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## Indonesia Poverty Reduction Strategies: Shifting policies to promote employment in the poorest four deciles

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# Indonesia Poverty Reduction Strategies: Shifting policies to promote employment in the poorest four deciles\*

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## Abstract

This paper observes the working status and conditions of people who fall into the poorest four deciles in Indonesia. The research aims to provoke policy shifts in the drive to accelerate poverty reduction in Indonesia, taking a longer view of people being more employable and less dependent; also identifying the dominant factors preventing people from moving out of poverty and improving their life quality. By comparing elements of gender, age, education and health against employment status and opportunities. Simultaneously social assistance and protection programs are evaluated in relation to their stated target groups to determine their suitability and their impact.

**Keywords:** shifting pro job; 4th deciles; poverty reduction; working people

## Abstrak

Makalah ini mengamati status dan kondisi kerja orang-orang yang termasuk dalam kelompok empat decile termiskin di Indonesia. Penelitian ini bertujuan untuk memprovokasi perubahan kebijakan pemerintah dalam upaya mempercepat pengentasan kemiskinan di Indonesia, dengan pandangan masyarakat yang lebih lama dapat dipekerjakan dan kurang bergantung; juga mengidentifikasi faktor dominan yang mencegah orang keluar dari kondisi kemiskinan dan meningkatkan kualitas hidupnya. Dengan membandingkan unsur gender, usia, pendidikan, dan kesehatan terhadap status dan kesempatan kerja. Program bantuan dan bantuan sosial bersamaan dievaluasi sehubungan dengan kelompok sasaran mereka untuk menentukan kesesuaian dan dampaknya.

**Kata kunci:** penciptaan lapangan kerja; desil keempat; pengentasan kemiskinan; pekerja

**JEL classifications:** I3; J16; J24; J4; D3; E5

## 1. Introduction

Just having a livelihood is vital for people in the poorest economic sectors of our communities and

even the most modest income sources are crucial in sustaining their families. This is the phenomenon in any developing country where a small sum of money can make such a big difference in maintaining people's daily lives. Many people in developed countries, on the other hand, face problems of obesity, with an oversupply of food and an upsurge in unhealthy eating habits which have a detrimental impact on their health and their daily lives. These contrasting conditions nevertheless both represent significant challenges for our societies.

Driving extreme poverty down to zero globally will involve strategies that pay special attention to in-

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cluding the socially and economically marginalized groups in our communities. The Millennium Development Goals (MDGs) give the reduction of extreme poverty top priority, pursuing the human rights based ideals of equality, equity and justice for all. Any strategies we devise to reduce poverty need to confront the barriers that prevent marginalized groups from participating in and benefiting from the economic opportunities generated in our communities.

Indonesia is one of the 189 countries that have committed to achieving the Millennium Development Goals. Each goal includes minimum targets and achievements and Indonesia is currently striving to achieve the targets set down for 2015. However, realizing these 2015 objectives will not be possible without the involvement, coordination and cooperation of the entire population of the country. The main problem that Indonesia faces is poverty and the country has made significant progress in addressing this issue. When the Millennium Development Goals were launched in 2000, the number of poor people in Indonesia stood at 38,7 million, approximately 19,14 percent of the population (Kartasamita 2006). By 2001, the number had fallen, though not significantly, to 37.1 million but by 2014 the number had dropped to 28.28 million, approximately 11.25 percent of the population. Evidently, Indonesia's efforts to reduce poverty have already delivered significant results and if this trend continues, the country is likely to achieve the 2015 poverty reduction goals. However, key to success will be how effectively the government communicates with the ordinary people in the country, engaging in a dialogue to gauge their needs and aspirations. Government needs to align its policies with its people and ensure these policies meet the expectations of the youth who are crucial to achieving our stated goals.

Poverty reduction is a global challenge and developing countries like Indonesia can benefit from the op-

portunity to exchange knowledge, ideas, research and experiences with other developing countries from different parts of the world. The Annual Poverty and Social Protection conference provided an excellent forum for countries to compare and contrast their approaches and their experiences and to develop a rich resource of research literature to guide the way forward.

### 1.1. Identifying the issues

The slow initial progress in reducing poverty in Indonesia prompted policy and decision makers to intensify their efforts to find the best and most effective and efficient practices to achieve their goals. To this end, the Government of Indonesia decided to create a national team dedicated to the task and in 2010, President Yudoyono established the secretariat for the National Team for The Acceleration of Poverty Reduction (TNP2K – *Tim Nasional Percepatan Penanggulangan Kemiskinan*).

One of the strategic approaches to poverty reduction adopted in Indonesia was to research and identify the socio-demographic characteristics of workers in the different economic brackets. The research investigated individual characteristics as well as the characteristics of households, household heads and the region. It sought to analyze the factors that lead to workers ending up in a particular income bracket and to establish which of these factors were most significant.

The overall aim of this research was to provide a clear profile of workers who tend to belong to certain income groups and to pinpoint the factors most common among those in the poorest economic bracket. The specific objectives of the research were to (1) Identify the most sensitive indicators to use in monitoring the poverty reduction program; (2) Suggest relevant and strategic programs to alleviate poverty; and (3) Incorporate new, efficient

and effective strategies into the current poverty alleviation programs using the worker profiles and the significant factors established as the key causes of poverty.

## 1.2. Data Sources

The main source of data used for this research was secondary data compiled by Statistics Indonesia (BPS – *Badan Pusat Statistik*). The specific documents used in this analysis were the 2011 National Social and Economic Survey (*Susenas – Survei Sosial dan Ekonomi Nasional*) and the Integrated Social Protection Survey (BPS 2011) produced by the National Team for the Acceleration of Poverty Reduction which has its secretariat in the Vice President's office.

The two software packages we used to cross tabulate and process the data were the Statistical Package for Social Scientists (SPSS) and Redatam+ SP. This software was indispensable as we were processing data concerning 96 million people and 25.5 million households. All this data was contained in the integrated database compiled in the *Rapid Appraisal of the 2011 Data Collection for Social Protection Programs* (PPLS 2011) conducted by Statistics Indonesia, the National Team for the Acceleration of Poverty Reduction and the World Bank (Poverty Reduction Support Facility 2011). We analyzed the data for Indonesia but excluding Papua and West Papua province because the information on social and economic indicators for poverty was not complete for these regions.

The research methodology used descriptive analysis to present an overview of the findings and the generalized information based on these findings from the secondary data. The households' classification into deciles was carried out using a proxy means test. This analysis is presented in the form of cross tabulations between the dependent variables

and the independent variables.

## 1.3. Research framework

This study focused on workers in the poorest 40 percent of the population in Indonesia. Their levels of consumption were examined against the following characteristics: gender, employment status, type of employment, hours of work, level of education and assets. These indicators were then further categorized into deciles of poverty based on gender, age group, activity a week ago, job status, field of work, main job, hours of work, level of education, assets owned, business loans and assistance program evaluation. In the next stage, patterns were established for each of the indicators to suggest the direction of policy to be taken to enhance the poverty reduction programs, based on socio-economic characteristics.

## 2. Literature Review

### 2.1. Indonesia Government Policy Strategies to Accelerate Poverty Reduction

Poverty is a national problem that calls for urgent measures and systemic, integrated and comprehensive approaches to meeting the basic needs of our citizens. Our strategy in tackling the situation needs to be a joint endeavor. Comprehensive poverty reduction means involving various stakeholders. Central government, local government, businesses (private sector) and communities all have an equal responsibility and interest in reducing poverty.

The government has implemented various programs in its efforts to reduce poverty. These programs are designed to meet the basic needs of Indonesians and to improve the socio-economic

welfare of the poorest members of our communities. Social and economic development needs to be encouraged throughout the country but it should be accelerated in underdeveloped areas to create a more prosperous, democratic and just society.

The programs that have been set up to date in Indonesia can be put into three clusters, outlined below:

#### **Cluster I: Integrated family-based social assistance programs**

These programs provide social assistance and protection to fulfill people's basic rights, improve the quality of life of the poorest in our communities and reduce their life burdens. The focus is on ensuring that everyone has access to food, health care and education.

