a set of rules and regulations made in writing by an entrepreneur that specifies work requirements and the enterprise's discipline and rule of conduct. There need to be at least 10 employees for a company to have regulation. Enterprises with 50 or more employees are obliged to set up a bipartite cooperation body for communication and consultation on employment issues.³⁹

The Act includes the regulatory framework for the process of making Collective Labour Agreements (CLAs), also known as Collective Bargaining Agreements (CBAs) in other jurisdictions. There can only be one CBA in a company, and it applies to all workers for two years but can be extended based on a written agreement between the employer and the union(s).⁴⁰ To negotiate CBAs, the union membership rate of the company workforce must be at least 10%.⁴¹ Earlier, there has been confusion as to if whether the union density at company level had to be 50%. A maximum of three trade unions are entitled to represent negotiations with employers.

Table 4 shows the development trend between company regulations and CBAs. As of November 2017, there were registered 64,151 company regulations in 34 provinces and the central government. In the same period, the number of CBAs in all provinces amounted 13,829. In 2019, out of the 14.423 CBAs. APINO argued that around 30% of formal companies in Indonesia cover its employers with CBAs.⁴² The relatively small number is due to that bipartite negotiations are seldomly been practiced, which results in tough negotiations when a CBA eventually is being introduced.

In the manufacturing sector, CBAs are generally found in large and medium enterprises, predominantly integrated into high-profile global supply-chains. Based on the limitations of data availability, active agreements covered just 14% of waged workers in 2009.⁴³

Table 4: Collective Bargaining Agreements and Company Regulations in Indonesia, 2013-2017

Year	CBAs	Company regulations
2013	12,113	51,895
2014	12,762	56,981
2015	12,998	59,340

2016	13,371	61,973
2017	13,829	64,151
2018	-	-
2019	14,423	-
Change, 2013-2019	19 %	24 %*

* 2013-2017

Source: Gedepuraka, Y. Wasi, *Template for collective of Data and Information for Development of Labour Market Profile (DTDA), 2019* and [Tempo, Apindo: Collective Labor Agreement Absent in 70 Percent Companies, 2019](#)

CBAs are directed to reach an agreement on regulations of working conditions at a workplace between employers and employees. A study of CBAs from Indonesia revealed that application of specific clauses on wage, social security, working hours and family issues. On the positive side, based on the reviewed CBAs, all have wage, standard working hour and work-family arrangements clauses. Also, a majority (<90% clause coverage) have registered employer contributions to pensions fund, sickness/disability, health/medical assistance, paid leave, and paid maternity leave clauses. On the negative side, few (>50 clause coverage) CBAs have clauses on lowest wage, wages tied to skills, employers contributed to unemployment fund and child-care.⁴⁴

As mentioned, every company that employs 50 or more people is obliged to form a bipartite cooperation institution of at least six members.⁴⁵ It has to register and provide minutes from meetings to the Local Manpower Office – at least once per month. A bipartite cooperation institution differs from a union and shall not replace the function of the union. While a union aims to hold employers accountable for the protection of workers' rights and interests and negotiate with management over terms and conditions of work in the CBA, a bipartite cooperation institution is a forum where workers and management communicate and consult with each other regarding issues relating to industrial relations, enterprise sustainability and workers' welfare.

In the period from 2013 to 2017, there was a slight increase in the number of bipartite institutions in 33 provinces throughout Indonesia (Table 5). A bipartite cooperation institution is a forum where workers and management communicate and consult with each other regarding issues to industrial relations, enterprise sustainability and workers' welfare. It is composed of an equal number of representatives of both worker representatives and employer representatives who are elected democratically.

Table 5: Number of bipartite cooperation institutions, 2013-2017

2013	2014	2015	2016	2017
15,376	16,168	16,265	16,657	16,859

Source: Gedepuraka, Y. Wasi, *Template for collective of Data and Information for Development of Labour Market Profile (DTDA)*, 2019

A wide range of strike action have been implemented in Indonesia in recent years; many were unsanctioned, or “wildcat” strikes that broke out after a failure to settle long-term grievances or when an employer refused to recognise a union. Unions argue that employers use the bureaucratic process required for a legal strike to obstruct unions’ right to legally strike or delaying in negotiating CBAs contributed to strike activity or legal measures taken against union members in the event of a failed CBA negotiation.⁴⁶ During some clashes entering hundreds were injured, while hundreds more were detained. During some events, police allegedly use a barrage of tear gas to disperse the demonstrators, prompting mass panic. In 2017, the public number of strikes were 63, involving 40,673 workers, 170 days equivalent to 401,992 lost working hours, comprising 137 demands. Provisions in penal code are used to prosecute trade unionists for striking, such as the crime of “instigating a punishable act” or committing “unpleasant acts,” which potentially criminalists a broad range of conduct.

NATIONAL LABOUR LEGISLATION

Labour laws and regulations’ framework in Indonesia protects workers in principle to a considerable degree. However, the legislation still has flaws in the international standards concerning workers’ rights (see more ahead). Not to mention, a large proportion of workers (84% of total employment) operate in the informal economy, which is marred by non-compliance to labour regulations in practice.

Indonesia counted 575 approved labour market-related legislatures in 2019. The latest new/amended legislation was based on five approved adoptions in 2016: i) Law on the Ratification of the Maritime Labour Convention, ii) Elimination of child labour, protection of children and young persons, iii) Rights of persons with disabilities as inseparable from the equal rights of all members of the human family, iv) Protection and empowerment of fishers, fishing resources and salt farmers, and v) Establishing religious holiday/ allowances for employees/ workers in the company. There were none registered in recent years (see more in Appendix Table 25).

In a push to increase jobs and foreign investment, Indonesia is overhauling 79 laws.⁴⁷ The Indonesian Employment Law will be refitted with the introduction of the Draft Bill on Job Creation. It is expected to major reshaping of employment law. It has been part of a government strategy of transitioning the economy from a commodity reliant to a manufacturing hub. The draft bill was submitted the House of Representatives (DPR) on February 12, 2020 and consists of 15 chapters and 173 articles in the 1,028-page document. The proposed new draft bill has met resistance from trade unions, who have protested nation-wide; worried that it could lead to worker’s rights being eroded. The changes seek to simplify business licensing processes, change the minimum wage system by linking wages to regional economic performance instead of GDP and a Job Loss Guarantee program.⁴⁸ Foreign investors have historically complained about Indonesian red-tape and protectionism. Critics argue that the reform is a “race to the bottom” to attract manufacturers in the readymade garment industry.⁴⁹

The central labour-related legislation is summarised below.

Constitution

The constitution secures the right to employment, a decent life, freedom of assembly, freedom from discrimination and equal treatment before the law.⁵⁰ The Indonesian constitution from 1945 is based on the national ideology of “Five Principles” (*Pancasila*), which involves the belief in one God, justice, unity, democracy, and social justice. As long as a union does not conflict with these principles, it is legal to establish, join or leave a union under article 28. Otherwise, the law allows the government to petition the court to dissolve it.⁵¹ Once a union is dissolved, its leaders and members may not form another union for at least three years.

As a provisional legal framework for a modern state, the 1945 constitution has proven not only to be one of the shortest constitutions in the modern world but also to be elastic and subject to a broad interpretation depending upon the given political powers.⁵² It is because the constitution contains few specifics and leaves open questions about citizens’ rights and responsibilities.

The constitution is an expression of expectations about social and economic justice, stating for instance that the economy should be organised cooperatively, that production affecting the majority of the population should be state-controlled, and that the state should control natural resources and general welfare.⁵³

Law no. 13 of 2003 on Manpower⁵⁴

Act no. 13 of 2003 on Manpower, also known as the Labour Law, governs Indonesian employment. All employment legislation applies equally to all employees. The Act consists of comprehensive legislation on labour relations and is divided into 17 parts, including equal job opportunities and treatment, regulations, training, job extension opportunities, protection and payment of wages. For permanent employees, a contract can be completed either written or orally.⁵⁵

The law provides for the rights of workers to join independent unions, conduct legal strikes, and bargain collectively. The law prohibits antiunion discrimination.⁵⁶ To form a union, the law stipulates at least 10 workers. Membership is open to all workers, regardless of political affiliation, religion, ethnicity or gender. The legislation set forth recognition of trade unions and employers organisations as well as present the minimum wage regulation framework. It also sets the framework for bipartite and tripartite social dialogue and states the functions of the three social partners; and establishes actors and measures in industrial relations.

The law places restrictions on organising among public-sector workers. Civil servants may only form employee associations with limitations on certain rights, such as the right to strike. Employees of state-owned enterprises (SOEs) are permitted to form unions, but their right to strike is limited by the fact that most SOEs are treated as essential national interest sites. The right to strike is also restricted under the law (see more in Observations on Labour Legislation section).

When negotiations fail, strike and lockout are legal with at least seven days' notice.⁵⁷ In case of an illegal strike, an employer must conduct two written requests within seven days for workers to return. Workers, who do not return to work after these requests, are considered to have resigned.

The Manpower Act No 13 appears to priority permanent formal workers in the manufacturing sector and does not include informal workers whose numbers are growing, even in the manufacturing sector itself.

More than 24 times the Constitutional Court has related to the Manpower Act No. 13 when issuing decisions, making this law the most often requested to be tested by the Constitutional Court. First, the Decision of the Constitutional Court No. 114 / PUU-XIII / 2015, which examines Article 171 of the Manpower Act and Article 82 of Law No. 2 of 2004 concerning Settlement of

Industrial Relations Disputes ("PPHI Law"). Second, MK Decision No. 7/ PUU-XII/ 2014, which examines several articles of the Manpower Law.⁵⁸ Third, MK Decision No. 72/PUU-XIII/2015 examines other articles of the Manpower Act along with its explanation.⁵⁹

Law no. 21 of 2000 on Labour Unions⁶⁰

Legislation concerning labour relations and trade unions is comprised of Law no. 21 of 2000 on Labour Unions, also known as the Union Law. Here, formation and membership are ensured by protecting against discrimination based on political allegiance, religion, ethnicity or sex. A worker can only join one union at a factory. Unions must write a notice of their existence to the local government and must have a constitution and bylaws, where they officially accept the state ideology of Pancasila. Furthermore, a confederation of trade unions is formed by at least three trade union federations/unions. A trade union federation is formed by at least five trade unions.

Observations on labour legislation

The International Trade Union Confederation (ITUC) registers observations regarding the legislation on the international standards of the right to organise, the right to bargain collectively and the right to strike. Some of the main observations are summarised below:⁶¹

- Governmental power to refuse official registration based on arbitrary, unjustified or ambiguous grounds
- Disproportionate sanctions (de-registration) for to fail to inform authorities of changes to bylaws or failing to report overseas financial support within 30 days
- Civil servants and public employees prohibited or limited from forming or joining a union
- Previous authorisation or approval by authorities required to bargain collectively
- Collective agreements must be concluded within 30 days after beginning negotiations
- Collective agreements have a two-year lifespan
- Disputes are funnelled into a statutory conciliation and arbitration process, which in all cases delays the possibilities to declare a strike
- ILO's Committee of Experts has expressed concern that the penal code might be used to prevent legitimate union activities under the criminal law.
- More than 50% of the workers in the enterprise must have in membership or support in a ballot for the union to continue existing.

The government does not always effectively enforce laws protecting freedom of association or preventing antiunion discrimination in practice. Labour regulations limit employers' ability to outsource jobs to five categories of workers (cleaning services, security, transportation, catering, and work related to the mining industry). However, many employers violated these provisions in practice. Among others, unions argue that hotel owners often attempted to make use of the cleaning services exemption to justify terminating unionised hotel staff employed in housekeeping and outsourcing housekeeping services.⁶²

Ratified ILO Conventions

Concerning Indonesia's ratification of international labour standards, 20 ILO Conventions are ratified: 19 are in force, one Convention has been denounced, and none has been ratified in the last 12 months.⁶³

First, the eight Fundamental Conventions are the most important conventions that cover four fundamental principles and rights at work. The country has ratified all of them as the first country in the South Asian region.

Second, ILO has designated four Governance Conventions that are important to build national institutions and capacities that serve to promote employment, i.e. these conventions support a well-regulated and well-functioning labour market. The country has ratified two out of four of these Governance Conventions; Labour Inspection (Agriculture) Convention (C129) and Employment Policy Convention (C122) remain not ratified.

Third, ILO has furthermore 177 Technical Conventions, out of which 83 conventions are "Up-To-Date" and actively promoted, i.e. an Up-To-Date Convention implies a convention that is ready for ratification by the Member States and/or has been examined by the ILO Governing Body and deemed to be still relevant.⁶⁴ Indonesia has to date ratified 10 of the Technical Conventions, out of which five of these are up-to-date. See more in Appendix Table 26.

The latest ratified Convention was the Maritime Labour Convention (MLC, 2006) which was ratified in 2017. The Promotional Framework for Occupational Safety and Health Convention (C187) was ratified in 2015.

ILO's Committee of Experts on the Application of Conventions and Recommendations (CEACR) published 15 comments in 2018 – one of which is the ratified

Equality of Treatment (Accident Compensation) (C019). CEACR requested the government to provide documentation on the implementation of Law No. 40 of 2004 and Law No. 24 of 2011. CEACR noted in the same request that the government had made steps towards guaranteeing foreign workers the equal rights as local workers.⁶⁵

Trade agreements

Indonesia has high trade barriers, and over half of all imports by value are subject to restrictions.⁶⁶ The country is part of nine trade agreements that influence the labour market. The most important trade agreements are summarised below.

