POVERTY AND THE LABOUR MARKET IN INDONESIA: EMPLOYMENT TRENDS ACROSS THE WEALTH DISTRIBUTION

JAN PRIEBE, FIONA HOWELL, AND VIRGI AGITA SARI

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Abbreviations

BPS	*Badan Pusat Statistik* (Statistics Indonesia)
HH	household
ILO	International Labour Organization
LFPR	Labour Force Participation Rate
n/a	not applicable
OECD	Organisation for Economic Cooperation and Development
Sakernas	*Survei Angkatan Kerja Nasional* (National Labour Force Survey)
Susenas	*Survei Sosial dan Ekonomi Nasional* (National Social and Economic Survey)
TNP2K	*Tim Nasional Percepatan Penanggulangan Kemiskinan* (National Team for the Acceleration of Poverty Reduction)

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Introduction

After the financial and economic crisis of 1997/1998, Indonesia entered a period of high economic growth with gross domestic product per capita growth rates (in constant prices) averaging 5.4% between 2000 and 2012. These high economic growth rates were accompanied by strong reductions in poverty rates from 19.14% in 2000 to 11.66% in 2012.

However, despite these positive developments, poverty levels in Indonesia remain high and many millions of individuals and households live just above the widely used near-poor poverty line (1.2 times the poverty line)[1] and are vulnerable to shocks. As recent reports by the World Bank (2013) and TNP2K (Priebe and Howell 2014) show, about 25% of households were poor at least once during 2008–10. Likewise, in 2012 about 25.5% of Indonesians were living below the near-poor poverty line, further illustrating that more than 60 million Indonesians are still considered poor or vulnerable to poverty.

Employment and jobs are instrumental to achieving economic and social development. Beyond their importance for individual well-being, they lie at the heart of many broader social objectives, such as poverty reduction, social cohesion, conflict resolution, and productivity growth. The creation of sustainable employment opportunities has been a focus for governments around the world (World Bank 2013; OECD 2013), not only on job creation but also on creating productive employment that provides decent wages and income so that workers and their families are not prone to poverty. In fact, the main problem for the poor in many developing countries, including Indonesia, is not that they do not have enough hours to work but rather that their jobs are not earning/paying sufficient income for them to make a living. Recognising and acknowledging this issue, many countries in the region, including Indonesia, have committed themselves to national and international strategies to achieve full, productive, and decent employment for all their people. For example, Indonesia has its National Long-Term Development Plan (*Rencana Pembangunan Jangka Panjang Nasional*) 2005–25 and National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menegah Nasional*) 2010–14. International examples include the G20 Labour and Employment Ministers' Declaration of July 2013 and the International Labour Organization's (ILO's) Asian-Pacific Decent Work Decade 2006–15.

In this context, it is important to acknowledge several features of labour markets in developing countries, including Indonesia. First, due to increasing population growth, more people are entering than exiting the labour market. Economists and demographers often refer to terms such as a 'demographic dividend' in which the share of people that need to support the nonworking population (young children and the elderly) is supplied by a large number of people of working age; however, the existence and the extent of benefit from such a dividend strongly depends on how successful Indonesia will be in bringing the millions of new young workers into productive and gainful employment (Oberman et al. 2012).

Furthermore, as widely documented, for example, in World Bank (2010), Aswicahyono et al. (2011), Di Gropello et al. (2011), ILO (2012, 2013), and Huynh and Kapsos (2013), the Indonesian labour market is still characterised by high, albeit declining, shares of informal employment; partial compliance with formal labour market legislation (contribution to social security schemes, minimum wages, tax

[1] Please see World Bank (2012) and Alatas, Purnamasari and Wai-Poi (2012) for other publications using the near-poor poverty line.

payments, and registration of businesses); and a high share of persons working on traditional small rural farms.

To design appropriate labour market policies that contribute to economic growth and poverty reduction, it is important to better understand the composition and development of Indonesia's labour market. This paper is intended to fill this gap by providing a comprehensive analytical overview on key labour market indicators, such as labour force participation rates, employment rates, unemployment rates, and hours and days worked. The respective statistics are calculated and further disaggregated by rural and urban status, gender, and province. Moreover, because the objective of this report is to link work with poverty, wealth distribution and labour market statistics are disaggregated by deciles (based on household per capita ependiture levels) with a particular focus on workers living in the poorest decile (decile 1). By interlinking poverty and labour market statistics, this report provides a unique data source for policy makers and researchers alike that are interested in a deeper understanding of poverty and employment issues in Indonesia.

As the main objective of this report is to analyse the interrelationship of poverty and the labour market, the principal data source used in this report is Indonesia's large-scale national household survey, the National Social and Economic Survey (*Survei Sosial dan Ekonomi Nasional* or Susenas), which is conducted by Statistics Indonesia (*Badan Pusat Statistik* or BPS). Susenas is currently the only data source available in Indonesia that collects reliable, nationally representative information on household living standards and labour market characteristics. Although Susenas is the underlying data source for official poverty statistics in Indonesia, the National Labour Force Survey (*Survei Angkatan Kerja Nasional* or Sakernas) is used by Statistics Indonesia to calculate the official labour market indicators. An important disadvantage of Sakernas for our purpose is that it only provides information on individuals (individuals cannot be linked with other household members) and does not collect information that can be used to identify poor individuals (e.g., expenditure information). That said, Susenas uses exactly the same labour market questions as Sakernas, and labour market indicators included in Susenas are very similar to those of Sakernas. To analyse labour market trends over time, this report focuses on the post-financial-crisis period and uses the Susenas rounds of 2000, 2003, 2006, 2009, and 2012.

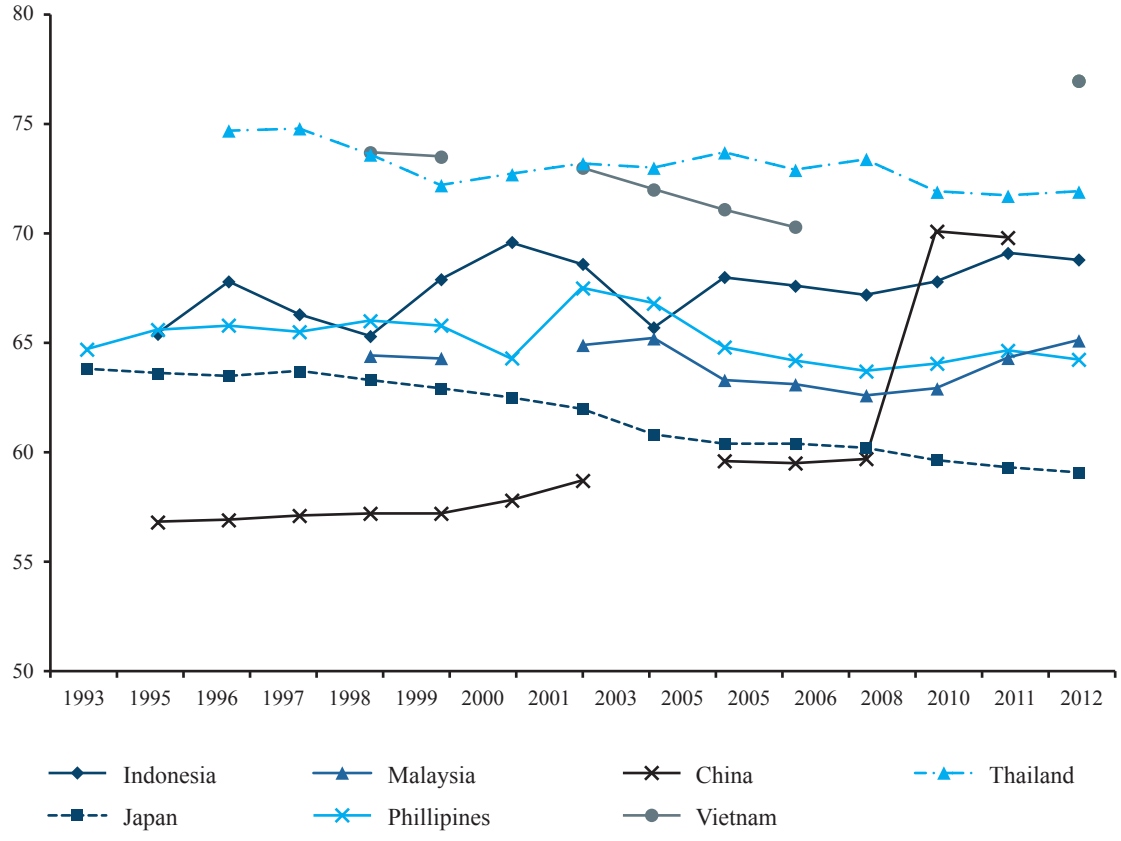
The remainder of this report is organised as follows: Section 2 provides key labour market indicators for the years 2000, 2003, 2006, 2009, and 2012. Section 3 disaggregates labour market indicators by wealth level and discusses the change of the employment structure for the poor vs. the nonpoor. Section 4 describes the socioeconomic characteristics associated with the working poor vs. the nonpoor, and section 5 summarizes the main findings and provides policy recommendations.

Labour Market Indicators 2000 to 2012: The Rise of Full-Time Employment

International Differences in Labour Force Participation Rates: The Asia Region

Before we analyse the labour market in 2000–12 in more detail, we would like to provide a context for the longer period 1993–2012, focusing on Indonesia's performance and position in the Asia region. In the past 20 years, countries in Asia experienced very different developments in labour force participation rates (figure 1). Although labour force rates tend to change very slowly over time, ILO's labour data indicate that countries such as the Philippines, Thailand, and Japan saw moderate declines in labour force participation rates, whereas China, Indonesia, and Malaysia saw slight increases. Indonesia belongs to the group of countries that saw increases in labour force participation; it also belongs to those countries, including China, Thailand, and Vietnam, that have some of the highest labour force participation rates in Asia.

Figure 1: Labour Force Participation Trends in Asian Countries (1993–2012)



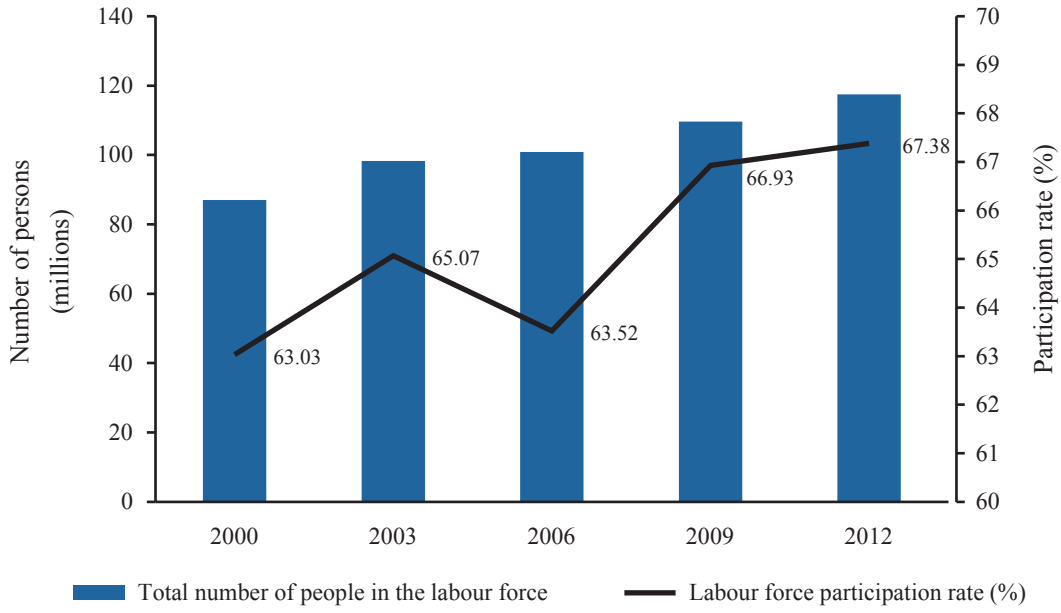
Note: For some countries, data are not available in every year. Participation rates for India are only available for the years 2004 (58.7%) and 2010 (54.8%). Statistics for Indonesia are identical with the official Statistics Indonesia estimates, which are based on Sakernas data. All statistics are taken from the ILO's Labour Statistics Databases (LABORSTA) and ILOSTAT databases.

Labour Force Participation, Full-Time Employment, and Underemployment

Strong Increases in Labour Force Participation Rate and Jobs with Full-Time Employment

The trend of increasing labour force participation rates (LFPRs) in Indonesia, as well as the overall level of labour force participation, can be replicated with data from Susenas focusing on the period 2000–12. In line with the official Statistics Indonesia Sakernas data, Susenas shows that the growth in the LFPR has not occurred evenly throughout each year. After the turbulence of the economic and financial crisis of 1997/1998, economic growth recovered and poverty levels started falling again. However, economic growth and poverty reduction seem not to have been triggered by strong growth in jobs in the beginning of the 2000s; the World Bank called the time between 1999 and 2003 a period of jobless growth (World Bank 2010). As shown in figure 2, the LFPR increased slightly from 63.03% to 65.07% between 2000 and 2003 and, in line with Sakernas data, the LFPR decreased slightly in the wake of the fuel price cuts in 2005/6. Since 2006 the LFPR increased strongly, and from 2000 to 2012, the rate increased from 63.03% to 67.38%. In absolute terms, the increase in the size of the labour force appears even more remarkable. In 2000 about 87 million Indonesians were active in the labour force, and by 2012, this number had increased to nearly 117.5 million, that is, more than 30 million additional persons are now participating in the labour market (table 1).

Figure 2: Trend in Labour Force Participation Rate (2000–12)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Box 1: Notes on Key Labour Market Indicators and Definitions*

This paper uses the concepts of key labour market indicators universally applied by Statistics Indonesia (BPS 2013a). The definition of each indicator follows:

Labour force participation. Labour force refers to the working-age population who are economically active. Working-age individuals (ages 15 years and older) considered out of the labour force include people who do not actively engage in job searching, such as those who attend schools, take care of a household, or perform other activities. The 'labour force participation rate' indicates the size of the working-age population that is economically active. In other words, it shows the state of labour supply of a nation. The LFPR is measured as the percentage of total labour force to the total working-age population.

Employment. Working persons include individuals who perform economic activities continuously for at least one hour during the past week to obtain earnings or profits; economic activities here refer to either (1) working at a job or (2) having a job but not working for one of several reasons: annual leave, sickness, etc. Two subcategories exist under employment:

- **Full-time employment.** Full-time employees include individuals who work 35 or more hours a week.
- **Underemployment.** The underemployed include individuals who work 1 to 35 hours a week.

The employment rate refers to the share of employed individuals within the total labour force. The full-time employment rate is defined as the proportion of individuals who currently engage in full-time employment to the total labour force. The underemployment rate is defined as the share of underemployed individuals to the total labour force.

Unemployment. Individuals in the labour force fall into the category of unemployed if they (1) are not working but are looking for work; (2) are not working but are preparing to start a business; (3) do not work and are unable to find a job because they gave up hope (also referred to as discouraged workers); (4) do not work but are not looking for work because they have already been accepted into employment but have not yet started working.

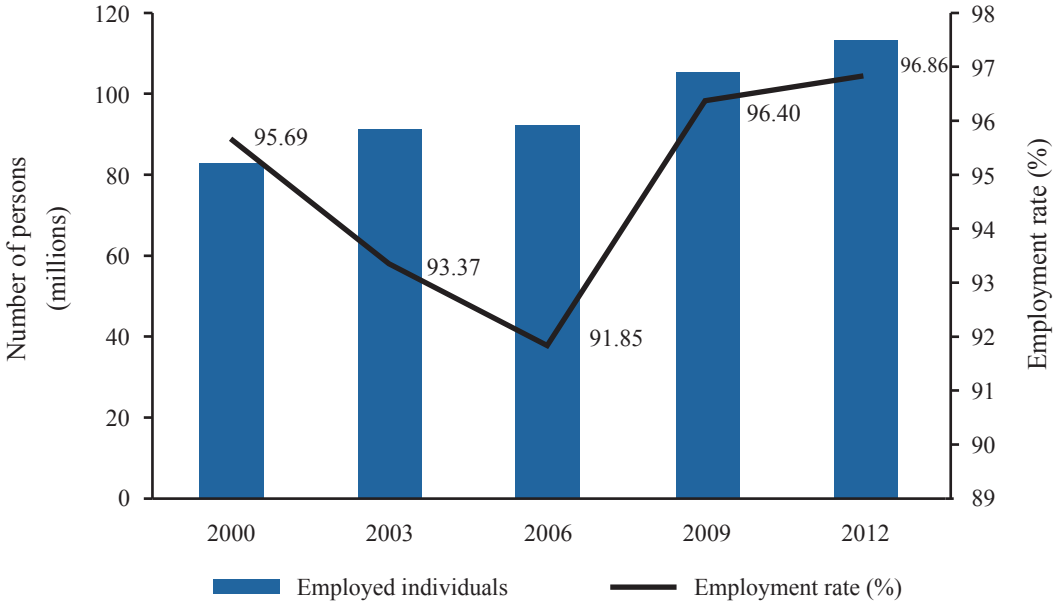
Formal and informal employment. In compliance with Statistics Indonesia classifications, the formal and informal sectors are defined by their main employment status. There are seven categories of employment status: (1) self-employed (own account worker); (2) self-employed assisted by temporary/unpaid workers; (3) employer with permanent/paid workers; (4) employee; (5) casual employee in agriculture; (6) casual employee in nonagriculture; and (7) unpaid worker. Formal employment refers to an employer with permanent/paid workers and employees. Furthermore, salaried workers are those who work as employees (receiving a wage/salary) in cash or in-kind while non-salaried workers are those who are self-employed.

