



ULANDSSEKRETARIATET – DTDA
DANISH TRADE UNION DEVELOPMENT AGENCY

LABOUR MARKET PROFILE

Indonesia

2025

This profile brings insights and central information of the labour market's structure, status, and challenges in the country.



PREFACE

The Danish Trade Union Development Agency (DTDA) is the development organisation of the Danish trade union movement. DTDA's work aligns with the International Labour Organization's global Decent Work Agenda (DWA), based on its four pillars: creating decent jobs, guaranteeing rights at work, extending social protection, and promoting social dialogue. The overall development objective is to eradicate poverty and support the development of just and democratic societies by promoting the DWA.

The DTDA collaborates with trade union organisations in Africa, Asia, Eastern Europe, Latin America, and the Middle East. The programmes' immediate objective is to assist the partner organisations in becoming change agents in their own national and regional labour market context, capable of achieving tangible improvements in the national DWA conditions and the labour-related Sustainable Development Goals (SDGs).

The Labour Market Profile (LMP) format is a comprehensive resource that offers a detailed overview of the structure, development, and challenges of the labour market. It covers key indicators such as unionism, social dialogue, bi-/tri-partite mechanisms, labour policy development, legal reforms status' compliance with international standards, just transition, and the Fourth Industrial Revolution, providing a wealth of information for stakeholders.

This profile is prepared via national partner organisations that provide annual narrative progress reports as part of programme

implementation and monitoring. National statistical institutions and international databanks (e.g., ILOSTAT and NATLEX, World Bank Open Data, the U.S. Department of State, and other internationally recognised labour-related global indexes) are also used as sources of data and information.

The profile is regularly updated to reflect the latest developments. Labour Market Profiles for more than 20 countries are available on DTDA's website, ensuring stakeholders have access to the most recent information:

<https://www.ulandssekretariatet.dk/>.

The DTDA supports development programmes in Indonesia in collaboration with the Confederation of Indonesia Prosperity Trade Union (KSBSI) and the Confederation of Indonesian Trade Unions (KSPI).

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The front-page photo shows Indonesian workers sorting tobacco leaves at the Indonesia Java Jember tobacco factory. The picture was taken by Mr. Joerg Boethling / Alamy Stock Photo.

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EXECUTIVE SUMMARY

Although Indonesia has experienced relatively stable politics and solid economic growth, which have supported job creation, job quality remains a persistent issue. The high prevalence of the informal economy, weak wage growth, and income inequality are factors that exhibit this characteristic. The economy struggles with slow growth of high-value sectors, echoing high structural youth unemployment. Financing Indonesia's labour market model is tested by frail government revenue, especially income tax, undermining the social protection system.

At the beginning of the 2020s, controversial labour law reforms aimed to relax the labour market's legal framework rigidities, causing a backlash over worker protections. The formal labour market has been plagued by high hiring costs for employers, which discourage firms from hiring permanent employees. It has further pushed many companies' preference for outsourcing and temporary contracts. This situation has caught Indonesian workers in a state of very high informality, limiting the effectiveness of business and labour market regulations. The country is even ranked among the worst countries for workers by the Global Rights Index.

Social dialogue through tripartite forums at the national level has evolved as a springboard for social and political engagement in Indonesia, whereas bipartite dialogue at the enterprise level remains underdeveloped. For instance, the coverage of collective bargaining agreements stands very low. The trade union movement is struggling to curb the declining trend in trade union density, but it is attempting to attract new members from emerging forms of

employment structures. Another imbalance in the labour market's dynamics is the weak enforcement mechanisms for the labour dispute resolution system, which reflect fragile security and trust factors.

Indonesia's labour market faces transformations influenced by technological advancements, demographic shifts, and evolving working conditions. These changes have several challenges that negatively impact its development and social equity; for example, the middle class is shrinking, and labour productivity levels are low. Although workers are slowly becoming better educated, they are trapped in a cycle in low-paying, insecure jobs. It is worth mentioning that Indonesia's relatively high minimum wage level has reduced its export of workers. Besides, it is a popular outsourcing destination, offering expertise in the business process outsourcing (BPO) industry, as well as the rise of gig work, which is known for its flexibility and minimal entry requirements, along with reshuffled job structures.

Indonesia's social protection system has been reshuffled by replacing the approach to poverty relief with developmental social assistance programmes. It has delivered significant progress toward universal health coverage, and the population covered by at least one social protection benefit has risen substantially. However, social security programmes demonstrate meagre progress. Changes in job structures, persistent informality, vulnerability to climate change and disaster risks, and changing demographics bring mounting confronts for the social protection system.

Box 1: Indonesia's Labour Market Fact Sheet

Workforce	Participation rate	Unemployment rate
151 million	69%	3.3%
Informal workers share of total employment	Working conditions	Migration
81%	The minimum wage grew steadily, widening the gap to employees' nominal average monthly earnings.	Personal remittances at 1.1% of GDP
Employment by education	Vocational training	Social protection
Those with intermediate education are on the rise, reducing those in less education and basic education are falling. Advanced education graduates are slowly climbing.	The proportion of 15–24-year-olds enrolled in vocational education grew from 7.8% in 2010 to 13% in 2023, which is on the high end compared to ASEAN countries.	Population covered by at least one social protection scheme increased from 28% in 2019 to 54% in 2021.
Trade union density	Coverage of collective bargaining	Trade union rights violations
The falling trade union density trend landed at 12% of employment in 2022, representing about 7.5 million workers.	The number of registered CBAs reached 1.3% of the number of total registered companies.	Listed among the worst countries for workers, ranking 5 out of 5 (5 is the worst) on the Global Rights Index in 2025.

Box 2: Dynamics that generally influence the labour market

Security: The protection and stability provided to workers in terms of job availability, income stability, and protection from unfair treatment or dismissal.

Stability: Weaknesses for the consistency and resilience of employment conditions affect confidence for both workers and employers.

Trust: Several factors affect the confidence of workers, employers, and stakeholders in the system's fairness and reliability, such as job security concerns, workplace safety, and wage and career

Efficiency: The ability to allocate workers to jobs in a way that maximizes productivity, minimizes unemployment, and ensures fair wages.

Flexibility: The capacity to adapt quickly and efficiently to changes in the economy and business demands.

COUNTRY MAP



Source: National Online Project.

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ECONOMIC PERFORMANCE

Indonesia is a member of the G20 and the world's eighth-largest economy in terms of gross domestic product based on purchasing power parity. A 20-year development plan guides the country, and the new National Long-Term Development Plan for 2025-2045 outlines the vision.

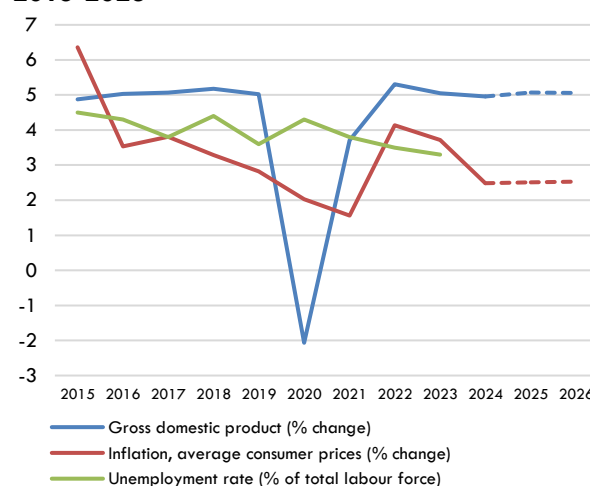
Solid economic growth suddenly dived in 2020 due to the global COVID-19 pandemic, costing US\$60 billion, and temporarily lost its status as an upper-middle group. It quickly regained, though. During the same period, Indonesia's poverty rate rose slightly but fell again to 9.4% in 2023, down from 24% in 1999.

Economic growth has generated job creation, which is mirrored by the falling and relatively low unemployment rate trend, with some minor ruptures (Figure 1). However, **the country is struggling for create quality jobs that are essential for enhancing productivity.** This situation links with a significant portion of Indonesia's workforce lacks the necessary skills demanded by modern industries. Also, a substantial portion of the workforce is engaged in the informal economy, characterised by low wages, lack of job security, weak skill training, and absence of social protections.

The economic development is driven by the service sector, delivering an upsurge in employment. This sector supports that labour productivity has been steadily rising, which is part of the Fourth Industrial Revolution. This shift is driven by automation, digital transformation, and artificial intelligence. The industry sector slowly lost its economic pace, leaving manufacturing employment on a flat growth level during the last decade. The agricultural sector stood economically stable but created fewer jobs.

Consumer price inflation has been controlled and kept relatively low, except for a burst in 2022 because of post-pandemic effects and a wave of high commodity prices triggered by Russia's invasion of Ukraine. **Over the past few years, real wage growth has not kept pace with inflation, resulting in workers' diminished purchasing power.** This trend has been particularly evident among the urban middle class, where businesses have experienced a slowdown due to reduced consumer spending (see more in the Working Conditions section).

Figure 1: Gross domestic product, inflation, and unemployment growth trends in Indonesia, %, 2015-2026



Source: International Monetary Fund; International Labour Organization.

Although Indonesia implements a progressive personal income tax rate, it accounts for a relatively small portion of total tax revenue. The tax ratio has been below the recommended threshold of 15% for developing countries, reflecting that the tax system has weaknesses for fiscal sustainability to fund key infrastructure programmes, education reforms, and social protection and healthcare improvements. Some main issues are low taxpayer compliance, the widespread informal economy, insufficient enforcement mechanisms, limited use of technology, and tax culture and trust issues.