#### **Cluster II: Community development poverty alleviation programs**

These programs acknowledge that it is not enough to just provide direct assistance to the poor. Poverty is not only due to a lack of material possessions. Poor people are vulnerable and do not have access to the means to improve their quality of life. This approach aims to empower communities to use their own potential and resources to escape poverty.

A group-based community empowerment program is a further stage in the process of reducing poverty. Poor communities begin to realize their own potential and their ability to make a change. The program not only creates awareness of people's potential and their resources but also the potential of the community as a whole. The empowerment approach encourages the poor to participate on a wider scale and to take responsibility for developing their areas.

#### **Cluster III: Micro and small enterprise empowerment poverty alleviation programs**

These programs aim to support and encourage microenterprises and small businesses by providing access to finance, training in business and management skills and counselling for entrepreneurs as well as by strengthening the business environment. The emphasis in these programs is on extending opportunities to the poorest members of our communities so that everyone has the chance of improving their quality of life.

However, the overall impact of the programs could not be maximized without support from the other stakeholders. To support, accelerate and realize comprehensive poverty reduction, four major strategies have been formulated:

1. Improving and developing social protection programs;
2. Increasing access to basic services;
3. Empowering the poor; and
4. Prioritizing inclusive development.

#### **Strategy 1: Improving and developing social protection programs**

The first principle is to improve and develop the system of social protection for the poor and vulnerable. Social protection systems aim to assist individuals and communities facing shocks in life, such as illness, death in the family, job loss, catastrophic or natural disasters, and so on. Effective social protection systems ensure that people who experience these life shocks do not fall into poverty.

One of the reasons we need to implement this strategy in Indonesia is the large number of vulnerable people who are at risk of falling into poverty. Furthermore, Indonesia faces the demographic phenomenon of a growing elderly population which could create a significant economic burden for the

younger generation considering the high dependency ratio.

High levels of vulnerability also mean higher risks of people falling into poverty and greater difficulties in emerging from it. Therefore, to cope with the magnitude of the problem, social assistance programs need to be put in place to prevent vulnerable people from falling into poverty and those who are already poor from becoming poorer.

### **Strategy 2: Increasing access to basic services**

The second principle in poverty reduction is to improve people's access to basic services. Access to education, health care, clean water and sanitation as well as food and nutrition helps reduce the costs incurred by the poor. On the other hand, an increase in access to basic services encourages increased investment in human capital.

One of the most important services for poor communities is education. Increasing access to education needs to be prioritized because in the long run it will provide an effective way for poor people to escape from poverty. In contrast, if the gap between educational institutions and poor communities persists, poverty will continue to be an inheritance from one generation to the next. Children from poor families who do not achieve an adequate level of education are most likely to remain poor throughout their lives.

In addition to education, access to health care is also vital if we are to break the cycle of poverty. People who are healthier status can be more productive and are more likely to be able to earn a living. This means they will also generate higher revenues and the chance to emerge from poverty. Health status is linked to clean water and proper sanitation and optimal health cannot be achieved without access to these basic services. Drinking water from unsafe sources, living in unfit housing and a lack of proper sanitation increases the vulnerability of individuals

and communities to disease. Consequently, access to these basic services is fundamental in the quest to alleviate poverty.

### **Strategy 3: Empowering the poor**

The third principle is to empower poor communities by giving them the means to help themselves. Empowerment is an essential element in poverty alleviation as the effectiveness and sustainability of poverty reduction processes depend on communities taking up the challenge on their own behalves. The poor are not mere objects of development in this quest but active subjects who need to take control and develop the power to lift themselves out of poverty and make the shift irreversible.

Another important aspect of the empowerment strategy is that poverty is caused by injustice and by economic structures that are not pro-poor. This means that any growth and development is unevenly distributed across different groups in our societies. The poor, who are politically, socially and economically powerless, are unable to enjoy the fruits of development. The development process marginalizes them from society, both physically and socially.

Development concepts that aim to reduce poverty through largely top-down mechanisms are not effective or sustainable because they exclude public participation. Poverty reduction initiatives based on these concepts tend to emanate from central government and be controlled and administered centrally. Implementation guidelines and technical instructions are usually uniform and have no regard for the diverse situations and characteristics of the poor in each region. As a result, a given program often has no correlation with the priorities and needs of the local poor. Taking these potential pitfalls into consideration, any poverty reduction initiatives need to be accompanied by effective strategies to empower poor communities.

#### Strategy 4: Prioritizing inclusive development

The fourth principle prioritizes inclusive development. This is defined as development that engages and benefits the entire community. Participation is the key word in any development. Research shows that poverty can only be reduced in an economy that is growing dynamically. In contrast, stagnant economic growth almost certainly leads to an increase in poverty. Growth should be able to generate productive jobs in large numbers. Furthermore, this has a multiplier effect on the expected increases in income for the majority the population and in their standard of living, with positive effects on poverty reduction.

These positive conditions can only be achieved if there is a conducive business environment. Macroeconomic stability is an important prerequisite in developing businesses. Clarity and lack of ambiguity in the various policies and regulations are essential too. Likewise, the various administrative and bureaucratic processes such as permits, taxation and ownership protection need to be easily accomplished. Furthermore, small and medium sized enterprises should be encouraged to create added value, including through export markets. Quality growth also requires giving a higher priority to the rural and agricultural sectors where there are generally more poor people. Thus, developing the rural economy and the agricultural sector has the potential to achieve economic growth and to significantly reduce poverty.

Inclusive development is also important in understanding the regional context. Every region in Indonesia could serve as a growth center offering different resources and commodities. The economies of the regions would then form the characteristics of the national economy. Local economic development is thus important in strengthening the domestic economy.

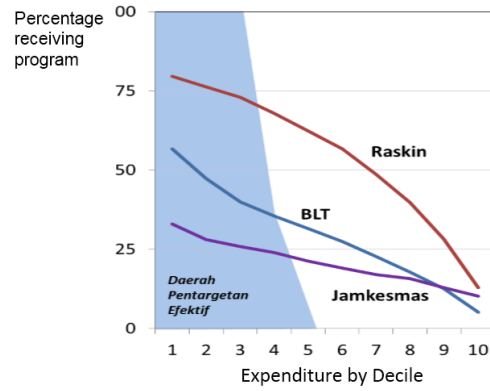
#### 2.2. The weaknesses and strengths of each strategy

The programs implemented so far have their advantages and disadvantages. This was evident in evaluations of the beneficiaries of poverty reduction and social protection and assistance programs, aimed at extreme poverty. This is not only due to the material conditions of very poor and vulnerable people but also because they have not been able to pursue and fulfill their basic rights and establish their independence.

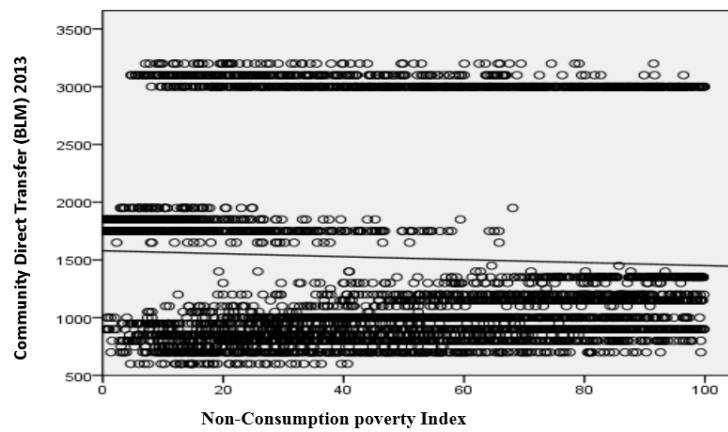
Based on the evaluation by the National Team for the Acceleration of Poverty Reduction, only about 30 percent of poor people receive support from the social protection programs. These programs include the *Program Subsidi Beras Bagi Masyarakat Berpendapatan Rendah* (Raskin – subsidized rice for poor households), *Bantuan Langsung Tunai* (BLT – unconditional cash transfers) and *Jaminan Kesehatan Masyarakat* (public health insurance).