The Association of Southeast Asian Nations (ASEAN) consists of seven member countries besides Indonesia: Thailand, Malaysia, Philippines, Singapore, Brunei, Vietnam, and Laos. ASEAN Free Trade Area (AFTA) was established in 1999 and geared to promote and encourage engagement in trade, investment and industrial cooperation for the member states. It aims to make ASEAN a top production-based competitor on the world market. ASEAN Trade in Goods Agreement (ATIGA) was signed in 2009 and enabled in 2010. The goal of ATIGA is to establish a single market and production base, where goods can flow freely. ATIGA is a significant contributor to the ASEAN Economic Community. ATIGA is an improvement of the Agreement on Common Effective Preferential Tariff from the AFTA schemes.⁶⁷ ASEAN has, so far, concluded free trade agreements with Japan, Korea, China, Australia, New Zealand, and India.⁶⁸

In December 2018, Indonesia signed a free trade agreement with the members of the European Free Trade Association (EFTA).⁶⁹ The association consists of four member states, which constitute Iceland, Liechtenstein, Norway and Switzerland. The Comprehensive Economic Partnership (CEPA) is broad-based and covers trade in goods, services, investment, intellectual property rights, government procurement, competition, trade and sustainable development, cooperation and the abolishment of customs duty on certain products originating from Indonesia. Indonesia will gradually eliminate or reduce customs duties.

As a culmination of nine years of negotiations, Indonesia and Australia in 2019 signed the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), which creates a framework for bilateral economic partnership. In addition to reducing non-tariff barriers,

IA-CEPA allows 99% of Australia's goods export to enter Indonesia duty-free. All of Indonesia's goods exports will enter Australia duty-free.

Indonesia has proposed trade agreements with the European Union (EU), Canada, Pakistan, Gulf States, Euroasian Economic Union, Kenya, Peru, Taiwan, Ukraine, South Africa, and the USA. The country negotiates trade agreements with no less than India, Morocco, Mozambique, Republic of Korea, Tunisia and Turkey. Trade agreements with Hong Kong and Chile have been signed, but not yet in effect. According to the government, most of the trade agreements will be signed in 2019.⁷⁰

Indonesia has been a member of the World Trade Organisation (WTO) since 1995. Resolving trade disputes is one of the core activities of the WTO. A dispute arises when a member government believes another member government is violating an agreement or a commitment that it has made in the WTO. In March 2020, Indonesia had 12 active cases as complainant, 15 cases as respondent and 43 cases as third party.⁷¹

TRADE UNION RIGHTS VIOLATIONS

Violations of trade union rights are rampant in Indonesia. Union-busting measures are frequent, and workers that are attempting to form unions experience systematically dismissal. The country was ranked 5 out of 5+ (5 is worst) on the Global Rights Index in 2019 and characterised with 'no guarantee of rights'; i.e. while the legislation may spell out certain rights, workers have effectively no access to these rights and are therefore exposed to autocratic regimes and unfair labour practices.⁷²

Trade unions face major challenges, including promoting the right to organise, bargain collectively, lack of protection of migrant workers' rights, bonded and child labour, gender inequality, balancing the issue of labour flexibility and job security - especially for the contract and outsource workers, lack of social security, and persistent poverty.⁷³

ITUC registered one particular case of trade union rights violation in 2018 and 11 in 2017. These were related to i) major obstacles to unionise in economic processing zones (EPZs), ii) union leader in KSBSI subjected to constant interrogation by police, iii) massive dismissal of workers for legitimate strike action, iv) leaders in FKUI union arrested, v) strikers replaced at PT Alpen Food Industries, vi) strike actions dispersed with disproportionate use of force, vii) discrimination in

employment against trade union members (KSPI/CITU), viii) striking workers attacked by security forces, ix) leaders of the Bank Danamon Trade Union arrested, x) union leader in KSBSI fined and sentenced, xi) union leader in SBMCC dismissed, and xii) food workers dismissed for demanding their rights.⁷⁴

Indonesia is ranked as number 74 out of 167 countries on the Global Slavery Index from 2018. This index measures "modern slavery", i.e. slavery-like practices (such as debt bondage, forced marriage, and sale or exploitation of children), human trafficking and forced labour. Around 1,220,000 people (equivalent to 0.5% of the population) are living in modern slavery in Indonesia. Thus, the country faces severe challenges in terms of modern slavery, which includes the reach of SDG 8 on Decent Work targeting effective measures to eradicate all forms of forced labour, modern slavery, human trafficking, and child labour (see more on Table SDG on Page iv).

The government is criticised for cracking down on organised labour.⁷⁵ Several industrial estates have been designated as 'national vital objects', de facto banning industrial action and eliminating annual negotiations over minimum wage increases, including in export processing zones (see more in Special Economic Zones (SEZs)).

As previously mentioned, there seems to be a mismatch between the legislation and practice. The constitution is criticised for not offering real guarantees or protections.⁷⁶ This is linked to the fact that the law states that separate legislation will deal with freedom of association and the right to organise for civil servants. However, such legislation has not yet been introduced.⁷⁷

In the Indonesian garment industry, there are persistent violations in the areas of contracts, wages, overtime, health and safety.⁷⁸ In 2017, ILO found that overtime was not paid correctly in 50% of the assessed factories. Likewise, several international companies, including Coca-Cola and PepsiCo, have been criticised by unions and NGOs for not respecting workers' rights by paying illegally low wages.⁷⁹ Not to mention, in more than 40% of the factories, chemicals and hazardous materials were not stored safely.

First, although anti-union discrimination is prohibited, in practice, companies often transfer or dismiss union leaders.⁸⁰ Secondly, even though outsourcing only is lawful in certain circumstances, unions claim that in practice, companies outsource far beyond the scope of legal provisions, leaving workers highly precarious and

vulnerable. Thirdly, critics argue that civil servants in practice do not have rights to organise or establish unions, despite freedom of association explicitly is granted in Article 44, Act 21/2000. In practice, the teachers' union (PGRI) has declared itself a union, but the majority of civil servants remain under KORPRI, which in many senses is weak.

In the private sector, organising attempts are frequently met with managerial interference and intimidation, denial of recognition as well as Ministerial refusal to register a union. Although anti-union discrimination is prohibited, companies often dismiss or transfer union leaders. For example, a case of an owner of a furniture company was sentenced to 18 years in prison for forbidding the formation of a union and dismissing over one hundred employees.

The army has often been suppressing labour disputes and demonstrations, and there have been cases where strikes have been criminalised.⁸¹ At a Memorandum of Understanding (MoU) between the army and police signed in 2018, the scope of cooperation between these two forces includes handling protests, labour strikes, unrest and social conflict. The MoU has renewed crackdown on organised labour.

ITUC has reported that an Indonesian worker in Saudi Arabia secretly has been executed in 2018 by the Saudi authorities for allegedly beating her employer to death in self-defence against an attempted rape in 2010.⁸²

Since 2017, conflicts have been ongoing between thousands of miners and the Freeport Indonesia Company.⁸³ Without prior notice, the employer introduced a programme affecting 12,000 full-time workers and 20,000 contract workers – a reduction of 10% of the total number of staff. It triggered strike action, and 4,200 miners were laid off on the pretext that they had “voluntarily resigned”. The minister of employment has been criticised for not remaining neutral and ignoring the request of the miners for a meeting.

When it comes to cases ILO has characterised touching upon, freedom of association, Indonesia has none active cases, one follow-up case and 21 closed cases. The follow-up case concerns anti-union practices carried out by the management of a restaurant chain. The latest closed case is from December 2015 and denounced the violation of workers' right to organise peaceful public meetings and industrial actions through excessive police violence, intimidation and arbitrary arrests.

There is a growing sense, that the government prioritises economic growth and infrastructure development, on behalf of social and economic rights. These priorities have failed to include the labour movement into the government's camp over the first term from 2014-2019.⁸⁴ It has to do with new excluding minimum wage regulations; restrictions on strikes and lack of program on a housing security deal the president made with sparse urban networks during the 2014 election (see Working Conditions section).

Strikes are frequent and widespread. Industrial disputes occasionally escalate into clashes between strikers and the military. Despite Suharto's fall, the military remains a potent force in Indonesian society – not always within the control of the government.⁸⁵

WORKING CONDITIONS

For most workers in Indonesia, wage raises depend more on negotiations about the minimum wage than on workplace-based CBAs.⁸⁶ The minimum wage is set annually at a provincial level (Indonesia has 34 provinces) by governors through the tripartite bodies Wage Councils and District Wage Councils.⁸⁷ Each governor must assess local conditions, inflation and economic growth. The minimum wage rate differs across groups of workers, sectors of economic activity and by geographical location.

After being postponed for more than ten years, the president signed a regulation concerning minimum wages taking into account the current fiscal year's inflation and Gross Domestic Product (GDP) growth rates, set by the governors of each district in 2015.⁸⁸ The new regulation aims to prioritise predictability over flexibility and to depoliticise wages, as local administration leaders previously have been criticised for using wage issues to gain popularity.⁸⁹ Particularly in 2012-2014, double-digit wage increases were the norm. This situation made it difficult for existing businesses to keep pace with the cost of labour and tempted business to discourage hiring or to ignore the rules. In some districts, the minimum wage exceeded the average salary for the country as a whole by a fifth, which made the central government decrease the minimum wages in 2015.⁹⁰ Employer's organisations, such as APINDO, have welcomed the new fixed minimum wage regulation.⁹¹

All trade unions have criticised the new regulation for weakening the organised labour's ability to address issues, as minimum wages beforehand was based on annual negotiations.⁹² As the inflation rate and economic

growth are primary determining factors of wage calculations, local wage councils have been abolished. The new regulation has slowed the average minimum wage growth from 15% a year to around 8%.

In Jakarta, workers have both the highest minimum wage and average salary. The four provinces with the lowest minimum wages are all in other parts of the Java Island where economic development is low, at around half of the capital's rate. The updated nominal minimum wages scale was valid in March 2020; it increased by 8.3% from 2019. In real growth terms (i.e. adjusted for inflation and economic growth per capita) it was estimated at 0.9% (see more in Table 6).

Table 6: Status of Monthly Earning and Minimum Wages in Indonesia, 2020

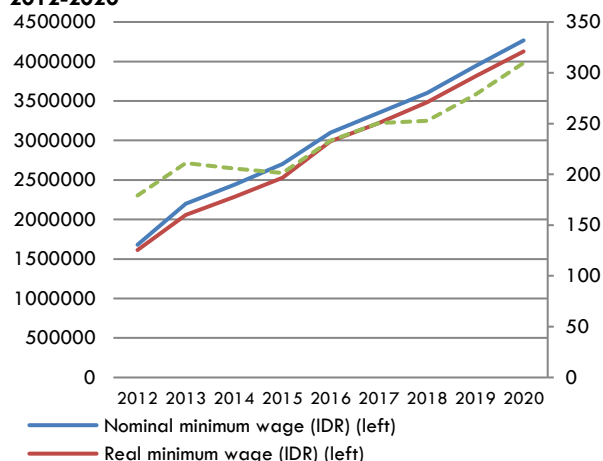
	Rupiah Current	US\$ Current
Typical earning, (2019/2020)	15,700,000	1,110
Minimum Wage, highest (Jakarta)	4,267,349	310
Minimum Wage, lowest (Benkulu)	2,213,000	161
Real minimum wage growth, average, 2016-2020 (%) *	0.9 %	

* Real minimum wage is aggregated

Sources: WageIndicator.org, [Pay Scale](http://PayScale), and own calculation on real minimum wage growth

Figure 2 shows the steady minimum wage increase during the 2010s and its gap in the inflation in consumer prices (see also Figure 15 ahead). The trend has furthermore been followed by the main foreign currencies, e.g. US dollars.

Figure 2: Minimum wage trend in Indonesia, IDR and US\$, 2012-2020



Source: Tradingeconomics.com, Indonesia Monthly Minimum Wage and own calculations of US\$ based on data from IMF, World Economic Outlook Databank

The monthly minimum wages are significantly higher in Indonesia in comparison to other countries in the region,

for example, Bangladesh (US\$64), Myanmar (US\$71), Pakistan (US\$122) and Cambodia (US\$170).

In Table 7, monthly average salaries in different sectors are depicted. The average salary for all industries was US\$185 in 2018 and has from 2015 increased by 28%. Average wages have been on a steady increase, especially in manufacturing, wholesale and retail and repair of motor vehicles with a growth of 37%.

Table 7: Average monthly net wage in Indonesia, by sector, US\$, 2013-2018

	2015	2016	2017	2018	Growth, 2015-18
All industries	145	169	183	185	28 %
Agriculture, Forestry and Fishing	76	93	96	99	30 %
Manufacturing	133	169	187	182	37 %
Wholesale & Retail; Repair of Motor Vehicles	120	157	166	164	37 %

Source: CEIC Data, Indonesia Monthly Earnings

The Directorate General of Labour Inspection Development under MMT is a unit assigned to provide labour inspections. By the end of 2016, Indonesia had 1,923 inspectors for 21,591,508 national companies.⁹³ It means the ratio of inspectors to companies in Indonesia in 2016 was 1:11,228; the number of inspected companies were 61,134. In 2014, the country had 1,774 labour inspectors and oversaw 256,209 companies, which suggest the inspections coverage was declining significantly.⁹⁴ It is worthwhile to mention that the ratio of inspectors to employment in Indonesia was estimated at 1:63,366 in 2016. The ILO is concerned if the relation exceeds one inspector per 10,000 workers in industrial market economies (or one inspector per 20,000 workers in transition economies).⁹⁵

MMT has established the Labour Norms Expert/Cadre (KNK) as a response to the shortage of labour inspectors.⁹⁶ MMT likewise made it mandatory for each factory constituting more than 100 workers to have a certified labour norms expert. The role of KNK is to assist employers in conducting factory self-assessment for better control on employment risks and to improve labour law compliance. By the end of 2016, KNK covered 354 companies with more than 500,000 workers.