Special Economic Zones

Special economic zones (SEZs) play a strategic role in stimulating economic growth, industrialisation, and employment. In Indonesia, the introduction of SEZs has been dormant until the government started to make it a priority policy in 2015. The Omnibus Law aims to attract investment, create new jobs, and make it easier to do business (see more in the Labour Legislation section). It supports boosting SEZs, which offer benefits, including generous tax incentives, expedited licensing procedures, and land concessions for up to 80 years. They further operate with flexible labour relations, suppressed freedom of association and violated workers' rights; for instance, workplace violence and sexual harassment from garment factories across the SEZs are detected.¹

Indonesia's government has established 24 SEZs nationwide since 2012 and plans to add five more in 2025. SEZs mainly have been in manufacturing, agriculture, natural resources, and tourism. However, the five new zones will focus on renewable energy, logistics, and digital technology sectors. The zones have generated almost 161,000 jobs, involving over 400 businesses, with about 687 collective agreements in 2023.² It equals approximately 0.2% of employees, which is much lower than other neighbouring countries like the Philippines, grasping 6.5%.

LABOUR LEGISLATION

Labour legislation is shaping the labour market by defining the rights and responsibilities of employers and workers. It influences wages, working conditions, job security, and overall employment levels.

Indonesia's industrial relations are linked with ten central laws (see Appendix Table 3).

The Indonesian Constitution contains several articles that have direct and indirect implications for labour administration and labour policy formulation, including that every citizen has the right to employment and a decent life for humankind. Generally, the right to freedom of association, the right to collective bargaining, and the right to strike are recognised by law but strictly regulated. Legislation prohibits anti-union discrimination but does not provide adequate means of protection against it.

In recent years, policymakers have been struggling to reach a significant reform of the labour market. A controversial Job Creation Act of 2020 (known as the Omnibus Bill) was expected to boost private investment and enhance the country's attractiveness as an investment destination. The act was ruled conditionally unconstitutional by the Constitutional Court in November 2021 for bypassing proper public consultation and other procedural requirements, which was counted as a victory by the trade union movement.³ Then, via an emergency decree, the minor amended **Omnibus Law on Job Creation was passed in March 2023** (see more in Box 3).

Box 3: Critical factors introduced in the Omnibus Law reform

- The reform allows any **business to hire outsourced contract labour without limitation** and sets only vague limits on the use of fixed-term contracts for outsourced workers.
- The law does **not provide adequate protection against non-renewal of a contract for antiunion reasons**, and previous legal requirements for written agreements have been dissolved.
- **Removing minimum wage protection** for almost all Indonesian workers and

exempts micro and small enterprises from the obligation to engage in collective bargaining in a country.⁴

Other new labour-related law reforms are linked with, firstly, Indonesia's Constitutional Court issuing Decision No. 168/PUU-XXI/2023 in October 2024, **resulting in substantial modifications to the Manpower Law**. Key changes include rest periods, termination procedures, fixed-term contracts, and preference for Indonesian workers. This reform balances employer flexibility with employee protections, fostering a fairer labour market. Secondly, the Indonesian government enacted Law No. 4 of 2024, focusing on **the welfare of mothers and children during the first 1,000 days of a child's life**. This legislation introduces several obligations for employers. Thirdly, **clarifications on foreign worker regulations concerning specific roles and timeframes and prioritising the local workforce**.

Observations on Labour Legislation

Concerning the labour legislation applicable at the national level, measurements suggest that Indonesia's overall score on the Labour Rights Index is 63 out of 100 (100 is the best) in 2024, which was slightly below the Southeast Asia average (65) (see more in Appendix Table 4 and Table 6). The country has experienced a slight improvement in the index rank owing to reform in the law introducing criminal penalties for sexual harassment rather than just a general prohibition. On the other hand, **the freedom of association indicator faces very poor regulations.⁵**

As indicated in Box 3 above, several factors of the Omnibus Law on Job Creation of 2023 have raised concerns about the legislation, and it has been advised to be reviewed in

consultation with the social partners to bring it into compliance with international standards.⁶

Reports found that the government did not effectively enforce provisions of the law protecting freedom of association or preventing antiunion discrimination. Many strikes were unsanctioned, or employers' delays in negotiating collective labour agreements contributed to strike activity and legal measures taken against union members in the event of a failed agreement negotiation.⁷

The widespread informal economy also haunts the application of labour-related laws in practice. For instance, it leads employers and workers to use loopholes in business and labour regulations, often due to a lack of awareness or incentives (see more in the Informal Economy sub-section).

Ratified ILO Conventions

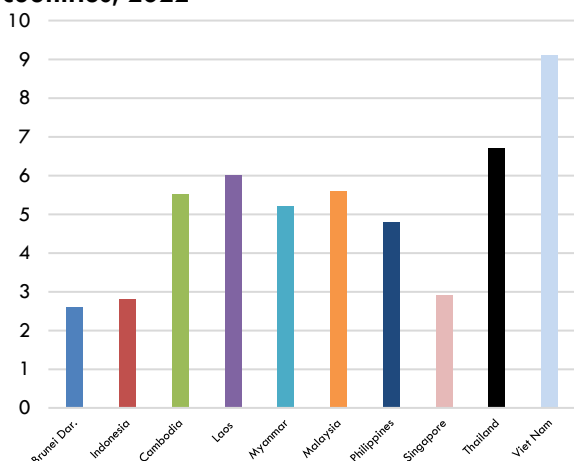
International Labour Organization (ILO) conventions enumerate international principles and rights at work. Appendix Table 5 shows that nine out of ten Fundamental Conventions and two of four Governance Conventions have been ratified, and 9 of 177 Technical Conventions are up-to-date and actively promoted. **The latest ratified convention is the Maritime Labour Convention in 2017.**

The ILO's independent supervisory system body, the Committee of Experts on the Application of Conventions and Recommendations (CEACR) raised deep concern of the implementation of the Right to Organise and Collective Bargaining Convention (C098). They underlined **significant gaps in law and practice in terms of the protection against anti-union discrimination, the scope of collective bargaining permitted under the law, the promotion of collective**

bargaining, and interference in free and voluntary collective bargaining concerning the international standards.⁸

The Sustainable Development Goals indicator 8.8.2 measures compliance with fundamental labour rights. Based on ILO textual sources and national legislation, **Indonesia's scoring has recently deteriorated.** Still, it is better on margin than many ASEAN countries' average (see more details in Figure 2). This trend suggests the country is losing pace with the specific SDG goal.

Figure 2: Level of national compliance with labour rights among the Philippines and ASEAN countries, 2022



Note: The value ranges from 0 to 10, with 0 being the best possible score (indicating higher levels of compliance with freedom of association and collective bargaining (FACB) rights) and 10 the worst (indicating lower levels of compliance with FACB rights based on ILO textual sources and national legislation).

Sources: International Labour Organization, Key Indicators of the Labour Market (KILM).

Trade Agreements

Indonesia has signed 16 trade agreements, including six plurilateral regional trade agreements (RTAs) via the Association of Southeast Asian Nations (ASEAN), representing ten member countries – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. **These RTAs have no labour provisions.** The only bilateral trade agreements with some

labour provisions are with European Free Trade Association (EFTA) and Chile.⁹

A relatively minor economic leverage of Indonesia's two trade agreements with labour provisions has a meagre power scope on improving workers' rights.

SOCIAL PARTNERS

Social partners are central to promoting the realisation of core labour rights and social justice for workers by protecting freedom of association and collective bargaining. These organisations are usually represented as the government, trade unions, and employers' organisations.

Government

The central government is responsible for developing laws, regulations, and procedures to assist the Provincial and Local District Governments in implementing labour affairs.

The Ministry of Manpower and Transmigration (MoMT) is responsible for the nation's labour legislation and regulating worker rights and migration. The ministry is also involved in the labour dispute resolution system and labour inspectorate and as a social partner in the tripartite institutions on industrial relations (see more in the Social Dialogue). The labour inspection governance structure is decentralised. Local officials from the MoMT are responsible for enforcing regulations on minimum wage and hours of work, as well as health and safety standards. Provincial governments are involved in determining provincial minimum wage rates and labour provisions.

Strategic plans and policy directions guide the MoMT. In 2025, the ministry is ready to launch

the new National Productivity Board, gearing up to accelerate job creation and boost national economic growth. The board is set to provide advice and recommendations for policies to boost national productivity and competitiveness and accelerate programmes to increase the national productivity and competitiveness workforce in the digital era (see more in the Fourth Industrial Revolution sub-section).

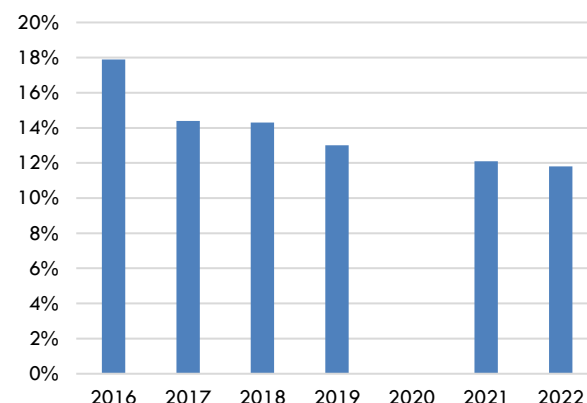
Other issues that the ministry focuses on **currently concerning the Indonesian workforce are low education levels and a lack of digital skills**. They are directing to accelerate transformation in the employment sphere, including training aligned with global industry demands, such as green jobs, medical technology, and the digital economy.¹⁰ In December 2024, **the MoMT also agreed to collaborate in handling migrant worker issues by signing a joint memorandum of understanding (MoU)** with the Ministry of Villages and Development of Disadvantaged Regions, the Ministry of Migrant Workers Protection, and the Ministry of Home Affairs, who supervises local governments.