These programs are community based and aim to empower the poor who are the beneficiaries. While there are some limitations to the programs, poor communities have nevertheless been able to derive some benefit from them.

The rural community block grants (BLM – *Bantuan Langsung Masyarakat*) distributed as part of the National Program for Community Empowerment (PNPM – *Program Nasional Pemberdayaan Masyarakat*) were evaluated in 2013. The report found that, overall, infrastructure and facilities constructed by the communities with these grants were in good condition and still up and running. On general some region in provinces of eastern Indonesia, based on the Non-Consumption Poverty Index and Infrastructure Index tend to receive the same treatment as the locations of the conditions are still unfavorable. Likewise, the distribution of urban community block grants under the same program (BLM



**Figure 1: The Effectiveness of Social Protection Program Targeting**  
 Source: Derived from calculation on National Social and Economic Survey (Susenas) (2009)



**Figure 2: Community Direct Transfer (BLM) 2013 Versus Non-Consumption Poverty Index PNPM at Rural**  
 Source: produced by calculation on the Integrated Social Protection Survey micro data (BLM PNPM Mandiri 2013)



PNPM Mandiri 2013) were also in good condition.

Communities in provinces that have good access to transport still have a high tendency to use the block grant funds to construct or rehabilitate transport infrastructure (Workshop: PNPM Better Targeting: Application of Composite Index for Sharpening Location and Allocation BLM PNPM Mandiri, Jakarta, May 22, 2013).

The beneficiaries of group-based programs to empower micro and small businesses are almost always poor communities whose operations are on a small scale. This program is also open to poor people who do not have a business or are not yet engaged in economic activity but according to the economic and social survey (BPS 2011), only 0.97 percent of Indonesia's population are benefiting from the public credit program (KUR – *Kredit Usaha Rakyat*). Out of those who receive credit through this program only 26 percent are households within the lowest levels of spending (the poorest 40 percent).

This indicates that we are not effectively reaching our target beneficiaries, poor households, as the number of such households participating is still far below expectations. This may be due to the way the public credit program is administered. For example, there are no program targets related to levels of spending for neighborhood associations (RT – *Rukun Tetangga*) which means that people falling into deciles 1–4 (the poorest 40 percent) are not being specifically targeted in implementing the program.

### 2.3. The Demographics of Work, Income and Poverty

Unemployment and underemployment are at the core of poverty. For the poor, labor is often the only asset that they have and they can use to improve

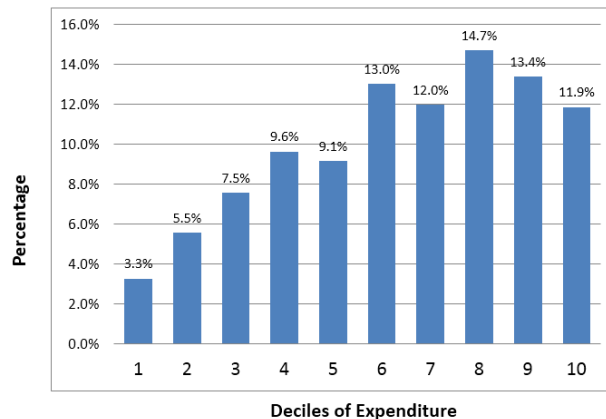
their welfare. Hence the creation of productive employment is crucial to achieving poverty reduction and making economic and social development sustainable. To empower the poor, it is essential for people, especially women and young people, to have access to decent jobs that are safe and pay a livable wage.

Rapid economic growth can potentially result in a surge of productive and profitable employment and lead to a decrease in poverty. However, the contribution of the process of growth on poverty reduction also depends on whether poor communities are able to respond to the increasing demand for labor which may be in a more productive work category.

Given the importance of employment for poverty reduction, job creation should occupy a central place in the national poverty reduction strategy. Many employment strategies are strongly associated with agricultural and rural development, including the use of labor-intensive technologies, the development of small and medium enterprises, and the promotion of micro-projects in rural areas. Many strategies promote self-employment, encouraging non-farm employment in rural areas and targeting intervention work, micro-finance and credit as a means of creating jobs, providing training and developing skills.

However, strategies often focus on the number of jobs created, ignoring the qualitative dimensions of equality, security, dignity and freedom. In general, national poverty reduction strategies and the programs put in place for this, do not comment on employment contracts, social protection mechanisms or rights in the workplace. Neither do they offer an in-depth analysis of the impact of poverty reduction policies.

A social perspective on development emphasizes that the best route to socio-economic development, poverty eradication and personal well-being is through decent work. Productive employment



**Figure 3: Targeting Performance of Kredit Usaha Rakyat (Public Credit)**

Source: Calculated and derived from National Social and Economic Survey (Susenas)

opportunities will contribute substantially to achieving the agreed development goals, in particular in achieving the Millennium Development Goal of halving poverty by 2015.

There should be a focus on creating better and more productive jobs, especially in spheres that can absorb high concentrations of workers. Among the elements needed to create jobs is an investment in labor-intensive industries, especially agriculture, to encourage a shift in the structure of employment to higher productivity jobs and sectors, and to improve the quality of employment in the informal sector. At the same time, there should also be a focus on training so that people have the necessary skills and assets to be able to take full advantage of any expansion in employment opportunities.

According to Kartasamita (1997) poverty can be caused by at least four of the following:

- *Firstly*, low levels of education that limit people's ability to progress and narrow the potential fields they can enter, as well as making it more difficult to find and exploit opportunities;
- *Secondly*, low levels of health and nutrition that result in low physical endurance, reduced brain power and less initiative;
- *Thirdly*, limited employment opportunities that

remove any hope of breaking the cycle of poverty; and

- *Fourthly*, geographic isolation that means that many poor people are difficult or impossible to reach and so are unable to benefit from education or health services or take advantage of the economic opportunities enjoyed by people in less remote areas.

Kartasamita (2006) suggested the following issues, among others, in profiling the poor that would influence the ways out of poverty:

- The poor are often assumed to be a homogeneous group, whereas they are heterogeneous;
- The poor may live in urban or rural areas, work in the agricultural sector or the modern economy and also differ according to age, gender and literacy levels;
- The poor also differ in terms of their opportunity to escape from poverty as some people, referred to as chronically poor, are likely to remain poor in the long term while others, the transient poor, may liberate themselves from poverty, given the opportunity.

In addition, the Institute recognizes that "those who experience transient poverty are very sensitive to changes, either due to changes in general eco-

conomic conditions or changes due to government policy." In contrast to transient poverty, chronic poverty is not sensitive to change but the impact is also different for people in different situations. The causes of poverty differ between regions, households and individuals. Sometimes in spite of progress in development, this is still not enough to lift some people out of poverty. This was reiterated by Rachbini et al. (1995) who agree that opening up the rural economy and creating a market economy will not necessarily benefit the entire rural population. Only those who have access to capital, credit, information and power can benefit from development programs.

### 3. Method

Economic growth and price level changes affect the number of people living below the poverty line. Over the period 2004–2013, there was a downward trend in the number of poor and the rate of poverty in Indonesia. There were 28.55 million people living below the poverty line in September 2013 which means the poverty rate was at 11.47 percent. Over the period 2006–2009, the poverty rate fell by more than a percentage point each year. However, in the period 2010–2013 the rate of poverty reduction began to slow down. When the number of poor and the rate of poverty were announced in September 2013, it was evident that this slowdown was alarming. While the period between March 2012 and March 2013 saw a decrease of 1.06 million in the number of poor people, the period between September 2012 and September 2013 showed a decrease of just 50 thousand. This is equally true of the poverty rate. Between March 2012 and March 2013, the rate of poverty declined by 0.58 percentage points. However, if we look at the period between September 2012 and September 2013, poverty declined by only 0.19 percentage points.