The number of labour inspectors is insufficient for the size of Indonesia's workforce.⁹⁷ Coordination challenges, unsatisfying transfer of the labour inspection system from the national government to the provisional government

and lack of enough resources lower the number of inspections. An overview of the working conditions regulations in Indonesia is available in Table 8.

Table 8: Status of Working Conditions in Indonesia

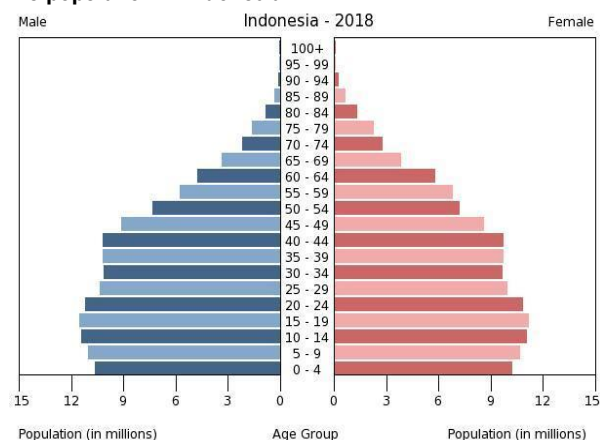
Fixed-term contracts prohibited for permanent tasks	Yes
Maximum length of a single fixed-term contract (months)	24
Standard workday	8 hours
Premium for night work (% of hourly pay)	0%
Premium for work overtime work (% of hourly pay)	75%
Paid annual leave (average for working days with 1, 5 and 10 years of tenure, in working days)	12
Minimum length of maternity leave	90
Receive 100% wages on maternity leave	Yes
Five fully paid days of sick leave a year	Yes
Unemployment protection after one year of employment	No

Source: [World Bank, Doing Business, Labor Market Regulation](#)

WORKFORCE

The labour force in Indonesia has in the last decades become more urbanised, less agricultural and better educated.⁹⁸ The total population in Indonesia was estimated at 262.8 million people in 2018, out of which 121 million were active on the labour market (2017).⁹⁹ The population is concentrated on Java, which is considered one of the most densely populated places on earth. The fertility rate experienced a declining trend from 5.7 born children per woman in 1960 to 3.1 in 1990 and 2.1 in 2018.¹⁰⁰ Around 42% of the total population constitute the children or youth segment under the age of 25. Figure 3 below visualises how the youth bulge is deflated during the last decade.

Figure 3: Population pyramid based on Age-Sex structure of the population in Indonesia



Source: [CIA, The World Factbook, Indonesia](#)

The population includes approximately 500 ethnic groups speaking more than 600 languages.¹⁰¹ Javanese form the most prominent group (40% of the total population) and the majority is Muslim (87%).¹⁰² Due to the official state ideology of Pancasila, people are restricted to worship monotheistic religions, and the spread of polytheist religions are minimal in Indonesia. During the New Order regime, the national slogan *Bhinneka Tunggal Ika* (Unity in diversity), was created and still is Indonesia's official motto. Unity is more strongly emphasised than diversity. Regional characteristics are more important than ethnicity when it comes to earnings in Indonesia.¹⁰³ Indonesia has a history of ethnic conflicts in several regions, interwoven with social problems and tensions. While some argue that these tensions are decreasing, others argue the opposite. A fact is that the West Papua conflict is on-going concerning secession.¹⁰⁴ The president has announced that he is ready for dialogue, which has drawn a cautious response from Papuan leaders.¹⁰⁵

Age composition of workers has changed as younger workers now contribute a smaller share, among others because they are studying more for more extended periods (see Education section). According to estimations from ILO, the total employment-to-population ratio (i.e. labour force currently employed to the total working-age population) is projected in 2020 at 64%, and hovering above Asia and the Pacific region's average of 59% (Table 9). One issue is that the employment-to-population rates in Indonesia represent significant gender gaps for both young and adults (see more in Gender sub-section). In the last decade, these numbers have only changed marginally.

Table 9: Estimations of employment-to-population ratio in Indonesia and Asia and the Pacific, Age and Sex, 2020

Sex	Age		Indonesia	Asia and the Pacific
Total	Total	15+	64 %	59 %
	Youth	15-24	40 %	35 %
Men	Total	15+	78 %	74 %
	Youth	15-24	47 %	44 %
Women	Total	15+	50 %	43 %
	Youth	15-24	32 %	26 %

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

Indonesia has experienced some structural changes in the status of employment since 2000. The most significant development has been the share of employees, which has risen from 33% of the total employment in 2000 to projected 50% in 2020 (Figure 4). Since employees often are linked up to formal jobs in the urban zones, the

trend is reflected in the urbanisation rate, which in 2017 led to 55% of the total population living in urban areas (see also Migration sub-section).¹⁰⁶

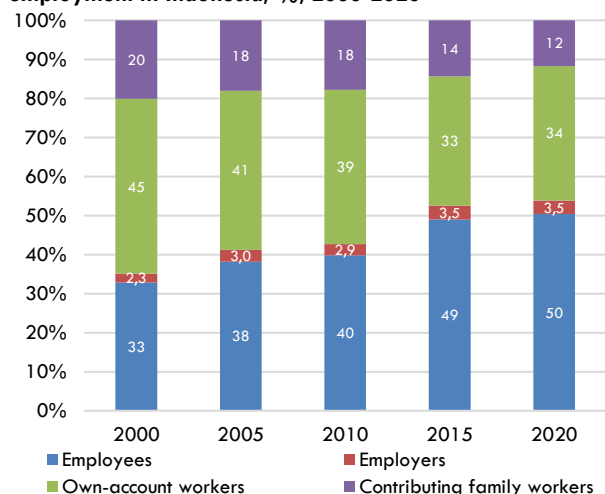
The second most common form of employment is among own-account workers (i.e. self-employment jobs that do not engage ‘employees’ continuously), which cover around 34% of the total employment in 2020 and experienced a drop by 11 percentage in the share to total employment since 2000.

The third most common status of employment is among contributing family workers (i.e. those who hold self-employed jobs within an establishment operated by a relative, with a too limited degree of involvement in its operation to be considered a partner). This type of employment is projected to cover around 12% of the total employment in 2020.

Own-account workers and contributing family workers are together known as ‘vulnerable employed’ and are less likely to have formal work arrangements. The work is characterised by inadequate earnings, low productivity and difficult conditions of work that undermine workers’ fundamental rights. This group of ‘vulnerable employed’ has experienced a declining trend by 19 percentage points since the 2000s reaching 46% in 2020.

In Indonesia, employers cover in general a quite a small proportion of the total employment with around 4%, doubling from 2% in 2000. See more details in Figure 4).

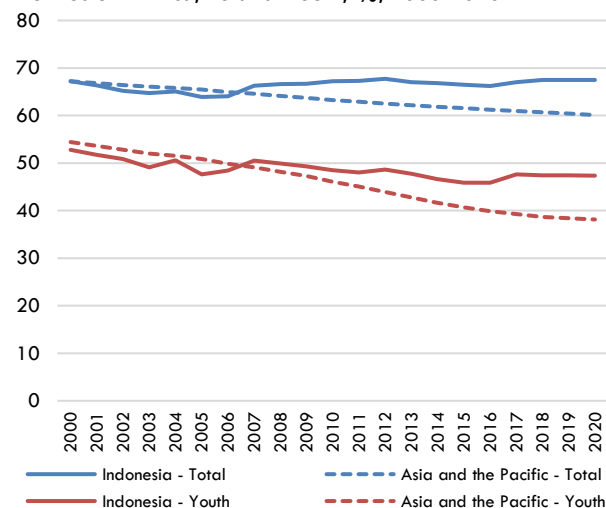
Figure 4: Estimations and projections of status of employment in Indonesia, %, 2000-2020



Sources: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

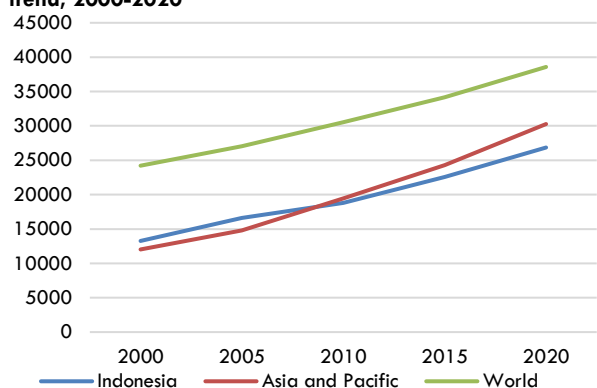
In Indonesia, the employment participation rate (i.e. number of people available for work as a share percentage of the total population) has since 2000 been quite stable just below 70% (Figure 5). The regional rate is similar but on a slowly declining trade. The participation rate for the youth is lower, decreasing from slightly above 50% in 2000 to less than 50% in 2020. The region’s rate is below 40% and lower than in Indonesia.

Figure 5: Employment Participation rate in Indonesia and the Western Africa, Total & Youth, %, 2000-2020



Sources: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

There is a linkage in the status of employment and labour productivity. Employees in the formal sector often have more access to capital, finance, and training and are overall more productive. In contrast, vulnerable employed often operate in the informal economy and micro- or small-enterprises with low productivity activities. Figure 6 below illustrates the labour productivity trend in Indonesia has been on a constant rise since the 2000s, but from being slightly better positioned than the regional average, the country has since the end of 2000s been outpaced by the region. Both the Indonesian and regional average is far below the World average. The productivity upturn in labour productivity growth trend reflects the slowing of job growth in recent years, rather than substantial gains in economic and labour market efficiency. The high proportion of under-qualified workers has been noted as one reason for the relatively lower labour productivity growth and slow transition to higher value activities throughout the economy.¹⁰⁷

Figure 6: Estimations and projections of labour productivity trend, 2000-2020

Note: Labour productivity is defined as output per worker (GDP constant 2011 international \$ in Purchasing Power Parity (PPP))
Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

Another aspect that creates the labour market's landscape and driving the economic growth in Indonesia is the dominance of Micro (up to 10 employees), small (up to 50 employees) and medium (up to 250 employees) enterprises (MSMEs). This segment accounted for 99% of all business in the country in 2018, provide 89% of private-sector employment; and contribute 60% of the GDP.¹⁰⁸ Data from the Ministry of Co-operatives and SMEs registered the share of micro-enterprises in private-sector employment shrunk from 91% to 87%, while small enterprises increased their employment share from 3.5% to 5.7% and medium-sized enterprises from 3% to 4% from 2006 to 2014. Small companies employing less than 20 people accounted for 76% of Indonesian employment in 2016, more than any other OECD country.¹⁰⁹

The outspread of micro- and small enterprises is mirroring the widespread informality that loophole the labour and business regulations in practice just as the licensing system remains complex. In addition, there are indications of skills deficits in the Indonesian labour market: just 51% of the total workforce has basic education and 22% in of the youth is not in education, employment or training. In recent years, important reforms have been introduced to strengthen SMEs' access to finance, but its impact remains to be registered in surveys.

Unemployment and Underemployment

Unemployment has been on a declining trend during the 2010s in Indonesia. Official data show it the unemployment rate fell steady from 8.4% in 2009 to 5.0% in 2019 (representing 6.82 million workers).

The statistically 'strict' unemployment rate – those who are unemployed and actively search for a job and covers

everyone who does not exceed working more than one hour per week¹¹⁰ – is measuring a slightly lower unemployment rate than the official data due to methodically diverging terms. It especially improves the comparative estimations of unemployment rates among other countries or regions. The 'strict' unemployment rate estimated slightly lower at 4.4% in 2019. Table 10 below shows projections that this rate is slightly higher in Indonesia compared to the regional average at 3.6%. The unemployment among the youth is around 16% and about five percentage points higher than in the region.

Table 10: Unemployment and underemployment in Indonesia and Asia and the Pacific average, 2020

Type	Gender	Indonesia	Asia and the Pacific
Unemployment	Total	4.5 %	3.6 %
	Men	4.5 %	3.5 %
	Women	4.4 %	3.7 %
Youth Unemployment	Total	17 %	10 %
	Men	16 %	10 %
	Women	17 %	10 %
Underemployment (2017) *	Total	12 %	N/a
	Men	10 %	N/a
	Women	16 %	N/a

* Visible underemployment rate: The ratio of the number of working people working involuntarily less than 35 hours per week to the total employed.

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

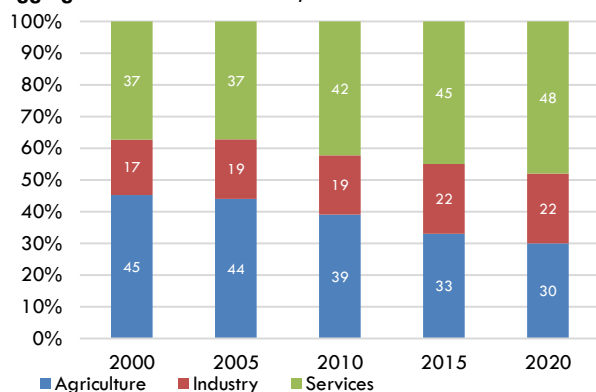
As the strict unemployment rate does not count those working one hour or more per week, it can neglect underemployment; an aspect many developing countries are facing. Underemployment is defined as people who express a desire to either have additional hours of work in their present job, have an extra job or people who are looking for a new job with extended working hours. The number of underemployed people in Indonesia was in 2017 registered to account for 12% of total employment (Table 10). As demonstrated, the low statistical 'strict' unemployment rate is shadowed by a significant underemployment rate, which is challenging the nation's ability to achieve the SDG target on providing full and productive employment and decent work for all women and men by 2030 (see also Table SDG, Indicator 8.5.2, in Page iv).