Trade Unions

The trade union movement in Indonesia has experienced significant changes during the last two decades due to shifts in demographics, technology, and work patterns, such as an increase in outsourcing and casualisation. The restrictive legal framework linked with unionism mainly focuses on formal workers. Instead, informal workers are sidelined, leading them more vulnerable to exploitation and lacking collective bargaining power. These factors have prompted trade unions to think out of the box in representing workers in other new non-traditional employment arrangements.

Although trade unions have shown resilience by reaching out to informal workers such as gig workers and advocating for their rights, they continue to struggle with falling membership rates. Figure 3 shows **the falling trade union density trend in recent years, landing at 12% of employment in 2022 and representing about 7.5 million workers.**¹¹ This density was at the medium level compared with ASEAN countries, not to mention it was higher for women than men, 15% vs 10% of employment, respectively. In addition, the trade union density by aggregated industry sector was 16% in services, 9.4% in manufacturing, and 2.7% in agriculture.¹²

Figure 3: Trade union density rate in Indonesia, 2016-2022



Note: Data was not available for 2020.

Source: Central Bureau of Statistics; International Labour Organization.

This relatively stable trade union density in recent years suggests that the Omnibus Law on Job Creation appears, so far, not negatively impact the worker's right to organise. Central Indonesian trade unions have recently elaborated upon a position paper regarding the law and a roadmap for labour law reforms in Indonesia.

There are five national central union confederations, representing three out of four organised workers. The government recognises these unions in the national tripartite structure.

Three other unions are also part of national tripartite bodies concerning representation from sectorial industries.¹³ **These aggregated eight organisations represent around 84% of the total membership rate, playing a role in social dialogue and the formation of government policies.** Being affiliated with an Indonesian confederation, the largest and most active federations are also affiliated with international union confederations (see more in Appendix Table 7).

Despite some fragmentation among trade union confederations, they have increasingly cooperated to mobilise their members in national demonstrations for labour law reforms, increasing the minimum wage and social security provision.

Although organised workers are mainly from the formal sector, some unions are starting to expand their reach to informal workers. For example, some federations organise informal workers such as Grab and GoJek online motorcycle taxi drivers, as well as motor vehicle repair shop workers and motor vehicle showroom workers. In addition, informal workers in the construction sector are also handled by federations.

Some of the main challenges for Indonesian trade unions are that employer union-busting remains extensive; competition among trade unions has led to fragmentation and animosity between some trade unions; the limited capacity of trade unions is partially the result of low awareness and incentives on employment laws and unionism among the workers.¹⁴ Reports listed that labour activists claimed companies orchestrated the formation of multiple unions, including “yellow” (employer-controlled) unions, to weaken legitimate unions.¹⁵

Employers' Organisations

Based on the latest Global Risks Report 2024, identified by Indonesia's Executive Opinion Survey on areas in which business leaders are well-positioned to provide an evaluation, the five risks that are the most likely to pose the **biggest threat to the country in the next two years are economic downturn, extreme weather events, infectious diseases, energy supply shortage, and unemployment.**¹⁶

The Asosiasi Pengusaha Indonesia (APINDO), or the Indonesian Employers Association, is Indonesia's only officially recognised employer organisation that deals with labour and industrial relations. It has approximately 5,000 members in all parts of Indonesia.¹⁷ Some estimations suggest that APINDO represents about 6% of all employers.¹⁸ As indicated, several board members of APINDO are appointed in central tripartite institutions (see more in the Central Tripartite Institutions sub-section). At the 10th APINDO's National Conference in June 2023, Ms. Shinta W. Kamdani was appointed as the Chairman of APINDO 2023 – 2028 period, becoming the first female chairman of APINDO. It is worth mentioning that the association was a proponent of the Omnibus Job Creation bill reforming labour law.

Other central employers' organisations linked with APINDO and have engaged in limited negotiations with trade unions are:¹⁹

- **Indonesian Textile Association** (*Asosiasi Pertekstilan Indonesia (API)*).
- **Indonesian Footwear Association** (*Asosiasi Persepatuan Indonesia (APRISINDO)*).
- **The Indonesian Chamber of Commerce and Industry (KADIN)** is where Indonesian entrepreneurs organise themselves.

SOCIAL DIALOGUE

Across countries and irrespective of the level of development, the role of social dialogue in contributing to economic and social development is acknowledged. Indonesia has ratified central ILO conventions involving social dialogue (revisit Appendix Table 5). They are further **supported by the national legal framework, recognising the right to collective bargaining but strictly regulates it**. In general, the provisions of collective bargaining apply to all scales of business.

Social dialogue takes place on a sectoral basis and in central tripartite institutions.

They have further been established to deal with industrial relations issues in province, region, and district stages. For example, there are tripartite institutions for employment, minimum wages and occupational safety and health at the regional level. The organisational structure of tripartite institutions is flexible and established by their specific characteristics and regional requirements. The number of participants in tripartite institutions in provinces also depends on the local needs.²⁰

Despite the legal provisions and a wide range of initiatives for tripartite and bipartite dialogue at all levels, **social dialogue remains challenged in practice in Indonesia**. Some primary contests are due to a lack of trust among social partners, a lack of awareness or incentives among workers and employers, or political will by national and local government actors. Generally, weak institutional mechanisms such as dispute resolution and labour law enforcement bodies also reduce social dialogue impacts.²¹

In Indonesia, the application of Collective Bargaining Agreements (CBAs) has been tested by rigid regulations; for example, stymieing a trade union's engagement in **CBA negotiations**

is dependent upon its representation of more than 50% of the company's workers.

Data suggest that the number of registered **CBAs reached 15,637 in March 2023, equalling a coverage of 1.3% of the number of total registered companies.**²² This stance shows that a large proportion of workers do not have access to the benefits and protections provided by CBAs. It is mainly because most enterprises are categorised as micro and small, absorbing about 97% of employment. Instead, a large majority is located in the informal economy where CBAs are unregulated.

Although the Omnibus Law on Job Creation attempts to bring micro and small enterprises into the formal economy, the government promotes a more flexible collective agreements model at the enterprise levels. Reports concluded that although several trade unions have been forced to accept a reduction in CBA provisions because of the law, others upheld clauses and provisions, and some even introduced new pay scale clauses or provisions for transport and meal allowances.²³

Based on the trade unions movement's view, this law significantly damages the existing wage-setting system by removing minimum wage protection for almost all Indonesian workers. It could undermine the tripartite wage negotiations that determine minimum wages as well as the capacity of the unions to negotiate wages at the enterprise level.

Central tripartite institutions

The leading active tripartite social dialogue institutions that play a central role in shaping labour market policies and industrial relations are summarised below:

Some of the leading establishments are the tripartite cooperation institutions that are concentrated into:

- **The National Tripartite Cooperation Institution (NTCI)** and the Provincial, District/City Tripartite Cooperation Institutes.
- **Sector-based National Tripartite Cooperation Institute** and sector-based Provincial, District/City Tripartite Cooperation Institutes.

Representatives from the government, entrepreneurs' organizations, and trade/labour unions shall be members of tripartite cooperation institutes.

Other important tripartite institutions are:

- **The National Wage Council (NWC)** advises on wage policies and reviews the governors' proposals on their respective regional minimum wages.
- **The National Occupational Safety and Health Council (NOSHC)** advises on occupational safety and health.
- **The National Productivity Council (NPC)** is responsible for consulting about productivity improvements.
- **The National Institute for Training Coordination (NVTIC)** advises on training policies and has committees dealing with accreditation, training institutions, skills training standards and apprenticeship programmes.

Labour dispute resolution system

The labour dispute resolution system is designed to address conflicts between workers and employers, ensuring fair treatment and the enforcement of labour rights. The way disputes

are handled can significantly impact the functionality and stability of the labour market.

In Indonesia, industrial relations disputes are regulated by the **Settlement of Industrial Relations Disputes Law of 2004**. Several methods of resolving industrial relations disputes are possible before filing a lawsuit with the **specialised Industrial Relations Courts (IRCs) via bipartite negotiation and conciliation**. If it fails, it could go through a tripartite settlement, which is choosing between mediation, conciliation, or arbitration. This tripartite settlement system has faced weaknesses and inefficiencies, leaving many workers on their own to battle it out with their employers (see more in the Working Conditions section).

The IRC system has been haunted by too often prioritising the interests of business owners, and the quality of the decision-making process remains low. Antiunion discrimination cases have moved excessively slowly through the system, and bribery and judicial corruption in worker disputes continue to prevail. While dismissed workers sometimes received severance pay or other compensation, they were rarely reinstated.

Generally, the legal industrial relations dispute system encounters weak enforcement mechanisms, a widespread informal economy, limited union power, and vulnerable groups like migrant workers, women, and those in precarious employment. As indicated, reports listed bribery and judicial corruption in workers' disputes occurred, resulting in unfavourable results for workers. While workers sometimes received severance pay or other compensation, they were rarely reinstated.²⁴

TRADE UNION RIGHTS VIOLATIONS

Trade union rights violations undermine both worker protection and labour market stability. They can lead to increased industrial action, low worker morale, and reduced business productivity. Additionally, they can also contribute to broader economic inequality, informal employment, and social unrest.