Real per capita expenditure decile. Real per capita expenditure is derived by adjusting nominal per capita expenditure using a spatial price deflator calculated from the rural and urban province-specific poverty lines in each respective year. Per capita expenditure is calculated by dividing overall household expenditure of those who belong to the working-age population by the number of household members. The real per capita expenditure decile is used to rank individuals in the working-age population, that is, an individual classified in decile 1 belongs to the poorest 10% and an individual classified in decile 10 belongs to the richest 10% of all households in Indonesia.

* The analysis in this report uses Susenas data. In contrast to Sakernas data, Susenas data do not permit differentiation between part-time employment and genuine underemployment (cases in which people would like to work more hours per week). Therefore, both, part-time and genuine underemployment is classified as underemployment in this report.

The employment rate (the share of the total labour force consisting of working individuals) has been very high throughout all the years (figure 3). Of those individuals that constitute the labour force, nearly all of them state that they are working and only a small fraction claim to be unemployed. The share of persons actively looking for a job and not in any sort of employment (the unemployed[2]) has further decreased in recent years; in 2012 to 3.14% of the labour force was unemployed (table 1). According to Susenas, employment rates ranged between 95%–97% in 2000–12, except for decreases in 2003–06 (figure 3).[3]

Figure 3: Trend in the Employment Rate (2000–12)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Not only has the number of jobs and persons employed increased since 2000, but more important, the number and share of jobs constituting full-time employment (at least 35 hours per week) has also risen continuously and sharply throughout this entire period. As shown in table 1, in 2000, about 58.68% of individuals in the labour force engaged in full-time employment; by 2012 this share had risen to 68.06%[4]. Accordingly, the share of those classified as underemployed by Statistics Indonesia (at least 1 hour of work a week but less than 35 hours a week) has decreased from 37.01% in 2000 to 28.80% in 2012. These data are clearly positive and indicate that the **potential to obtain sufficient income from work has increased in the past 12 years.**

[2] This report applies the current Statistics Indonesia definition of unemployment to all years analysed. Please see Suryadarma et al. (2007) for a more comprehensive overview on the history of unemployment measurement by Statistics Indonesia in Indonesia.

[3] Alisjahbana and Manning (2006), using the 2002 Susenas round, found that being unemployed is not associated with being poor. Unemployment rates derived from Sakernas are slightly higher than those obtained from Susenas are but remain comparable (ILO 2013).

[4] In line with its 'decent work' concept, the ILO further differentiates between full-time employment and employment with excessive working hours. Because this report follows the Statistics Indonesia definition, we do not provide separate estimates for excessive working hours.

Table 1: Employment Trends (2000–12)

Labour Market Indicators	2000	2003	2006	2009	2012
Total working-age population	138,106,153	150,988,614	158,766,431	163,787,957	174,333,612
Total labour force	87,041,675	98,248,688	100,850,392	109,630,216	117,467,232
Employment rate (%)	95.69	93.37	91.85	96.40	96.86
Full-time employment rate (%)	58.68	62.20	61.18	63.26	68.06
Underemployment rate (%)	37.01	31.17	30.67	33.14	28.80
Unemployment rate (%)	4.31	6.63	8.15	3.60	3.14

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

The Urban Labour Market as a Driver of Job Creation

Indonesia is the world's largest archipelago and comprises complex and diverse cultural, linguistic, and geographic settings. As a consequence, Indonesia has no one unified labour market but many local labour markets, each with its particular set of jobs (supply side) and human resources (demand side) available. Categories of local labour markets are often distinguishable along a rural/urban divide; among provinces; between Java island and off-Java areas; and even between the two regions of Western Indonesia and Eastern Indonesia. We will focus our discussion here on the rural-urban divide.

As shown in figure 4 and table 2, notable differences exist between rural and urban labour markets in Indonesia. Rural labour markets are generally characterised by higher labour force participation rates than urban labour markets are. However, urban labour markets are more likely to provide jobs with full-time employment compared with rural labour markets. Moreover, although unemployment is nearly nonexistent in rural labour markets, urban labour markets show relatively high rates of unemployment. However, the nature of and reasons behind urban unemployment rates are likely to be very different from rural unemployment rates; urban unemployment rates capture a large number of persons who are temporarily unemployed because they have recently finished their education, a substantial number of arriving new migrants looking for jobs, and many people who are in the process of changing jobs.

Between 2000 and 2012, the LFPR increased in both rural and urban labour markets. However, although the rate in rural areas increased only slightly from 67.41% in 2000 to 69.65% in 2012, the rate in urban areas increased sharply from 57.34% in 2000 to 65.14% in 2012, approaching the rural LFPR. In absolute terms the number of persons in the urban labour market increased from about 34.5 million in 2000 to more than 57 million in 2012 (table 2). The positive trend in the job market is reinforced by the share of jobs that provide full-time employment. In both rural and urban labour markets, the share of jobs that provide full-time employment has steadily increased throughout the period.

Figure 4: Labour Force Participation by Rural and Urban Area (2000–12)

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 2: Employment Rates by Area (Selected Years)

Labour Market Indicators	2000	2003	2006	2009	2010
Urban					
Labour force participation (%)	57.34	60.18	61.37	64.13	65.14
Employment (%)	93.01	89.99	89.14	94.96	95.97
Full-time employment (%)	71.88	71.86	71.17	71.73	76.58
Underemployment (%)	21.13	18.13	17.97	23.23	19.39
Unemployment (%)	6.99	10.01	10.86	5.04	4.03
Total labour force	34,495,645	39,288,021	43,250,259	51,857,404	57,007,494
Total working-age population	60,160,535	65,279,404	70,470,097	80,861,723	87,510,912
Rural					
Labour force participation (%)	67.41	68.79	65.24	69.67	69.64
Employment (%)	97.45	95.62	93.88	97.70	97.70
Full-time employment (%)	50.01	55.76	53.68	55.66	60.03
Underemployment (%)	47.44	39.85	40.20	42.05	37.67
Unemployment (%)	2.55	4.38	6.12	2.30	2.30
Total labour force	52,546,030	58,960,666	57,600,134	57,772,811	60,459,745
Total working-age population	77,945,618	85,709,210	88,296,334	82,926,234	86,822,700

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Gender Differences in LFPR and Patterns of Full-Time Employment

As widely documented in labour market literature, job markets and employment opportunities are usually very different for men and women. The reasons behind these differences are diverse and often related to prevailing sociocultural norms (fertility, care giving, household management, etc.) as well as gender-specific preference and skill sets. Likewise, labour market discrimination against women may contribute to overall labour market outcomes, although the existence, extent, and type of discrimination are hard to assess using existing data in Indonesia.

Throughout the entire reference period discussed here, the LFPR among men has significantly surpassed that of women; both men and women have shown increases in the LFPR between 2000 and 2012 (figure 5 and table 3). Although in 2000, 81.19% of men in the working-age population were part of the labour force, their share increased to 84.56% in 2012. The LFPR among women saw an even stronger increase: women's LFPR increased by about 5 percentage points from 45.26% in 2000 to 50.27% in 2012.

Two other features of the gender-specific labour market in Indonesia are noteworthy:

First and similar to OECD countries (World Bank 2013; OECD 2013), **strong differences exist between men and women in their shares of underemployment and full-time employment:** a greater proportion of women are employed part-time. This high share is often related to women's greater responsibility for domestic work and child raising and the difficulties women face in re-entering the formal labour market after raising their children.

It is important to note that, in 2000, women who were working were equally likely to be underemployed (48.54%) as employed full-time (46.89%), whereas men in about two-thirds (65.39%) of all cases were employed full-time (table 3). In 2012 the share of women in full-time positions increased significantly to 58.63% and the share of men in full-time positions increased to 73.69%.

Second, **unemployment in the early 2000s was more pronounced among women;** however, by 2006 unemployment rates among both men and women were about 3% (table 3). The higher unemployment rate among women in the early 2000s aligned with findings of studies from the academic literature (e.g., Smith et al. 2002) showed that, in the aftermath of the 1997/1998 financial crisis, many more women were drawn into the labour force in order to compensate for the falling real wages of men. Most likely, not all of these women were able to find employment during and in the immediate years after the crisis.

Figure 5: Labour Force Participation by Gender (2000–12)

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 3: Employment Rates by Gender (2000–12)

Labour Market Indicators	2000	2003	2006	2009	2010
Female					
Labour force participation (%)	45.26	45.96	43.86	50.49	50.27
Employment (%)	95.44	91.12	89.27	96.02	96.87
Full-time employment (%)	46.89	48.65	49.84	53.03	58.63
Underemployment (%)	48.54	42.47	39.43	43.00	38.23
Unemployment (%)	4.56	8.88	10.73	3.98	3.13
Total labour force	31,609,606	34,962,228	35,080,404	42,462,472	43,897,066
Total working-age population	69,834,352	76,066,439	79,979,110	84,098,878	87,329,941
Male					
Labour force participation (%)	81.19	84.47	83.48	84.29	84.56
Employment (%)	95.83	94.61	93.22	96.65	96.86
Full-time employment (%)	65.39	69.69	67.23	69.73	73.69
Underemployment (%)	30.44	24.92	26.00	26.92	23.17
Unemployment (%)	4.17	5.39	6.78	3.35	3.14
Total labour force	55,432,069	63,286,459	65,769,989	67,167,743	73,570,173
Total working-age population	68,271,801	74,922,175	78,787,321	79,689,079	87,003,671

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Working Hours: Rise in Number of Hours Worked

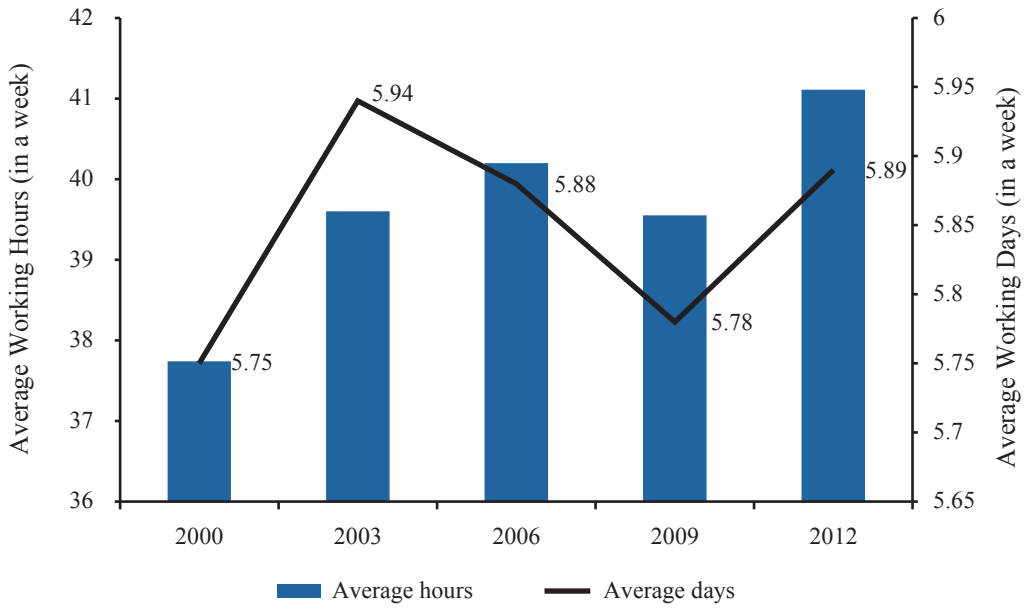
For a comprehensive understanding of the labour market, it is important to see, not only how labour force participation rates have changed over time (extensive margin) but also how many hours, days, and weeks a person works in a job (intensive margin). As described above, there has been a significant shift away from underemployment towards full-time employment. This shift is reflected in the number of hours a person on average reports to work in a week.

Figure 6 and table 4 depict changes over time in the number of hours worked per week and the number of days worked during a week, conditional on having a job. As shown in figure 6, Indonesians in 2012 are working on average longer hours per week (41.11 hours in 2012 compared with 37.74 hours in 2000) and slightly more days (5.89 days in 2012 compared with 5.75 days in 2000). The same holds true for urban and rural areas as well as for male and female employment (table 4). Although workers in urban areas work more hours per week on average (44.87 hours a week in 2012) than workers in rural areas (37.58 hours a week in 2012), employment trends in both areas indicate rises in hours worked per week compared with 2000.

Likewise, in 2000, men who were working spent about 39.92 hours per week on average in their jobs while women who were working spent about 33.90 hours per week on average in their job. In the past 12 years, one can observe significant increases in the number of hours worked by women (37.85 hours a week in 2012), while the gap between men and women in the numbers of hours worked narrowed despite men's working hours also increasing to an average of 43.05 hours a week in 2012. In general, one can say that men are more likely to actively participate in the labour market and, once working, they are more likely to work longer hours than women are. However, these circumstances are changing as women's LFPRs and number of hours worked have increased at faster rates than those of men in the same period.

In general, it seems that, from 2000 to 2012, economic growth has been accompanied by positive developments in the labour market.

Figure 6: Average Length of Work (2000–12)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied. Statistics are conditional on having a job/working.

Table 4: Length of Work by Gender and Area

Length of Work	2000	2003	2006	2009	2012
Working days Overall	5.75	5.94	5.88	5.78	5.89
Urban	5.95	6.02	6.01	5.89	5.98
Rural	5.62	5.89	5.78	5.67	5.80
Male	5.82	6.03	5.94	5.84	5.93
Female	5.62	5.77	5.76	5.67	5.83
Working hours Overall	37.74	39.60	40.20	39.55	41.11
Urban	43.70	44.36	45.40	43.51	44.87
Rural	34.00	36.63	36.49	36.09	37.58
Male	39.92	41.79	41.89	41.72	43.05
Female	33.90	35.50	36.88	36.09	37.85

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.
Statistics are conditional on having a job/working.

Labour Market Differences among the Working Poor vs. the Working Nonpoor

Labour Force Participation across the Wealth Distribution

In recent years, a better understanding of the relationship between labour markets and poverty has emerged: persons are not necessarily poor because they do not find employment but rather because the employment they find does not provide enough working time (hours of work) or adequate income or hourly wages. Although Susenas does not allow for an investigation of the latter issue, it does allow for analysis of levels and trends in LFPRs and hours worked across the wealth distribution.

The following analysis classifies all individuals in the working-age population (age 15 years and older) into real expenditure per capita deciles by dividing overall household expenditures by the number of household members and then using a spatial price deflator to adjust for living cost differences.[5] A person that is classified within decile 1 is a member of a household that belongs to the poorest 10% of households in Indonesia, whereas an individual in decile 10 belongs to a household that is in the richest 10% of households in Indonesia. In 2000, Statistics Indonesia classified the bottom 20% of households as poor, while in 2012 about 10% of households were classified as poor. Focusing on individuals in the bottom 10% keeps track of those individuals who are the poorest in the country in the reference period and who are still classified as poor in 2012.

As shown in table 5 and figures 7 and 8, the differences in the LFPR across wealth deciles is rather small: in 2012 the LFPR in decile 1 was about 65% and in the richest decile about 67%. It becomes clear therefore that the poor are not poor because of insufficient attachment to the labour market and other factors determine whether somebody is poor. However, although the gap of 2 percentage points between workers in the poorest and richest deciles appears small, there seems to be a stronger trend towards higher LFPRs across richer deciles. In fact, as shown in table 5 and figure 7, LFPRs in 2000 were actually highest in the poorest deciles, although between 2000 and 2012, this pattern has slightly reversed. Although labour force participation has increased with time in the poorest decile, it has increased much more strongly among the richer deciles[6].

[5] The ratio of Statistics Indonesia's rural and urban province-specific poverty lines (referenced to Jakarta) for the respective years were used to derive the spatial price deflator. We abstained from directly applying Statistics Indonesia poverty lines to classify individuals into poor and nonpoor, since it is impossible for researchers to accurately reproduce official poverty rates for the early years (before 2009), with the available Susenas data and the published official poverty lines.