Sectoral Employment

Since the 2000s, some sectoral changes in employment developed in Indonesia. Figure 7 illustrates that the share of employment in the agricultural sector out of the total workforce has experienced a drop from 45% in 2000 to a projected 30% in 2020. Meanwhile, the size of the service sector has overtaken the agricultural sector grew

from a 37% share in 2000 to almost half (48%) of the total workforce in 2020. A smaller rise of five percentage point was noted in the industry sector during the same period, reaching 22%.

Figure 7: Estimations and projections of employment by aggregate sector in Indonesia, 2000-2020



Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

Table 11 below shows details on the employment per sector in Indonesia. The agricultural sector is dominating employment, accounting for almost 36 million employed. The second-largest sector measured per the amount of employed in Indonesia is within ‘accommodation and food services activities’ employing approximately 28 million equivalents to 23% of the total employment. The third-largest sector is the manufacturing sector employing 17 million, corresponding to 14% of the total employment. Since 2015, the manufacturing sector has grown slightly representing 14% of total employment.¹¹¹ ‘Other services’ – including administration, public administration, education and health – employs 17% of the total employment in the country.

Table 11: Employed per sector in Indonesia, 2017

Sector	Total sector employment	Sector employment share, %
Agriculture	35,924,000	30 %
Mining & quarrying	1,392,000	1.1 %
Manufacturing	17,009,000	14 %
Electricity, gas & water	394,000	0.3 %
Construction	8,137,000	6.7 %
Accommodation and food services activities	28,174,000	23 %
Transportation and storage	5,760,000	4.7 %
Financial and insurance activities	3,752,000	3.1 %
Other services*	20,482,000	17 %
Total	121,022,000	100 %

* Includes administration, public administration, education and health
Source: [Asian Development Bank, Key indicators for Asia & Pacific 2018](#)

Table 12 below provides an overview of the GDP share per sector and per workers. The agricultural sector contributed 13% of GDP, 20% from the manufacturing sector, and around 16% from the trade, restaurants and hotels sector. When comparing GDP share by sector to the employment per sector in Table 11 above, it is striking that even though the agricultural sector has the largest employment share, the GDP contribution is relatively low. Consequently, the GDP share in the agriculture sector per workers per year is calculated to US\$3,750, which is the lowest value of all the sectors in Indonesia. This reflection suggests relatively low labour productivity and a high degree of informality in the agricultural sector (see Informal Economy sub-section).

The industry sector has a relatively high GDP share in comparison to the total employment share. The industry sectors’ labour productivity is far higher than in the agricultural sector. The main GDP contributor within the more formal employing industry sector generally comes from manufacturing, which also employs 14% of the total national employment. The industry sector’s GDP share per worker per year diverges from US\$12,949 in construction to US\$55,245 in mining & quarrying. The service sector share of GDP is close to the employment share. The GDP share by sub-sector is concentrated in trade, restaurants and hotels sector. The GDP share by sub-sector within the service sector per workers per year diverges from US\$5,717 in trade, restaurants and hotels, to US\$18,939 in finance services.

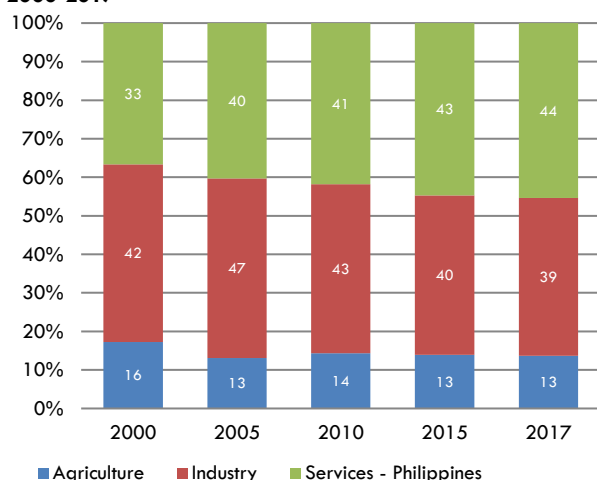
Table 12: GDP share by sector and per worker in Indonesia, 2017

Sector	GDP share by sector, %	GDP share by sector per worker, US\$
Agriculture	13 %	3,715
Mining & quarrying	7.6 %	55,245
Manufacturing	20 %	12,037
Electricity, gas & water	1.3 %	32,647
Construction	10 %	12,949
Trade, restaurants & hotels	16 %	5,717
Transport, storage & communication	9.2 %	16,234
Finance, real estate & business services	7.0 %	18,939
Administration, public admin., education and health	9.8 %	7,646
Other sources	5.6 %	
Total	100 %	N/a

Note: GDP share by sector per worker is calculated by the total GDP (current US\$) divided by in number of workers per sector.
Source: [Asian Development Bank, Key indicators for Asia & Pacific 2018](#); and own calculations on GDP share by sector per worker.

Figure 8 shows that the service sector's GDP share is increasing, which is in line with the aggregate sectorial employment change. The agricultural sector's share of the GDP has since 2000 dropped slightly, but with a lower rate than its decreasing employment share. It suggests that the labour productivity has improved in the agriculture sector and/or benefitted from good harvests. The industry sector's GDP share also fell slightly in contrast to its employment share that is on a slow rise, which reduced the labour productivity flow.

Figure 8: Aggregate sector share in Indonesia, % of GDP, 2000-2017



Source: [World Bank, World Development Indicators](#)

Migration

Migration is vibrant in the labour market in Indonesia. It is presented in three aspects: i) internal and rural-urban migration, ii) net migration (in- and out-migration), and iii) refugees.

Indonesia is formed by a volcanic archipelago of more than 17,000 islands. And each year, the country experiences a high degree of seasonal inter-island travel and migration.¹¹² Internal migrants were estimated to be near 10 million individuals. Most internal migrants are educated, young single men.¹¹³ There are also a lot of internal migrants in palm oil and construction with low levels of education.

Also, international migrants in Indonesia were in 2017 estimated at 4.5 million.¹¹⁴

In 2018, 55% of the Indonesian population lived in urban areas, compared to 42% in 2000.¹¹⁵ It is predicted that 68% of the population will live in cities in 2025.¹¹⁶ Each year, many Indonesians migrate from rural areas to cities in search of jobs. However, cities often fail to improve

their livelihoods. Those who migrate to the cities are usually those with no or very low education.¹¹⁷ With urban growth averaging 4.4% annually, Indonesia has the fastest urbanisation growth in Asia.

Indonesia's capital Jakarta suffers from gridlock because of rapid urbanisation and lack of infrastructural planning.¹¹⁸ The city lacks waste management and only a third of the residents have access to municipal water – the rest drill wells to tap groundwater. A disturbing fact is that Jakarta sinks each year – some places up to 25 cm and researchers predict that the majority of the city's coastal districts could be submerged in 30 years. At the end of April 2019, the President announced that he wants to relocate the capital to the province of East Kalimantan on Borneo. The move will most likely also decrease regional inequality as Java generates about 58% of GDP out of all the Indonesian islands.

For decades, more people left than entering the country. The net migration – difference between the number of immigrants (in-migration) and the number of emigrants (out-migration) – registered (minus) 825,000 people in the period from 2013 to 2017 (Table 13). Women have made up to 75% of Indonesian workers abroad.¹¹⁹ Many Indonesian migrant workers returning home without passports.

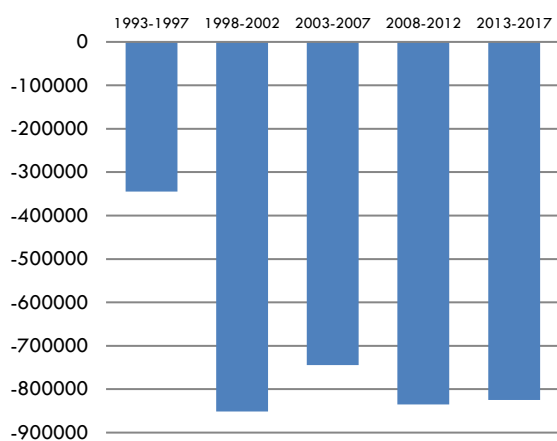
Table 13: Status of Migration in Indonesia

Net number of migration (2013/17)	Indonesia	- 825.000 *
Personal remittance (received), % of GDP (2017)	Indonesia	0.9 %
	East Asia & Pacific	0.5 %

* Net migration is the net total of migrants during a period of five years, i.e. the total number of immigrants less the annual number of emigrants, including both citizens and non-citizens. ** One migrant per thousand of the population.

Source: [World Bank DataBank](#) and [KNOEMA](#)

Figure 9 shows the trend of the net migration rate from 1993 to 2017. It visualises a substantial migration outflow since 1998. In 2016, an estimated 9 million Indonesians worked overseas, accounting for almost 7% of the country's workforce. However, this is likely an underestimate because many migrant workers are hired without authorization and avoid detection; even for authorized Indonesian workers there is no central authority that compiles numbers for all destinations.¹²⁰ In addition, an Indonesian migrant worker earns, on average, four to six times more than a worker based in Indonesia does.¹²¹

Figure 9: Net migration trend in Indonesia, 1993-2017

Source: [World Bank, World Development Indicators](#)

Despite the high outflow of citizens, personal remittances has not been a central part of the economy: 0.9% to GDP. Though not substantial, this share is almost double the regional average (see more in Table 13).

The nation's top migration destinations are Middle-Eastern countries, Malaysia and more developed countries in East Asia, such as Taiwan, Hong Kong and Singapore (these three destinations comprise alone two-thirds of all Indonesian migrant workers abroad).¹²² Employment opportunities overseas are often as a domestic worker, caregiver, operator or plantation worker.

Migrant workers are at a higher risk of exploitation and often have to pay relatively high recruitment fees for overseas employment, for example, up to 60-70% of their wage in Hong Kong.¹²³

Since 1998, when the New Order's regime ended, the government has become more responsive to migrants. Due to reported cases of physical and sexual abuse, forced labour and unpaid wages of particularly female domestic workers abroad, the Indonesia government placed in 2015 a moratorium on migration to 21 countries across the Middle East, North -and East Africa, and Pakistan.¹²⁴ Malaysia and Saudi Arabia have been banned for migrant workers since 2011. Though the ban is still in place, recruiters manipulate job orders to meet the high demand for domestic workers in the Gulf. In 2016, it was estimated that there were 0.5 million undocumented Indonesian domestic workers in Saudi Arabia alone.¹²⁵

Due to its strategic position between Asia and Australia, Indonesia has seen the arrival of many displaced people and asylum seekers the last decades on their way to

Australia, including the Hazara minority from Afghanistan and Pakistan as well as Rohingyas coming by boat from Myanmar. The Indonesian government tends not to provide much help to asylum seekers and would rather contribute humanitarian aid and diplomatic exchanges to the origin countries.¹²⁶

Indonesia's tropical climate has attracted many retirees from colder regions. In 1998, a special retirement visa was introduced for people aged 55 or older with an income from pensions or investments.¹²⁷ The country is also a destination for high-skilled migrant workers that are not easily found in the domestic labour market. Research suggests that migrants in Indonesia can achieve the same socioeconomic and health status as their non-migrant counterparts.¹²⁸ Migrants in Indonesia are also likely to have insurance coverage.

The law mandates the National Social Security Administration (BPJS) to enrol migrant workers and their families to the national social security programme (see more in Social Protection section).¹²⁹ Migrant workers often accumulate debt from both local and overseas labour recruitment outfits, making them vulnerable to debt bondage. Some companies have exploited debt bondage, withholding documents and threatened with violence to keep migrants in forced labour.

Indonesians also emigrate to study, mostly in Australia where 20,000 Indonesians studied in 2016). Others marry (with mostly working-class men in Hong Kong and Taiwan) or get asylum (the Acehese ethnic group, Chinese-Indonesian Christians, refugees from Papua and the Ahmadiyyahs).

Informal Economy

In Indonesia, the informal economy is massive on both the employment and the economy, but on a declining trend. ILO defines the informal economy as "all economic activities by workers and economic units that are – in law or practise – not covered or insufficiently covered by formal arrangements; and does not cover illicit activities".¹³⁰ Often, wages and insurances in the informal economy are lower than in the formal sector, and formal work is often more stable and taxed under existing tax guidelines.¹³¹ National law and regulations related to the informal economy is Law on poverty management (Law No. 13/2012).¹³²

Table 14 below summarises the most updated measurements on the informal economy and informal employment. It shows that around 84% of the

employment operate in the informal economy and contributes to 30% of GDP. It is estimated that there are more women (58% of Indonesia's total women workforce) than men (49% of Indonesia's total men workforce) working in the informal economy.¹³³

Table 14: Status of informal economy in Indonesia

Subject	Value
Informal economy contribution to the GDP, 2009 (%) *	30 %
Share of informal economy workers in total employment, 2017 (%) **	84 %
Proportion of informal employment in non-agriculture employment, 2017 (%) **	79 %
Informal employment covered by healthcare, 2018 (%) ***	61 %

* Only measured in two provinces (Banten and Yogyakarta) ** According to ILO, own-account workers and contribution family workers, irrespective of whether they work in formal or informal sector enterprises, constitute together with informal employees the informal economy.¹³⁴ *** Own calculation based on the two first sources mentioned below.

Source: [ILO's Key Indicators of the Labour Market \(KILM\)](#), [Jakarta Post](#) and [Asian Development Bank](#)

The concept of informal employment also includes workers in 'vulnerable employment' (i.e. own-account workers and contributing family workers). This segment has a lower likelihood of having formal work arrangements as well as missing elements associated with decent employment, such as adequate social security and a voice at work. The segment of vulnerable employed out of the total workforce in Indonesia has from 2000 been on a steady decline from a 65% share down to a 46% share in 2019 (revisit Figure 4). Another aspect of the informal work is reflected in the lack of coverage of social protection in Indonesia, as informal workers, in particular, are yet to be adequately covered by the National Health Insurance (JKN) (see also Social Protection section).¹³⁵ In 2018, 61% of the informal workforce was covered by healthcare, which is relatively good coverage in comparison to other neighbouring countries.