Indonesia is among the worst countries for workers, ranked 5 out of 5 (5 is the worst) on the Global Rights Index in 2025. This stance represents “no guarantee of rights”: 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.²⁵

Several common practices undermine freedom of association in Indonesia. Reports found that antiunion intimidation frequently took the form of termination, transfer, or filing of unjustified criminal charges. Unions allege employers commonly reassigned labour leaders deemed to be problematic. Labour activists claimed companies orchestrate the formation of multiple unions, including “yellow” (employer-controlled) unions, to weaken legitimate unions. Some employers threaten employees who contacted union organizers. Companies often sued union leaders for losses suffered in strikes.²⁶

Crises heighten the risk of all forms of modern slavery, and climate crisis has accelerated these circumstances. At least 1.8 million people are living in modern slavery in Indonesia, with a prevalence of 6.7 per 1,000 of the population and ranking as number 10 out of 27 Asia and the Pacific countries on the Global Slavery Index (1 is the worst score) in 2023.²⁷ 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.

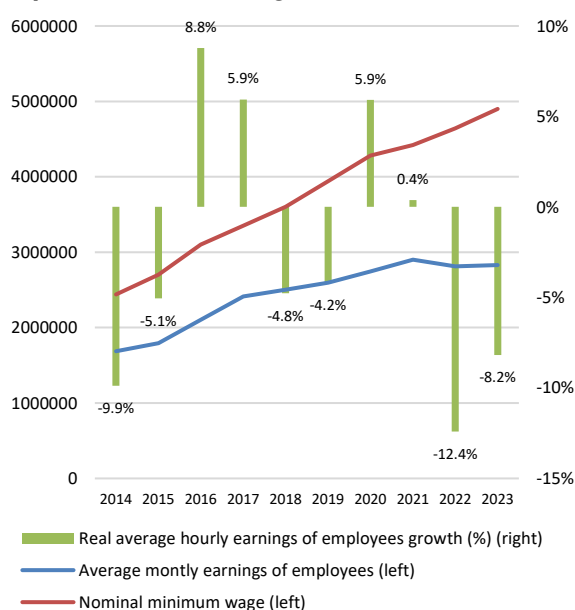
WORKING CONDITIONS

Working conditions directly affect workers’ well-being, productivity, and job satisfaction. The state of these conditions also has broader implications for the labour market, influencing economic performance, employment patterns, and social stability.

The Omnibus Law introduces a new formula for determining the minimum wage at the provincial and city levels. The formula combines the Consumer Price Index (CPI) and Gross Domestic Product (GDP) growth, shifting the focus away from the previous practice of setting minimum wages based on inflation and worker needs. Critics argue that this could lead to lower minimum wages, especially in regions where economic growth is sluggish, while inflation continues to rise.

Figure 4 below shows that **the minimum wage grew steadily, widening the gap to employees’ nominal average monthly earnings.** One of the reasons is an impact of the mentioned Omnibus Law that led micro and small enterprises exempted from paying the regional minimum wage. Instead, they must compensate their workers at least 50% of the average public consumption or 25% above the provincial poverty line. It is also worth mentioning that most workers operate in the informal economy, which is known for sidelining wage regulations, often due to a lack of awareness or incentives. If both the inflation in consumer prices and economic growth are deducted from the nominal earnings, it turns out to be a falling trend in recent years. **This situation causes many workers to experience their incomes hollowing out, negatively affecting their living conditions.**

Figure 4: Monthly nominal average earnings of employees and minimum wage in Indonesia, rupiah (IDR) and real growth (%), 2014-2023



Note: Growth in real average hourly earnings of employees is based on the average hourly earnings of employees deducted by aggregated inflation and GDP growth.

Source: ILOSTAT, Trading Economics/Ministry of Manpower and Transmigration; own calculation on real minimum wage.

The low coverage of Collective Bargaining Agreements (CBAs) further brings most Indonesian income earners' working conditions in limbo. Overall, reforms related to fixed-term contracts, outsourcing of work and labour, and the termination of employment threaten an ever-greater usage of precarious jobs in the country.²⁸

Another issue that challenges the labour market development is that **Indonesia's labour inspection system faces limited coverage, ineffective central-regional coordination, and minimal budget allocation.** With an actual ratio of labour inspectors to employees of 1:44,000 (or 1:95,000 of total employment) in 2023, it is far below the ILO standard of 1:20,000, thus standing suboptimal.

WORKFORCE

Indonesia's workforce reached 152.1 million individuals in 2024, positioning it as the largest in Southeast Asia by land area and population. The labour force participation rate, which measures the active portion of the working-age population, stood at 69% in 2023 (see also Appendix Table 8).

Indonesia's youthful population is impacting workforce trends; for instance, **with a median age of around 30, the country is entering a 'demographic bonus' era**, where the productive population (15-64 years) exceeds the non-productive population, offering potential for economic growth. Major cities like Jakarta, Surabaya, and Bandung are employment hubs, attracting a significant share of the workforce due to diverse job opportunities in services, finance, and technology.

Employment in the agricultural sector fell during the last decade, while experienced an upsurge in the service sector. The industry sector brought a meagre rise; manufacturing employment share of total employment has been on a flat growth during the last decade.

Indonesia's labour market faces several hurdles that impact its economic development and social equity. Key issues include that **the country continues to be stuck with low labour productivity and a mismatch between the skills possessed by workers and those demanded by employers.** This disparity hurdles economic development and the country's aspirations to transition to a high-income economy. Addressing these encounters requires substantial investments in education and vocational training to align workforce capabilities with industry needs.

Despite overall economic growth, **income inequality persists, with a significant disparity between urban and rural populations.** The middle class has shrunk from 22% in 2019 to 17% in 2024, affecting domestic consumption and economic stability. Other data show that labour income share as a per cent of GDP is slowly falling, challenging the evolution of the middle class.²⁹ These trends pose challenges for domestic consumption, as a robust middle-class is often a driver of sustainable economic growth.

Labour unrest has been a recurring issue, often stemming from attempts by employers to circumvent Indonesia's rigid labour laws by classifying employees as contract workers. This practice undermines job security and worker welfare, leading to increased labour militancy and strikes. Ensuring compliance with labour regulations and protecting workers' rights remain critical challenges.

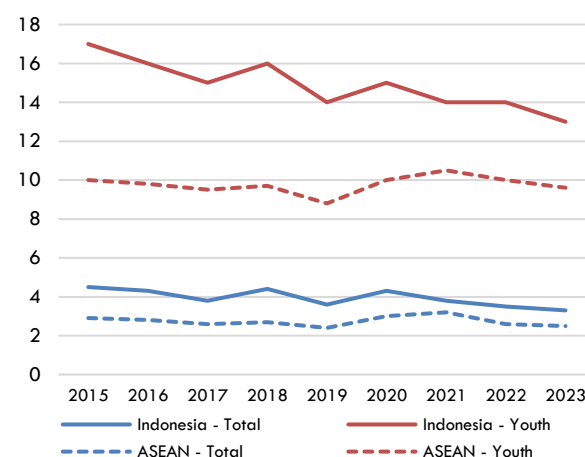
Pervasive corruption and bureaucratic inefficiencies hinder effective labour market governance in Indonesia. These issues affect various sectors, leading to economic volatility and inequality. Efforts to combat corruption and improve public administration are essential to create a more equitable and efficient labour market.

Unemployment

Unemployment could disrupt the labour market by affecting wages, matching workers to jobs, and overall economic productivity. **Indonesia's unemployment rate is slightly higher than the average of the other ASEAN countries.** However, it demonstrates a slowly falling trend at the beginning of the 2020s. The youth unemployment rate is significantly higher than the ASEAN average but curbs the gap faster (see Figure 5). The impact of high youth

unemployment on the labour market can be far-reaching, affecting economic growth, social stability, workforce dynamics, and even future job prospects.

Figure 5: Unemployment rate in Indonesia and ASEAN, Total and Youth (15-24 years), %, 2015-2023



Source: International Labour Organization, LFS - Labour Force Survey.

Unemployment is predominantly an urban phenomenon, affecting young people and those with higher levels of education. Compared with the broader worldview, the relatively low unemployment rate suggests that Indonesia's economy is generating jobs, which is supported by a limited export of workers (see more in the Migration sub-section). Instead, this relatively low unemployment rate **underestimates the number of individuals engaged in casual or informal activities, where many work a few hours per week as a means of survival.** In addition, the intermittent nature of subsistence farming, which is occupied only during planting and harvesting, contributes to what is known as 'disguised' unemployment. Additionally, unemployment is a statistical component of the employed group, excluding individuals outside the workforce. **Approximately 54% of the working-age population in Indonesia is estimated to be 'economically inactive',** a term that masks a massive potential for unemployment. These

aspects could give a more accurate picture of the real unemployment rate (see more in the Youth sub-section).

In 2020, **Indonesia established an unemployment insurance fund in a crisis.** This fund should be financed via general government tax revenue, employer contributions, and the National Social Security System for Employment (*Badan Penyelenggara Jaminan Sosial Ketenagakerjaan*, BPJS-TK). The predetermined financial arrangement created a budget constraint, though, resulting in limiting the coverage of vulnerable workers and limiting the payment of unemployment benefits.³⁰ Data show that the number of unemployed Indonesian workers receiving unemployment benefits was 0% since 2019 (see more in the Social Protection section).

Migration

Migration has a complex and multifaceted impact on the labour market. While it can fill gaps in the workforce, contribute to economic growth, and provide demographic benefits, it can also create challenges such as wage pressures and job displacement, particularly for lower-skilled workers.