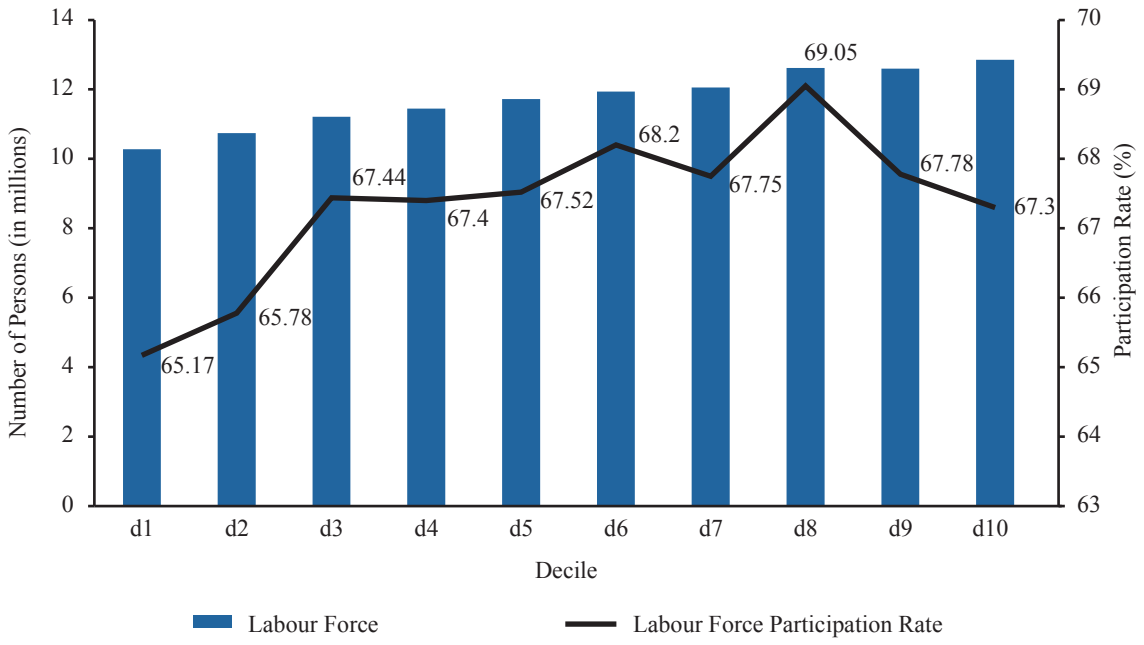
[6] It should be noted that the trend in the labour force participation rate across the wealth distribution is highly sensitive to whether nominal or real expenditure per capita is used. Relying on nominal expenditure per capita, Purnagunawan and Firmana (2013) and ILO (2013) show that labour force participation rates are higher among the poorer deciles compared with richer deciles. However, in line with conventional welfare analysis and Statistics Indonesia practice to account for regional price differences by using regional poverty lines, it seems convincing that real expenditures per capita is the more suitable choice. Please see Priebe (2014) for a detailed overview on official poverty measurement in Indonesia.

Table 5: Labour Force Indicators by Deciles (2000–12)

Labour Force Indicators	2000	2003	2006	2009	2012
Decile 1					
Labour force (millions)	7.68	8.75	8.86	9.59	10.28
Labour force participation rate (%)	63.33	65.47	62.93	66.86	65.17
Decile 4					
Labour force (millions)	8.47	9.61	9.86	10.80	11.45
Labour force participation rate (%)	63.92	66.12	64.18	67.80	67.40
Decile 7					
Labour force (millions)	8.87	10.08	10.40	11.27	12.06
Labour force participation rate (%)	62.77	65.25	63.87	67.12	67.75
Decile 10					
Labour force (millions)	9.70	10.91	11.10	12.15	12.85
Labour force participation rate (%)	60.47	62.79	62.16	65.87	67.30
Average (all deciles)					
Labour force (millions)	87.04	98.25	100.85	109.63	117.47
Labour force participation rate (%)	63.03	65.07	63.52	66.93	67.38

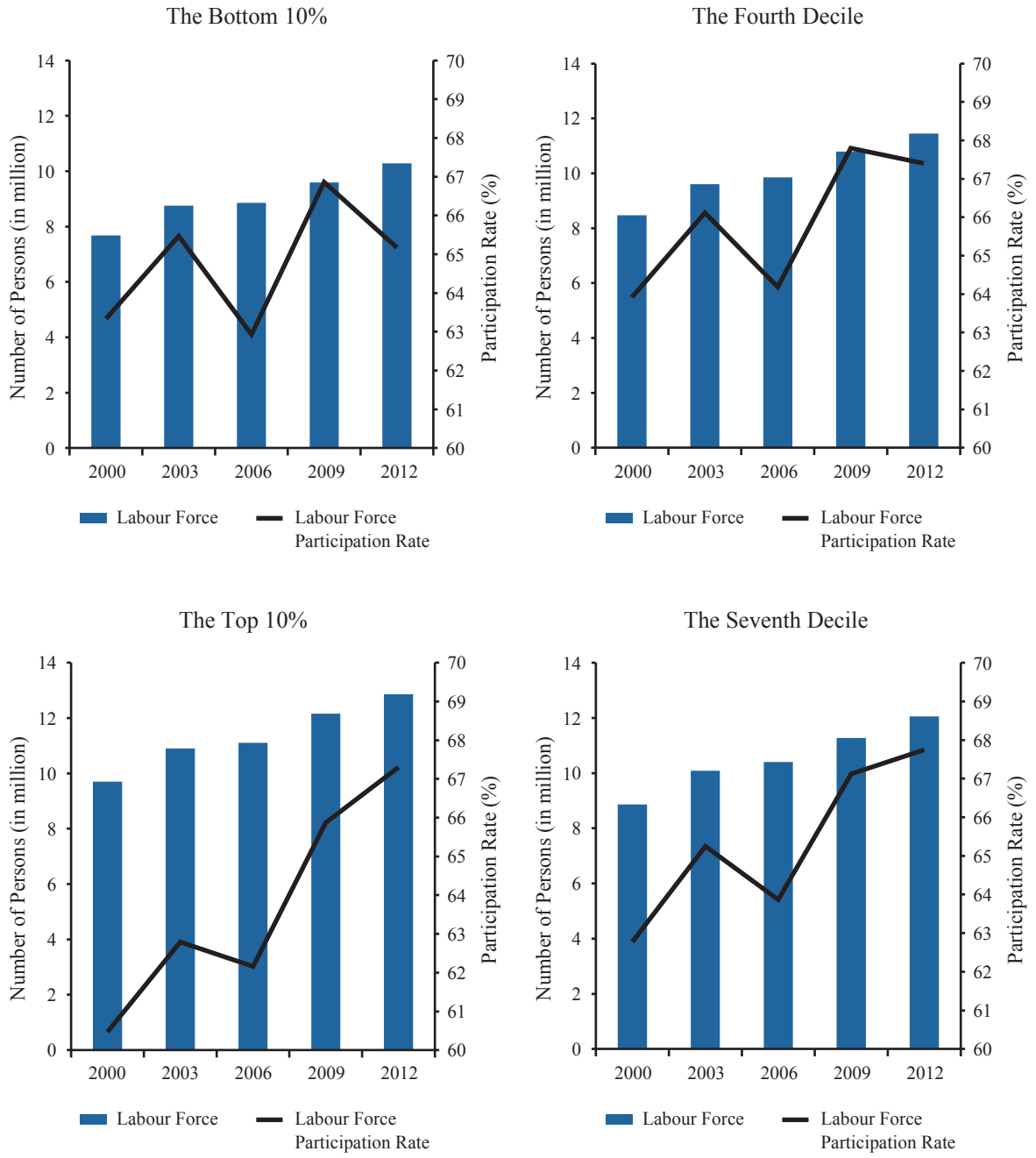
Source: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 7: Labour Force Participation by Real per Capita Expenditure Decile (2012)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 8: Trend in Labour Force Participation (Selected Deciles)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Working Hours across the Wealth Distribution

Although only small differences exist in LFPRs among the poor and better-off individuals, important differences exist in the number of hours worked in a job. As shown by table 6 and figures 9 and 10, individuals in decile 1 are less likely to work full-time and are more often underemployed than workers in richer deciles. This pattern seems to have become stronger over time. Although full-time employment has increased across all wealth deciles, the increase has been particularly strong among wealthier deciles. Therefore, underemployment is much more strongly associated with poverty now than it was

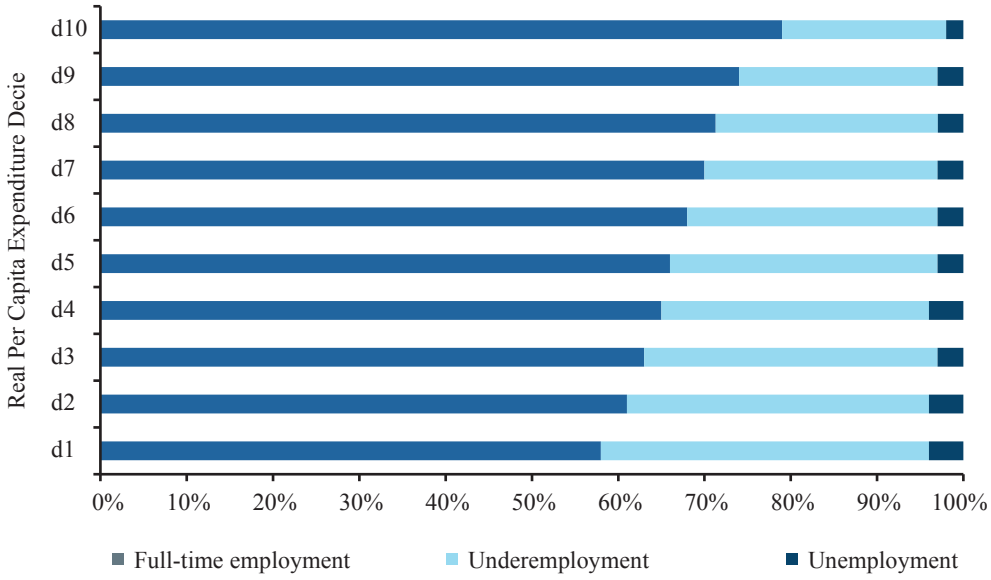
in 2000. Although insufficient hours of work seem to be an important contributing factor of being poor, it is important to note that an increasing share of the working poor comprise persons who are in full-time employment. Therefore, insufficient income and wages among the working poor play an important additional role in determining whether a person who works is poor or not.

Table 6: Employment Status (Selected Years)

Employment Status	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Decile 1 Full-time employment	52.16	54.33	52.34	54.47	58.09
Underemployment	43.34	38.08	37.57	41.70	37.73
Unemployment	4.50	7.59	10.10	3.84	4.18
Decile 4					
Full-time employment	55.54	59.38	57.14	60.05	65.04
Underemployment	39.96	33.82	34.58	36.02	31.21
Unemployment	4.50	6.80	8.28	3.93	3.76
Decile 7					
Full-time employment	59.23	63.26	62.19	64.79	70.41
Underemployment	36.46	29.63	29.89	31.90	26.68
Unemployment	4.31	7.10	7.91	3.31	2.91
Decile 10					
Full-time employment	69.40	72.44	73.79	74.06	79.27
Underemployment	26.76	21.97	19.76	23.22	18.70
Unemployment	3.84	5.58	6.45	2.73	2.03
Average (all deciles)					
Full-time employment	58.68	62.20	61.18	63.26	68.06
Underemployment	37.01	31.17	30.67	33.14	28.80
Unemployment	4.31	6.63	8.15	3.60	3.14

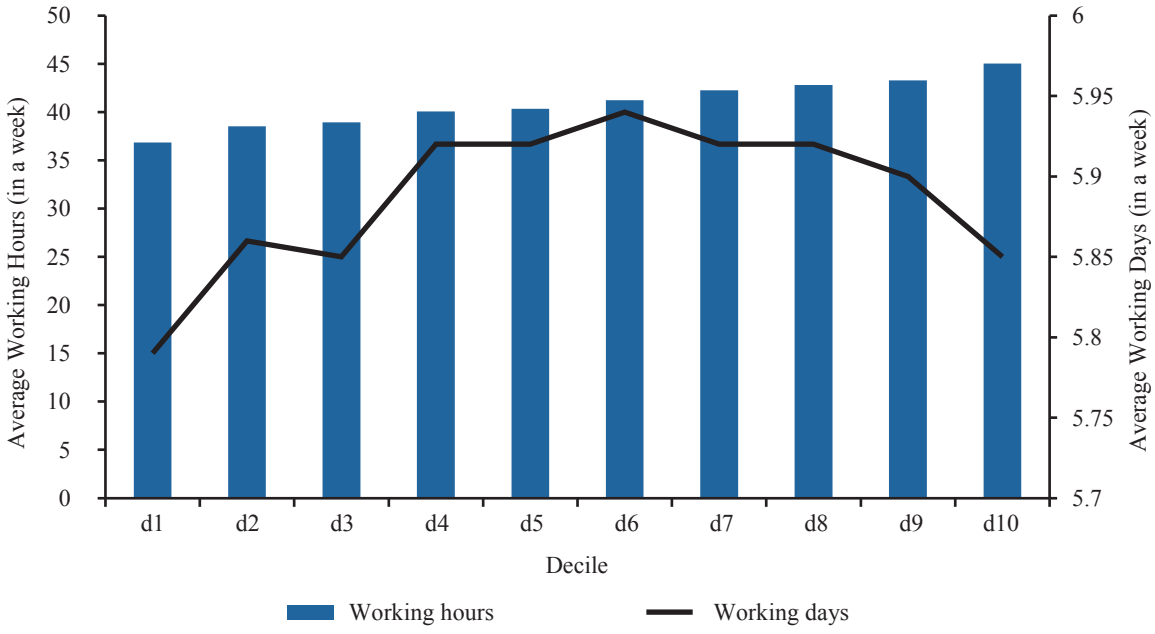
Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 9: Employment Status by Real per Capita Expenditure (2012)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 10: Length of Work by Real per Capita Expenditure (2012)

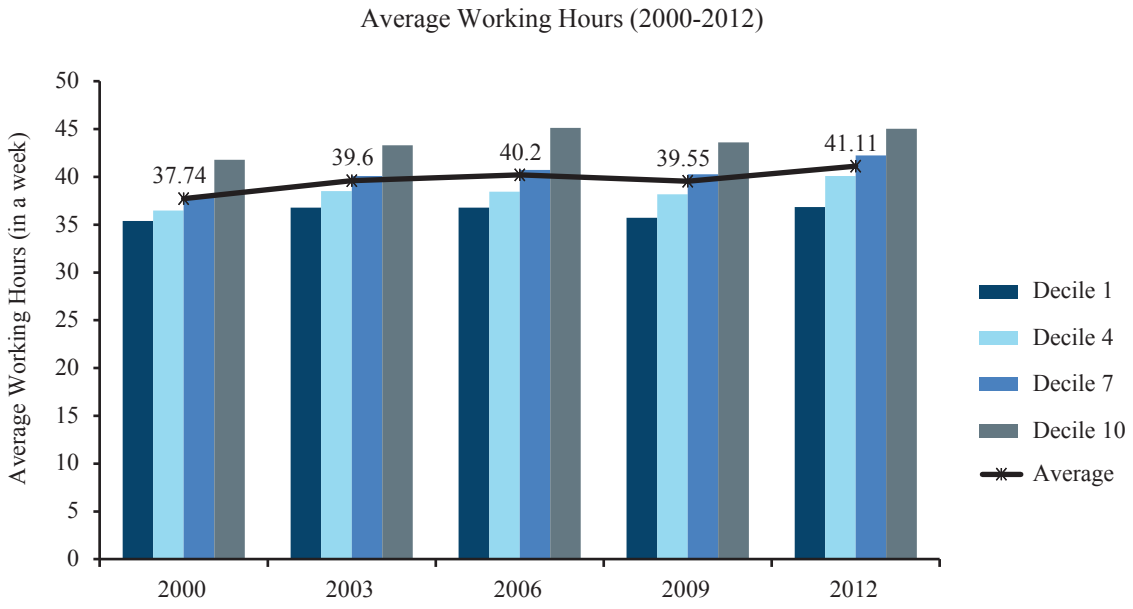


Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

In addition to distinguishing between underemployment and full-time employment, it is worth analysing in more detail the number of hours and days worked across the wealth distribution (figure 11 and table 7). In line with the results above, the poor on average work fewer hours a week than the nonpoor do. In 2012 workers in the poorest decile worked on average about 37 hours (5.79 days) a week; whereas workers in the richest decile worked about 45 hours (5.85 days) a week. The differences in working

hours across the wealth distribution point to fundamental differences in the types of employment and jobs of the working poor compared with the working nonpoor. The pattern of the working poor to work fewer hours a week than the nonpoor is robust through all selected years.

Figure 11: Length of Work (Selected Years)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 7: Length of Work (Selected Years)

Length of Work	2000	2003	2006	2009	2012
Decile 1					
Average working days	5.77	5.93	5.82	5.68	5.79
Average working hours	35.39	36.79	36.78	35.73	36.86
Decile 4					
Average working days	5.72	5.93	5.85	5.76	5.92
Average working hours	36.48	38.52	38.45	38.18	40.08
Decile 7					
Average working days	5.72	5.95	5.9	5.82	5.92
Average working hours	37.85	40.09	40.72	40.27	42.25
Decile 10					
Average working days	5.80	5.93	5.91	5.79	5.85
Average working hours	41.80	43.31	45.13	43.62	45.04
Average (all deciles)					
Average working days	5.75	5.94	5.88	5.78	5.89
Average working hours	37.74	39.60	40.20	39.55	41.11

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 8 and figures 12 and 13 further disaggregate the previous decile statistics for 2012 by gender and location. In line with the previous findings, we observed that men and women who belong to the working poor work fewer hours a week on average than men and women in the richer deciles. The working hour gap between poorer and richer workers is more pronounced among women. Although men who belong to the working poor (decile 1) work on average about 6 hours fewer per week than men in decile 10 (36.6 hours compared with 45.7 hours); women in decile 1 work about 12 hours less per week than women in decile 10.