The indicators of the depth of poverty (P1) and the

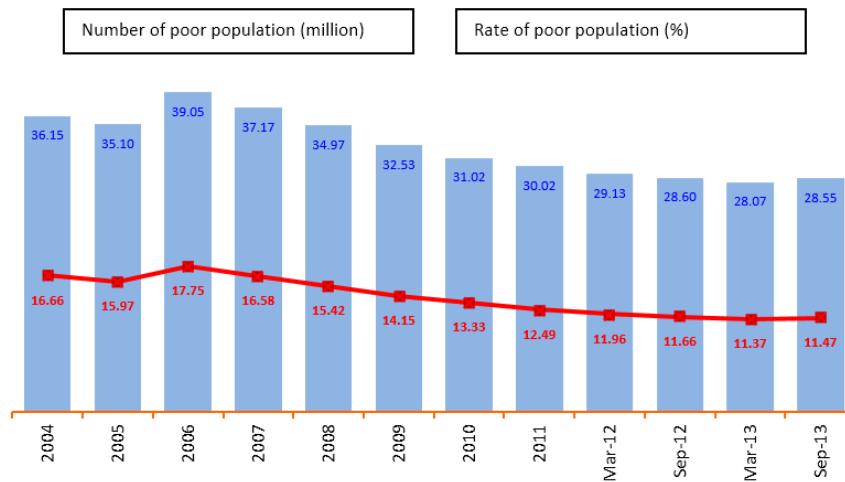
severity of poverty (P2) also show a downward trend over the period 2006–2013. A downward trend in the depth of poverty indicator shows that the average expenditure of poor households is getting closer to the poverty line. Meanwhile, a downward trend in the severity of poverty indicator means that the expenditure gap between the poor is getting smaller. The slowdown in the decline of poverty is also seen clearly from both of these indicators. This slowing in the downward trend of the poverty indicators affected the poverty alleviation achievements by 8–10 percent in 2014. Consequently, we need to strengthen the efforts that have been made so far and consider other strategies to reduce the poverty rate.

Against this background, progressive central government is called for, working through ministries, agencies and local government to optimize and synergies the various poverty reduction programs that have been set up. One action that can be taken is to implement an integrated monitoring system for a variety of programs, laying out measurable targets and achievement goals in relation to time, quantity and focus in implementing these programs (TNP2K 2014).

## 4. Result and Analysis

### 4.1. Employment and social security

A project to collect and document the information on the poorest 40 percent of the population and thereby create an integrated database was carried out in 2011 (TNP2K 2011). This was a national event and the details of households and families by name and address were to be used in planning the social assistance and protection programs for 2012–2014. This was the fourth and largest census to be carried out by Statistic Indonesia (BPS). The previous censuses were: The Socioeconomic



**Figure 4: Poverty in Indonesia by Absolute Number and Rate, 2004–2013**

Source: BPS – Statistics Indonesia, various source

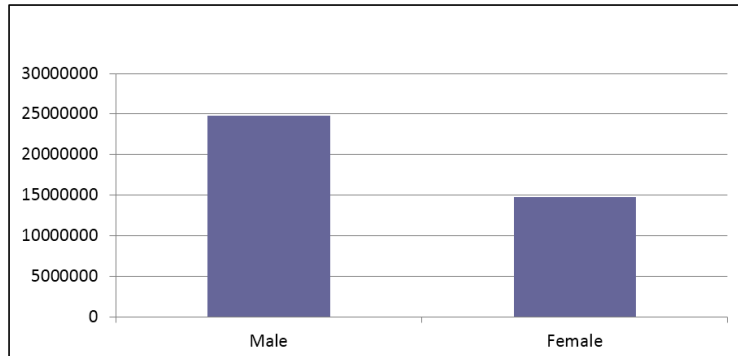
Data Collection 2005 (PSE05), the Survey of Primary Health Care and Education 2007 (SPDKP07) and the Social Protection Program Data Collection 2008 (PPLS08). The 2011 census covered 40 percent of all households, providing a comprehensive database for all the assistance and social protection programs, including the subsidized rice program (Raskin), the public health insurance program (JAMKESMAS), the conditional cash transfer program (PKH) and so on.

According to the 2011 data, within the 40 percent of the population with the lowest expenditure, 57 percent of the men were in employment, while only 34.1 percent of women were in employment. This is in line with *Susenas* 2011, which shows that most women in the poorest 40 percent of the population take care of the household and are not in formal employment. Taking a provincial perspective, about 45 percent of the total population is employed in almost all provinces. Looking at the four poorer deciles of the population over the 36 provinces, Bali (Province 51) has the most people in employment, with 60.2 percent, while Banten has the fewest with 35.12 percent. These figures indicate the high degree of dependence for the poor and vulnerable as for ev-

ery 100 people who fall into the poorest four deciles, only 45 people are in employment.

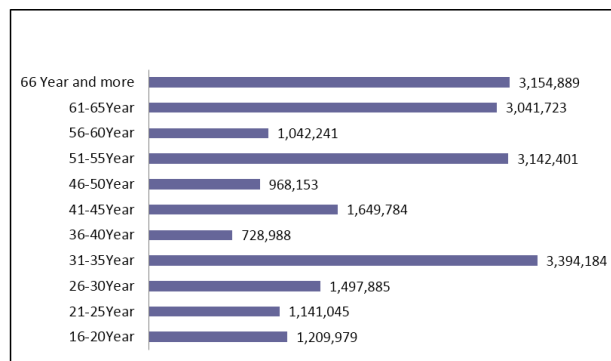
Number of hours worked is one of the main indicators used in assessing how active or productive workers are and hours pp1s refers to the total hours they worked during the previous week. This indicator revealed that as many as 58.6 percent of the poor and vulnerable population work under 35 hours per week, suggesting that people in the poorer deciles tend to work part time. The proportion of four hours of part-time work was highest in the Bangka Belitung Islands (province 19), where it was 71.26 percent and lowest in Jambi (province 15) where it was 41.78 percent.

Among the poor and vulnerable (40 percent population with lowest expenditure), approximately 72 percent were in the productive age group of 16–65 years. However, of the total population of productive age, only about 45.87 percent were working. Of those working, people falling into the 30–36 years age bracket represented the largest group while those in the 51–55 years age bracket were the third largest group. This group came after those falling into the 66 years and above category that made up the second largest group. This shows that poor



**Figure 5: Worker Population by Gender**

Source: PPLS 11 (Data Collection for Social Protection Programs)



**Figure 6: Population who Worked during Previous Weeks by Age Group**

Source: PPLS 11 (Data Collection for Social Protection Programs)

people have to work into their old age in Indonesia because there is no guarantee of pensions for people in the poorer deciles.

## 4.2. Education and Employment

The education level of workers reflects the quality of workers, while the enrolment rate reflects what percentage of the population of school-going age are in school. [Generally, workers from the poorest deciles (lowest 40 percent), the largest in the state is no longer attending school 86.37%. This shows the poor and vulnerable workers of school while only about 4% of it, while the school has never been about 10% of the total workers.]

It was interesting to analyze the information about education and employment and ascertain the educational levels of people from the poorest deciles who are in employment. Based on the analysis, around 10 percent of the working population have never attended school, 5 percent have been to primary school, 38 percent attended junior high school and 47 percent completed senior high school. This indicates that within the poorest deciles, most of those in employment (85 percent) have been educated up to secondary level so the quality of employment is relatively low.

Out of the 85 percent of the population who had completed junior and senior high school education, only 28 percent were awarded a middle or high school diploma. This shows that schoolchildren in the poorest deciles tend to drop out of school at the junior high or senior high level. Policies such as increasing education programs outside school and training workers in vocational skills in dedicated training centers are important because many people in the poorest sectors of society do not have a good basic education. Only about 71 percent of workers have a school diploma but no tertiary education or training and some of these workers have

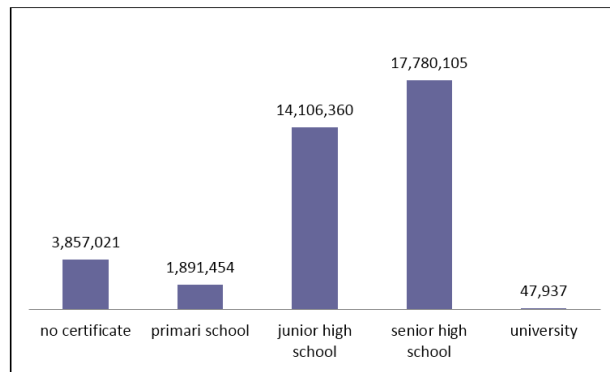
not attained the nine years of basic education. For people with no school diploma, more specific policies are needed to create opportunities for training and employment.