Indonesia's legal framework for migration is guided by the Immigration Law of 2011 and the Protection of Indonesian Migrant Workers Law of 2017. It includes well-developed areas focusing on social security, health care, shelters for victims of trafficking and education for migrants.³¹

The trade union movement participates in agenda-setting and the implementation of migration policy only on an ad hoc basis. Recently, the *Konfederasi Serikat Buruh Seluruh Indonesia* (KSBSI) collaborates with civil society organisations to help local governments

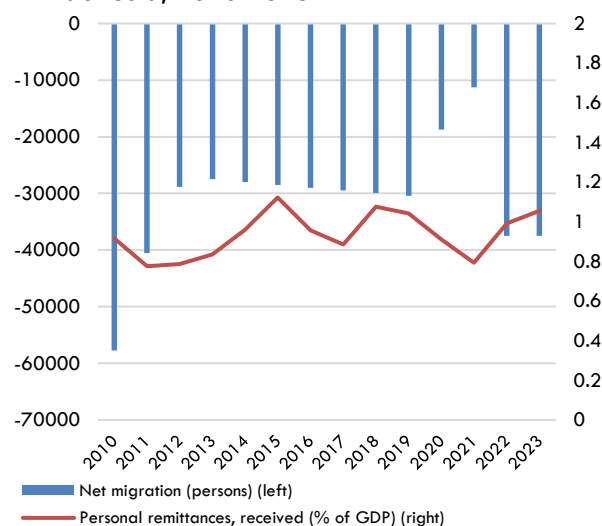
implement migrant worker protection laws and provide gender-responsive counselling services for migrant workers departing abroad or returning.³² In November 2024, trade unions participated in a joint effort to promote the implementation of gender responsiveness fair recruitment, responsible business conduct and code of conduct for private placement agencies to better protect Indonesia migrant workers.³³

Many Indonesians move to improve their job opportunities, follow their family members, marry, educate, or respond to shocks due to conflicts and climate issues. Young people are especially attracted to move from rural areas to urban zones, driven by the manufacturing and construction sectors. Indonesia's population lived in urban areas and cities steadily grew, reaching 59% in 2023. There is also rural-to-rural movement, especially for seasonal agricultural work and mining.

Indonesian labour migration to other countries – both voluntary and forced – has a long history. About six to nine million Indonesian diasporas live abroad, primarily in Malaysia, Saudi Arabia, Japan, and the Republic of Korea.³⁴ An equal number of Indonesians are believed to be working overseas illegally. Some of the reasons are that **only around one in ten Indonesians is interested in migrating abroad due to the requirements for documented migration.** In addition, gender differences in the propensity to become undocumented migrants may be driven by time constraints due to the higher care burden women face.³⁵ Women and low-skilled migrants are overrepresented in temporary labour migration flows to non-OECD economies. Most Indonesian overseas migrants work as domestic workers or caregivers in their destination country.³⁶

Figure 6 shows that although more have left than arrived in Indonesia during the last decade, the net migration has been stable, except for a rupture in 2020 and 2021 due to the impact of the Covid-19 pandemic. Considering the country's high population, the net migration flow does not appear to be a critical structural challenge. This stance is supported by the relatively high minimum wages compared with other neighbouring countries. Also, **personal remittance is not a central part of Indonesia's economy.**

Figure 6: Net migration and personal remittance in Indonesia, 2010-2023



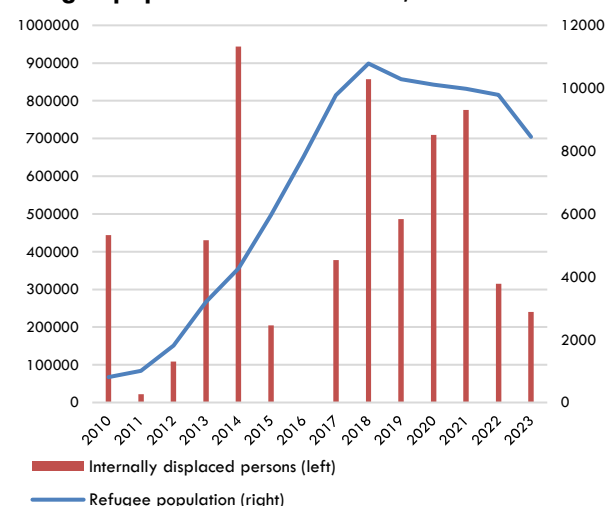
Source: The World Bank, World Development Indicators.

In 2025, Indonesia's government attempts to send almost double the number of workers abroad, a move expected to boost economic growth via foreign exchange earnings. Key strategies include enhancing workers' language skills and prioritising English starting from elementary education. It could trigger a rising brain drain as skilled workers move abroad, such as intellectuals, scientists, and scholars.³⁷

Internally displaced persons (IDPs) can impact the labour market in various ways, such as strain local job markets and resources. Figure 7 below visualises **Indonesia has experienced an upsurge in internally displaced persons**

(IDPs) from conflict and violence during the last decade, grasped 55,000 in 2023. It has been worse among IDPs from disasters, with an aggregated 8.1 million persons from 2008 to 2023. These latter disaster events are mainly related to floods, earthquakes, volcanic activity, and storms, complicating many workers' ability to make a living and facing job insecurity, lower income, poor working conditions, and increased poverty (see more in the Just Transition agenda section).³⁸

Figure 7: Internally displaced persons and refugee population in Indonesia, 2010-2023



Note: Internally displaced persons include both from conflict/violence and disasters.

Source: The World Bank, World Development Indicators.

Like in other neighbouring countries, Indonesian IDPs face numerous challenges in the integration and reintegration into the labour market. **They often struggle to access essential services such as healthcare, education, clean water, and sanitation facilities.** IDPs also have difficulties in finding suitable housing and shelter after being displaced; they are often placed in temporary settlements in overcrowded conditions and without proper infrastructure and basic amenities.

Indonesia has at least 8,000 refugees and asylum seekers (revisit Figure 7). Asylum

seekers and refugees have difficulties staying in the country. **These vulnerable groups are not permitted to work and receive no social benefits from Indonesia's government.** They can remain in the country while registration documents are processed by the Office of the United Nations High Commissioner for Refugees (UNHCR).

Child Labour

Child labour has several adverse effects on the labour market. For instance, it provides a source of cheap labour, allowing employers to pay lower wages. This is often connected with a lack of decent wages and job opportunities, forcing families to rely on child labour for survival. These child labourers grow into unskilled adults and are more likely to remain in low-paying, unstable jobs.

In Indonesia, around 25% of the population is 0-14 years old and this segment's growth has lost pace. The government has ratified ILO's two child labour-related conventions (C138 and C182; see Appendix Table 5). **The minimum age of employment is 15 years old, and national laws prohibit several conditions that are classified as the worst forms of child labour.** Several ministries, including the Ministry of Manpower and Transmigration, monitor child labour.

The latest available data from the Indonesia Child Labour Survey in 2009 registered that there were more than 3 million children (aged 5-17) in child labour. **The country has demonstrated significant progress towards achieving universal primary education, which is projected to a reduction in child labour.** Other estimates suggest that child workers represented around 1.0 million people in 2023, equalling 0.7% of total employment. The impact of the Covid-19 pandemic

triggered an increase in the number of child workers in 2020. Although the numbers have decreased since then, they remain higher than the pre-pandemic level.³⁹ This information hints that the National Action Plan on Child Labour Eradication and Roadmap for the Acceleration of Making Indonesia Free of Child Labour, aiming to eradicate child labour by 2022, has not fully reached the goal.

In Indonesia, child labour is more prevalent in rural areas. These child workers in the agricultural sector face higher risks of exposure to harmful chemicals used in pesticides and fertilizers, causing raised concerns about their safety. Many of them are involved in producing palm oil and tobacco, with Indonesia being one of the world's largest producers of these two products.

Some central factors stuck with persistent child labour in Indonesia are poverty, the widespread informal economy, social norms and heritage, and education. Many working children are mostly unpaid family workers; often, they are pushed to stop schooling and focus on supporting the family's income. As previously mentioned, almost one out of 10 of the Indonesian population still lives below the poverty line. The lack of awareness about the effects of child labour and some companies not complying with the laws against child labour further exacerbate the issue.

Indonesia's trade union movement has supported in reducing child labour by advocating for stronger laws and activities, which resulted in some good practices in contributing to the elimination of the worst forms of child labour.

Gender

Gender plays a central role in shaping labour market dynamics, affecting employment opportunities, wages, job security, and economic growth. Indonesia has demonstrated the political will to promote gender equality and is committed to central international gender-related conventions and protocols. Generally, the country's laws and regulations around the life cycle of a working woman score 60 out of 100 (100 is best) in 2024, slightly higher than the regional average across East Asia and the Pacific at 58. They still encounter a significantly lower ranking on the marriage and entrepreneurship indicators (see more details in Appendix Table 9).⁴⁰ At the policy level, the country has linked its **National Gender Mainstreaming Policy** with the National Long-term Development Plan system, including the updating 2025-2045 version. Additionally, measures have been taken to implement the national zero-tolerance policy for gender-based violence.

Table 1 below shows that **Indonesian men have a significantly higher employment-to-population ratio than women.** Although more women are slowly increasing their workforce participation rate, three out of five are concentrated among the self-employed, linked to socio-cultural factors and 'domestic burden'. This situation makes women more likely than men to work part-time or in informal employment in low-productivity sectors.

Table 1: Key indicators for employed gender gaps in Indonesia, 2023

	Men	Women
Employment-to-population ratio	79%	52%
Employment share	61%	39%
Unemployment rate	3.5%	3.1%
Employees rate	51%	39%
Self-employed rate	49%	61%
Employers rate	4.4%	1.8%

Source: International Labour Organization, ILOSTAT.