The Sustainable Development Goals include an indicator of the proportion of informal employment in non-agriculture employment, which in Indonesia were registered of 79% in 2017 (see Table SDG, Indicator 8.3.1, Page iv). The target of the indicator includes formalisation of employment, and in this respect, the realisation of the indicator is challenged in Indonesia.

The informal economy is part of the economy that is not fully included in the national statistics GDP accounts. It does not mean that there are no linkages between the formal sector and the informal economy. The formal sector and the informal economy are interconnected via

the goods and service market, the labour market and the money market. In practice, people from the informal economy pay indirect tax, and informal households are primary receivers of government grants. Informal economic activity is complementary to that of the formal economy.

Based on findings in the two provinces Banten and Yogyakarta, informal employment is higher in rural areas than in urban areas and concentrated in the agriculture sector.¹³⁶ Most informal workers are middle-aged and work in MSMEs (less than five employees) – often supplying local markets.¹³⁷

Child Labour

Child labour is relatively low in Indonesia, but continues and is most common in rural areas.¹³⁸ The law in Indonesia prohibits child labour defined as all working children between 5-12 years, regardless of hours worked, 13-14 years-olds working more than 15 hours per week and 15-17 years-olds who work more than 40 hours per week.¹³⁹ Hazardous labour is prohibited for children younger than 18 years and is defined in 13 categories including commercial sexual exploitation, mining, construction, offshore fishing, scavenging, working on the street, domestic service, cottage industry, plantations, forestry, and industries that use hazardous chemicals.¹⁴⁰

The term 'child labour' is often defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.¹⁴¹ Hazardous work is among the worst forms of child labour where its nature or the circumstances are likely to harm the health, safety or morals of children.¹⁴²

According to the latest national data available from 2009, 6.9% of children aged 5-17 were engaged in child labour (4.1 million). Around 830,350 out of all children in employment (21%) were engaged in hazardous work. The percentage of children in employment, hereunder child labourers is substantially lower in Indonesia than the regional percentage (Table 15). However, the share of children in employment engaged in hazardous employment is 17 percentage points higher in Indonesia compared to Asia & the Pacific region. Other data suggest that around 1.5 million children aged 10-17 work in agriculture, mostly in the production of palm oil and tobacco, with Indonesia as one of the world's largest producer of these two products. Child labourers often work under hazardous

working conditions. North Sumatra (155,196), Central Java (204,406) and East Java (224,075) are the three provinces with the largest incidences of child labourers in the agricultural sector.¹⁴³

Table 15: Status of working children, proportion of all children in Age Group

Region	Year	Type	Proportion
Indonesia (Ages 5-17)	2009	Children in employment	6.9 %
		Child labours	2.9 %
		Hazardous work (% of children in employment)	21 %
Asia & The Pacific (Ages 5-17)	2012	Children in employment	16 %
		Child labours	9.3 %
		Hazardous work	4.1 %

Note: Children in employment include all children who conduct some kind of work, whereas child labourers are a narrower term without mild forms of work. Hazardous work is the worst form of child labour as defined in ILO's Convention C182.

Sources: [Statistics Indonesia](#) and [ILO, Accelerating action against child labour, International Labour Conference, 99th Session 2010](#)

Penalties for employing children under conditions that violate minimum age provisions range from one to four years imprisonment, a fine of 100 million to 400 million Indonesian Rupiah (US\$6,869 to US\$27,400) or both. The government continues to enforce the law at a local level but faces difficulties when putting the law into effect due to lack of financial resources and personnel as well the presence of a widespread informal economy.¹⁴⁴

Some children, mostly girls, are forced to domestic work and sexual exploitation abroad, mostly in Malaysia, Taiwan, and the Middle East. Within Indonesia, it is estimated that 70,000-80,000 children work with the commercial sex trade.¹⁴⁵

Working children are mostly unpaid family workers (86%), with little variation by gender. Around 8.6% of working children are paid employees and girls seem to have a slightly higher probability of being paid in employment than boys.¹⁴⁶ Moreover, 7.7% of boys and 6.0% of girls aged 5-17 were engaged in harmful child labour. The rates increase as children grow older, ranging from 3.9% among 5-12 years to 13% among 15-17 years-olds. Boys are more prone to child labour than girls are, though girls may be under-represented in the data as they tend to work in less visible forms of child labour such as domestic work.¹⁴⁷

Indonesia made some advancements in efforts to eliminate the worst forms of child labour in recent years. The government has ratified the Association of Southeast

Asian Nations Convention Against Trafficking in Persons, Especially Women and Children, which protects human trafficking of children. In 2017, MMT removed 18,401 children from street work and garbage scavenging and encouraged the parents of these children to enrol them in schools.¹⁴⁸ There has been significant progress in Indonesia towards achieving universal primary education, as enrolment rates reached 99% in 2015 (see Education section). The government works towards a child labour free Indonesia by 2022.¹⁴⁹ Furthermore, the government has initiated the Child Labour Free Zone programme in various industrial areas across Indonesia. In these zones, no company is allowed to recruit and employ child labour in any areas of work.¹⁵⁰

The government has failed to enact the Domestic Workers Protection Bill, a bill that has been deliberated since 2010 and would impose penalties on employers who do not meet minimum standards and outline the circumstances under which children aged 15-17 perform non-hazardous domestic work.¹⁵¹ The proposed bill includes requiring the parent's permission to execute the employment contract and prohibits work at night.

Gender

Gender inequality is present and Indonesian women still do not participate equally in the labour market compared to men. Overall, women's labour force participation rate has not increased over the last two decades but stagnated at around 50%; the number for men is 78% in 2019, which also have not changed since 2000. Women who do work find it harder to get a job, more difficult to access more lucrative and secure work sectors, work on average far fewer hours and receive on average about 70% of the equivalent men's wage in the formal sector and 50% in the informal economy.¹⁵² In addition, women face injustice in the form of the men-women wage gap: the gender wage gap is largest for those with the lowest earnings, e.g. in the garment sector where women workers on average earn 20% less than men.

The gender gap reflects gender-based discrimination in the labour market, rather than differences in productivity between men and women workers.¹⁵³ Gender inequalities are among other things driven by the industries where women traditionally work, including differences in training. As in the majority of the world's countries, women are furthermore under-represented politically, making their voice more difficult to be heard. However, recent elections have provided a rise of women representation in parliament.¹⁵⁴ Finally, inadequate

transport infrastructure and services pose barriers to women's participation in the labour market, as safe and efficient transport can assist women to managing work and family responsibilities better.¹⁵⁵

Some of the primary labour market gender gaps are visualised in Table 16 beneath. The gender gap is largest when it comes to employment: here, men are hovering 28 percentage point above women. Moreover, more men than women are working as employees, while a larger share of women is engaged in vulnerable employment compared to men.

Table 16: Workforce key indicators gender gaps in Indonesia, 2019, estimations

	Men	Women	Gender gap men/women, percentage point (p.p.)
Employment	78 %	50 %	28 p.p.
Unemployment	4.5 %	4.2 %	0.3 p.p.
Underemployment *	10 %	16 %	-6 p.p.
Employees	54 %	43 %	11 p.p.
Vulnerable employment **	41 %	55 %	-14 p.p.

* Time-related underemployment. ** Aggregate own-account workers and contributing family workers.

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

The Global Gender Gap Index 2018 – measuring gaps rather than gender equality and women's empowerment – ranked Indonesia as number 85 out of 149 countries (1 represents the lowest gender gap). The country scores best on the parameters of political empowerment as well as on health and survival. On educational attainment and economic participation and opportunity, Indonesia has its worst scores.¹⁵⁶ However, gender equality in education in Indonesia has increased in recent years (see Education section).¹⁵⁷

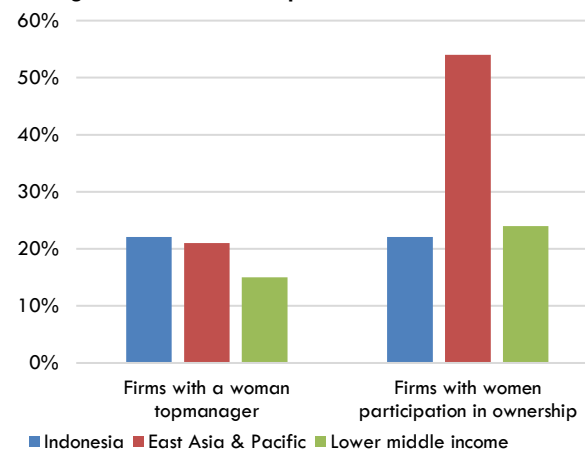
The other international Gender Inequality Index – measuring health, empowerment and economic status – ranked Indonesia with low-medium human development as number 104 out of 151 countries (1 is best).¹⁵⁸ What maintains this low ranking is, among other things, a relatively high maternal mortality.

Maternity leave legislation does not meet ILO convention, as it is 12 weeks in Indonesia instead of 14. IndustriALL affiliated unions have been campaigning on this in the past years. Several laws discriminate against women, including tax and inheritance laws and lack of legislation on penalties to protect against sexual harassment.¹⁵⁹ Disturbingly, 11% of workplaces polled indicated that women employees are terminated if they become pregnant, and yet no union has indicated that this is something they have on their list of grievances.¹⁶⁰

As a member of the G20 group and being one of the world's major economies, Indonesia has committed to decrease the gap between women and men workforce participation by 25% in 2025.¹⁶¹ This is most likely not going to happen, as women workforce participation is more likely to decrease if the most recent trends continue. Beneath the surface, women participation varies according to various parameters: in recent years, younger women in urban areas have increased their workforce participation, mostly in wage employment. On the other hand, younger women in rural areas have reduced their workforce participation, largely by dropping out of informal, unpaid employment – furthermore, many women exit wage work due to family and childcare constraints.¹⁶² More than 40% of women are still unemployed one year after giving birth to their first child, and the fertility rate has decreased.¹⁶³

When it comes to the share of women employees out of the total workforce and especially in firms where women participate in ownership, Indonesia performs worse than the regional average (Figure 10). However, in terms of firms, including women top-managers, Indonesia is slightly better than the East Asia & Pacific regional average.

Figure 10: Women participation in employment, top management and ownership, %, 2015



Source: [World Bank, Enterprise Surveys, Indonesia 2015](#)

Youth

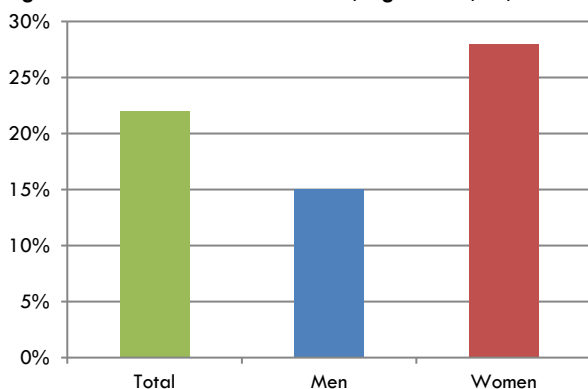
The youth in Indonesia confronts a dual problem as they have difficulties with the school-to-work-transition and once succeeded many experience difficulties finding quality jobs in the formal sector.¹⁶⁴ It is estimated that the formal sector creates annually 800,000 jobs, for the two million young people estimated to join the workforce every year.¹⁶⁵ Consequently, the youth suffers from

widespread unemployment and overrepresentation in the informal economy.

It is estimated that 18 million (40% of the employment-to-population ratio) of workers in Indonesia were between the ages of 15 and 24 years in 2019 (revisit Table 9 and Figure 3). The youth is the age group with the largest unemployment rates (16%) (revisit Table 10). Almost a third of all university graduates join the ranks of the unemployed, which is a higher percentage than the one for the group under age 24. While high school graduates are less likely to be unemployed, they are 18 times more likely to work in the informal sector.¹⁶⁶

The indicator Not in Education, Employment, or Training (NEET) rate provides a broad measure of the untapped potential of youth who are neither improving their future employability through investment in skills nor gaining experience through employment. In Indonesia, the NEET rate is slightly higher (22%) in comparison to other neighbouring countries, e.g. Myanmar (17%), Malaysia (11%), and Vietnam (10%) and on the same level as the Philippines (22%).¹⁶⁷ Indonesia has experienced a small drop in the NEET rate in the last decade from 29% in 2000 (Figure 11). The Sustainable Development Goal also targets the NEET rate to be substantially reduced by 2020 (see more in SDG Table, Indicator 8.6.1, in Page iv).

Figure 11: NEET share in Indonesia, Age 15-24, %, 2017



Note: The NEET's share covers the Indonesian youth not in education, employment, or training.

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

The relatively high NEET rate points towards a dysfunction between the education system, labour market and the economy, affecting labour productivity. All of this is an impact caused by the lack of investments in infrastructure, health, education, and human capital. In addition, young Indonesian women had almost twice as high (13 percentage points) NEET share as young men (Figure 11).