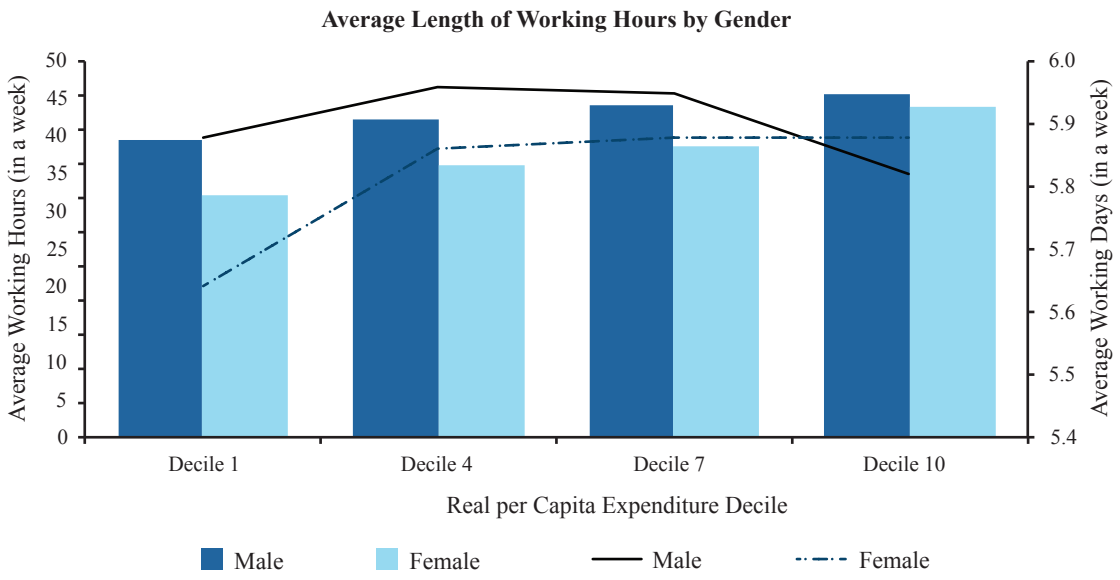
Table 8: Length of Work by Gender and Area (2012)

Length of Work	Total	Gender		Area	
		Male	Female	Rural	Urban
Decile 1					
Average working hours	36.86	39.60	32.23	34.12	42.05
Average working days	5.79	5.88	5.64	5.70	5.96
Decile 4					
Average working hours	40.08	42.25	36.27	37.35	44.08
Average working days	5.92	5.96	5.86	5.86	6.01
Decile 7					
Average working hours	42.25	44.24	38.77	39.12	45.74
Average working days	5.92	5.95	5.88	5.81	6.05
Decile 10					
Average working hours	45.04	45.70	44.05	40.72	46.13
Average working days	5.85	5.82	5.88	5.82	5.85
Average (all deciles)					
Average working hours	41.11	43.05	37.85	37.58	44.87
Average working days	5.89	5.93	5.83	5.80	5.98

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

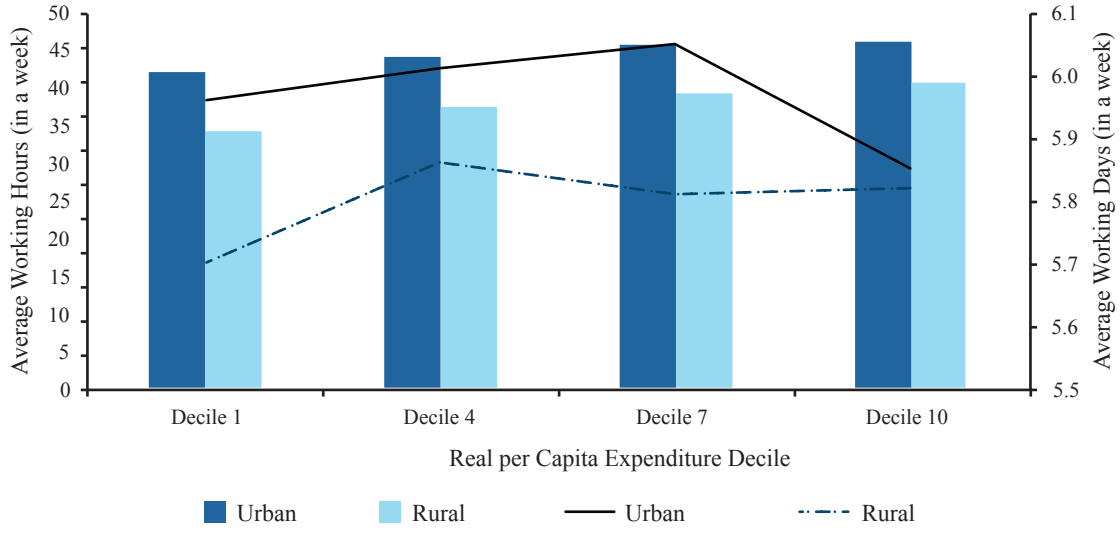
Furthermore, in line with previous findings, there are important differences in working hours along the wealth distribution between rural and urban areas. However, in contrast to the gender gap described above, we only observed relatively moderate working-hour differences along the wealth gradient within rural and urban areas. Working poor in rural areas work on average 6.5 hours less than rural workers who belong to the richest decile (34.1 hours compared with 40.7 hours); whereas urban working poor work on average about 4 hours less than urban workers in the richest decile (42 hours compared with 46 hours). Interestingly, the working-hour gap between rural and urban hours is so large that the urban working poor work on average more than the richest workers in rural areas (42 hours compared with 40.7 hours).

Figure 12: Length of Work by Gender (2012)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 13: Length of Work by Area (2012)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Who Are the Working Poor?

The previous chapter analysed differences in labour market patterns of workers along the wealth distribution. From this analysis, one finds that LFPRs between the poor and nonpoor are very similar in Indonesia. However, the working poor work fewer hours on average and presumably receive lower hourly wages than better-off workers receive. In combination, these factors are assumed to be the main reasons why workers are poor or not poor. The reason for differences in working hours and hourly wages/income likely lies in differences in the underlying characteristics of poor workers, such as lower levels of education, living in regions with lower wages, and/or working in occupations/sectors that in general provide lower wages/incomes. This section investigates to what extent workers differ in basic socioeconomic and sectoral characteristics at different wealth levels and how these characteristics and differences have evolved over time[7].

Socioeconomic Characteristics of the Working Poor vs. the Working Nonpoor

Demographic Structure

Table 9 depicts mean values for a variety of important socioeconomic, spatial, and sectoral characteristics across real expenditure per capita deciles. The working poor—defined as workers in decile 1—comprise a relatively high share of youth (15 to 24 years) and elderly (55+ years) workers. Adults of prime working age (25 to 55 years) are less likely to be poor and fewer are found in the lower expenditure deciles. Because younger workers are starting their work life, their wages/income might initially be very low due to their lower levels of work experience. Likewise, the elderly are represented relatively strongly among the working poor. The high share of the elderly among the poor is of concern as this group is generally without any sort of formal pension and has very limited opportunities to save enough resources to pay for their daily living costs in old age (Priebe and Howell 2014).

An important factor to bear in mind when interpreting the age structure in this context is selection effects. Children from poorer families are more likely to enter the job market at younger ages, whereas children from wealthier families are more likely not to drop out of school and to continue on to secondary or postsecondary schools. Likewise, as shown in a working paper on old-age poverty in Indonesia (Priebe and Howell 2014), better-off elderly are more likely to retire and withdraw from the labour force. Therefore, poor elderly are overrepresented in the labour force, which leads to their relatively high share in the poorest deciles. As a consequence, the group of working poor constitute a relatively large share, as well as number, of children from poor families and poor elderly persons.

[7] The subsequent analysis considers anyone who usually works at least 1 hour a week (including underemployed and those employed full-time).

Table 9: Demographic Structure of Working Persons across Deciles (2000–12)

Characteristics	2000	2003	2006	2009	2012
Decile 1					
Age:					
Young: 15–24 (%)	20.25	18.79	19.03	17.07	16.25
Adult: 25–54 (%)	67.55	68.27	68.41	67.40	67.97
Old: 55+ (%)	12.21	12.94	12.56	15.53	15.78
Average household size	5.03	4.81	4.99	4.76	4.62
Average HH dependency ratio	0.73	0.71	0.71	0.76	0.71
Decile 4					
Age:					
Young: 15–24 (%)	17.42	17.04	15.56	15.10	15.21
Adult: 25–54 (%)	68.92	69.65	70.14	68.63	70.35
Old: 55+ (%)	13.66	13.30	14.30	16.27	14.44
Average household size	4.21	4.05	3.96	3.81	3.86
Average HH dependency ratio	0.57	0.56	0.53	0.53	0.53
Decile 7					
Age:					
Young: 15–24 (%)	16.13	15.68	14.33	14.38	14.46
Adult: 25–54 (%)	69.54	70.46	71.22	70.29	71.77
Old: 55+ (%)	14.33	13.86	14.45	15.34	13.77
Average household size	3.59	3.52	3.48	3.43	3.51
Average HH dependency ratio	0.46	0.45	0.42	0.42	0.44
Decile 10					
Age:					
Young: 15–24 (%)	14.26	13.77	12.58	13.84	13.50
Adult: 25–54 (%)	71.24	72.6	74.78	74.05	75.06
Old: 55+ (%)	14.49	13.64	12.64	12.11	11.44
Average household size	2.66	2.65	2.87	2.82	2.87
Average HH dependency ratio	0.23	0.23	0.24	0.24	0.27
Average (all deciles)					
Age:					
Young: 15–24 (%)	16.87	16.13	15.04	14.88	15.08
Adult: 25–54 (%)	69.11	70.36	71.16	69.99	71.32
Old: 55+ (%)	14.02	13.51	13.81	15.13	13.60
Average household size	3.71	3.61	3.64	3.58	3.62
Average HH dependency ratio	0.47	0.46	0.45	0.46	0.45

Note: TNP2K calculations based on Susenas rounds. Survey weights applied. HH: household.

Furthermore, the working poor are more likely to live in households with many family members (larger household size) and with a high dependency ratio (a relatively large share of young children and elderly compared with adults in prime working age). The income of the working poor therefore needs to provide for significantly more persons than in the case of nonpoor workers. Hence, the need to share income among a larger group of poor persons further contributes to the number of workers living in poverty, despite working a substantial number of hours each week.

Education and Skill Levels of the Working Poor

In the past few decades, Indonesia has experienced significant improvements in literacy and school enrolment rates throughout the country. A large program for the construction of more than 243,000 schools began in the 1970s and strongly contributed to Indonesia achieving primary school enrolment rates of close to 100% (Suharti 2013), which in turn led to higher labour force participation rates and wage increases among the poor (Duflo 2001, 2004). In general, the period from the 1970s until today has seen a substantial and steady increase in primary, secondary, and tertiary education completion rates and the gap in years of education between the poor and the rich has narrowed over time (Fahmi and Satriatna 2013). However, substantial differences in the quality of education continue to hamper skills development in the country (Suharti 2013).

Scholars (Duflo 2004; Purnastuti et al. 2013) have observed that the rise in education levels in Indonesia has led on average to moderate declines in the rate of returns to education, implying that the value of a given education degree received in the 1980s paid relatively more than in 2014. However, although the relative benefit of higher secondary over primary schooling might have been greater in the 1980s, one must bear in mind that workers with higher secondary education qualifications on average continue to receive significantly higher incomes and wages compared with workers with only primary-level schooling.

In line with the education and labour market literature on Indonesia, we found that a worker's education level is significantly associated with belonging to the working poor (figure 14 and table 10). Although in 2012 about 70% of workers in the bottom decile (decile 1) possessed primary education or less, only 17% of workers that belong to the richest decile (decile 10) had primary school degrees or less. In fact, along the wealth distribution, the share of workers with higher secondary schooling and especially tertiary education rises continuously.

An interesting labour market trend, shown in table 10 and figure 15, is the increasing polarization of education levels along the wealth distribution in 2000–12; the tendency is for workers with higher secondary and tertiary education degrees to be much more dominant in richer deciles. Although higher secondary and tertiary education degrees by and large seem to reliably protect against poverty, all other education levels (less than completed primary schooling, and completed lower secondary schooling) no longer guarantee adequate employment to protect workers from poverty. Workers without a higher secondary or tertiary education degree are significantly more likely to belong to one of the poorer deciles.

Figure 14: Distribution of Workers by Educational Attainment (2012)

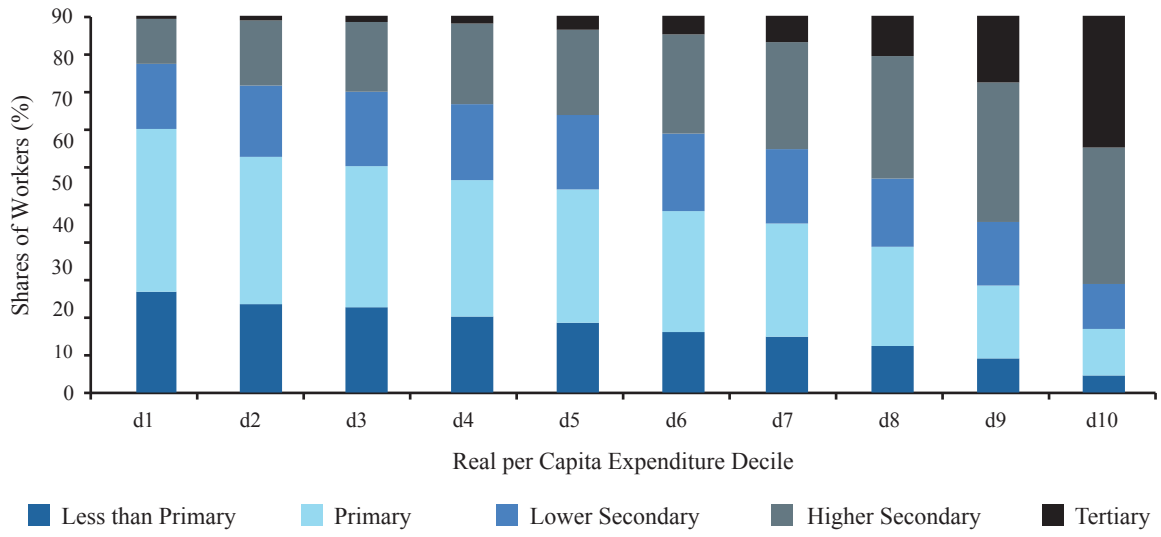


Table 10: Distribution of Workers by Educational Attainment (2000–12)

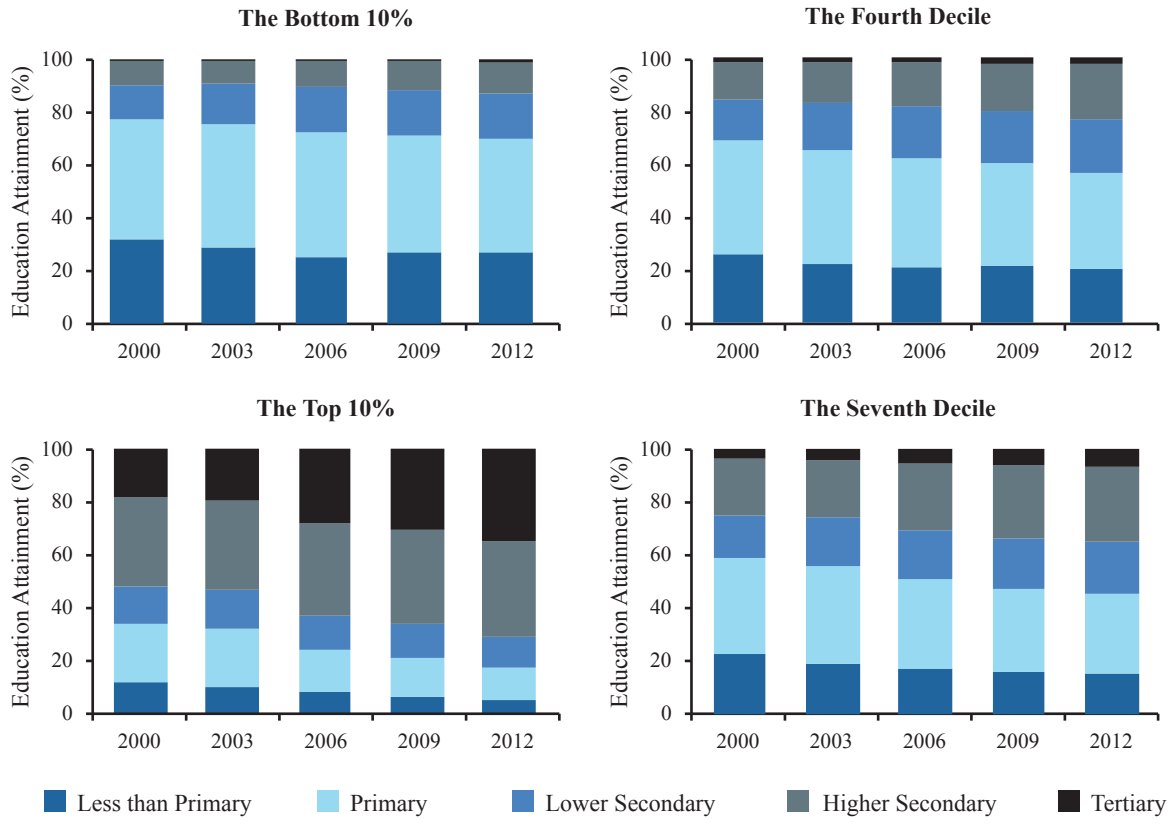
Educational Attainment Rates	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Decile 1					
Less than primary	32.01	28.72	25.46	26.86	26.79
Primary	45.08	46.76	47.29	44.17	43.22
Lower secondary	13.02	15.17	16.77	17.16	17.14
Higher secondary	9.33	8.78	9.95	10.96	11.86
Tertiary	0.56	0.57	0.52	0.85	0.99
Decile 4					
Less than primary	25.98	22.22	20.73	21.23	20.31
Primary	42.58	42.82	41.56	39.06	36.23
Lower secondary	15.32	17.68	19.22	19.21	19.90
Higher secondary	14.38	15.40	16.57	18.18	21.26
Tertiary	1.74	1.87	1.92	2.32	2.30
Decile 7					
Less than primary	22.47	18.53	16.7	15.84	14.80
Primary	36.01	36.86	34.18	31.36	30.08
Lower secondary	16.19	18.38	18.37	18.72	19.63
Higher secondary	21.18	21.85	25.26	27.60	28.32
Tertiary	4.15	4.38	5.50	6.47	7.17
Decile 10					
Less than primary	11.55	9.84	7.45	5.84	4.62
Primary	21.75	21.61	16.33	14.85	12.30