The Covid-19 pandemic-induced economic shock triggered some remarkable shifts at the beginning of the 2020s. For example, the impact considerably narrowed the gender gap in employment participation. **Employment fell for men while it increased among women; they mainly turned to informal jobs in the services and agriculture sectors to support their families during the pandemic.** This circumstance halted and reversed the country's momentum in formalising its labour market. Another factor is that employees' total average hourly earnings closely grabbed an equality in 2021, mainly from a significant upsurge for women. However, women's average hourly earnings dropped afterwards, reverting to its usual gap trend above ten percentage points afterwards, including the latest 13% in 2023, benefitting men.

Although Indonesian women remain underrepresented in the highest positions in government and industry, where the most important policies are decided, they have gained some leverage. For instance, the proportion of those in managerial positions has risen significantly during the last decade, reaching 33% in 2023. This has pointedly curbed the gap with the ASEAN average, now below by 3 percentage points.

On a broader view, the global Gender Inequality Index (GII) ranks Indonesia 109 out of 166 countries (1 is best) in 2022 due to the relatively high maternal mortality ratio and the gender gap in the labour force participation rate.

Youth

Youth participation in the labour market plays a central role in shaping employment trends, productivity, and economic growth. Indonesia's population structure has a 'youth

bulge', a term used to describe the increase in the youthful population. In 2023, the youth (aged 15-24 years) accounted for a substantial portion of the working-age population, reaching 45 million or 21% of the total working-age population, facing a slowly dwindling trend.⁴¹

The Youth Law of 2009 sets Indonesia's legal framework for youth development. This initiative is supported by youth strategies interlinked with the National Long-Term Development Plan.

The country is getting close to ranking at the high-medium level on the Global Youth Development Index, 77 out of 183 countries in 2023.⁴² Although some relatively well-functioning factors like inclusion, peace, and civic participation indicators, they still struggle in terms of wellbeing and education.

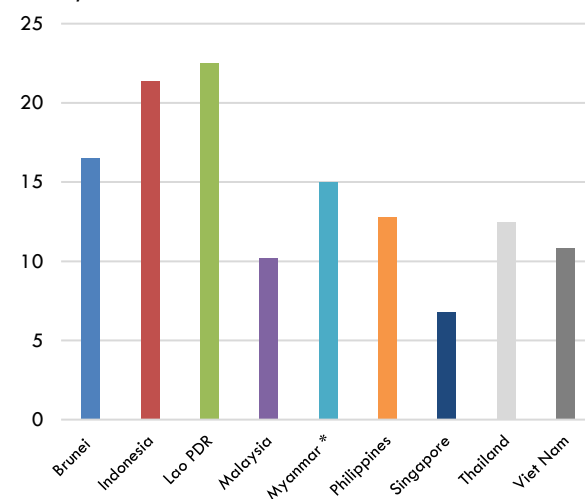
Based on national survey data, around an additional 12 million new Indonesian young workers entered the labour market during the last decade. The youth employment-to-population ratio has been stable at around 40%.⁴³ **The youth unemployment rate has been relatively high, indicating that the economy is not generating sufficient jobs** (revisit Figure 5). A central challenge for many young Indonesian people is their difficulties with the school-to-work transition. Once they succeed in entering the labour market, they have problems finding quality formal jobs. It often leads to a mismatch between job requirements and graduates' qualifications. It is worth mentioning that the relatively low labour exports have also fuelled the comparatively high youth unemployment.

Active youth workers are often among informal workers or short-term labour contracting, sidelining their access to social

insurance. These groups are challenged by inadequate training and career opportunities, and they usually earn less than the minimum wage compared to the non-youth groups. Insufficient job creation in the formal sector and cultural aspects discourage many Indonesian youths, who become economically inactive in the labour market.

The not-in-education, employment, or training (NEET rate) better indicates the extent of barriers facing young people in the labour market than the unemployment rate does. **Indonesia's NEET rate was 21% in 2023, with meagre drops and placed among the highest in ASEAN countries** (see more in Figure 8). Indonesia's NEET rate is higher for women than men, 26% vs. 17% respectively. Young people from lower-income families are usually more present in the NEET rate.

Figure 8: Proportion of youth (aged 15-24 years) not in education, employment or training in Indonesia and other ASEAN countries, %, 2022/2023



* Data from 2020.

Source: International Labour Organization, ILOSTAT.

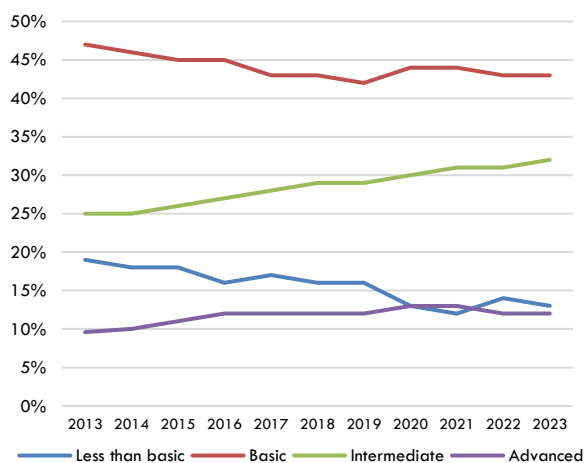
EDUCATION

The connection between education and labour in Indonesia is essential for economic development. **The Indonesian education**

system is immense and diverse. With more than 52 million students, three million teachers, and 400 thousand schools, it is the fourth largest bulge in the world.⁴⁴ The education sector is covered by a comprehensive legal framework. Although the country has promoted reforms in this sector, including the recent emancipated learning reform that significantly expanded access to education, levels of learning remained low. For instance, Programme for International Student Assessment (PISA) data suggest that more than three in four 15-year-olds did not meet minimum proficiency levels in mathematics and reading.⁴⁵

Some shifts in employment by education are that those with intermediate education are on the rise, while those in less education and basic education are falling. Advanced education graduates are slowly climbing (see more in Figure 9). This development shows that employment is becoming better educated.

Figure 9: Share of employment by education trend in Indonesia, %, 2013-2023



Source: Indonesia National Labour Force Survey; International Labour Organization, ILOSTAT.

Apart from these improvements, a majority is struggling with skill development due to insufficient training, affecting productivity and increasing school dropout rates in recent years.

On the positive side, Indonesia's government revived non-formal education and established learning houses through community-government cooperation.

Generally, **government spending on education levels in Indonesia has been low** compared with the regional average. Even recent budgetary reallocations have led to cuts in higher education funding, sparking protests and concerns about the future of academic quality and access.

Indonesia's education system faces complex challenges that impact the quality of education and its alignment with labour market needs. Although the 12-year compulsory education rule is in place, uneven infrastructure and suboptimal resource distribution often hinder the effectiveness of inclusive education. Access to qualified teachers, adequate learning facilities, and appropriate educational materials remains limited in remote areas. Also, many regions still lack access to reliable internet and digital devices, hindering the effectiveness of educational technologies and online learning platforms.

Indonesian trade unions are integral to the education sector. They engage in policy advocacy, address workforce challenges, and influence labour-related aspects of education. Their involvement is decisive for the continuous improvement and responsiveness of the country's education system to educators' and students' needs.

Vocational Training

Indonesia's Technical and Vocational Education and Training (TVET) system is covered by a legal and policy framework. This system is divided into formal, non-formal, and informal

schemes involving several ministries and private actors. **The country is struggling with the fragmentation of TVET governance, complicating a national non-compulsory system of certification and qualification.** It is worth mentioning that Indonesia's trade union movement has entered a more active role in skills and employment development via advocacy for skills development policies, participation in tripartite institutions (National Training Board and other industrial relations forums), and implementation of training programmes.

Central TVET indicators deliver improvements in Indonesia. For example, **the proportion of 15–24-year-olds enrolled in vocational education grew from 7.8% in 2010 to 13% in 2023, which is on the high end compared to ASEAN countries.** It hints that participating in education and training designed specifically to lead to a job is in progress.⁴⁶ Studies found that individuals with vocational education have a statistically significant lower probability of being unemployed contrasted to those individuals with non-vocational education.⁴⁷

Another central factor is that Indonesian firms offering formal training are low and growing slowly, representing 8.4% in 2023, or 24 percentage points lower than the Eastern Asia and the Pacific average, at 32%.⁴⁸ Formal firms continue to be a small group compared to the widespread informal micro- and small enterprises, not to mention enterprise-based training is concentrated in more industrialised regions. One primary reason workers do not attend training is the unavailability of appropriate training. The corporate training market faces confusion about TVET governance that affects quality standardisation, regulatory compliance issues, and limited access to funding for training programmes. These barriers impact smaller

training providers and small and medium enterprises seeking to invest in workforce development.

Some of the main challenges for Indonesia's TVET sector concern being heavily supply-driven. It has stymied innovation at TVET institutes from redesigning their programmes to meet industry and firms' needs, resulting in skills mismatches and a lack of demanded skills in the labour market.⁴⁹

SOCIAL PROTECTION

Social protection and the labour market are closely connected, as social protection programmes play a central role in enhancing the well-being of workers, promoting job security, and reducing poverty. The high uncertainty of social and economic impacts triggered by climate and environmental change and Fourth Industrial Revolution (4IR) disruptions increases pressure on the social protection system, leading to a rising need for deeper and broader coverage, especially among the most vulnerable people.

In Indonesia, social protection has proven to be a central component of economic development and progress towards a more cohesive society. The national constitution recognises the right to social security for all and the state's responsibility in developing social security. Public spending on social protection reached 1.5% of GDP in 2022, which was considerably lower than the Asia-Pacific average of 4.9%.⁵⁰

The country's decentralised governance structure poses challenges in uniformly delivering social protection services across diverse regions. Coordinating policies and ensuring consistent implementation require robust mechanisms to address regional disparities.