## 4.3. Asset ownership

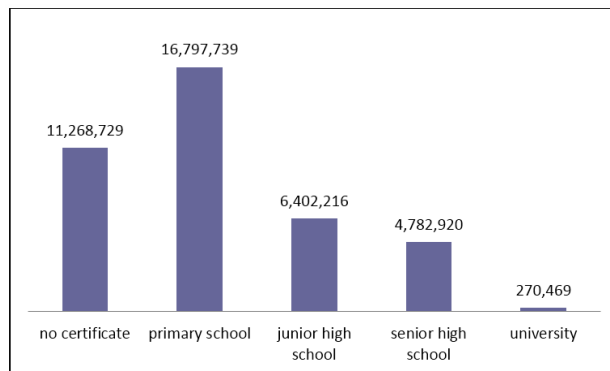
Another way of examining the quality of life for people in the poorest sectors is to analyze what assets they have. For example, around 57 percent of people in the poorest 40 percent of the population own a mobile phone. This is a relatively high percentage and reflects the technological development that has taken place as well as the fact that phone credit is inexpensive. However, on examining other key assets, the picture is less encouraging as only 16 percent own a refrigerator, 28 percent own a bicycle and no-one owned a car. Figure 9 shows the ownership of assets by province in Indonesia.

### 4.3.1. Asset Ownership by Business Sector

Asset ownership has also been reviewed based on whether workers are in the different business sectors or in the agricultural sector. Out of the workers in the business sector, 78 percent have mobile phones but this drops to 50 percent for workers in the agricultural sector (Figure 10.1). However, cell phones are considered essential for almost everyone and there is no difference in ownership levels within the different business sectors. The percentage of workers who own a refrigerator is greater in the financial sector than in the industrial sector (Figure 10.2). However, industrial workers make up the highest ownership for bicycles with the lowest ownership among transport workers (Figure 10.3). Owning a car, however is virtually unheard of with just a few transport workers (around 1 percent) who have cars.



**Figure 7: Population who Worked during Previous Weeks, by Education Levels**  
 Source: PPLS 11 (Data Collection for Social Protection Programs)



**Figure 8: Population who Worked during Previous weeks by Highest Certificate attained**  
 Source: PPLS 11 (Data Collection for Social Protection Programs)



Figure 9: Ownership of Assets by Province  
Source: PPLS 11 (Data Collection for Social Protection Programs)

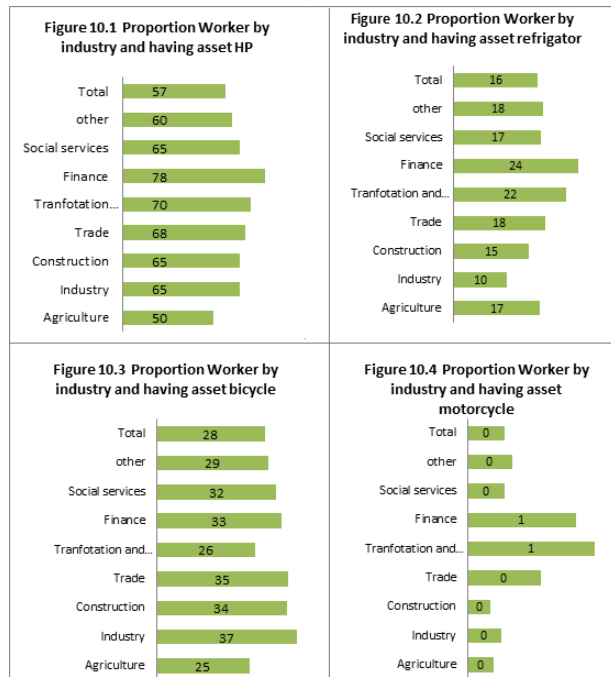


Figure 10: Proportion of Workers with Various Assets, by Sector  
Source: PPLS 11 (Data Collection for Social Protection Programs)



#### 4.3.2. Asset Ownership by Main Employment Status

There is not a great deal of variation in asset ownership with regard to the type of employment of people in the poorest 40 percent of the population. For example, laborers make up the greatest part of the 66.09 percent who own mobile phones, 7.20 percent of having asset refrigerator, and 34.07 having asset bicycle.

While the employer assisted by permanent workers/paid workers make up the greatest part of the 49 percent who having asset motorcycle. This can be implied to support the mobility of business matters.

Among the social assistance and protection programs been implemented couple years by TNP2K and coordinated with ministries and institutions have significant participation, particularly on the Raskin program (Subsidized Rice for Poor Households), Jamkesmas (National Health Insurance) and KB (Family planning program). It shows by high percentage on each program been stated above. In addition to that, it seems distributed evenly the access programs among household within provinces in Indonesia and achieving household welfare (Family program of hope).

#### 4.4. Participation in Social Assistance and Protection Programs

Targeting for some social security programs has been better than in others according to the evaluation in the 2011 survey. However, it is not only how precisely households are targeted that matters but also whether they receive the correct benefits (for example, the 15 kg of rice per household in the Raskin program) and in good time.

The health insurance program reaches nearly 40 percent of the population in the poorest four quin-

tiles and the family planning program reaches around 30 percent. However, these figures are based on the results of the population census carried out in 2010 (BPS Indonesia 2010) which put Indonesia's population at 237 million.

#### 4.5. Demographic-Economics of the Poor in the Deciles' Working

The poor and vulnerable are more prone to unemployment with the people in the first decile experiencing the highest unemployment rate of 54 percent. Figures 12, 13, and 14 look at workers in the different deciles and how they are distributed by gender, working status and age.

The working population tends to be made up of more men than women. The ratio of male workers to women workers in the first decile, for example, is 1.78 so for each woman working, there are 1.78 men working as well. The difference is less pronounced as household expenditure increases so in the fourth decile the ratio of workers by gender is 1.58. This indicates that the productivity of male workers is not higher than the productivity of women workers.

Workers in the first decile dominate in all age groups and especially in the over 60 years category so the poorer the workers are the more likely that they will work into old age. The employment status by decile data indicate that in almost all four deciles, free workers and family workers make up the largest share. The proportion of workers employed in the formal sector (workers assisted by permanent workers/paid laborers/employees) increases in line with their better welfare. Similarly, with free workers and family workers, the proportion decreases with increasing levels of household welfare.

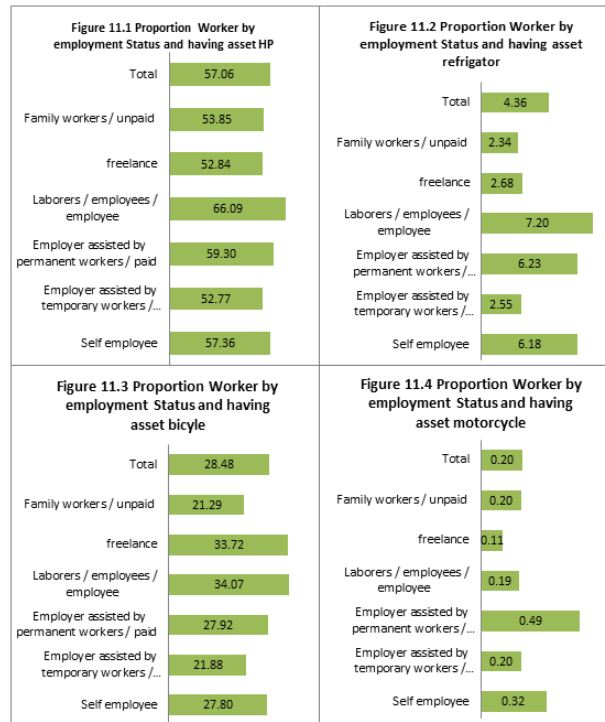


Figure 11: Ownership of Various Assets in relation to Type of Employment

Source: PPLS 11 (Data Collection for Social Protection Programs)