Table 10: Distribution of Workers by Educational Attainment (2000–12) [continued]

Educational Attainment Rates	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Lower secondary	14.52	14.67	12.87	12.7	11.92
Higher secondary	33.73	33.79	34.62	35.53	36.05
Tertiary	18.46	20.10	28.73	31.09	35.10
Average (full dataset)					
Less than primary	22.83	19.54	17.65	17.20	16.27
Primary	37.00	37.82	35.01	32.61	30.25
Lower secondary	15.35	16.96	17.66	17.55	18.15
Higher secondary	19.69	20.19	22.35	23.98	25.95
Tertiary	5.13	5.48	7.33	8.66	9.38

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 15: Distribution of Workers by Educational Attainment (2000–12)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 11 and figure 16 show education statistics along the wealth distribution disaggregated by gender and area for the year 2012. The results suggest that similar wealth gradients can be observed for men and women. For both men and women, we observed that better-off workers tend to have higher education levels and that only completion of higher secondary education seems to be associated with protection against being poor. With respect to the rural-urban divide, we found that higher levels of education in urban areas are especially associated with higher living standards, whereas in rural areas, we observed

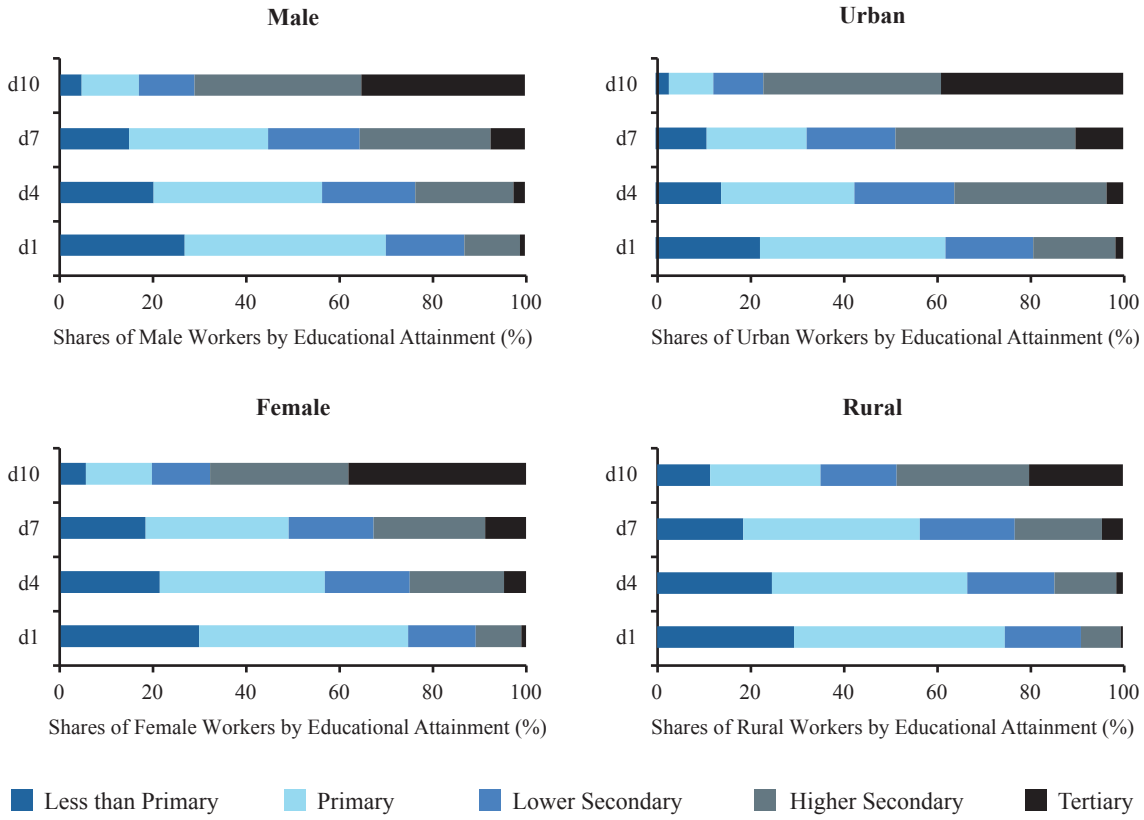
a weaker correlation between education levels and a person's welfare status. This might point to other factors, such as physical assets and land possession as well as standing in the local community, playing a more important role in a household's welfare status compared with urban areas.

Table 11: Educational Attainment of Workers by Gender and Area (2012)

Educational Attainment	Total	Gender		Area	
		Male	Female	Urban	Rural
Decile 1					
Less than primary	26.79	25.14	29.94	22.21	29.48
Primary	43.22	42.47	44.64	39.83	45.21
Lower secondary	17.14	18.54	14.48	18.71	16.22
Higher secondary	11.86	12.92	9.84	17.68	8.44
Tertiary	0.99	0.93	1.10	1.57	0.65
Decile 4					
Less than primary	20.31	17.26	21.40	14.09	24.68
Primary	36.23	35.11	35.24	28.32	41.79
Lower secondary	19.90	20.73	18.29	21.39	18.85
Higher secondary	21.26	23.56	20.37	32.74	13.20
Tertiary	2.30	3.34	4.70	3.46	1.49
Decile 7					
Less than primary	14.80	12.91	18.21	10.78	18.46
Primary	30.08	29.72	30.74	21.53	37.89
Lower secondary	19.63	20.27	18.46	18.88	20.31
Higher secondary	28.32	30.79	23.82	38.67	18.86
Tertiary	7.17	6.30	8.76	10.13	4.47
Decile 10					
Less than primary	4.62	4.13	5.37	2.87	11.52
Primary	12.30	11.02	14.21	9.41	23.67
Lower secondary	11.92	11.57	12.45	10.83	16.20
Higher secondary	36.05	40.14	29.96	37.99	28.42
Tertiary	35.10	33.14	38.01	38.90	20.19
Average (all deciles)					
Less than primary	16.27	14.98	18.54	10.52	21.89
Primary	30.25	30.14	30.44	21.64	38.66
Lower secondary	18.15	18.81	16.99	17.41	18.87
Higher secondary	25.95	28.01	22.32	35.83	16.30
Tertiary	9.38	8.06	11.71	14.60	4.28

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 16: Educational Attainment of Workers by Gender and Area (2012)



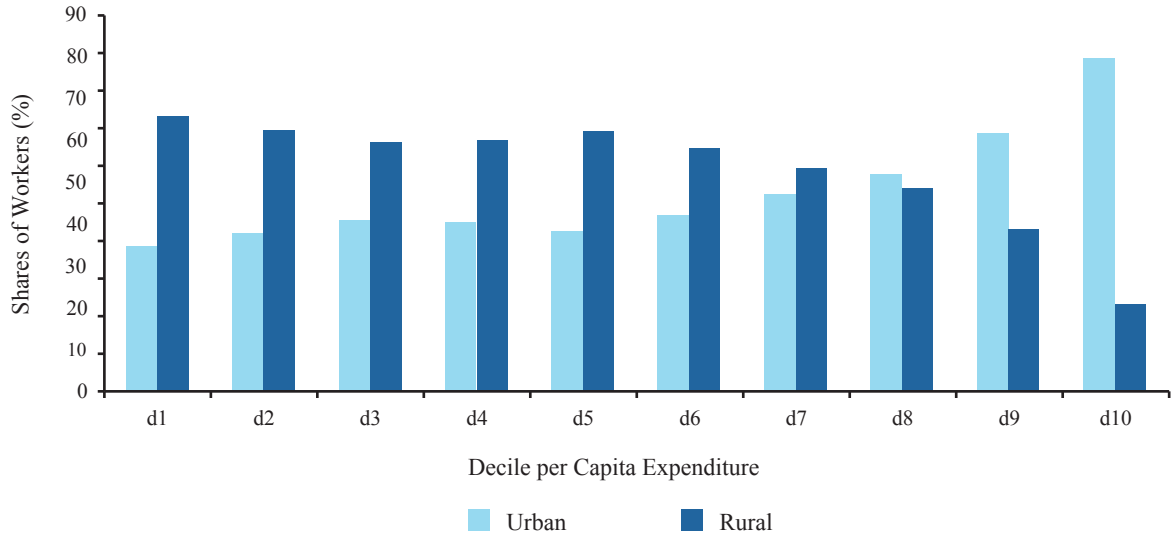
Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

The Working Poor across Rural and Urban Areas

The majority of the working poor are concentrated in rural areas, with a widening disparity between rural and urban areas from 2000 to 2012[8]. Figure 17 and table 12 show that in 2012 about two-thirds of workers in the poorest decile (decile 1) came from rural areas, whereas the share of rural workers in the richest decile (decile 10) was only about 20%. Furthermore, table 12 and figure 18 show the trend over time for workers in selected deciles: overall, the share of rural workers in poorest decile (decile 1) has remained approximately constant over time, while declining substantially among richer deciles (deciles 7 to 10). This result highlights findings from previous sections that showed that, in 2000–12, the urban labour market created more jobs overall and more full-time employment. Moreover, the findings suggest that recent income and wage growth has been on average weaker in rural compared with urban areas, which increasingly assigns the majority of the working poor to rural areas of Indonesia.

[8] The actual difference would be even larger if we had used nominal expenditure figures instead of real expenditure figures, as the latter corrects for the living cost differential between rural and urban areas.

Figure 17: Share of Workers by Area (2012)



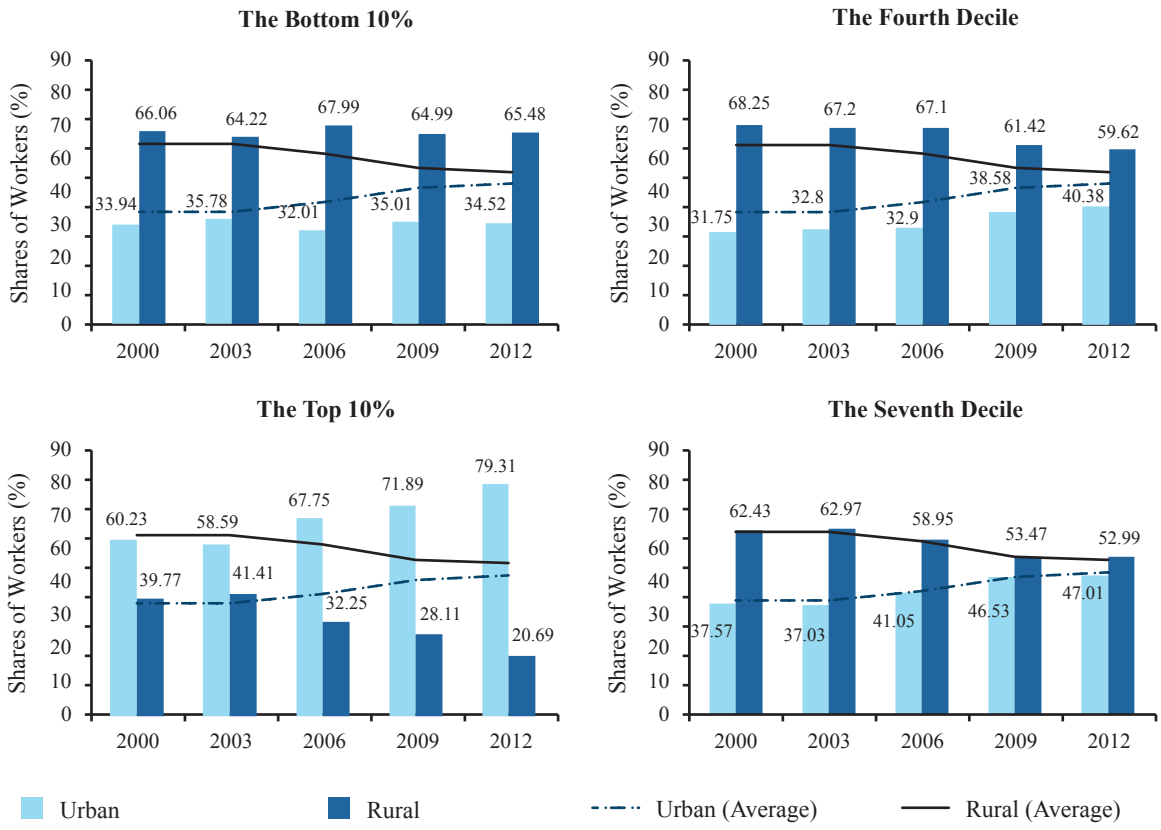
Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 12: Distribution of Workers by Area (2000–12)

Location	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Decile 1					
Urban	33.94	35.78	32.01	35.01	34.52
Rural	66.06	64.22	67.99	64.99	65.48
Decile 4					
Urban	31.75	32.80	32.90	38.58	40.38
Rural	68.25	67.20	67.10	61.42	59.62
Decile 7					
Urban	37.57	37.03	41.05	46.53	47.01
Rural	62.43	62.97	58.95	53.47	52.99
Decile 10					
Urban	60.23	58.59	67.75	71.89	79.31
Rural	39.77	41.41	32.25	28.11	20.69
Average (all deciles)					
Urban	38.52	38.54	41.62	46.59	48.08
Rural	61.48	61.46	58.38	53.41	51.92

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

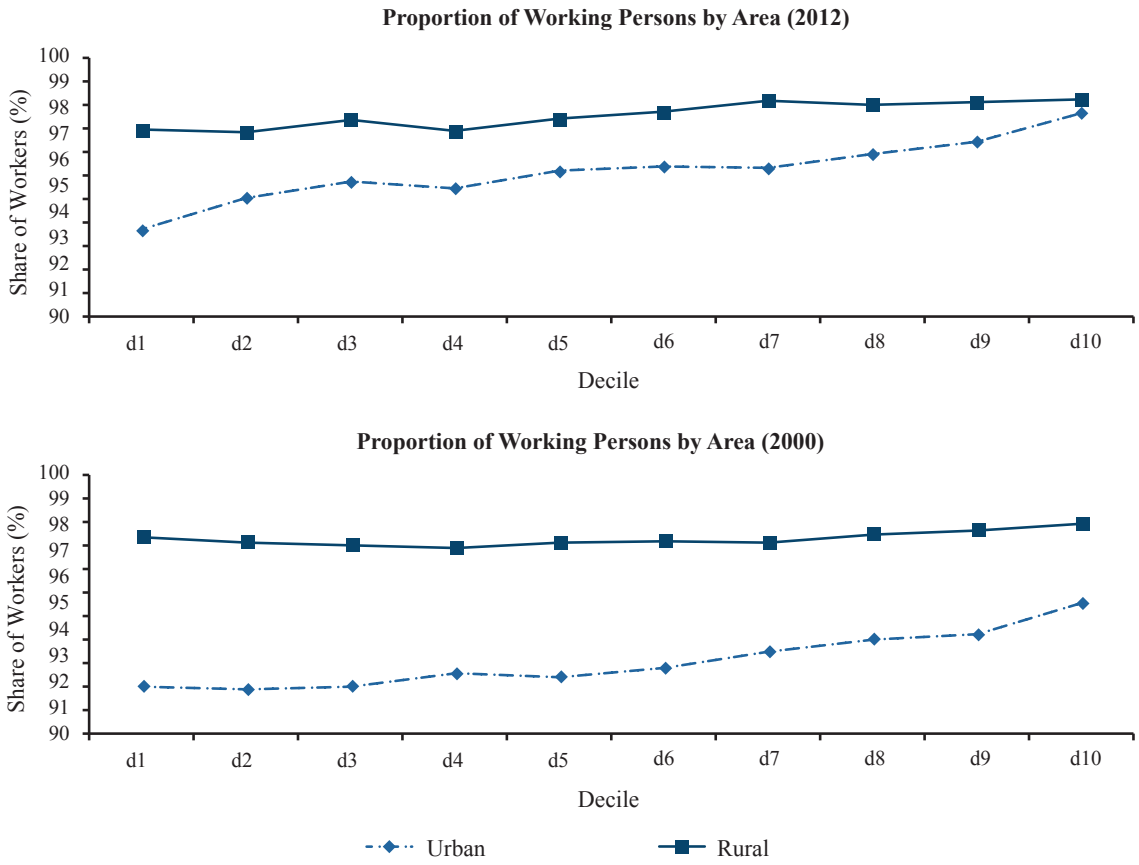
Figure 18: Proportion of Workers by Areas (Selected Deciles)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

In addition to studying characteristics of the employed (both underemployed and full-time employed), it is worth looking at unemployment rates across wealth deciles over time for both rural and urban areas. In the previous section, we showed that unemployment rates tend to be higher in urban compared with rural areas, even though unemployment rates in urban areas have fallen significantly in recent years. Figure 19 shows the share of workers in the labour force across wealth deciles. In both rural and urban areas, the unemployment rates (the difference between 100% and the depicted LFPR) are significantly higher among the poor and have been widening in urban areas in recent years. Although unemployment rates among the urban poor decreased with time, the unemployment rates decreased even more strongly for better-off workers. The trends in unemployment rates with time across wealth deciles further underline recent developments in the job market that have been more favourable in urban compared with rural areas during the period 2000–12.