The social protection system has been reshuffled by replacing the approach to poverty relief with developmental social assistance programmes. It has changed the administrative and legislative architecture that reformed the social insurance system, expanding coverage and improving benefits.⁵¹ This evolution has delivered significant progress towards universal health coverage, and the population covered by at least one social protection benefit rose significantly.

Indonesian formal workers are still more protected in terms of social protection than informal workers. The latter group is not eligible for social assistance nor is able or unwilling to register for social insurance. A central issue for the relatively low participation of informal workers in social security is mainly due to their income irregularities and different needs over time, putting them at risk of not having a secure retirement. A growing preference for gig work with diluted contractual positions also brings them at risk of lack of adequate retirement plans.⁵²

Indonesia's trade union movement plays a central role in advocating for reforms in the social protection system to ensure better security for workers. As economic conditions evolve and informal employment remains high, unions push for more inclusive, fair, and sustainable social protection policies. For example, they advocate for inclusion of informal workers in national employment insurance schemes.

All employees in Indonesia, including expatriates and their families, must mandatorily participate in **the National Social Security System** (Sistem Jaminan Sosial Nasional – SJSN). Social security programmes are run by two organisations – **the Social Security Administrator for Health** (BPJS

Kesehatan) for healthcare and **the Workers Social Security** (BPJS Ketenagakerjaan) for socio-economic protection.

The system for non-contributory social protection programmes was boosted in recent years: Based on the latest data available, the coverage of social safety net programmes grasped 44% of the population in 2021, with some leakage among the richest quintiles.⁵³ Another trend is that the social insurance programmes have delivered meagre progress in coverage during the last decade, landing at 10% of the population in 2021, concentrated among the richest quintiles.

A remarkable upsurge of the Indonesian population covered by at least one social protection scheme from 28% in 2019 to 54% in 2021, even superseded the regional average of 45% (see other social protection indicators' coverage in Table 2).

Table 2: Proportion of population covered by social protection systems in Indonesia, %, latest data

Indicator	Value
Population covered by at least one social protection benefit	54%
Persons above retirement age receiving a pension	31%
Persons with severe disabilities collecting disability social protection benefits	2.5%
Unemployed receiving unemployment benefits	0%
Mothers with newborns receiving maternity benefits	29%
Employed covered in the event of work injury	26%
Poor persons covered by social protection systems	100%
Children/households receiving child/family cash benefits	44%
Vulnerable persons covered by social assistance	50%

Source: International Labour Organisation, *Key Indicators of the Labour Market (KILM)*.

Indonesia is an ageing society, with a minimum pension covered by a public scheme; there are no mandatory contributions to pension income. The pension system experienced a substantial hike in coverage from 15% in 2019 to 31% of persons above retirement age receiving a pension in 2021. **Still, at least two out of three (69%) of older Indonesian people are left with no pension.** Those receiving a pension receive a low allowance, even one of the weakest in the region, currently landing the lowest minimum pension after 15 years of contribution is IDR 363,300 (US\$23) per month.⁵⁴ Another trend is that the social insurance programmes have achieved meagre progress in coverage during the last decade, landing at 10% of the population in 2021, concentrated among the richest quintiles.

The dominance of informality in Indonesia makes informal social protection a key in supporting individuals and families, particularly in rural areas and among informal workers. Many Indonesians still rely on community-based, family, and religious support systems. However, these approaches depend on community wealth and generosity, making them unreliable during economic crises. Furthermore, they lack legal enforcement and do not guarantee benefits. Lastly, as more Indonesians move to cities, traditional family-based support systems weaken.

KEY FACTORS THAT CHANGE THE LABOUR MARKET LANDSCAPE

Cross-cutting issues notably affect the labour market when intersecting with various economic, social, and environmental dimensions, impacting workers and employers across multiple sectors. In Indonesia, prominent topics influencing the labour market include the impact of the

informal economy, digital transformation, and climate change and green jobs.

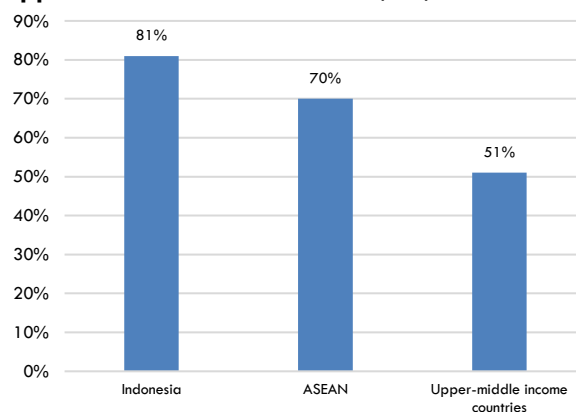
Impact of the informal economy

The informal economy plays a dual role in labour markets – providing employment opportunities and creating challenges related to wages, worker protections, and economic stability.

The informal economy is widespread in Indonesia. Many employers and workers sideline labour and business regulations due to a lack of awareness or incentives. Informal workers – often visualised by street vendors, *angkot* drivers (a significant part of Indonesia's informal transport sector), and agricultural workers – operate as independent, self-employed, and small-scale producers.

Data suggest that **the proportion of informal employment in total employment in Indonesia represented 81% in 2023 and hovered twelve percentage points above the ASEAN average, at 70%** (Figure 10). This rate is falling only slowly, facing challenges, such as the impact of climate changes and the Fourth Industrial Revolution.

Figure 10: Proportion of informal employment in total employment in Indonesia, ASEAN and upper-middle income countries, %, 2023



Source: International Labour Organisation, Key Indicators of the Labour Market (KILM).

Another central aspect of this high informality rate haunts **the country's weak tax and employment statistic systems**; for instance, there is no single way of measuring the informal 'sector'. All enterprises in Indonesia, regardless of their size, must be registered by law. Micro- or small enterprises dominate the Indonesian labour market landscape, and 98% of firms with fewer than ten employees are unregistered.⁵⁵ This context implies that most firms operate outside the law and are considered informal. It is further derailed by an empirical task to differentiate between firms and workers for whom informality is a voluntary choice versus those for whom it is a last resort. The Labour Union Law of 2000 focused on formal workers, sidelining the massive group of informal workers and new forms of workers such as gig and remote workers. This law requires that a union be formed only if it has at least ten members. Informal workers generally have less than ten members and are not required to create a union. Overall, the adverse environment challenges industrial relations, organising workers, and performing collective bargaining through social dialogue. On the positive side, **unionism is emerging among informal workers; some unions have been organising informal workers at the community level using strategies in social movement unionism**. Trade unions also work to extend training access to informal workers, including domestic workers and ride-hailing drivers; promote recognition of informal skills to improve employability; advocate for inclusion of informal workers in national employment insurance and skills schemes.

The government promotes implementing livelihood programmes and assistance, providing employment opportunities and identifying measures to address the root causes of informality among workers. The scope of these livelihood assistance programmes has

been on the rise in Indonesia; for instance, **vulnerable persons covered by social assistance rose from 17% in 2019 to 50% in 2021** as an impact of the Covid-19 pandemic (see more in the Social Protection section).⁵⁶

In Indonesia, informal workers are mainly in the agricultural and service sectors; it is low in the industry sector. Many Indonesia women work as domestic workers, which is on the rise, and are often subject to informal, unsafe working conditions both in the country and those working abroad.⁵⁷

Climate change effect and the just transition agenda

Climate change is a cross-cutting factor that reshape Indonesia's labour market and economy by disrupting traditional jobs while creating new economic opportunities in green industries. Actors in the labour market are tested for climate resilience, reskilling workers, and promoting sustainable job growth.

Indonesia is the world's largest archipelagic state, involving at least 17,500 islands with highly varied geography, topography, and sea and coastal systems. **The country is highly vulnerable to climate change, which impacts floods, droughts, sea-level rise, rainfall, and temperatures.** This climate change is expected to increase the occurrence and impact of natural hazards. High population density in hazard-prone areas and strong dependence on natural resource bases make them vulnerable to projected climate variability and climate change. Climate change is further likely to affect water availability, health and nutrition, the ability to manage disaster risk, and urban development, particularly in coastal zones. **These bearings will be experienced across multiple sectors and regions,**

projecting costs between 2.5–7% of the country's GDP.⁵⁸

Indonesia ratified the Paris Agreement in 2016 and has incorporated climate considerations into its ambitious development agenda, setting up carbon reduction emissions to 32% by 2030, achieving net zero by 2060, and mobilising resources to achieve its climate ambitions. The energy transition has been focused on reaching a cleaner energy system, involving direct impacts across sectors. **This evolution is projected to trigger both job losses and job shifts; for example, new jobs are projected to create between 2.1 million and 3.7 million direct jobs in renewable energy sectors by 2030.⁵⁹**

The legal framework that provides a road map for implementing the energy transition is still under development. Although policy readiness is in progress, measures for enterprises, active labour market policies, and green skills development are still lacking.⁶⁰ It is worth mentioning that the Omnibus Law on Job Creation of 2023 cleared the way for the privatisation of the electricity sector.