In 2017, the Ministry of National Development Planning (MNDP, or *Bappenas*) developed a Youth Development Index (YDI). The index consists of five domains: i) education, health and well-being, ii) employment and opportunity, iii) participation and leadership, iv) gender, and v) discrimination. YDI aims at providing information about the youth and performance summary of policies and programmes related to youth employment initiated by the government.¹⁶⁸ Education has the best index value, and gender and discrimination have experienced the greatest increase due to the reduction of child marriage and an increased number of young women working in the formal sector. Furthermore, the government has started to build up the capacity of the workforce through the revitalisation of public training centres at both provincial and local levels.¹⁶⁹

Sustainability Development Goals target to achieve full employment by 2030 (see more in SDG Table, Indicator 8.5.2, in Page iv). To accomplish this, the reduction of unemployment and underemployment among youth is a critical issue in Indonesia. Productivity has to improve to raise living standards and reduce poverty among the youth.¹⁷⁰ The immediate way is to upgrade skills among the youth to align the labour market demands.

EDUCATION

Although the constitution guarantees free education, most schools are not free in Indonesia.¹⁷¹ The constitution was in 2003 amended to require the government to spend 20% of its budget on education. It is noted that in 2015 the government expenditure on education was 21% of government expenditure.¹⁷² Previously, the government spent down to half of that. However, with only slight improvements, results have been poor.¹⁷³ A possible explanation is that the increased budget has mainly used to increase the teacher's salaries rather than tied to students' performance.

Formal education in Indonesia starts from Kindergarten to Higher Education (Pre-school Education, Basic Education, Senior Secondary Education, and Tertiary Education). Religious institutions also provide education at each respective education level.¹⁷⁴ For example, 62% of students in secondary education were in general education and 31% in Islamic education.

Table 17 below illustrates the latest available data on employment share by education in Indonesia. Very few (4.1%) employed people have less than basic education. About half (51%) of the workforce has at least basic education. Two-fifth (41%) of the employment have

intermediate education level, while the share of employed with advanced education is as small (4.1%) as the group of employed of those with less than basic education. Overall, the gender gap is minor when it comes to educational level for employed, except for <math>< 4</math> a significant gender gap among less than basic education.

Table 17: Employment by education, % of employment distribution, Indonesia, Age 15+, 2017

	Less than basic	Basic	Intermediate	Advanced
Total	4.1 %	51 %	41 %	4.1 %
Men	2.4 %	52 %	42 %	4.5 %
Women	7.9 %	50 %	39 %	3.2 %

Source: ILO, Key Indicators of the Labour Market (KILM)

The government introduced in 2015 a compulsory 12-years school programme, but the implementation has so far been inconsistent.¹⁷⁵ Poverty furthermore puts education out of reach for many children. The government tries to enrol students from low-income families and keep them enrolled in education by admitting financial grants for their educational needs.

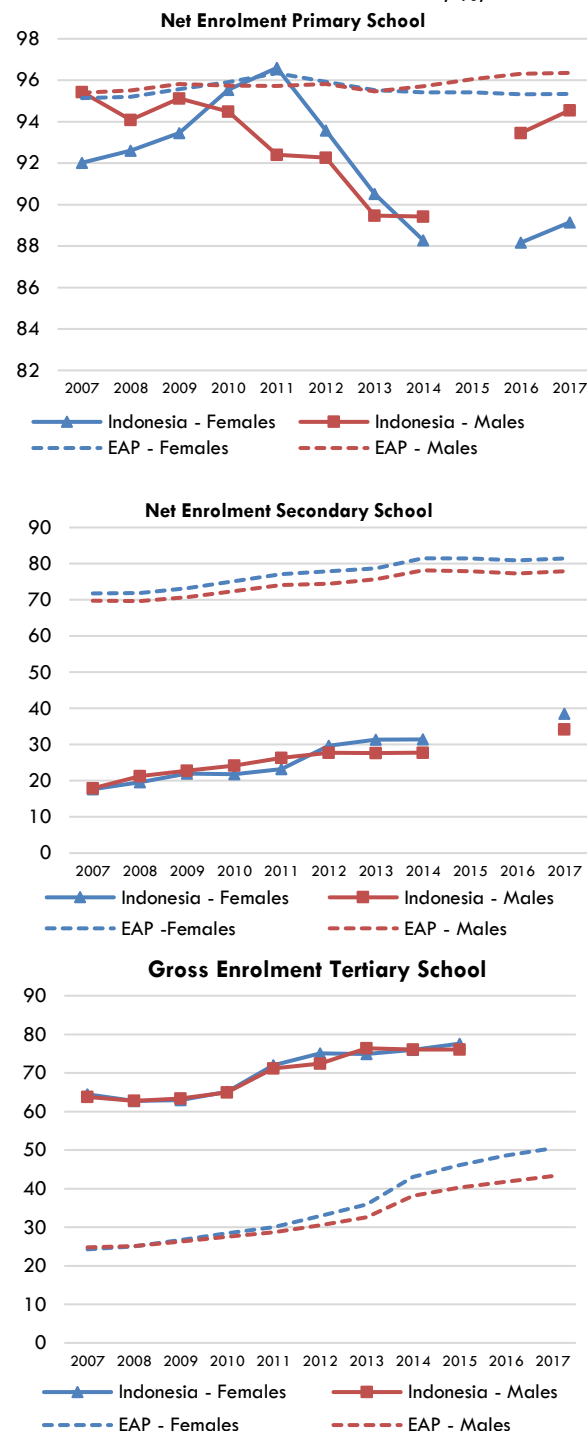
Enrolment figures for primary, secondary and tertiary schools in Indonesia and Asia & Pacific are visualised in Figure 12. First, the enrolment rate in primary education in Indonesia has from 2016-2017 been rising about one percentage point for both boys and girls. However, the net enrolment percentage for girls (89%) is 7.5 percentage points lower in 2017 than it was in 2011. For the boys, the 2017 enrolment rate (95%) is equivalent to the one in 2010 and slightly lower than the 2009 value. For both sexes, the net enrolment in primary school has been decreasing from 2009 (boys) and 2011 (girls) up until 2014. While the male net enrolment is a slightly lower than the regional average, the female enrolment is critically lower than the regional, indicating a substantial gender gap when it comes to primary school enrolment.

Second, the net enrolment in secondary school is significantly lower (43 percentage points) in Indonesia (38% for girls and 34% for boys) compared to the regional average (81% for girls and 78% for boys). Thus, more girls enrolled in secondary education than boys. Despite a slightly steeper increase for Indonesia, the trend is similar to the regional with a steady and minor increase.

Third, on the contrary, the gross enrolment in tertiary schools in Indonesia was in 2015 significantly higher (31 percentage points for women and 36 percentage points for males) than in the region. Both regional and national

enrolment has since 2007 increased marginally, however, with a slightly more significant increase in the region in comparison to Indonesia.

Figure 12: Enrolment in Primary, Secondary and Tertiary Schools in Indonesia and the Asia & Pacific, %, 2007-2017



Note: Net enrolment is the ratio of children of official school age, who are enrolled in school to the population of the corresponding official school age. Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross primary enrolment is therefore sometimes higher than 100 %. Source: World Bank, DataBank, Education Statistics

At the primary level, enrolment rates overall do not differ in rural and urban areas. However, between the most underdeveloped and most developed provinces, differences of up to 15 percentage points occurred in 2015.¹⁷⁶ Due to high repetition rates (1 in 10 children at the first year and 1 in 20 children at the second year) and relatively low teacher qualities (81% of primary school teachers hold the minimum qualifications required by the government), the quality of learning remains a cause for concern at primary education level in Indonesia.

In 2016, approximately one million children aged seven to 15 years, did not attend primary or secondary school.¹⁷⁷ It could, to some extent, explain the still present child labour. In addition, an estimated 3.6 million teenagers aged 13-18 did not attend school.

Unemployment rates are in part caused by skill mismatches between the registered job seekers and the vacancies on offer.¹⁷⁸ That is, the demand for labour with tertiary education outstrips the supply of such labour. On the other hand, there is an oversupply of labour with secondary education compared to the number of vacancies requiring this level of educational attainment. Labour mismatches are estimated to increase in the coming years.

Rather than increasing the access to education, the quality of education should be improved in Indonesia, such as teachers' subject knowledge and pedagogical skills to be effective educators.¹⁷⁹ In 2019, the government promised to improve the education system and 'up-skill' Indonesia.¹⁸⁰

Vocational Training

Several ministries are involved in Technical and Vocational Education and Training (TVET) in Indonesia. It creates some complex and confusing that affect a national non-compulsory system of certification and qualification. The most central ones are the Ministry of National Education (MoNE), which is the main body responsible for TVET; the Ministry of Research Technology and Higher Education (MoRTHE) and the Ministry of Manpower and Transmigration (MMT). MoEC administers vocational education as part of the National Education System. TVET is offered at secondary and tertiary levels in Indonesia, both in private and public institutions.¹⁸¹

Upon successful completion of lower secondary school, graduates may proceed to either senior general

secondary schools or senior technical and vocational secondary schools, both offering three-year programmes.¹⁸² Some vocational high schools extend with a fourth-year leading to a Diploma Certificate.¹⁸³

The TVET system is divided into formal, non-formal, and informal schemes. The formal TVET consists of 47 different programmes within technology, communication, health, tourism, arts, and business. Non-formal vocational training centres, also known as *Balai Latihan Kerja* (BLK), offer training to school-dropouts to enable them to access formal education. BLK forms a significant part of the non-formal education system in Indonesia.¹⁸⁴ Non-formal education comprises life-skills education within categories of childhood, youth, women empowerment and literacy.

TVET is aiming to create linkages between the education system and the labour market, which is an important component to minimise education-work mismatch. In this background, the government has increased its TVET investments and made TVET expansion a priority.¹⁸⁵

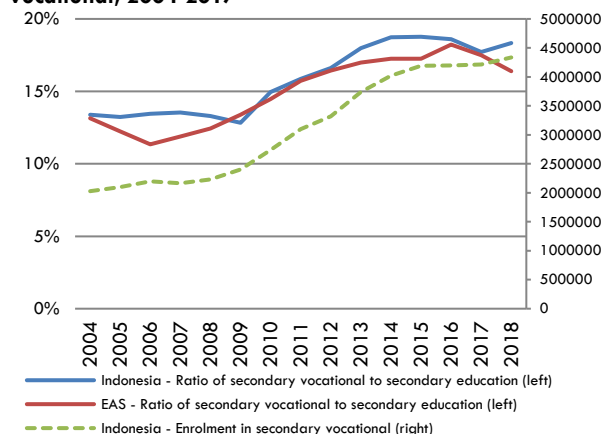
Data suggest that the enrolment in secondary vocational is on the rise by 58% from 2010 to 2018. Up to 4,904,031 students (43% public and 57% private) were registered in vocational training in 2017/18.¹⁸⁶ Other data show that the ratio of secondary vocational to secondary education experienced an upsurge from 13% in 2004/06 to 18% in 2018, which is an impact of the relatively slow secondary education enrolment rate. The ratio of students enrolled in secondary vocational education to the youth population has increased from 5% to 10% in the same period, which is also supported by the deflating youth bulge (see more in Table 18 and Figure 13).

Table 18: Status of secondary vocational in Indonesia and Eastern Asia and Pacific (EAS)

Tunisia	2010	2018
Pupils in secondary vocational	2,738,962	4,334,987 *
Ratio of secondary vocational to population (ages 15-24)	6 %	10 %
Comparative estimations	Country/region	%
Secondary vocational (% women) (2018)	Indonesia	43 %
	EAS	44 %
Ratio of secondary vocational to secondary education (av., 2014-18)	Indonesia	18 %
	EAS	17 %

* This number is slightly lower than the 4.9 million mentioned in the text due to different sources.

Source: [World Bank, Education Statistics](#)

Figure 13: Enrolment and share of youth enrolled, Secondary vocational, 2004-2017

Sources: [World Bank, education statistics](#)

While 41% of vocational graduates in 2017 came from public schools, private secondary vocational schools accounted for 59%.¹⁸⁷ However, in the same year, 2.4% and 3.0% of students dropped out of public and private secondary vocational schools, respectively.

Overall, 13,710 secondary vocational schools (3,519 public and 10,191 private) are listed in 2017/2018. The amount of secondary vocational schools has almost tripled from 1990 to 2012.¹⁸⁸ The rapid increase has resulted in an acute shortage of vocational teachers and lecturers. The total number of teachers was 292,212 (141,813 public and 150,399 private) with a teacher-student ratio of 1:17.¹⁸⁹

A major initiative in Indonesia is called TVET Revitalisation (SMK) aiming at increasing the employability and competitiveness of the Indonesian workforce at all levels.¹⁹⁰ MMT and other ministries are the implementing institutions, and the objectives include refining and harmonising curricula with needs in industries and increasing the number and competences for educators.¹⁹¹ It aims to establish competence standards and professional certification. These training provisions go further than those under the vocational education system in addressing skills and competences needed by the private sector and in setting up a competency-based training system. The government plans to prioritise the manufacturing and tourism sectors in the vocational curriculum.

Vocational education graduates still experience negative stigmatisation, as employers perceive their competences as below industry standards.¹⁹²

The Enterprise Survey from 2015 shows that only 8% of firms in Indonesia offer formal training, which is far

below the East Asia & Pacific average on 57% and the average of lower-middle-income countries on 25%.¹⁹³ However, the survey data measures on firms employing five or more, leaving out the large group of micro-sized Indonesian firms. It has been noted that not only there were far too few enterprises providing quality placement and training for the numerous Indonesian youth, but, as mentioned, there is also a lack of collaboration between the various TVET bodies involved in an apprenticeship, reducing the recognition of standardised assessment of skills and competencies.¹⁹⁴

A study argued that trade unions have been left out of the definition and implementation of the apprenticeship framework. Trade unions' view was focused on the employment conditions of apprentices and they kept the government manages the implementation of apprenticeship. Nevertheless, trade unions' participation through social dialogue and awareness-raising activities could benefit the TVET system.¹⁹⁵

The draft Job Creation Law also sets the regulations that are related to TVET system: i) maps needs and developing expertise including strengthening labour market information, ii) aligns the curriculum, learning models, study programs according to the needs of industry, iii) dual TVET teaching factory and internship, iv) strengthening soft skills and foreign languages learning, v) entrepreneurship in schools, madrasas, and Islamic boarding schools (Islamic schools of Koranic studies for children and young people, most of whom are boarders), vi) apprenticeship of teacher/instructor in industry, instructor/practitioner from industry, vii) controlling new vocational education units and study programs, viii) increase accreditation, ix) expertise funding schemes, x) flexibility of financial management in production units/teaching factory/teaching industry, and xi) establishment of the TVET Committee. As previously mentioned, this draft bill has not yet been approved (March 2020).