Figure 19: Share of Workers in the Labour Force by Area and Decile

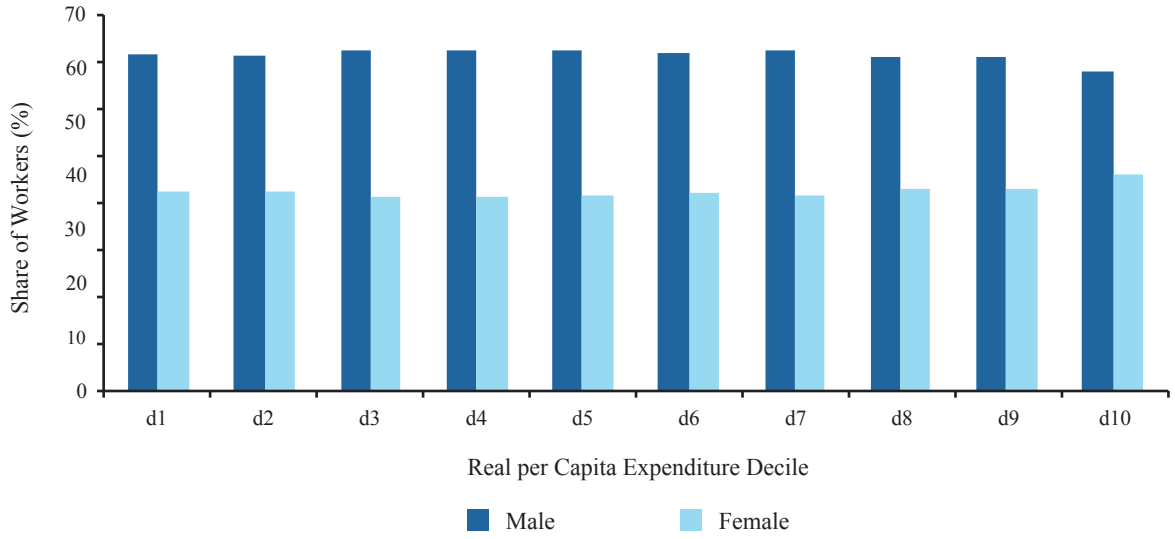


Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Gender Differences among the Working Poor and the Working Nonpoor

Men seem slightly overrepresented among the working poor, although the share of men and women remains relatively stable across all wealth deciles. For instance, although the share of women among workers in the poorest decile (decile 1) amounts to 37.26%, the share of women in the richest decile (decile 10) is only slightly higher at 40.44% (figure 20 and table 13). Furthermore, as table 13 and figure 21 show, this pattern has been remarkably stable over time within deciles, apart from the richest decile, for which the share of women has increased from 37.54% in 2000 to 40.44% in 2012.

Figure 20: Proportion of Workers by Gender (2012)



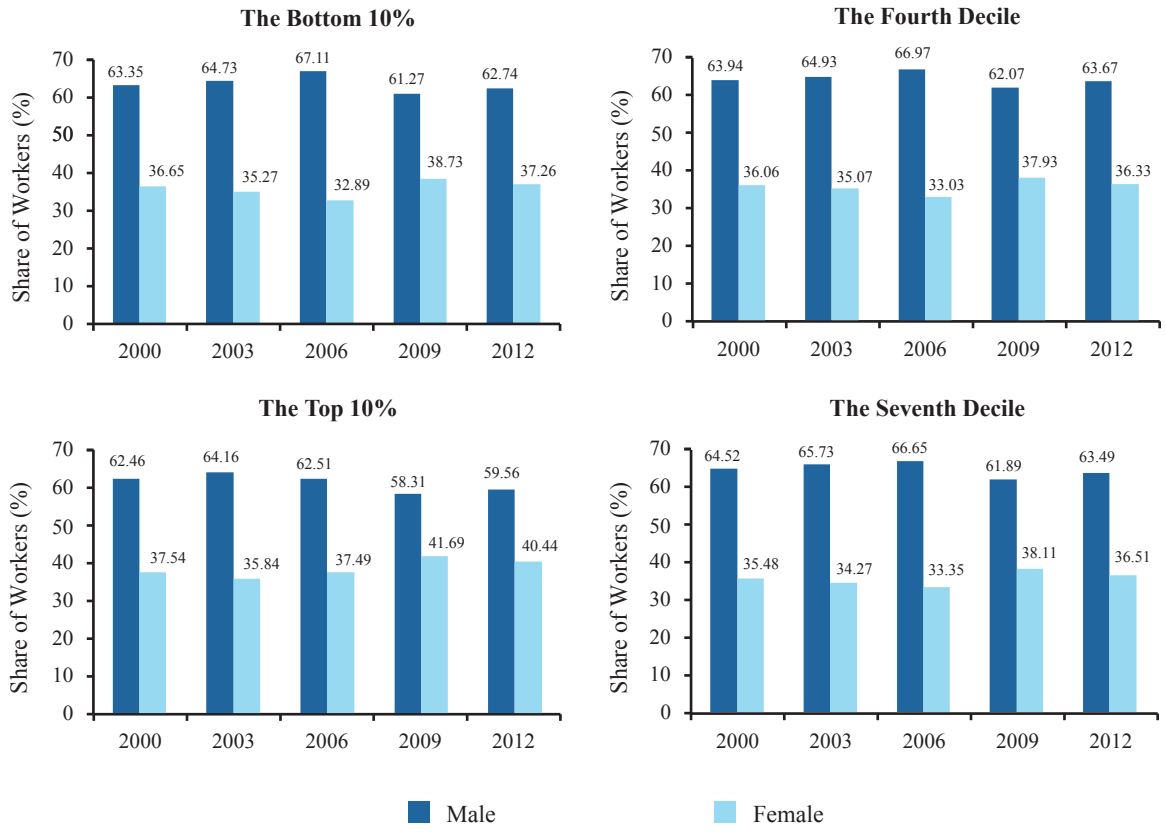
Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 13: Proportion of Workers by Gender (2000–12)

Gender	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Decile 1					
Male	63.35	64.73	67.11	61.27	62.74
Female	36.65	35.27	32.89	38.73	37.26
Decile 4					
Male	63.94	64.93	66.97	62.07	63.67
Female	36.06	35.07	33.03	37.93	36.33
Decile 7					
Male	64.52	65.73	66.65	61.89	63.49
Female	35.48	34.27	33.35	38.11	36.51
Decile 10					
Male	62.46	64.16	62.51	58.31	59.56
Female	37.54	35.84	37.49	41.69	40.44
Average (all deciles)					
Male	63.78	65.27	66.19	61.42	62.63
Female	36.22	34.73	33.81	38.58	37.37

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 21: Proportion of Workers by Gender (Selected Deciles, 2000–12)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

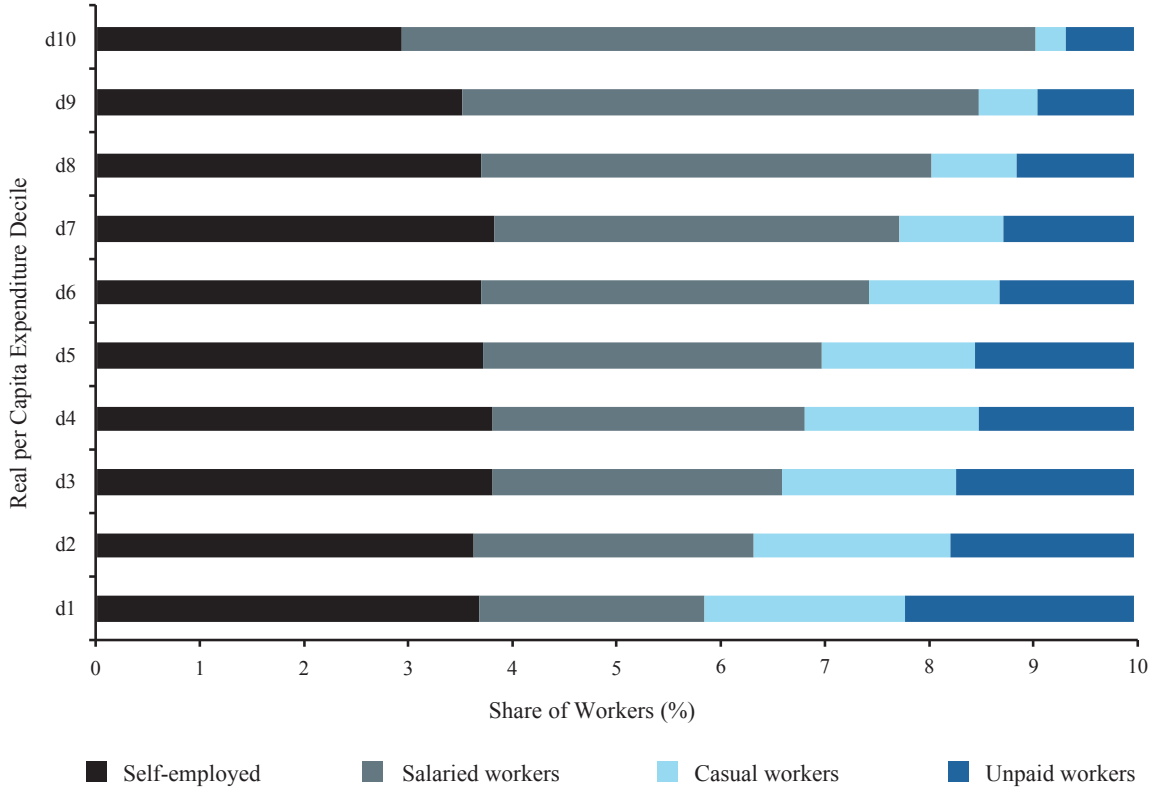
Type of Employment and Sector of Employment

This subsection looks at differences in the type of employment (self-employed, salaried worker, casual worker, and unpaid worker) and the sector of employment disaggregated for the working poor and the working nonpoor.

Differences in the Type of Employment

As show in figure 22, the working poor are characterised by a relatively high share of workers who have jobs that are unpaid (22.06%) and unstable (casual jobs: 19.37%). The type of employment that is most strongly and increasingly associated with being better off is salaried employment. However, not all salaried employment provides sufficient wages to avoid entering/escaping poverty. Likewise, a very high share of workers across all expenditure deciles (an average of about 36%) are self-employed workers. However, these self-employed activities generate a great variation in amounts of income; many of those who are self-employed fail to earn sufficient income.

Figure 22: Distribution of Workers by Type of Employment (2012)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

The previous statements are also reflected in the time trend (table 14 and figure 23). Compared with 2003, the share of working poor who are salaried workers remained constant (or even decreased when benchmarked against 2000), whereas overall the share of salaried workers increased, particularly among the richer deciles (decile 7 and decile 10) underscoring that salaried employment is less likely to be associated with poverty in 2012 compared with 2003[9]. This finding—that salaried employment is increasingly helping workers to avoid and escape poverty—is consistent with results from academic research, which points to substantial increases in minimum wages in the 1990s and 2000s, which brought many salaried workers and their families out of poverty (Magruder 2013; ILO 2013).

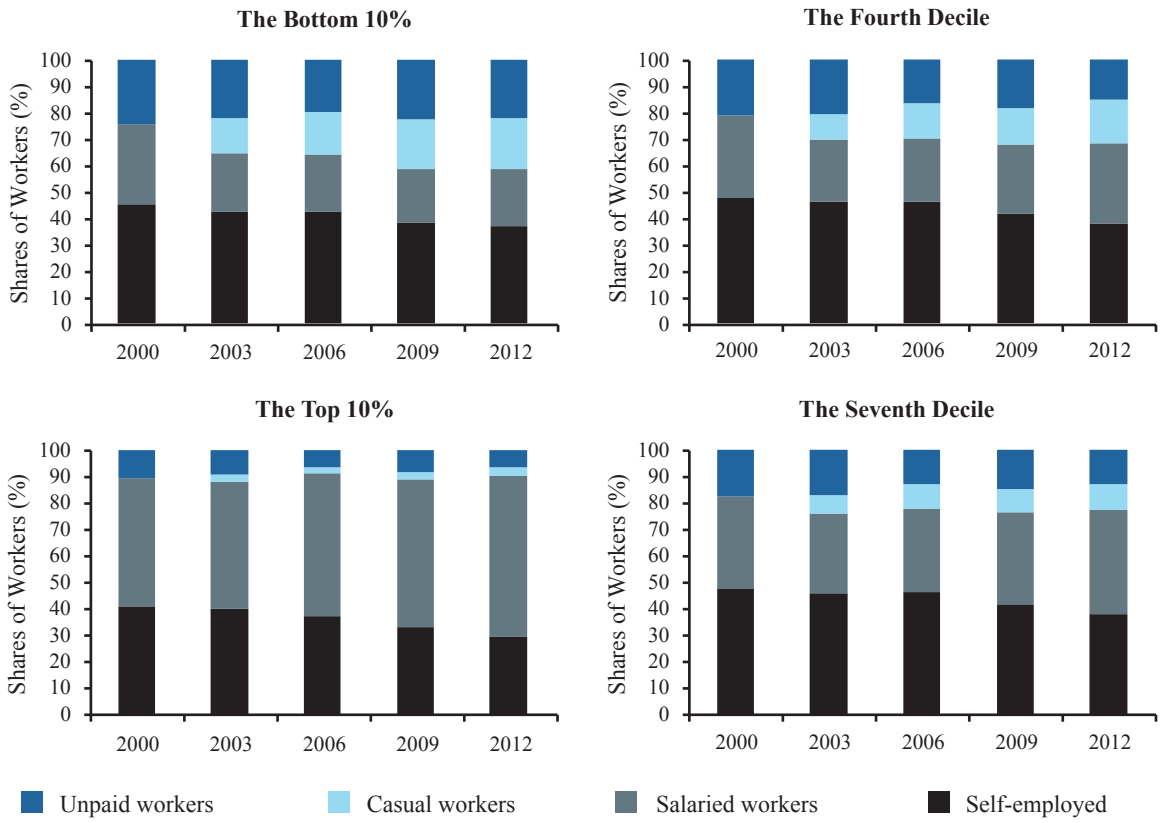
[9] Susenas 2000 does not permit distinguishing salaried workers and casual workers. Therefore, we compared 2003 and 2012.

Table 14: Distribution of Workers by Employment Status (2000–12)

Employment Status	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Decile 1					
Self-employed	45.46	42.70	42.76	38.31	36.88
Salaried workers	30.45	21.82	21.50	20.56	21.69
Casual workers	n/a	13.67	16.22	18.54	19.37
Unpaid workers	24.09	21.81	19.53	22.59	22.06
Decile 4					
Self-employed	47.47	46.29	46.03	41.46	38.13
Salaried workers	31.62	23.52	24.28	26.57	30.17
Casual workers	n/a	9.39	13.33	13.46	16.62
Unpaid workers	20.91	20.80	16.36	18.51	15.08
Decile 7					
Self-employed	47.73	46.05	46.42	41.94	38.25
Salaried workers	34.81	29.96	31.56	34.45	39.07
Casual workers	n/a	7.16	8.98	8.82	9.94
Unpaid workers	17.46	16.83	13.04	14.79	12.74
Decile 10					
Self-employed	40.89	40.23	37.41	33.17	29.47
Salaried workers	48.45	47.67	53.65	55.90	60.95
Casual workers	n/a	2.89	2.69	2.84	3.01
Unpaid workers	10.66	9.22	6.24	8.10	6.56
Average (all deciles)					
Self-employed	45.97	44.84	44.36	39.69	36.29
Salaried workers	35.57	29.32	31.68	33.52	37.75
Casual workers	n/a	8.16	10.38	10.82	12.20
Unpaid workers	18.46	17.68	13.58	15.97	13.76

Note: TNP2K calculations based on Susenas rounds. Survey weights applied. For the year 2000, the 'salaried workers' category comprises 'casual workers' as the Susenas 2000 round did not permit distinguishing between both groups.

Figure 23: Distribution of Workers by Employment Status (2000–12)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 15 shows the previous labour market information further disaggregated by gender and area. The data show that, although men across all wealth deciles are largely engaged in paid work (self-employment, salaried worker, or casual worker), the share of unpaid female workers is significant throughout the entire expenditure distribution. However, unpaid work among women follows a strong wealth gradient: better-off women are significantly less likely to be engaged in unpaid work than poorer women are. For both men and women, we observed that salaried employment is significantly associated with higher living standards, although one must bear in mind that many male and female salaried workers still belong to the working poor.

With respect to the rural-urban divide, we found that, in both areas, salaried employment is associated with higher living standards as proxied by household expenditures per capita. There seem to be important differences in the type of self-employment activities between rural and urban areas. Although self-employment in urban areas seems to be slightly associated with lower welfare levels, the opposite can be found for rural areas. Given that the agricultural sector still dominates the rural economy, it appears plausible that land ownership combined with self-employment in agriculture provides meaningful income for many people in rural areas, while in urban areas, similarly lucrative self-employment opportunities are relatively less available.