Indonesia's trade union movement has contributed by building awareness about the energy sector transition and its implications for workers. Education and training on energy change have been a priority. They are furthermore involved in preparing national energy transition policies and employment transition plans at the enterprise level to ensure workers have access to skills training appropriate to the needs of the future labour market.⁶¹

The country identifies just transition as a key objective of mitigation and adaptation efforts at the policy level. It also signed the 2018 Silesia Declaration on Just Transition, which

emphasises a just transition for workers, the creation of decent, quality jobs, and providing social protection to workers and their families to mitigate any adverse effects of the transition. **However, the widespread informal economy continues to hamper the application of these policies.**

Fourth industrial revolution is reshuffling the labour market

The Fourth Industrial Revolution (4IR) is disrupting the labour market worldwide. Job displacement and gains due to digitisation are becoming more urgent, and upskilling and retooling are putting pressure on the TVET system. In Indonesia, **projections suggest that at least 20 million jobs could be replaced by automation by 2030, while 27 to 46 million new jobs could be created, including 10 million in new types of occupation.⁶²**

Indonesia's government has introduced 4IR as a strategic part of the development policy agenda, including Making Indonesia 4.0 with a roadmap to revitalise its manufacturing sector. It strives to become one of the global leading economies in 2030. The five priority industries are food and beverage, automotive, textiles and apparel, chemicals, and electronics.

4IR advances a transformational effect on jobs and skills. So far, employment in manufacturing has been stalled, and people are becoming more dependent on services. On the positive side, youth in formal and non-formal education and training and enrolled in vocational education have been on the rise, supporting the 4IR policy agenda. On the negative side, a difficulty is the widespread informal economy, limiting companies – particularly micro and small enterprises – to expand new and updated education and training courses. As mentioned, Indonesian firms

offering formal training are low and meagrely developing (revisit the Vocational Training sub-section).

Indonesia is a popular outsourcing destination due to relatively low labour costs, a growing digital economy, business-friendly policies, political and economic stability, and a young and talented workforce. For example, the country offers business process outsourcing (BPO) industry expertise. Big investments are in progress, including Microsoft's pledge of US\$1.7 billion to bolster Indonesia's digital evolution, directed at upskilling 840,000 Indonesians to support the burgeoning cloud and AI domains.

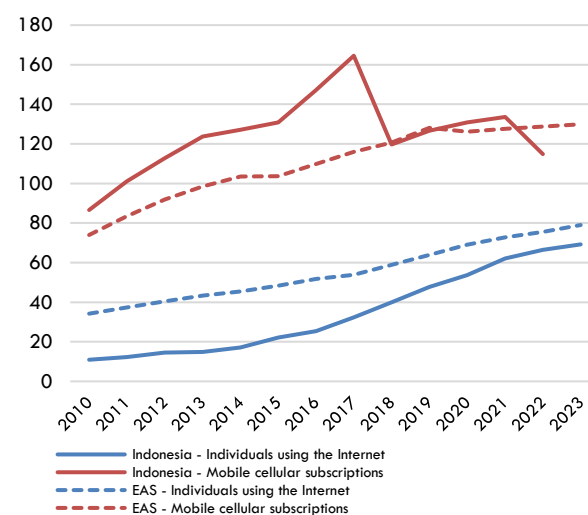
Another aspect is **the rise of gig work, generally known for its flexibility and minimal entry requirements.** The emerging sphere allows individuals without formal qualifications to secure work, income, and greater control over their work. This phenomenon is fast-growing and has supported the declining youth unemployment rate. However, it raises concerns about workers' rights and protections since gig workers operate largely outside the legal and organisational framework of the formal industrial relations system.

Law No. 21 of 2000 concerning Labour Unions focuses on formal labour but is not up to date in addressing the needs of new workers, such as gig and remote workers. **Some main influences are that many companies prefer to hire freelancers rather than permanent employees, opening loopholes to minimise disputes between workers and employers.**

App-based services (e.g., online drivers) operating as informal workers face a barrier to unionisation and access to social protection insurance. This evolution further shifts attitudes towards work-life balance, flexibility, and career mobility.⁶³ On the positive side, many gig workers have demonstrated a remarkable capacity for self-organising, mutual aid and grassroots community participation of online drivers. It stands in contrast with the decrease in union membership and participation in the formal sector.⁶⁴

Another reflection is **that individuals using the internet have accelerated and are getting closer to grasping the regional average.** In contrast, mobile cellular subscription applications were a regional forerunner but plummeted in 2018 due to the impact of new regulations for SIM card owners for telecom operators in Indonesia (see more in Figure 11).

Figure 11: Individuals using the Internet (% of population) and mobile cellular subscriptions (per 100 people) in Indonesia and East Asia & Pacific (EAS), 2010-2023



Source: The World Bank, World Development Indicators.

APPENDIX: ADDITIONAL DATA

Table 3: Indonesia's legal framework on industrial relations

National legal framework
<ul style="list-style-type: none"> • Constitution of the Republic of Indonesia of 1945. • Law No. 13/2003 concerning Manpower. • Law No. 21 of 2000 Concerning Trade Union/Labour Union. • Law No. 2/2004 concerning Industrial Relations Disputes Settlement. • Decision of the Minister of Manpower and Transmigration No. KEP.232/MEN/2003 concerning the Legal Consequences of Illegal Strikes. • Government Regulation No. 8 of 2005 concerning Work System and Organizational Structure of Tripartite Cooperation Institutes. • Regulation on Guidance on the Settlement of Industrial Relationship Disputes through Bipartite Negotiation (Regulation of the Minister of Manpower and Transmigration No. PER.31/MEN/XII/2008). • Regulation of the Minister Manpower and Transmigration No. PER.32/XII/2008 Regarding Procedures for the Establishment and Membership of Bipartite Cooperation Institutes. • Ministry of Manpower and Transmigration Regulation No. KEP. 355/MEN/X/2009 on the National Tripartite Employment Cooperation Institute. • Minister of Manpower and Transmigration Regulation No. PER.16/MEN/XI/2011 concerning Procedures for the Making and Legalization of Company Regulations and Procedures for the Making and Registration of Collective Labour Agreements.

Source: International Labour Organization, IRLEX, Indonesia.

Table 4: Legal reservations in Indonesia concerning the rights to organise, collective bargaining, and strikes

Right to organise
<ul style="list-style-type: none"> • Barriers to the establishment of organisations. • Categories of workers prohibited or limited from forming or joining a union, or from holding a union office. • Restrictions on trade unions' right to organise their administration.
Right to collective bargaining
<ul style="list-style-type: none"> • Barriers to the recognition of collective bargaining agents. • Restrictions on the principle of free and voluntary bargaining. • Restrictions on the scope of application and legal effectiveness of concluded collective agreements. • Limitations or ban on collective bargaining in certain sectors: Civil servants' trade union rights are unclear due to the lack of implementing legislation for these workers.
Right to strike
<ul style="list-style-type: none"> • Ban or limitations on certain types of strike actions. • Limitations or ban on strikes in certain sectors. • Undermining of the recourse to strike actions or their effectiveness. • Barriers to lawful strike actions.

Source: International Trade Union Confederation, Survey of Violations of Trade Union Rights, Indonesia: Legal, February 2025.

Table 5: Status of 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
Occupational safety and health	C155 - Occupational Safety and Health Convention, 1981	Not ratified
	C187 - Promotional Framework for Occupational Safety and Health Convention, 2006	2015
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
Technical Conventions (Up-to-date)		
Employment policy and promotion	C088 – Employment Service Convention, 1948	2002
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
Protection in specific branches of activity	C120 – Hygiene (Commerce and Offices) Convention, 1964	1969

Source: International Labour Organization, NORMLEX, Indonesia, February 2025.

Table 6: Scores for Labour Rights Index's legislative performance indicators for Indonesia, 2024

Fair wages	Decent Working Hours	Employment Security	Family Responsibilities	Maternity at Work	Safe Work	Social Security	Fair Treatment	Child & Forced Labour	Freedom of Association	Index score
60	60	80	25	50	100	80	80	100	0	63

Note: Overall scores are calculated by taking the average of each indicator, with 100 representing the highest possible score.

Source: WageIndicator.org & Centre for Labour Research, Labour Rights Index 2024: Indonesia.

Table 7: Number of members in national trade union organisations and their share in total membership in Indonesia

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 8: Indonesia's key workforce data, 2023

Indicator	Value
Working Age Population	212,088,200
Employment rate	66%
Unemployment rate	3.3%
Employed share	
Urban	55%
Rural	45%
Employed by aggregated sector share	
Public	8.9%
Private	91%
Employed by aggregated sector share	
Agriculture	29%
Industry	22%
Service	49%

Source: Indonesia Labour Force Survey 2023.

Table 9: Indonesia – Legal framework scores for women, business and the law, 2024

Safety	Mobility	Workplace	Pay	Marriage	Parenthood	Childcare	Entrepreneurship	Assets	Pension
75	100	50	75	25	50	75	25	50	75

Source: The World Bank, Women, Business and the Law 2024.

Table 10: List of central education laws and policy for Technical and Vocational Education and Training in Indonesia

TVET legal framework
<ul style="list-style-type: none"> • Presidential Regulation Number 68 of 2022 concerning Revitalization of Vocational Education and Vocational Training of 2022. • National Education Sector Plan of 2020. • National Climate Change Learning Strategy of 2013. • National Vocational Training Regulation (Government Regulation No. 31/2006) of 2006. • Indonesian National Education System Law No. 20 of 2003.
Industry 4.0 Policy Landscape
<ul style="list-style-type: none"> • Presidential Decree No. 9 Year 2016 on "Revitalizing SMKs to Improve the Quality and Competitiveness of Indonesian Human Resources." • Policy Road map on Vocational Education 2017–2025. • National Medium-Term Industrial Development Plan 2015–2019. • National Industrial Development Master Plan 2015–2035. • Manpower Regulation No. 36/2016 and the National Apprenticeship Framework Programme. • Community BLK Cooperation Plan.

Source: Technical Education and Skills Development Authority; Asian Development Bank, Reaping the Benefits of Industry 4.0 Through Skills Development in Indonesia, January 2021.

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