SOCIAL PROTECTION

According to the constitution, social security is a right for all Indonesians, but it is shadowed by a reality of deep holes in its coverage's net among the population. Especially those working informally are experiencing difficulties in accessing social protection in the country.

Social protection is in a broad sense concerned with preventing, managing and overcoming situations that adversely affect people's wellbeing. Social protection plays an instrumental role in narrowing inequality

through the distribution of social entitlements for those who are left behind. Social protection consists of policies and programmes targeting labour market interventions, social insurance and assistance for parents of new-borns, those injured at work, surviving relatives to deceased breadwinners, and retired, unemployed, disabled, and sick persons.

Table 19 provides an overview of the coverage of diverse social protection aspects in Indonesia. Among others, two out of five (41%) Indonesians have no legal health coverage. Just 14% of the elderly population receive a pension. The coverage of social protection and labour programmes has experienced a fast growth from 42% of the population in 2009, peaking at 66% in 2014, but down to 57% in 2015.

Table 19: Social protection coverage in Indonesia, %, latest year available

Group	Coverage
Persons above retirement age receiving a pension (Contingency)	14 %
Persons in the labour force covered in the event of work injury (Contingency)	15 %
Population with legal health coverage (% of population)	59 %
Active contributors to a pension scheme (1.5+)	11 %
Coverage of social protection and labour programmes (% of population)	57 %
Coverage of social safety net programmes (% of population)	49 %
Coverage of social insurance programmes (% of population)	8.2 %

Source: [ILO, SDG labour market indicators](#), [ILO, Social Protection, Statistics and indicators](#) and [World Bank, World Development Indicators](#)

Since the Asian Financial Crisis in 1997, Indonesia has made progress towards establishing a robust social protection system. Table 20 gives an overview of expenditure of benefit schemes in Indonesia. The government spends 3.1% of GDP on health expenditure, and public social protection expenditure (excluding health) accounts for 1.0% of GDP for persons above statutory pensionable age.

Table 20: Expenditure of benefit schemes, % of GDP, latest year available

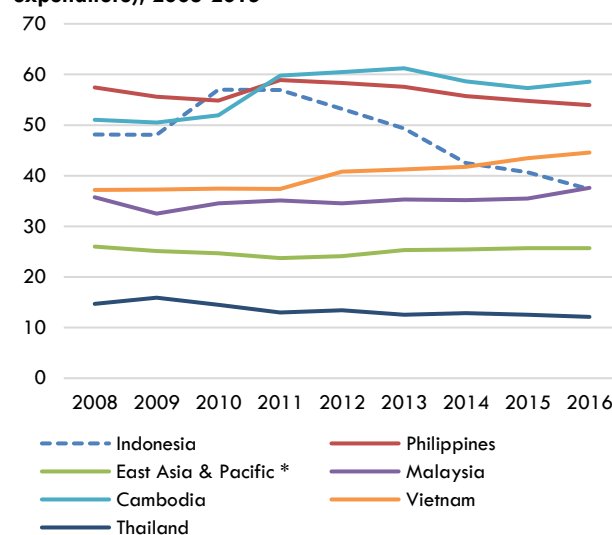
Service	Expenditure
Current health expenditure	3.1 %
Public social protection (Excluding health) on children	0.7 %
Public social protection (Excluding health) on people of working age	0.9 %
Public social protection (Excluding health) for persons above statutory pensionable age	1.0 %

* Latest available year.

Source: [ILO, Social Protection, Statistics and indicators](#) and [World Bank, World Development Indicators](#)

The average out-of-pocket expenditure (% of current health expenditure) on health has since 2011 decreased (see Figure 14). In 2016, the rate in Indonesia was 12 percentage points higher than the regional average that has been situated at around 25% out-of-pocket expenditure since 2008. In 2016, Indonesia was well below the Philippines and Cambodia, and above Thailand.

Figure 14: Out-of-pocket expenditure (% of current health expenditure), 2008-2015



* Excluding high income.

Note: Out of pocket expenditure is any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups. It is a part of private health expenditure.

Source: [World Bank, World Development Indicators](#)

Employers and companies that employ 10 or more employees or pay minimum wages are required to have a social security programme for their workers. For formal workers, work injury, death benefit and provident fund are mandatory. For those employers enrolled in social insurance schemes, the contribution rate varies from 0.24% to 1.74% of the monthly wage, according to assessed work environment risk level.¹⁹⁶ As previously mentioned, a large majority of enterprises are private micro-enterprises (below ten in employment) that often are informality with limit social security coverage.

The Indonesian government requires all residents, including foreigners living in Indonesia to enrol the JKN-KIS national health insurance. The programme continues to incur severe deficits. In 2019, around 200 million participants were covered, and 60 million people still need to be enrolled in the programme as it is aimed at becoming universal.¹⁹⁷

A pension fund scheme implemented in 2015, applies to large and medium-size enterprises, while civil servants and military personnel enjoy similar schemes. In 2019, these schemes were planned to merge.¹⁹⁸ The schemes are voluntarily for informal workers resulting in low coverage of this category. Data reveal that these insurance programmes cover 29.5 million formal economy workers (out of a total of the 53 million formal workers) and 1.3 million informal economy workers (out of a total of 61 million informal workers).¹⁹⁹

Social assistance programmes include conditional cash transfer programmes for very impoverished households (the Family Hope Programme (PKH)), covering six million beneficiaries), subsidised rice for low-income households (Raskin program) and school aid programmes.²⁰⁰ Coverage of social safety net programmes increased from 41% of the population to 49% in the same period (revisit Table 19).

Enterprises that employ 100 or more and/or have potential danger posed by the characteristics of the material process of production that can lead to accidents such as explosions, fires, pollution and work-related diseases, are required to apply for an Occupational Safety and Health (OSH) Management System.²⁰¹

The length of maternity leave in Indonesia is three months, with 100% of wages paid.²⁰² It is important to recognise that this regulation does not function in practice in the informal economy. It is also worthwhile to mention that the retirement age for civil servants was raised from 56 to 58 years in 2014 to support the pension system's financial sustainability.²⁰³

Poor households with children are entitled to several social protection programmes, but only a minority of beneficiaries receive the full range of benefits. This is largely due to financial instability, lack of awareness, limited access to information, public reluctance, uneven distribution and low quality of services.²⁰⁴

ECONOMIC PERFORMANCE

Indonesia is a member of G20 and the world's fourth-largest economy in terms of purchasing power parity; it is the biggest economy in Southeast Asia. It also has one of the most trade-restrictive regimes among high and middle-income countries, ratcheted up in protectionist measures in the form of a variety of non-tariff barriers and several active cases in the WTO.²⁰⁵ In 2004, Indonesia achieved middle-income status. High economic growth rapidly reduced poverty from 23% of the

population in 1999 to 11% in 2016.²⁰⁶ Domestic demand has been the main driver for growth.²⁰⁷

Shaken by the 1997 Asian financial crisis, Indonesia has worked continuously to improve its commercial, regulatory framework.²⁰⁸ Indonesia has had to cope with a structural current account deficit (CAD) since late 2011.²⁰⁹ It has challenged Indonesian policymakers and investors, as it makes the emerging market highly vulnerable to capital outflows in times of global economic turmoil.

The country's economic planning follows a 20-year development plan, spanning from 2005 to 2025. The plan is segmented into 5-year medium-term plans and is named Rencana Pembangunan Jangka Menengah Nasional (RPJMN). Objectives include creating an orderly, developed, peaceful, competitive, innovative, democratic, socially just, and strong diplomatic nation.²¹⁰

Although the country has experienced economic development, there are still several challenges that prevent more inclusive growth. The wealth is concentrated among the richest in society. Data reveal that concerning income inequality, based on the degree of inequality in the distribution of family income (GINI Index), Indonesia is ranked 84 out of 158 (1 has the lowest inequality). Thus, this measurement indicates that there still is a relatively high degree of inequality in the country. On the positive side, the GINI coefficient declined from 39.4 in 2005 to 36.8 in 2019.²¹¹

The Indonesian economy, like all economies throughout the world, is also hit by the impact of COVID-19 pandemic in the beginning of 2020. GDP growth is going to halt, and the full impact is hard to predict. Most likely will millions of people lose their jobs just as businesses will face a challenge in recovery after losing revenue. The rupiah currency was depreciated hefty to U.S. Dollar and the Bank Indonesia pushed aggressive interventions to stabilize it. Massive defaults and capital controls are considered most likely. This situation will particularly affect workers in the informal economy who survive on subsistence wages.

Table 21 and Figure 15 below show the situation in economic growth and inflation in consumer prices. First, the economic growth per capita stayed quite high during the last decade but significantly lower than the region average. Second, the country has a 50% lower GDP per capita than the East Asia and Pacific (excluding high income) average, and the country is ranking 127 out of 228 countries estimated of GDP per capita in Purchasing

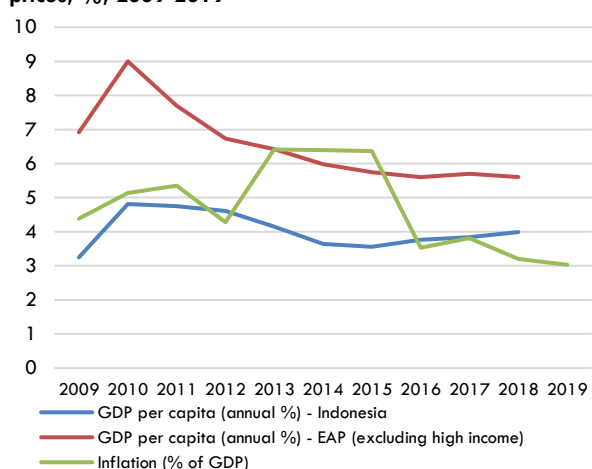
Power Parity (1 is richest).²¹² Third, after a significant drop from 2015 in the inflation, it has been at 3.4% on average in the period from 2016 to 2019. The inflation is in line to the East Asian & Pacific average.

Table 21: Key economic data in Indonesia, 2018

GDP	US\$ 1,042 billion
GDP per capita (current US\$)	US\$ 3,894
GDP growth (average, 2016-2019)	3.4 %
Tax revenue (% of GDP)	9.9 %

Source: [World Bank, World Development Indicators](#)

Figure 15: GDP per capita growth and inflation in consumer prices, %, 2009-2019



Source: [World Bank, World Development Indicators](#)

The amount of capital formation reveals how much of the new value-added in the economy is invested rather than consumed. When it increases, it points towards that economic activities are in progress, which could support economic development and job creation. Gross fixed capital formation has been on an upsurge from below 20% of GDP in 2003, to above 30% since 2013.²¹³ Since 2009, the curve has flattened out at about 31-32% following the East Asia and Pacific average. For the region (excluding high income), the percentage is around 40%.

Since 2017, Indonesia has been recovering its foreign direct investment (FDI) inflows (2.1% of GDP) from a low point in 2016 (0.5% of GDP).²¹⁴ FDI net inflows are the value of an inward direct investment made by non-resident investors in the reporting economy.²¹⁵ Since 2000, Indonesia has had a lower FDI share of GDP than the regional average, but the 2017 value surpasses the regional (excluding high income) by one percentage point.

Since 2005, Indonesia's commodities have overtaken manufacturing as the largest export (65%). Today,

Indonesia is the world's largest producer of palm oil. Other key commodity exports are rubber and natural gas.²¹⁶ The world's biggest gold mine and the World's third-largest copper mine are both located in the province of Papua.

Based on estimations, Indonesia has, in the last two decades, undergone an impressive development when it comes to decreasing poverty among employment by economic class (Table 22). The share of the middle-class has gone through a remarkable evolution reaching around 52% of the total employment in 2020 from just 4% in 2000. Extremely poor workers have plummeted and formed only 4.0% of the employment in 2020, down from 36% in 2000. Many workers are still in vulnerable position that retains them in moderate poverty or as near poverty. It is worthwhile to mention that these abovementioned estimations exclude the economically inactive population which is around 32% of the workforce. It supports the estimation of around 9.8% of the population lived below the national poverty line in 2018.²¹⁷ Other measures of the extent to which the distribution of income within the Indonesia's economy, based on the Gini Index (i.e. 0 represents highest equality, while an index of 100 implies lowest inequality), show a widening inequality rate in the country from 29 in 2000 to 38 in 2018.

Table 22: Estimation and projection of employment by economic class in Indonesia, 2000-2020

Year	Extremely poor (<US\$1.9)	Moderately poor (>=US\$1.9 & <US\$3.1)	Near poor (>=US\$3.1 & <US\$5)	Middle class (>=US\$5)
2000	36 %	43 %	17 %	4.0 %
2010	15 %	32 %	29 %	24 %
2020	4.0 %	17 %	27 %	52 %

Note: Data in this table exclude the economically inactive population that cover around 32% of the employment (age 15+).