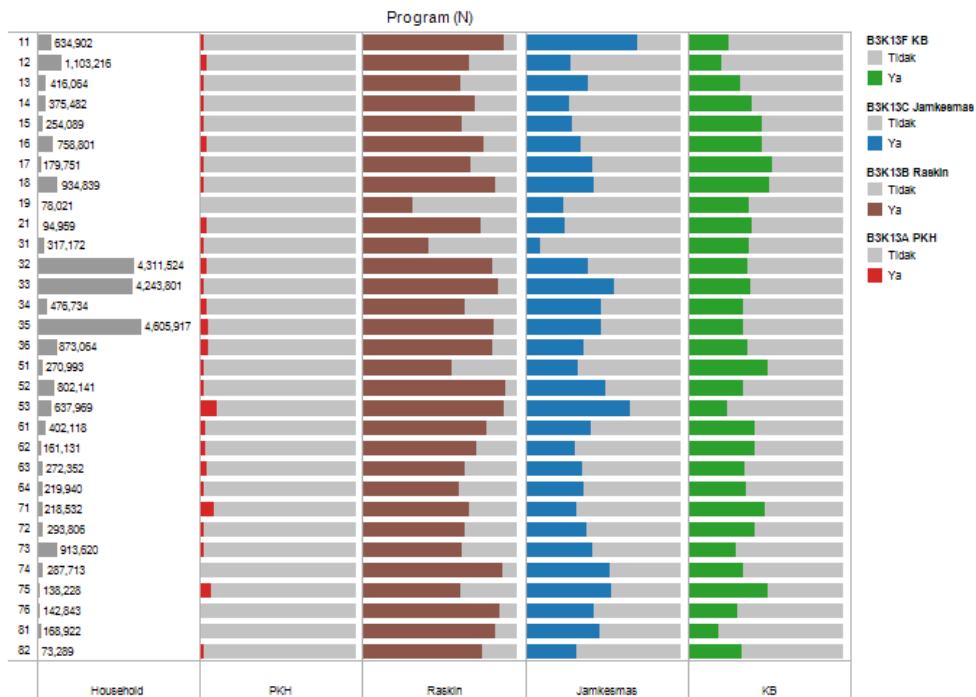
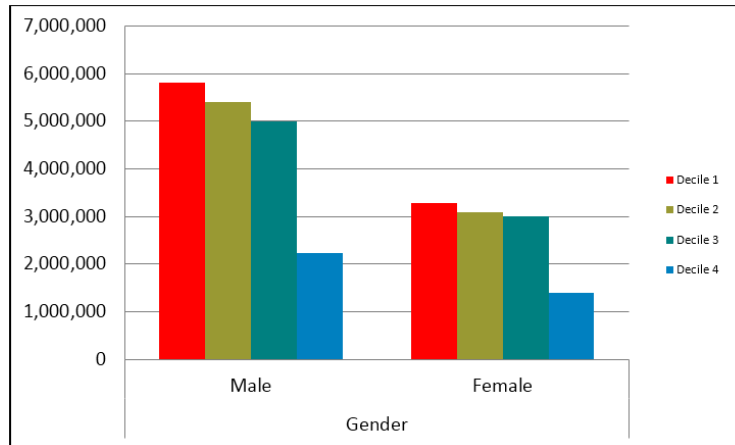


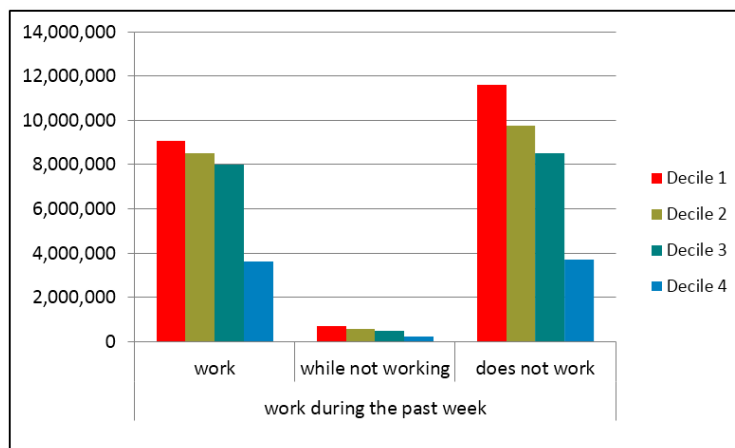
Figure 12: Participation in the Social Assistance and Protection Programs

Source: PPLS 11 (Data Collection for Social Protection Programs)



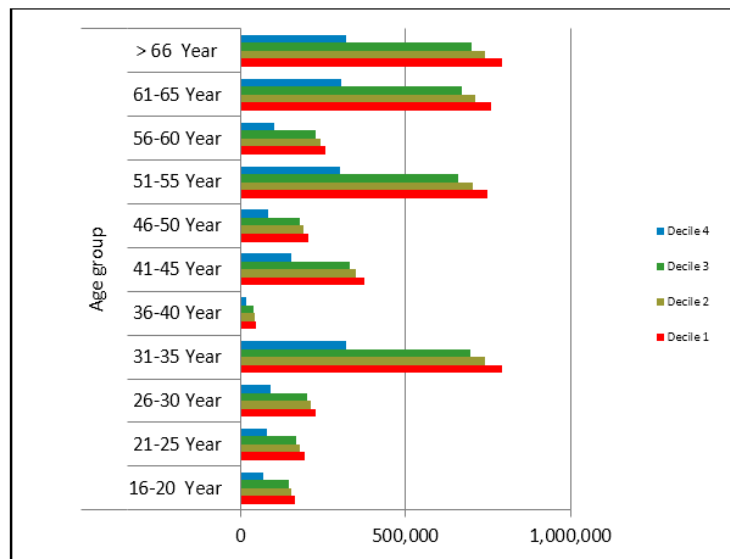
**Figure 13: Workers by Expenditure Deciles and Gender**

Source: PPLS 11 (Data Collection for Social Protection Programs)



**Figure 14: Workers by Expenditure Deciles and Working Status**

Source: PPLS 11 (Data Collection for Social Protection Programs)



**Figure 15: Workers by Expenditure Deciles and Age Group**

Source: PPLS 11 (Data Collection for Social Protection Programs)

#### 4.6. Employment trends by different variables

As mentioned, the number of men who work in the formal and informal sectors tends to exceed the number of women. This situation correlates with the labor force trend of greater participation of men than women.

The main employment for the poor and vulnerable is in the agricultural sector. In general, in the poorest 40 percent of the population, more than 50 percent work in the agricultural sector and in the first decile this increases to 57 percent (Figure 17).

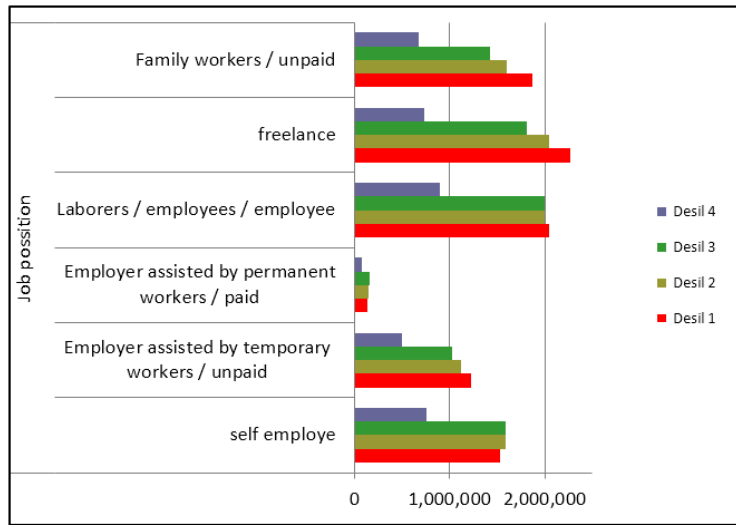
Another observation is that people in the poorest deciles work formally for less than 35 hours per week and so their jobs cannot be considered as full-time work. The question remains as to whether they find themselves in the lowest decile because they don't work full time or, conversely whether they cannot find full-time work because they are in the lowest economic bracket.

