



Social security for informal economy workers in
Indonesia:

**Looking for flexible and
highly targeted programmes**

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Foreword



Currently, Indonesia faces big challenge in which Large parts of Indonesian population are excluded from any type of statutory social security protection. They tend to be part of the informal economy, and are outside the scope of the existing formal contribution-based social insurance schemes or tax-financed social benefits.

The unique characteristics of Indonesia certainly give different challenges to the development of its social security system in comparison to what have been developed in industrialized countries. We can not just rely on the Government to cover the poor and the worker in the informal economy considering the limitation of Government financial resources and domination of the workers in informal economy in the labor market.

These conditions are the background why PT. Jamsostek (Persero) agreed to collaborate with ILO – Jakarta to conduct research in order to investigate the feasibility to develop a comprehensive but sustainable social protection system for the informal workers.

The initiative started in 2005 with a pilot project. This pilot project was actually the follow up of the ILO study on Informal Economy in 2004 conducted by John Angelini and Kenichi Hisroshe. The recommendations of this study were then used as the input to design the Decree of Ministry of Manpower Planning and Transmigration number 24/2006. In 2006, PT. Jamsostek (Persero) started to expand the coverage to the informal workers as mandated in this Ministerial Decree.

The main challenge is how we boost the coverage of the informal workers in the future. Referring to this objective, it is essential to explore creative, innovative and comprehensive conceptual thinking. It is expected that this research will be able to map the characteristics in each sector in the informal economy as the basis to design a flexible and targeted program for the informal workers.

I believe the publication of this research will be beneficial and be an enormous input for all the stakeholders related to social protection for the informal workers in order to achieve universal coverage under the new national social security system mandated in Republic Act number 40/2004.

H. Hotbonar Sinaga

Chief Executive Officer
PT. Jamsostek (Persero)

Foreword



Social security protection is clearly defined in ILO conventions and UN instruments as a basic human right.

Only 20 per cent of the world's population has adequate social security coverage and more than half lack any coverage at all. The ILO actively promotes policies and provides assistance to countries to help extend adequate levels of social protection to all members of society. A "Global Campaign on Social Security and Coverage for All" launched in 2003 builds on efforts already underway in more than 30 countries. These include projects to help countries extend coverage at the national level and to strengthen community-based social security organizations

Social security issues are an important part of the ILO's agenda. Recently the ILO's tripartite constituents have designated the decade 2006-2015 as an Asian Decent Work Decade to make a concerted and sustained effort to realize Decent Work in Asia. Extending social security coverage to excluded populations is one of the chief priorities for national action.

In Indonesia, social security reform was boosted by the enactment of Republic Law number 40 of 2004 concerning the National Social Security System (SJSN - Sistem Jaminan Sosial Nasional). The implementation was delayed due to various reasons, one of them being the sheer complexity of the task ahead, and is now expected to be finalized by 2009.

Over the years the ILO has supported the development of social security in Indonesia through technical cooperation projects. Based on these experiences, the present research report discusses social security for informal economy workers in Indonesia, and explores flexible and highly targeted programmes to extend social security coverage.

I am confident that this report, that was made possible through a joint collaboration of ILO and PT JAMSOSTEK and was prepared by Theo van der Loop and Roos Kities Andadari, will contribute to the discussions of realistic steps to be taken to improve the existing social security schemes, and an effective action plan to implement the national social security system in Indonesia.

Within the framework of the Decent Work Country Programme for Indonesia, and in collaboration with other international organizations, the ILO continues to be committed in assisting the government and social partners in further developing a better social security system now and in the future.

Jakarta, September 2009

Alan Boulton

Director ILO Jakarta Office



Acknowledgements

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Last but not least we would like to thank the respondents who have taken the time to answer the questions and thereby possibly forfeiting some income in their informal activities.