Sources: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

The country is scoring high-medium on the global Doing Business Index from 2020 as number 73 out of 190 countries (1 is best). Several of the Index's indicators registered some improvements, especially in starting a business by combining different social security registrations. Furthermore, institutionalised training programmes for judges has supported a successful implementation of reforms establishing small claims courts and successful adoption of new insolvency laws, decreasing the time to resolve insolvency cases (see more in Appendix Table 27). It is worthwhile to mention that this index provides a snapshot of the cost of complying with formal regulations for companies that are not small enough to loophole the law or large enough to curve it, according to media.²¹⁸

Special Economic Zones (SEZs)

SEZs (also known in Indonesia as *Kawasan Ekonomi Khusus* (KEKs)) have been operational since 1996, earlier known as Industrial Zone. This system has become popular instruments of trade policy, offering enterprises located in the free trade conditions and a liberal regulatory environment. The SEZ schemes are still in a stage of development, which includes they lack adequate infrastructure as well as inconsistent power and water supply.²¹⁹ The ILO estimates that there are 6 million EPZ workers in Indonesia.²²⁰ It equals 11% of employees.

The Indonesian Government has assigned eight EPZ regions. SEZs consist of many types of zones namely export processing zone, logistical zone, industrial zone, technology development zone, tourism zone, and energy zone. EPZs are concentrated in two main areas: the oldest is the Kawasan Berikat Nusantara KBN on the outskirts of Jakarta and the Batam island in the Riau Islands. Over the years, they have attracted investment and contributed to the success of the industrialization strategy in the country.

SEZs are open to foreign investment in certain sectors, which offers access to a preferential regulatory infrastructure and taxation in an attempt to channel investment into specific locations.²²¹

Over the last decade, SEZs have increased in terms of both number and scope.²²² In 2017, the number of industrial estates had grown to 87 with an area of 59,700 hectares, from 74 industrial estates and 36,300 hectares in 2014. The number of SEZs was 12 in 2017, whereas four are currently operational in various industrial sectors. In 2019, the President launched three SEZs across 2,200 hectares on the less developed eastern part of the Archipelago.²²³ The government aims to attract 110 trillion rupiahs (US\$7.7 billion) in investment and create 120,000 jobs by 2025.

SEZs companies receive several benefits: i) income tax holidays between 5-25 years depending on the amount of investment, ii) tax allowance, iii) VAT and sales tax exemptions on luxury goods, iv) customs exemption on goods, and v) deferred import duties and exempted excise.²²⁴

SEZs are organised by the National Council at the national level and the Regional Council at the provincial level.²²⁵ The Regional Council establishes SEZ administrations in each SEZ to ensure services, supervision, and control (see more below).

Legislation on EPZ in Indonesia sets a company with more than one trade union, may set up one trade union forum that will serve as local social dialogue forums, supporting to address labour-relations issues. Forums shall be regulated by local regulation of the minister in charge of manpower affairs. In the country, there is no real and effective system to conduct labour inspections in EPZs, as a result of a shortage of labour inspectors. Likewise, local Ministry of Labour offices, responsible for legal enforcement, have found it challenging to do their job in EPZs. By the same token, although some enterprises have established bipartite bodies for the promotion of collective bargaining and settlement of disputes, trade unions in Batam considered the need for closer coordination among the larger unions to speak with one voice and need improve collective bargaining skills as well as to deal with the management of the zones more strategically.²²⁶

Trade unions are present in EPZ companies; based on limitations on data availability, the trade union density was estimated between 20-30% during the 2000s.²²⁷ In general, trade unions find it difficult to function in the zones, as workers generally are denied to right to organise. According to ITUC, trade unions in Indonesia encounter numerous obstacles in their efforts to organise workers in EPZs. The biggest obstacle is dealing with fear among workers. Dismissals of trade unionists are very frequent and staff turnover in EPZs is very high. Most EPZs prevent access to the premises by implementing strict security measures. Furthermore, EPZs are considered "national vital objects" where companies can request police and military assistance in the event of industrial action. Consequently, workers feel intimidated and do not dare to exercise their rights, including the right to strike.²²⁸ Organising workers in EPZs furthermore has been a significant challenge due to the rampant proliferation of contracted and outsourced labour.²²⁹ It has challenged the social dialogue at the EPZ level and the establishment of trade union forums at the enterprise level.

Another study found that EPZ workers employed via private agencies were denied several entitlements and benefits. Workers reported that they did not receive payment when taking annual leave, separation payments at the end of the employment period, written contracts and sick pay. Some workers claimed that during peak season the factory would recruit permanent staff, but these workers were often fired at the end of their 3-month probationary period because the employer no longer required them. The employers would not pay the

minimum wage or comply with social security provisions during this probationary period.²³⁰

On the other hand, the general feeling among SEZs' employers was that the trade unions need to have a

better understanding of the strategic role of EPZ's in the global economy and also for adopting good faith bargaining in their negotiation with the employers.²³¹

APPENDIX: ADDITIONAL DATA

Table 23: Number of members in national trade union organisations and their share in total membership in Indonesia, 2019

Organisations	Membership	Membership share
Trade union confederations / federations with representation in national tripartite structure		
KSPSI (Pimpinan Presiden) *	649,747	20%
KSPSI (Pimpinan Ketua Umum) *	639,633	20%
KSPI *	589,091	18%
KSBSI *	386,295	12%
K Sarbumusi *	213,604	6.6%
KSPN **	104,574	3.2%
FSP BUN **	83,657	2.6%
FSP Kahutindo **	62,466	1.9%
Other affiliated trade union organisations (confederation, federation and enterprise-level)		
DPP	60,017	1.8%
FSP BUMN	44,845	1.4%
KASBI	35,571	1.1%
F PGRI	23,015	0.7%
SBSI 1992	22,482	0.7%
GSBI	19,262	0.6%
PPMI 98	12,454	0.4%
PPMI (Persaudaraan Pekerja Muslim Indonesia)	11,177	0.3%
K BUMN	5,878	0.2%
KSPSI 1973	5,502	0.2%
KSN (Nusantara)	4,409	0.1%
GASPERMINDO	3,362	0.1%
FSPNI	3,178	0.1%
FSP BALI	3,177	0.1%

KSN (Nasional)	2,956	0.1%
FNPBI	2,345	0.1%
OPSI	2,223	0.1%
FSP PARAS INDONESIA	2,008	0.1%
GASBIINDO	1,551	0.05%
SPSI REFORMASI	1,484	0.05%
SB MERDEKA SETIA KAWAN	1,438	0.04%
F TAMBUN	1,411	0.04%
F SBDSI	1,268	0.04%
PP SBTPI	884	0.03%
F IKMM	779	0.02%
F KBKI	742	0.02%
FBLP-PPBI	711	0.02%
SP SBMI (MANDIRI INDONESIA)	419	0.01%
FSP OTOMOTIF INDONESIA	403	0.01%
FSPTP	200	0.01%
FPBI	27	0.001%
Non-affiliated unions	251,780	7.7%
Total	3,256,025	100%

* Confederations. ** Federations.

Source: Ministry of Manpower, National Level Data Recapitulation, 2019.

Table 24: International affiliation for Indonesian confederations and federations

International Labour Organisation	National Labour organisation
	Confederation
International Trade Union Confederation (ITUC)	KSBSI, KSPI
ALL UNI Global Union Industry	KSBSI, KSPN, KSPSI
	Federation
Union Network International (UNI)	Federation of Indonesian Trade Union Associations (ASPEK Indonesia)
Public Service International (PSI)	Federation of Pharmacy and Health-Reform Workers Union (FSP FARKES-R), Trade Union of PT PLN PERSERO (SPP.PLN), Trade Union of PT. The Java Bali Power Plant (SP PJB), PT. (PERSERO) Angkasa Pura I (SP AP 1), Jakarta Water Supply Company Workers Union (SP PDAM Jakarta), Employees' Association of PT. Indonesia Central Level Power (PIIP), and the BPJS Employment Union (SP BPJS TK)
International Union for Food (IUF)	Federation of Independent Trade Unions (FSPM) / Federation of Hotels, Restaurants, Plaza, Apartments, Catering and Tourism Workers' Free Union, Federation of Food and Beverage Trade Unions (FSBMM) / National Federation of Food and Beverage Workers, and P.T. Sarihusada Generasi Mahardhika (PERKASA)
Transport Workers' Federation (IFT)	Indonesian Transportation and Port Workers Federation (FBTPI), Indonesian Port Workers Federation (FPPI), Garuda Indonesia Cabin Attendant Association, Indonesian Railway Workers Union, Indonesian Seafarers Union (KPI), Sekar Sejahtera ACS (SS-ACS), PT Garuda Indonesia Tbk (SEKARGA) Employee Union, Koja Container Workers Union, Trade Union of Jakarta International Container Terminal (SP JICT)
ALL Industry	Federation of Chemical and Health Prosperity Trade Unions (FSB KIKES-KSBSI); Federation of Chemical, Energy and Mining Trade Unions (FS KEP SPSI); Garment and Textile Federation (F GARTEKS KSBSI); Federation of Chemical, Mining, Oil, Natural Gas and General Trade Unions (FSP Kep); Federation of Indonesian Cement Industry Workers Union (FSP ISI); Federation of Indonesian Pulp and Paper Trade Unions (FSP2KI); Metal, Metal and Electronic Trade Union Federation (FSB Lomenik KSBSI); Mining and Energy Federation (FPE KSBSI); Indonesian Metal Workers Union (FSPMI); National Workers Union (SPN); Federation of Pharmacy and Health Trade Unions (FSP Farkes KSPSI Yorris)
International Federation for Journalists (IFJ)	The Alliance of Independent Journalists
International Building and Wood Workers (BWI)	Kahutindo Trade Union Federation (FSP Kahutindo); Federation of Indonesian Popular Workers Union (SERBUK); Federation of General and Informal Construction (F KUI KSBSI); the Federation of Building Workers and Public Works Union KSPSI (FSP BPU KSPSI); and Hukatan.
Education International	The Indonesian Teachers Association (PGRI) and the Federation of Education, Training & Civil Servants Workers' Union (FESDIKARI KSBSI)

Source: Gedepuraka, Y. Wasi, Template for collective of Data and Information for Development of Labour Market Profile (DTDA), 2019

Table 25: Labour market related national legislations approved in Indonesia, 2014-2019

Year / Theme	Legislation
2014	
Seafarers	Law of the sea (No. 32)
Elimination of child labour, protection of children and young persons	Amendments to the 2002 law (No. 35)
Nursing personnel	Law on health workers (No. 36)
Public and civil servants	Regulations concerning the dismissal of civil servants once they reach the retirement age of functioning officers (No. 21)
Public and civil servants	Law on state civil administration (No. 5)
2015	
Old-age, invalidity and survivors benefit	Concerning the Organisation of Occupational Accident Insurance and Death Benefits (No. 44)
2016	
Seafarers	Law on the Ratification of the Maritime Labour Convention, 2016 (No. 15)
Regulation, Decree, Ordinance	Elimination of child labour, protection of children and young persons (No. 1)
Disabled workers	Rights of persons with disabilities as inseparable from the equal rights of all members of the human family (No. 8)
Fishers	Protection and empowerment of fishers, fishing resources and salt farmers (No. 7)
Hours of work, weekly rest and paid leave	Establishing religious holiday/ allowances for employees/ workers in the company (No. 6)
2017	
N/a	N/a
2018	
N/a	N/a

Source: [ILO, NATLEX, Indonesia](#)

Table 26: Ratified ILO Conventions in Indonesia

Subject and/or right	Convention	Ratification date
Fundamental Conventions		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948	1998
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1957
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	1950
	C105 - Abolition of Forced Labour Convention, 1957	1999
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	1999
	C182 - Worst Forms of Child Labour Convention, 1999	2000
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	1958
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1999
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947	2004
	C129 - Labour Inspection (Agriculture) Convention, 1969	Not ratified
Employment policy	C122 - Employment Policy Convention, 1964	Not ratified
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1990
Up-to-date Conventions		
Hours of work, weekly rest and paid leave	C106 – Weekly Rest (Commerce and Offices) Convention, 1957	1972
Seafarers	C185 – Seafarers’ Identity Documents Convention (Revised), 2003	2008
	MLC – Maritime Labour Convention, 2006	2017
Occupational safety and health	C187 – Promotional Framework for Occupational Safety and Health Convention, 2006	2015
Protection in specific branches of activity	C120 – Hygiene (Commerce and Offices) Convention, 1964	1969

* Amendments of 2016 to the Annexes of the Convention No. 185 which was in force in June 2017.

** Amendments of 2014 and amendments of 2016 to the MLC (2006) are in force in January 2017 and January 2019, respectively.

Note: Fundamental Conventions are the eight most important ILO conventions that cover four fundamental principles and rights at work. Equivalent to basic human rights at work. Governance Conventions are four conventions that the ILO has designated as important to building national institutions and capacities that serve to promote employment. In other words, conventions that promotes a well-regulated and well-functioning labour market. In addition, there are 71 conventions, which ILO considers “up-to-date” and actively promotes.

Source: [ILO, NORMLEX, Indonesia](#)

Table 27: Ease of Doing Business in Indonesia, 2020

Topics	2019	2020	Changes
Overall	73	73	0
Starting a Business	134	140	+6
Dealing with Construction Permits	112	110	-2
Getting Electricity	33	33	0
Registering Property	100	106	+6
Getting Credit	44	48	+4
Protecting Minority Investors	51	37	-14
Paying Taxes	112	81	-31
Trading Across Borders	116	116	0
Enforcing Contracts	146	139	-7
Resolving Insolvency	36	38	+2

Note: Doing Business 2019-2020 indicators are ranking from 1 (top) to 190 (bottom) among other countries. The rankings tell much about the business environment, but do not measure all aspects of the business surroundings that matter to firms and investors that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Source: [World Bank & IFC, Ease of Doing Business 2020 in Indonesia](#)

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