Furthermore, the data show that among poorer communities, a growing number of people have

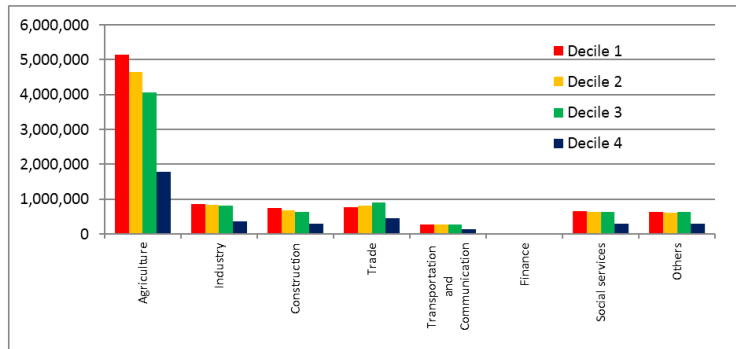
never been to school and, more significantly, a large number have dropped out of school.

Education has an impact on the quality of work available and on the welfare of workers so the higher the qualification workers have, the better for their welfare. Most people who fall into the first decile and are working do not have a high level of education. While some have attained junior or senior high school diplomas, most of the workers have either a primary school certificate (47 percent) or no certificate at all (31 percent).

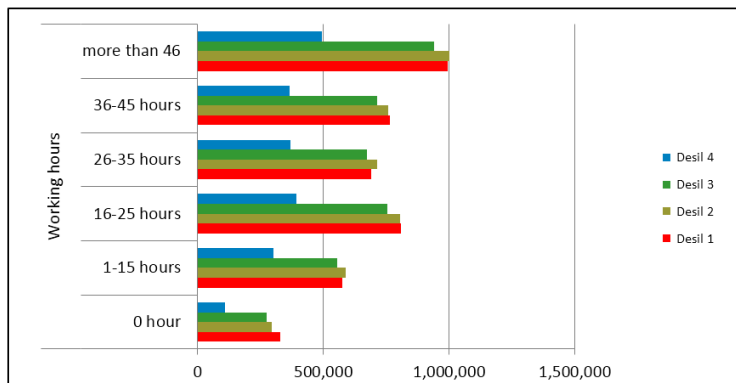
In 2011, 11.8 percent of the neighborhood associations had received business credit. However, 68 percent of individual loan recipients did not fall into the poorest four deciles. Out of the households that received business loans, 8.48 percent got the loans through public credit (KUR – *Kredit Usaha Rakyat*). Overall, the three largest sources of business credit are a bank (excluding KUR) (22.40 percent), the National Program for Community Empowerment (PNPM – *Nasional Pemberdayaan Masyarakat*) (22.85 percent) and individual loans (17.45 percent).



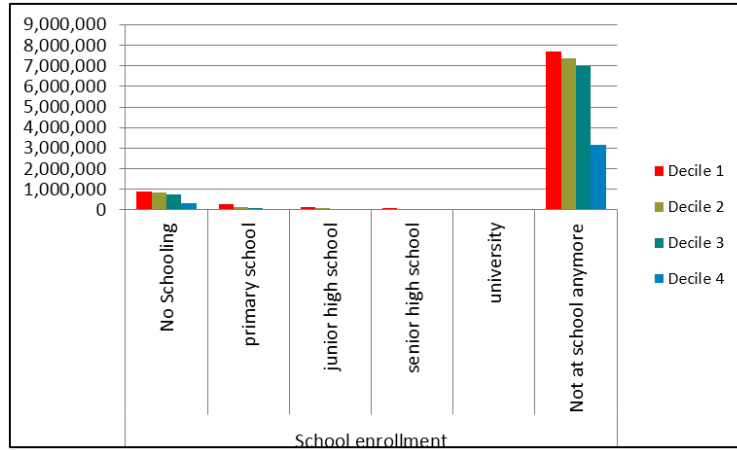
**Figure 16: Workers by Expenditure Deciles and Business Type**  
Source: PPLS 11 (Data Collection for Social Protection Programs)



**Figure 17: Workers by Expenditure Deciles and Sector**  
Source: PPLS 11 (Data Collection for Social Protection Programs)

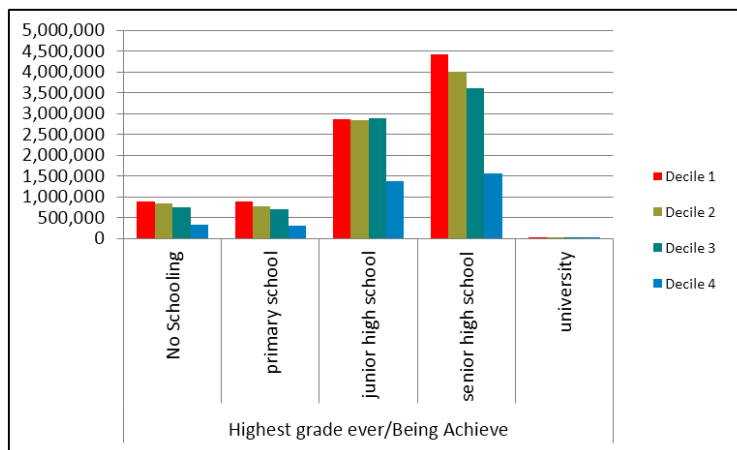


**Figure 18: Workers by Expenditure Deciles and Working Hours**  
Source: PPLS 11 (Data Collection for Social Protection Programs)



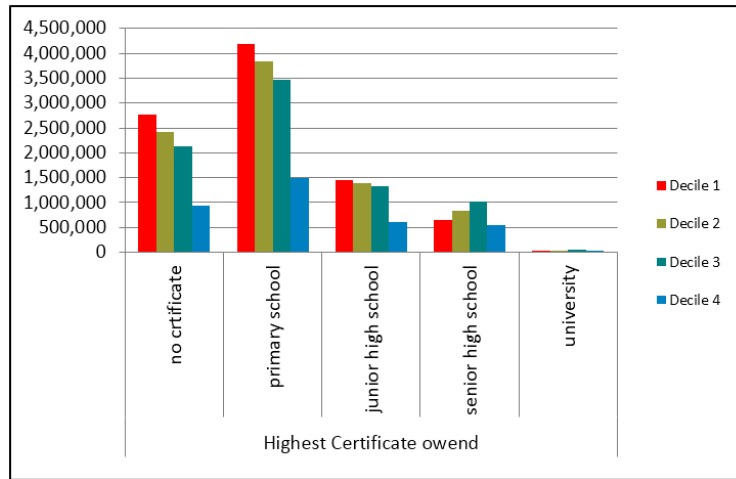
**Figure 19: Workers by Expenditure Deciles and School Enrolment**

Source: PPLS 11 (Data Collection for Social Protection Programs)