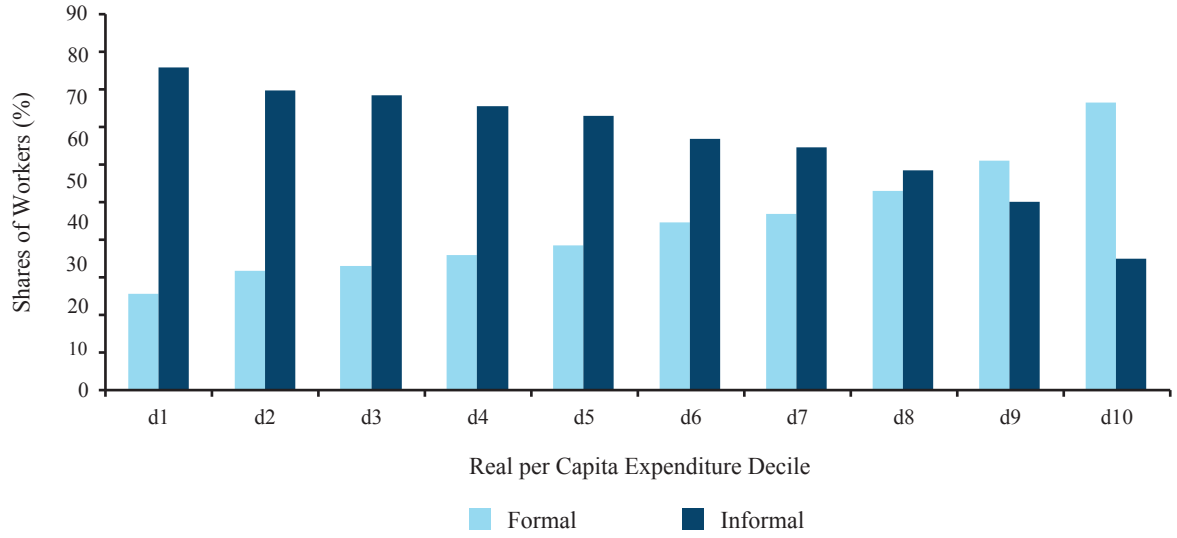
Table 15: Employment Status by Gender and Area (2012)

Employment Status	Total (%)	Gender		Area	
		Male (%)	Female (%)	Urban (%)	Rural (%)
Decile 1					
Self-employed	36.88	43.45	25.81	32.91	38.97
Salaried workers	21.69	23.56	18.54	35.00	14.67
Casual workers	19.37	22.72	13.72	23.75	17.06
Unpaid workers	22.06	10.27	41.93	8.34	29.30
Decile 4					
Self-employed	38.13	42.18	31.01	34.25	40.75
Salaried workers	30.17	33.00	25.23	45.80	19.59
Casual workers	16.62	18.47	13.39	13.34	18.85
Unpaid workers	15.08	6.35	30.37	6.61	20.82
Decile 7					
Self-employed	38.25	40.81	33.79	33.17	42.75
Salaried workers	39.07	42.34	33.38	53.00	26.71
Casual workers	9.94	11.69	6.90	7.95	11.71
Unpaid workers	12.74	5.16	25.92	5.89	18.82
Decile 10					
Self-employed	29.47	31.75	26.11	26.18	42.07
Salaried workers	60.95	61.37	60.34	66.70	38.91
Casual workers	3.01	3.60	2.14	2.48	5.06
Unpaid workers	6.56	3.27	11.41	4.63	13.96
Average (all deciles)					
Self-employed	36.29	39.94	30.19	30.82	41.37
Salaried workers	37.75	39.99	33.99	53.51	23.15
Casual workers	12.20	14.23	8.80	9.55	14.66
Unpaid workers	13.76	5.84	27.02	6.13	20.82

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

As noted above, individuals classified as being part of the working poor are less likely to engage in full-time employment and are more likely to be in unpaid and unstable jobs. In line with common expectations, we also found a large percentage of people who work in the informal sector classified as working poor (table 16 and figure 24). For example, in 2012 about 77% of the working poor worked in the informal sector, while only about a third of the workers in the richest decile (decile 10) belonged to the informal sector.

Figure 24: Distribution of Workers by Sector's Formality (2012)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

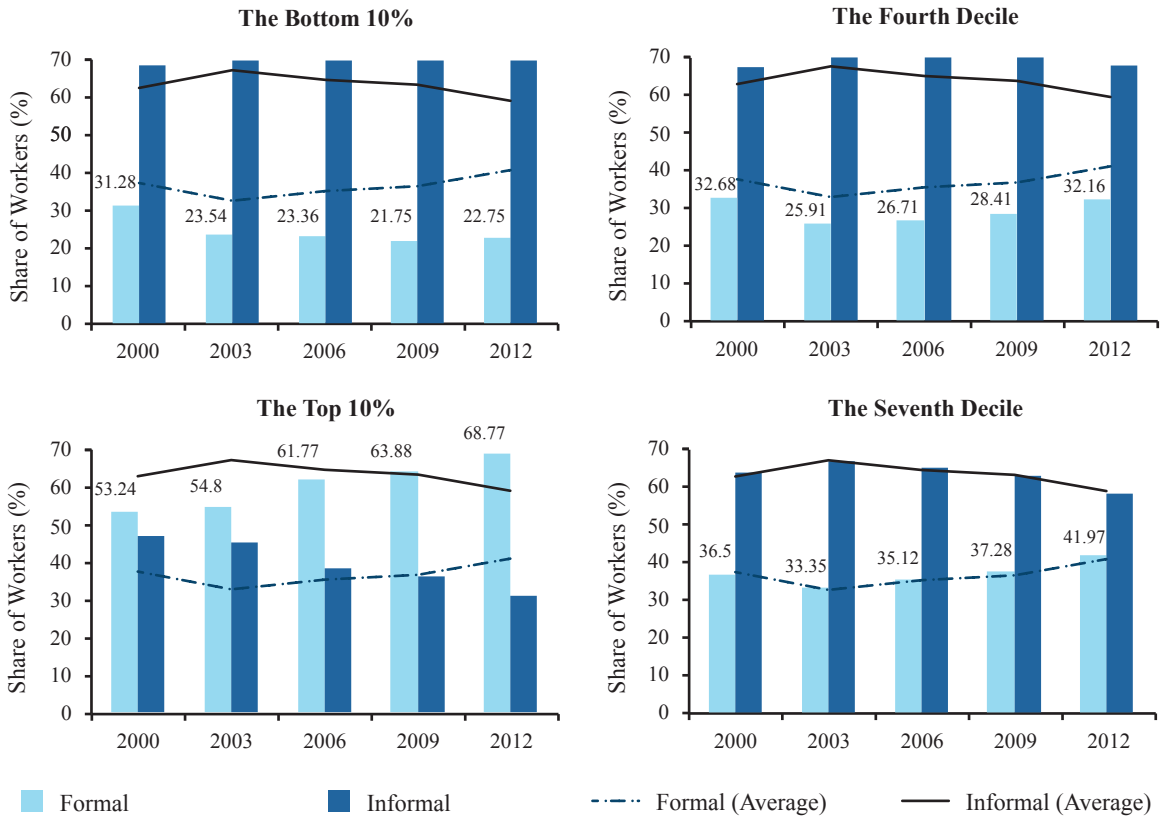
In line with the previous results, we found (table 16 and figure 25) that being part of the informal sector labour force is increasingly associated with lower income levels and poverty. Between 2000 and 2012, the share of the working poor engaged in the informal sector increased, despite the overall share of the informal sector (out of all employment) slightly decreasing from 62.63% in 2000 to 59.07% in 2012.

Table 16: Distribution of Workers by Sector's Formality (2000–12)

Sector's Formality	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Decile 1					
Formal	31.28	23.54	23.36	21.75	22.75
Informal	68.72	76.46	76.64	78.25	77.25
Decile 4					
Formal	32.68	25.91	26.71	28.41	32.16
Informal	67.32	74.09	73.29	71.59	67.84
Decile 7					
Formal	36.5	33.35	35.12	37.28	41.97
Informal	63.5	66.65	64.88	62.72	58.03
Decile 10					
Formal	53.24	54.8	61.77	63.88	68.77
Informal	46.76	45.2	38.23	36.12	31.23
Average (full dataset)					
Formal	37.37	32.74	35.29	36.58	40.93
Informal	62.63	67.26	64.71	63.42	59.07

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 25: Proportion of Workers by Sector's Formality (Selected Years)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table 17 shows sector statistics along the wealth distribution for 2012 by gender and area. The findings suggest that very similar patterns exist along the wealth distribution between men and women as well as between rural and urban areas. In all cases, higher welfare levels are clearly associated with higher levels of formal employment, although as discussed above, the relative role of the formal sector differs.

Table 17: Proportion of Workers by Sector's Formality, Gender, and Area (2012)

Sector Formality	Total (%)	Gender		Area	
		Male (%)	Female (%)	Urban (%)	Rural (%)
Decile 1					
Formal	22.75	24.86	19.20	36.43	15.55
Informal	77.25	75.14	80.80	63.57	84.45
Decile 4					
Formal	32.16	35.60	26.12	47.95	21.46
Informal	67.84	64.40	73.88	52.05	78.54
Decile 7					
Formal	41.97	46.39	34.29	55.87	29.64
Informal	58.03	53.61	65.71	44.13	70.36
Decile 10					
Formal	68.77	70.90	65.63	74.45	47.01
Informal	31.23	29.10	34.37	25.55	52.99
Average (all deciles)					
Formal	40.93	44.08	35.66	57.25	25.82
Informal	59.07	55.92	64.34	42.75	74.18

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Employment Differences between Working Poor and Working Nonpoor

Notable differences exist in the sector of employment (1-digit industry level[10]) between the working poor and the working nonpoor. In line with the previous findings that the working poor are increasingly more likely to be in rural Indonesia, we found that a large share of the working poor are employed in the agricultural sector (table 18 and figures 26 and 27). Likewise, we observed a relative shift away from agriculture in line with strong job creation in urban areas. In 2000 the agricultural sector comprised about 44.1% of the entire labour force, whereas in 2012, its share decreased to 34.1%. However, agriculture, especially for the poor, has remained the main sector of employment in Indonesia. In contrast to the agricultural sector, we found that better-off workers are more likely to be employed in the finance, trade/retail, and public sectors. However, it is important to note that a lot of variation exists within each of these sectors. For instance, a significant share of the richest workers (decile 10) belong to the agriculture sector; at the same time, many workers in the trade/retail sector form part of the working poor.

[10] As common in most countries of the world, Statistics Indonesia has developed a coding structure that attempts to classify all forms of economic activity—including government and nonprofit entities—in order to provide a common statistical and conceptual framework for data collection and analysis. The 1-digit classification assigns all types of economic activities uniquely into 1 of 10 possible economic sectors. For more information, please see 'Standard Industrial Classification System (SIC)' at http://www.referenceforbusiness.com/encyclopedia/Sel-Str/Standard-Industrial-Classification-System-SIC.html#ixzz3AAIt1tZz.

Table 18: Proportion of Workers by Sectors (2000–12)

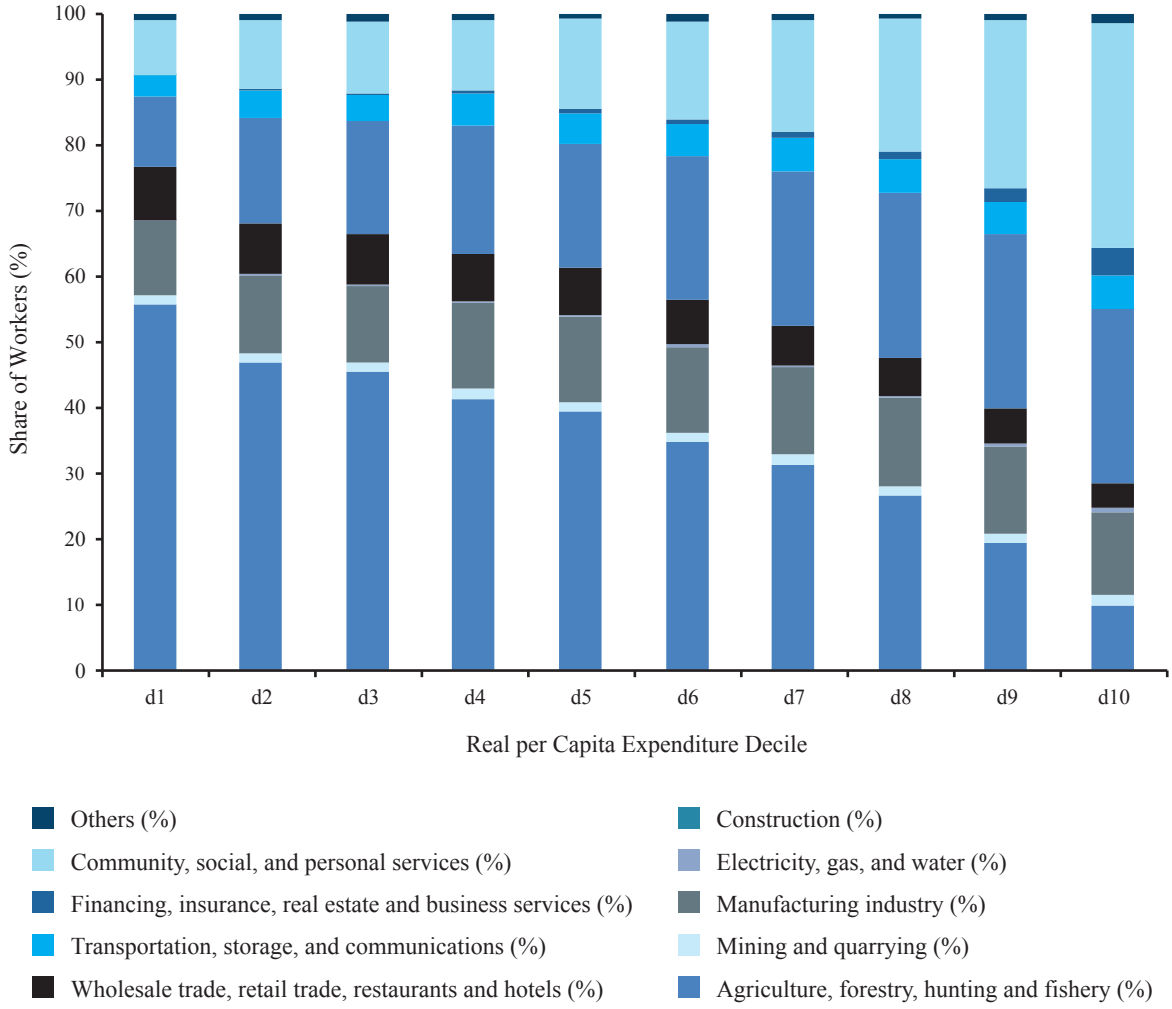
Proportion of Workers by Sectors	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Decile 1					
Agriculture, forestry, hunting, and fishery	58.57	62.56	58.96	59.11	55.76
Mining and quarrying	0.74	0.79	0.98	1.19	1.24
Manufacturing industry	11.64	9.89	10.56	9.93	11.43
Electricity, gas, and water	0.06	0.10	0.13	0.16	0.14
Construction	4.75	4.28	6.58	5.04	8.20
Wholesale trade, retail trade, restaurants, and hotels	13.07	11.41	10.78	10.86	10.60
Transportation, storage, and communications	4.59	4.25	4.55	3.20	3.17
Financing, insurance, real estate, and business services	0.43	0.31	0.42	0.36	0.18
Public servants, civil, social, and personal services	6.16	6.24	6.92	8.44	8.28
Other	n/a	0.17	0.13	1.71	1.00
Decile 4					
Agriculture, forestry, hunting, and fishery	51.96	54.94	48.78	46.14	41.16
Mining and quarrying	0.64	0.75	1.12	1.18	1.65
Manufacturing industry	12.54	10.95	13.16	11.73	13.21
Electricity, gas, and water	0.13	0.15	0.21	0.26	0.25
Construction	4.00	4.33	5.87	5.40	7.15
Wholesale trade, retail trade, restaurants, and hotels	17.59	15.69	16.23	17.51	19.43
Transportation, storage, and communications	5.03	5.10	5.55	4.44	5.07
Financing, insurance, real estate, and business services	0.68	0.57	0.73	0.91	0.46
Public servants, civil, social, and personal services	7.43	7.44	8.20	11.08	10.57
Other	n/a	0.09	0.15	1.36	1.06
Decile 7					
Agriculture, forestry, hunting, and fishery	42.36	45.64	37.30	33.56	31.31
Mining and quarrying	0.68	0.63	1.04	1.25	1.55
Manufacturing industry	12.54	12.31	13.68	12.61	13.36
Electricity, gas, and water	0.21	0.30	0.28	0.33	0.28
Construction	3.98	3.99	5.16	4.69	6.01
Wholesale trade, retail trade, restaurants, and hotels	21.67	19.43	22.17	23.85	23.52
Transportation, storage, and communications	5.97	6.04	6.04	5.01	5.11
Financing, insurance, real estate, and business services	1.08	1.08	1.18	1.63	0.96
Public servants, civil, social, and personal services	11.51	10.48	12.98	15.72	16.98
Other	n/a	0.09	0.16	1.34	0.92

Table 18: Proportion of Workers by Sectors (2000–12) [continued]