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September 2009

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List of abbreviations

ADB	Asian Development Bank
ASABRI PT	Asuransi Sosial Angkatan Bersenjata Republik Indonesia. Pension & endowment insurance benefits to Indonesian Armed forces.
ASKES PT	Asuransi Kesehatan Indonesia. Health care schemes for government civil servants, their families and for government civil service retirees.
ASKESKIN	Assuransie Kesehatan Orang Miskin – Health Insurance for the Poor
BAPPENAS	The National Development Planning Agency
BPS	Biro Pusat Statistik. The National Statistics Agency in Indonesia
CCT	Conditional Cash Transfer
CEMSED	Centre for Micro and Small Enterprise Dynamics
CSR	Corporate Social Responsibility
DEPNAKERTRANS	Departemen Tenaga Kerja dan Transmigrasi. Department of Manpower and Transmigration
EC	European Commission
EU	European Union
GTZ	German Technical Cooperation
ILO	International Labour Organisation
JAMKESMAS	Jaminan Sosial Masyarakat – Social Security for Community
JAMSOSTEK	Jaminan Sosial Tenaga Kerja – Social Security for Workers
MDP	Multi-Donor Support to Indonesia’s Democratic Election
MSF	Multi-donor support facility
NCEP PNPM)	National Community Empowerment Programme (in Bahasa Indonesia:
OOP	Out-of-Pocket
PNPM	Program Nasional Pemberdayaan Masyarakat Mandiri (in English: NCEP)
PRSP	Poverty Reduction Strategy Paper
SJSN	Sistem Jaminan Sosial Nasional - National Social Security System
TASPEN PT	Dana Tabungan dan Asuransi Pegawai Negeri. Annuity pensions and endowment insurance benefits scheme for government civil servants.
UC	Universal Coverage
UKSW	Universitas Kristen Satya Wacana (in Salatiga)
UNDP	United Nations Development Programme
WB	World Bank

“The state develops Social Security System for the people and empower poor communities.”

Source: Constitution of Indonesia, 1945, article 34, clause 2.

“Social security should not be seen as a cost, but as an investment in human capital that leads to greater productivity.”

Source: Hiroshi 2008

Executive Summary

Introduction

In Indonesia about 17% of the employed population enjoys formal social security mainly employees of the formal sector. With respect to health the coverage has recently been substantially expanded through the Jamkesmas/Askeskin programme targeting poor households. However, social security for informal workers, about two-thirds of all workers, leaves still a great deal to be desired. In terms of solutions, the Constitution is rather explicit in that it emphasizes the role of the State in providing universal social security coverage. The present study has a three-fold objective:

- 1) To establish the demand for social security measures;
 - 2) To determine the current coping mechanisms of informal workers;
 - 3) To assess the impact of the current global financial crisis on the informal economy.
- On the basis of the data found concrete proposals for follow-up activities will be presented for discussion; a guiding principle hereby will be:

Social security should not be seen as a cost, but as an investment in human capital.

Methodology

The study has used four types of methodological instruments:

- Interviews with key stakeholders.
- Survey among 2,068 informal workers.
- Case Studies among 15 laid-off formal sector workers.
- Case study of innovative local policy in Solo aiming to formalize the informal economy.

Informal Economy

2008 just over 61% of workers were classified as informal according to the latest survey (BPS/SAKERNAS 2008). It has also been shown that informal employment has increased substantially in terms of absolute numbers since 2003, but that the trend of an increasing share of the informal economy as occurred before 2003 was reversed: it decreased somewhat indicating that formal sector employment has been recovering in the last five years or so. The big question is if the current global crisis will have an equally great impact as the Asian crisis of 1997/98.

61% of workers are in the informal economy.

Social Security

Social security is a basic human right. It has been given a major boost in Indonesia in 2004 with the proclamation of the SJSN Law No.40-2004. However, since then the implementation has met with major delays, and only in early 2009 was the SJSN Council nominated. Urgent action is now required

in view of the impending legal nullification of the law in September 2004 pending implementation (or an extension of the implementation period with one year). The law is, furthermore, expected to include as an integral part the 2006 Ministerial Regulation No. 24 on Informal workers, a follow-up from the 1992 Jamsostek Law No. 3 (which mainly dealt with the formal economy). Coverage is currently at levels of 47% of formal sector employees (Jamsostek, Taspen, Askes and Asabri), and about 105,000 informal workers (<0.2 %).

In the area of health care insurance, major achievements have been made in extending the coverage since 2005 when the rise in the government income from increased fuel prices was used for several social safety net programmes, including health insurance for poor households targeting 76 million people in 2008 (ASKESKIN / JAMKESMAS).