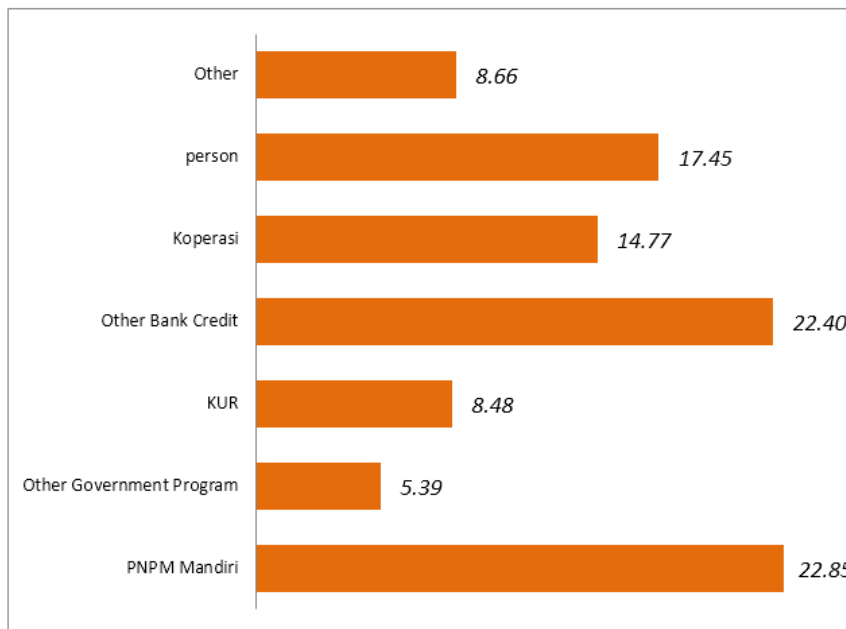


**Figure 20: Workers by Expenditure Deciles and Highest Education Level Achieved**

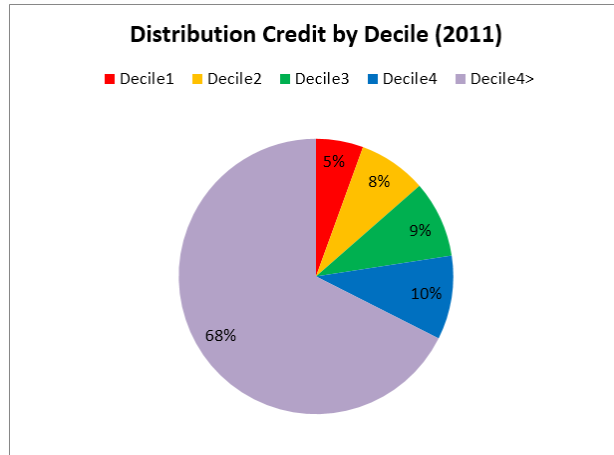
Source: PPLS 11 (Data Collection for Social Protection Programs)



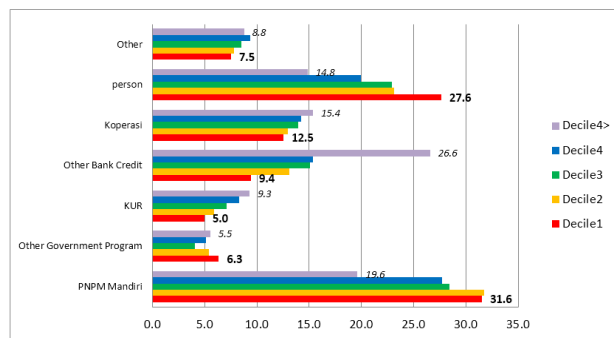
**Figure 21: Workers by Expenditure Deciles and Highest Certificate Awarded**  
 Source: PLS 11 (Data Collection for Social Protection Programs)



**Figure 22: Source of Business Credit to Households**  
 Source: Calculated and derived from Susenas 2011



**Figure 23: Distribution of Credit by Decile**  
Source: Susenas 2011, BPS



**Figure 24: Source of Business Credit to Households by Deciles**  
Source: Susenas 2011, BPS

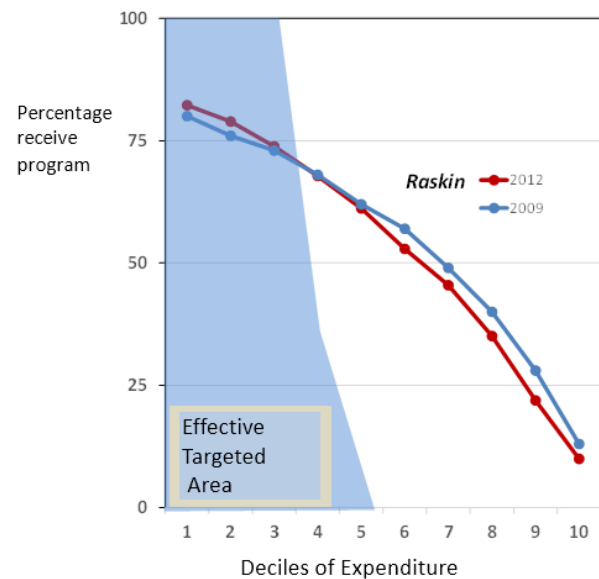


Looking at the sources of business credit by deciles of household expenditure, 31.6 percent of households that received credit in the first decile got it through the National Program for Community Empowerment and the state-owned bank, Mandiri, and 27.6 percent obtained individual loans. Out of the neighborhood association businesses that received credit in the first decile, only 5 percent obtained it from public credit. In general, the three largest sources of business credit for the poor are the National Program for Community Empowerment, individual loans and business loans through the cooperative program. Figure 23 shows that households in the first decile still have minimal access to credit, especially through banks.

#### 4.7. Monitoring and Evaluating How Effectively Social Protection Programs are Targeted

The Raskin program is a continuation of the special market operation (*operasi pasar khusus*) which was set up to distribute subsidized rice in July 1998 as part of Indonesia's social safety net. In 2002, the government changed the name of the program to *Raskin Program Subsidi Beras bagi Masyarakat Berpendapatan Rendah* – rice for poor households) to better reflect the nature of the program. It had become part of a social protection program for poor households and was no longer an emergency relief program in response to a crisis. Initially the amount of rice per month for each household was set at 10 kg but this varied over the next couple of years, ranging from 10 kg to 20 kg. It reverted to 10 kg in 2007 but has been set at 15 kg since 2008. The frequency of distribution has also varied, beginning at 12 times a year, it was reduced to 10 times a year in 2006 but reverted to 12 times a year in 2007. It had moved up to 15 times a year by 2013.

While the three poorest deciles were the intended



**Figure 25: Percentage Receiving Assistance from the Raskin Program**

Source: Susenas 2009 and 2012

beneficiaries of the subsidized rice, almost 25 percent of it goes to households in the fourth and higher deciles. This raises the question as to why the poor, the official target of the program, are not benefiting more from the subsidized rice scheme. In an attempt to reduce conflict, access to the subsidized rice has been extended to households across all the deciles. [Payment Raskin ago, so the new allocation must repurchase/or got bailed out by the money] The Raskin allocation is not sufficient but as a national quota program established by the government and parliament, it should at least be able to reach its target beneficiaries.

## 5. Conclusion

The great proportion of the poor and vulnerable, those in the poorest four deciles, do not have formal employment. The data shows that the lower the deciles, the higher the proportion of the population out of work. This indicates that the labor market is

still lacking for the poorest members of our society. The main focus, therefore needs to be on expanding the labor market and increasing productivity to benefit poor and vulnerable workers in Indonesia. This will need to be done in accordance with the characteristics of the potential workers within this poorest 40 percent. Most workers in this situation have only a primary school certificate or no certificate at all and cannot meet the demand for labor requiring further education and skills.

A high proportion (58 percent) of the working age population in the poor and vulnerable category work for less than 35 hours a week, reducing their productivity and making them more vulnerable. In addition, women have a limited role in the labor market and lack access to employment opportunities thus exacerbating their situation of poverty.

## Acknowledgement

Poor and vulnerable workers mostly work in the informal sector and have part-time jobs, in addition they are categorized as laborers. This situation indicates low wages and reflects the workers' limitations due to having only a primary school certificate or no school certificate at all. Generally, jobs available on the labor market demand a basic education up to high school level. This situation is also reflected in the large proportion of poor and vulnerable workers in Indonesia employed by the agricultural sector. So, any policy to increase productivity in the agricultural sector or to transform it needs to be done with the aim of improving the wages of agricultural worker by improving agricultural technology, increasing value-added agricultural activity (agribusiness) and expanding agricultural product markets. Any plans to encourage agricultural workers to move into other sectors will need to be accompanied by specialized training, for example, in sewing or embroidery skills in the services sector.

The creation of new jobs needs to be targeted at the population with the lowest education levels and an agricultural background.

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