Proportion of Workers by Sectors	2000 (%)	2003 (%)	2006 (%)	2009 (%)	2012 (%)
Decile 10					
Agriculture, forestry, hunting, and fishery	20.09	22.29	13.24	10.72	9.73
Mining and quarrying	1.20	1.33	1.29	1.34	1.65
Manufacturing industry	12.52	14.26	12.92	10.64	12.62
Electricity, gas, and water	0.50	0.49	0.58	0.83	0.71
Construction	3.11	3.10	3.18	3.19	3.86
Wholesale trade, retail trade, restaurants, and hotels	28.64	25.24	27.79	27.42	26.40
Transportation, storage, and communications	5.60	6.00	5.50	4.23	5.22
Financing, insurance, real estate, and business services	4.02	3.77	5.38	6.14	4.04
Public servants, civil, social, and personal services	24.32	23.44	29.95	33.41	34.32
Other	n/a	0.08	0.18	2.08	1.44
Average (all deciles)					
Agriculture, forestry, hunting, and fishery	44.10	47.46	39.80	37.44	34.13
Mining and quarrying	0.77	0.83	1.08	1.24	1.46
Manufacturing industry	12.30	11.83	13.16	11.58	12.71
Electricity, gas, and water	0.20	0.25	0.31	0.38	0.32
Construction	4.00	4.00	5.22	4.71	6.51
Wholesale trade, retail trade, restaurants, and hotels	20.25	17.97	19.75	20.69	20.90
Transportation, storage, and communications	5.39	5.38	5.69	4.50	4.70
Financing, insurance, real estate, and business services	1.34	1.16	1.58	1.91	1.14
Public servants, civil, social, and personal services	11.64	11.01	13.27	16.03	17.07
Other	n/a	0.10	0.14	1.51	1.06

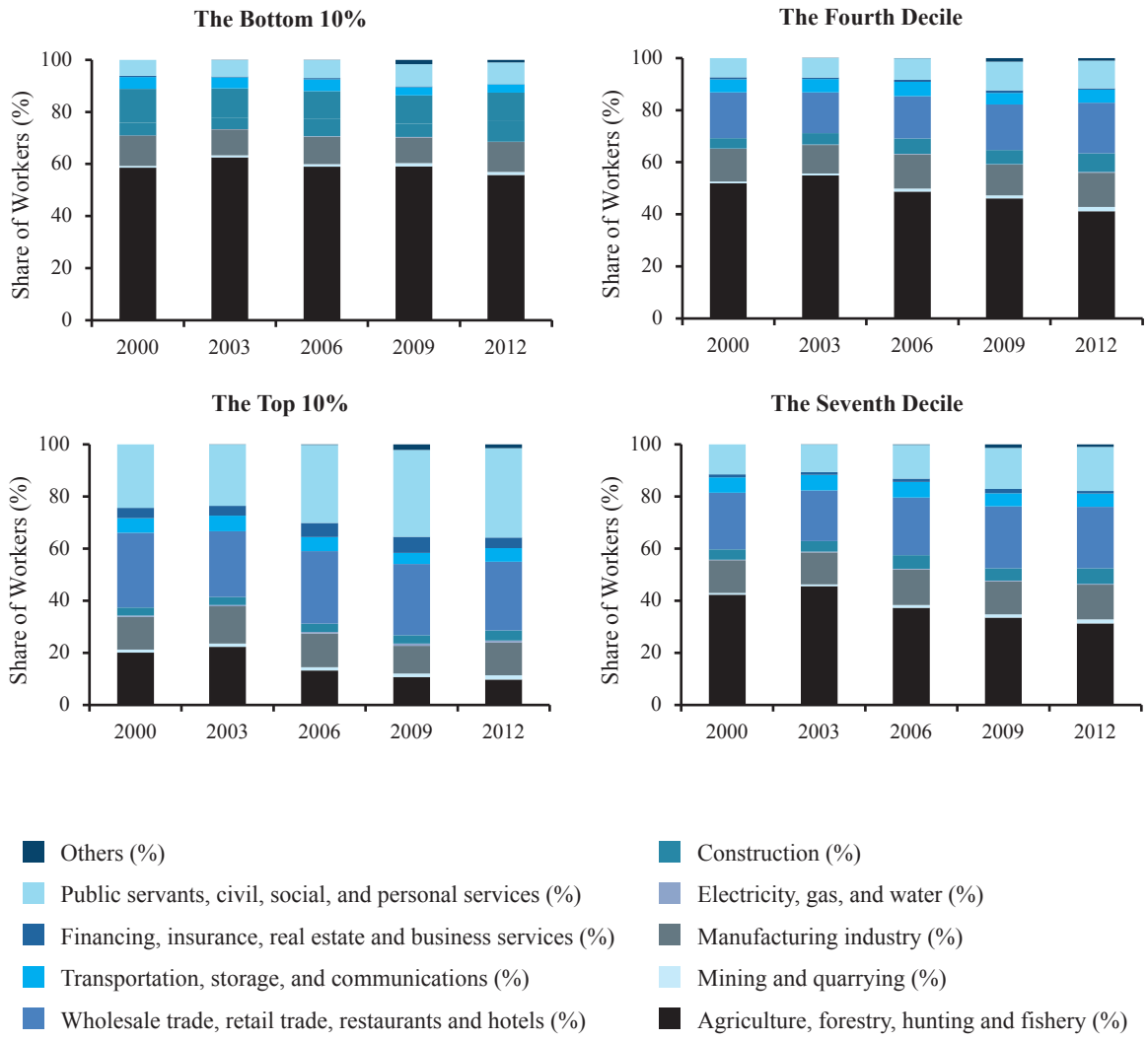
Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 26: Proportion of Workers by Sectors (2012)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Figure 27: Proportion of Workers by Sectors (2000–12)



Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Summary

This report examines the links between poverty and the labour market in Indonesia covering the period 2000–12, a period accompanied by high economic growth rates, creation of millions of new jobs, and a strong decrease in poverty rates.

Despite significant achievements in recent years, many Indonesians continue to live in poverty despite having a job and working many hours each week. In fact, this report finds that the poor are as likely as the nonpoor to work, both at the extensive (labour force participation) and at the intensive (number of days and number of hours) margins. The reason for being poor despite being employed is therefore largely driven by other factors. In terms of household structure, clear evidence exists that the working poor need to share their income among a wider group (larger household size), especially economically nonactive persons (young children and the elderly). The working poor live in households with a higher dependency ratio, which contributes to their being/becoming working poor. Furthermore, the working poor are more likely to be casual workers and are more likely to work in employment that provides lower hourly wages and in several cases is unpaid (ILO 2013).

Significant gender differences exist in the Indonesian labour market. Men show higher labour LFPRs and are more likely to work more hours compared with women (conditional on having a job). However, we did not observe strong gender differences between men and women who are working with respect to their poverty status. Across the entire wealth distribution, we found that the men to women employment ratios in each wealth decile is largely constant.

Economic growth in Indonesia during 2000–12 has not been even throughout the country; urban areas create significantly more jobs and more full-time employment opportunities. In line with this general trend, we observed that the working poor are increasingly characterised by their location in rural areas. Likewise, we observed that the majority of the working poor are working in the agricultural sector. In contrast, we found that workers in the finance, trade, and public sectors are the least likely to be or become poor. Similarly, we found that the working poor are predominantly and increasingly (in relative terms) concentrated in the informal sector of the economy.

An important finding concerns the role of education in the likelihood of being poor or nonpoor. Our results suggest that only higher secondary and tertiary education seems to increase the likelihood of meaningfully protecting against poverty. Among all other education levels (incomplete primary, completed primary, and completed lower secondary education), we found that these workers tend over time to increasingly concentrate in the poorer wealth deciles.

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Appendix

Table A1: Labour Market Indicators according to Statistics Indonesia (2000–12)

Labour Market Indicators	2004*	2005**	2006	2007	2008	2009	2010	2011	2012	2013
Open unemployment rate (%)	9.86	11.24	10.28	9.11	8.39	7.87	7.275	7.14	6.32	5.92
Labour force participation rate (%)	67.55	66.79	66.16	66.99	67.18	67.23	67.72	68.34	67.88	69.21

** Figures are yearly.*
*** Figures drawn from the November round of Sakernas.*
Note: Statistics taken from Statistics Indonesia (2013b). Figures drawn from August round of Sakernas, unless otherwise noted.

Table A2: Labour Market Indicators by Provinces (2000)

Province	Labour Market Indicators (2000)						
	Working Age Population	Labour Force	Labour Force Participation Rate (%)	Employment Rate (%)	Full-time Employment (%)	Underemployment Rate (%)	Unemployment Rate (%)
Bali	2,341,320	1,718,515	73.4	97.70	62.71	34.99	2.30
Bengkulu	922,554	645,304	69.95	98.30	63.22	35.08	1.70
DI Yogyakarta	2,454,761	1,709,467	69.64	96.42	64.88	31.53	3.58
DKI Jakarta	6,347,544	3,623,851	57.09	90.47	80.58	9.89	9.53
Jambi	1,616,822	977,877	60.48	97.05	56.91	40.13	2.95
Jawa Barat	30,142,693	17,488,340	58.02	93.19	60.94	32.25	6.81
Jawa Tengah	22,077,833	14,950,433	67.72	95.84	58.97	36.87	4.16
Jawa Timur	25,572,183	16,408,813	64.17	96.97	54.69	42.29	3.03
Kalimantan Barat	2,446,814	1,727,811	70.61	97.03	57.18	39.84	2.97
Kalimantan Selatan	2,050,338	1,390,727	67.83	97.58	57.48	40.10	2.42
Kalimantan Tengah	1,195,780	801,933	67.06	97.47	62.91	34.55	2.53
Kalimantan Timur	1,655,416	1,056,827	63.84	95.61	64.76	30.85	4.39
Lampung	4,469,258	2,933,637	65.64	97.66	58.52	39.14	2.34
Maluku Utara	1,291,959	973,363	75.34	98.14	40.51	57.63	1.86
Nusa Tenggara Barat	2,504,795	1,651,111	65.92	96.56	47.71	48.85	3.44
Nusa Tenggara Timur	2,480,033	1,835,543	74.01	98.63	44.16	54.47	1.37
Riau	3,169,272	1,856,996	58.59	94.10	63.62	30.48	5.90
Sulawesi Selatan	5,323,302	2,898,088	54.44	96.74	50.58	46.16	3.26
Sulawesi Tengah	1,370,876	863,917	63.02	97.83	57.11	40.72	2.17
Sulawesi Tenggara	1,106,027	684,083	61.85	96.91	50.94	45.97	3.09
Sulawesi Utara	2,046,692	1,149,804	56.18	94.62	53.95	40.67	5.38
Sumatera Barat	2,839,710	1,685,240	59.35	96.59	54.93	41.66	3.41
Sumatera Selatan	5,179,666	3,228,493	62.33	97.23	58.18	39.05	2.77
Sumatera Utara	7,500,505	4,781,502	63.75	96.18	61.82	34.36	3.82

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table A3: Labour Market Indicators by Provinces (2012)

Province	Labour Market Indicators (2012)						
	Working Age Population (n)	People in Labour Force (n)	Labour Force Participation Rate (%)	Employment Rate (%)	Full-time employment (%)	Underemployment Rate (%)	Unemployment Rate (%)
Bali	3,016,258	2,342,749	77.67	99.38	67.62	31.76	0.62
Banten	7,933,476	5,078,138	64.01	93.93	72.40	21.53	6.07
Bengkulu	1,230,910	865,944	70.35	98.12	64.13	33.99	1.88
DI Yogyakarta	2,763,154	1,963,716	71.07	98.28	72.26	26.02	1.72
DKI Jakarta	7,532,550	5,133,507	68.15	94.67	84.08	10.59	5.33
Gorontalo	741,479	494,921	66.75	98.55	68.82	29.72	1.45
Jambi	2,265,481	1,517,566	66.99	98.53	56.40	42.14	1.47
Jawa Barat	31,638,366	19,854,407	62.75	94.97	72.39	22.58	5.03
Jawa Tengah	23,935,516	16,741,490	69.94	96.87	69.98	26.89	3.13
Jawa Timur	28,598,641	19,711,413	68.92	97.97	68.33	29.64	2.03
Kalimantan Barat	3,044,978	2,204,180	72.39	98.32	62.84	35.48	1.68
Kalimantan Selatan	2,676,100	1,859,463	69.48	98.36	67.43	30.94	1.64
Kalimantan Tengah	1,583,191	1,135,794	71.74	97.70	63.73	33.97	2.30
Kalimantan Timur	2,676,667	1,77,0323	66.14	96.13	76.01	20.12	3.87
Kep. Bangka Belitung	922,858	633,084	68.60	98.80	72.71	26.09	1.20
Kep. Riau	1,359,786	924,373	67.98	97.44	77.11	20.33	2.56
Lampung	5,496,293	3,786,255	68.89	97.62	60.30	37.32	2.38
Maluku	1,042,538	703,100	67.44	96.78	68.82	27.96	3.22
Maluku Utara	706,555	476,315	67.41	97.40	62.51	34.89	2.60
Nanggroe Aceh Darussalam	3,209,098	1,959,256	61.05	95.68	56.26	39.42	4.32
Nusa Tenggara Barat	3,165,763	2,158,232	68.17	98.17	58.60	39.57	1.83
Nusa Tenggara Timur	3,078,081	2,186,035	71.02	98.70	55.34	43.37	1.30
Papua	2,067,742	1,664,881	80.52	97.76	58.45	39.30	2.24
Papua Barat	543,703	360,722	66.35	95.70	65.27	30.43	4.30
Riau	3,996,788	2,579,580	64.54	97.51	61.40	36.11	2.49
Sulawesi Barat	792,364	539,729	68.12	99.17	54.36	44.82	0.83
Sulawesi Selatan	5,673,042	3,479,466	61.33	97.36	60.83	36.54	2.64
Sulawesi Tengah	1,831,175	1,240,165	67.73	98.90	63.50	35.40	1.10
Sulawesi Tenggara	1,514,486	1,032,852	68.20	98.99	61.62	37.37	1.01
Sulawesi Utara	1,678,095	1,039,605	61.95	96.29	69.03	27.26	3.71
Sumatera Barat	3,384,735	2,208,143	65.24	97.61	64.28	33.34	2.39
Sumatera Selatan	5,392,303	3,704,300	68.70	98.03	59.58	38.45	1.97
Sumatera Utara	8,841,440	6,117,535	69.19	96.46	67.89	28.57	3.54

Note: TNP2K calculations based on Susenas rounds. Survey weights applied.

Table A4: The Classification of Sectors by Formality according to Statistics Indonesia

Main Employment Status	Main Occupation									
	Professional, Technical & Related Workers	Administrative & Managerial Workers	Clerical & Related Workers	Sales Workers	Services Workers	Agricultural Workers	Production Workers	Operators	Labourers	Others
Self-employed	F	F	F	INF	INF	INF	INF	INF	INF	INF
Self-employed assisted by family or temporary worker	F	F	F	F	F	INF	F	F	F	INF
Employer	F	F	F	F	F	F	F	F	F	F
Employee	F	F	F	F	F	F	F	F	F	F
Agricultural freelance worker	F	F	F	INF	INF	INF	INF	INF	INF	INF
Nonagricultural freelance worker	F	F	F	INF	INF	INF	INF	INF	INF	INF
Unpaid worker	INF	INF	INF	INF	INF	INF	INF	INF	INF	INF

Source: Statistics Indonesia classification as cited in ILO (2011).
Note: F: Formal; INF: Informal.

TNP2K Working Paper Series

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Working Paper 6	An Evaluation of the Use of the Unified Database for Social Protection Programmes by Local Governments in Indonesia	Adama Bah, Fransiska E. Mardianingsih, Laura Wijaya	March 2014	Unified Database, UDB, Basis Data Terpadu, BDT, Local Governments Institution
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	Title	Author(s)	Date Published	Keywords
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Employment and jobs are instrumental to achieving economic growth, social development, and poverty reduction. This paper, 'Poverty and the Labour Market in Indonesia: Employment Trends across the Wealth Distribution' is one of Indonesia's first assessments of the relationship between poverty and the labour market. It provides a detailed analysis of employment indicators (labour force participation rates, hours worked, and type and sector of employment) for 2000-2012 across the entire wealth distribution with a particular focus on the working poor. Furthermore, the working poor and working nonpoor are characterised in terms of location (rural and urban), gender, and various sociodemographic characteristics, such as household structure and education levels, in order to better understand contextual factors that contribute to persons being poor, despite being employed.

During the period 2000-2012 Indonesia experienced high economic growth rates, the creation of millions of new jobs, and a strong decrease in poverty rates. Despite significant achievements in recent years, many Indonesians however continue to live in poverty in spite of having a job and working many hours each week. This paper finds that the poor are as likely as the nonpoor to work, both at the extensive (labour force participation) and at the intensive (number of days and number of hours) margins. The reason for being poor in Indonesia is therefore in many cases not related to having a job or working insufficient hours.

The analysis reveals that the likelihood of being poor despite being employed is strongly associated with the demographic composition of households. Clear evidence exists that proves that the working poor share their income with a wider group (larger household size), especially economically nonactive persons (young children and the elderly). The working poor live in households with a higher dependency ratio, and this contributes to their socioeconomic status.

Economic growth during the period 2000–2012 was not even across the country in that urban areas created significantly more jobs and more full-time employment opportunities. In line with this general trend, the authors observe that the relative share of the rural working poor among all the working poor increased over time. In this context, the authors find that the majority of the working poor are in the agricultural sector. Similarly, they find that the working poor are predominantly and increasingly (in relative terms) concentrated in the informal sector of the economy.

Significant gender differences exist in the Indonesian labour market with men showing higher labour force participation rates and working more hours compared with women (conditional on having a job). However, the authors observe that these gaps between men and women have substantially narrowed between 2000 and 2012 with more and more women entering the labour market and working long hours. With regards to the working poor, the authors did not find strong gender differences between men and women who are working with respect to their poverty status.

An important finding concerns the role of education on the likelihood of being poor or nonpoor. While lower education levels have always been associated with a higher probability of being amongst the working poor the authors find that an increasing relative share of workers with lower education degrees (incomplete primary, completed primary, and completed lower secondary education) can be found among the working poor.

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