Survey among informal workers

The survey was undertaken in May 2009 in four areas: rural Central Java and the urban areas of Jakarta, Yogyakarta, and Kupang (in East Indonesia). In total 2,068 labourers, self-employed workers and employers in the informal economy were interviewed. The selection of main economic sectors and subsectors in each of these four areas was based on the following criteria: 1) Representativity; 2) Inclusion of the most important activity in each area; 3) Representation of Female workers; 4) Relative vulnerability of workers; 5) Enhanced outreach, visibility and awareness raising capacity of certain subsectors; 6) Representation of different sectors (based on SAKERNAS 2008); 7) Representation of occupational status. Some of the main findings of the survey are summarized in the following sections.

A. Basic Characteristics of Informal Workers

The characteristics of the workers are of course determined by the selection of the 22 subsectors but since representativity was aimed for the 2,068 interviews can be taken as an almost representative sample. Among the interviewed, 56% are labourers, 29% self-employed and 15% employers. Due to the selection of subsectors there is a certain deviation according to sample area: Jakarta and Yogyakarta have high levels of labourers (60-70%), while in Kupang a large group of employers is included (26%). Rural Central Java has the highest level of self-employed (42%).

2,068 informal workers
22 subsectors
56 % labourers
34% women
58% earn under
800,000 Rp. per month

Significantly, 34 % of the respondents are female. Income levels vary significantly, but about 58% are poor with an income below Rp. 800,000 per month (the official monthly minimum wage levels vary but are about 1 million Rp. in Jakarta and 833,000 Rp. in Central Java); 45% earn less than Rp. 600,000 per month. Employers are clearly better-off with almost two-thirds earning above 1.2 million Rp. per month, while women are worse-off with almost two-thirds earning less than 400,000 Rp. per month. Needless to say that income also varies greatly according to subsector, with the lowest levels for Batik workers and sand/stone cutters (50-60% earn less than Rp. 400,000), while highest levels are found in vehicle repair workshop, food stall/restaurant, bemo, fishery, furniture and parking workers.

B. Current forms of Social Security

The survey found that about 80% of the 2,068 informal workers have no social security whatsoever: no formal social security and no stated informal social security apart from within the family: significantly, 90% mentions the family when asked who will take care of them in case something happens to them. Only a few other options were mentioned such as Village Assembly, Driver's license and Employer's Assistance. Despite this lack of actual insurance, it certainly does not imply ignorance, because almost 60% of the informal workers does indeed know about the Jamsostek programme! An interesting, positive correlation was found between level of education and knowledge of Jamsostek. The different levels of knowledge in the subsectors can help target the awareness raising activities of Jamsostek; also East Indonesia needs to be informed better about this programme.

80% of informal workers have no social security whatsoever apart from the family.

While 81% of the respondents indicated that they currently have no formal insurance, half of all respondents stated that they do not intend to acquire formal insurance in the future. The reasons for the former are mainly no knowledge about insurance, not able to pay, too busy, or not interested/no need. The reasons for not acquiring it in future deal mainly with inability to pay. There is a task to educate women since they more often stated to have no knowledge about insurance than men (50 versus 37%). Social activities (such as PKK) were found to be important only in rural Central Java where almost 90% of informal workers were members.

60% knows about JAMSOSTEK.

C. Demand for Social Security, including the willingness and ability to contribute

Among the different elements of social security, the first priority of informal workers is insurance for accidents at work (36%). The second priority is insurance for the worker's health (29%). It varies according to subsectors and thus also to sample areas; for example, in Kupang and Yogyakarta accident insurance is even more important (over half of respondents), while in Jakarta health insurance is relatively more important. However, for the female informal workers health is priority number one (31%) and accident comes second (25%). Again, the different priorities mentioned by the respondents in the 22 subsectors can help target specific packages to specific activities. In addition an interesting finding is that accident insurance is prioritised lower by the ones with the lower incomes, while they value higher pension and health for family members.

Social security priorities of informal workers are:
1) accidents at work (36%)
2) worker's health (29%).

The willingness to pay is surprisingly high with 80% willing to contribute financially on a regular basis. The preferred method of payment is monthly. The amounts that respondents indicated they are able to contribute are relatively low: 64% is ready to contribute anything between 1 and 20,000 Rp. per month. However, one should not forget that, first of all, it is a kind of opening bid, and secondly, 11% is willing to pay more than Rp. 20,000 per month which comes close to what is required in the Jamsostek programme, even apart from the employer's share. Half of this 11% are employers, and many of

80% is willing to pay for social security on a regular, monthly basis

them are in Kupang (where 30% is willing to pay > 20,000 Rp.). In terms of gender, there is only a very slight difference at the top end with only few women willing to contribute more than Rp. 20,000 p.m. In general, the higher the income the more premium one is willing to pay. Subsector information again is interesting to target packages.

D. Impact of Global Crisis

54% of the informal workers feel an impact of the crisis on their work, and also noticed the influx of laid-off formal sector workers in their occupation. There is no significant difference when occupational status is considered (+/- 5%). At the same time, only 40% of the informal employers found it more difficult to acquire orders since the start of the global crisis. Women consistently estimate the impact of the crisis lower than men by about 10%-points, except for the influx of ex-formal sector workers (both around 55%). Although it was hypothesized that the more globally connected city of Jakarta would show the highest impact, this turned out to be wrong, except for a large influx of laid-off workers! Apparently these workers are looking for alternative work opportunities in the global city. The answers per subsector provide further interesting information with about 10 subsectors where more than 70% of respondents indicate a definite impact of the crisis; this requires additional analysis.

In 10 subsectors more than 70% of respondents indicate a definite impact of the global crisis

Case Study of laid-off formal sector workers

Interviews were held with 15 formal sector workers laid-off from several factories in Central Java dealing with textile, garments and furniture to investigate the impact of the global crisis. Out of the 15 workers laid-off in early 2009, four are still unemployed, while more than half (eight) have found work in the informal sector. Although the average salary of the 15 workers did not change all that dramatically, it is the insecurity that affects them most: 80% is anticipating to return to their original factory, and even mostly in their original position.

More than half of laid-off formal sector workers end up in the informal economy!

Case study of innovative local policy in Solo: formalize informal economy

The case of Solo city shows that local government has a strategic role in maintaining its dynamic. The growing contribution of informal economy requires pro poor government policy, integrating the management of informal activity as part of city management, and creatively generating demand by initiating economic events. The formalization of informal activities provides a security for informal workers. Local government has also a strategic role in the extension of social security coverage to informal workers by facilitating access to social security from Jamsostek, and assist the establishment of informal workers association to make premium collection easier.

Policy Recommendations: Follow-up activities

For the follow-up activities we will outline principles, proposals for follow-up activities and a tentative road map intended as a basis for discussion among the relevant stakeholders.

A. Principles

- The *number* of informal workers is increasing and due to the global crisis its relative share may also be on the rise.
- In general it is more *difficult* to reach informal workers than formal workers, who can be approached through the registered employer;
- Therefore, exploration is needed of the involvement of *intermediary* agents: Local branches of Jamsostek; Local government organisations in cooperation with central government; Social activity organisations at grass-roots level in selected regions; the 'formal' trade unions; micro-insurance schemes; and explore innovative partnerships, e.g. commercial insurance companies, NGOs and cooperatives (as is stimulated by the ILO through its micro-insurance grant scheme).
- Extension of coverage of informal workers must be done *incrementally* and in packages targeted at informal workers: e.g.: Implement in phases, and start with accident insurance and health care.
- *Flexibility* is essential (in contrast to the SJSN Law: requires workers to take all social security schemes at once).

Parallel issues need to be considered:

- What happens with the SJSN Law, and how will the outcome affect the informal workers?
- Jamsostek to be converted from PT (Profit making) into a Trust Fund (not-for-profit), although it has already come a long way towards not-for-profit since the SJSN Law was enacted in 2004.

B. Proposals

Lessons for JAMSOSTEK:

- Looking for flexible, highly targeted programmes to extend social security coverage to informal workers: e.g. different packages for different provinces.
- Awareness raising/Education programme (e.g. East Indonesia, Women);
 - Use community radio stations, for example VHR Media (which has an extensive network of 350 community radio stations spread all over the country); in combination with specially designed music promoting the use of social security this can be a powerful instrument.
- Relationship with Depnaker: e.g. own labour inspectors at Jamsostek could enhance efficiency.
- Investigate possible connections with National programmes such as Community Empowerment Program (NCEP or in Indonesian, PNPM) and the two Conditional Cash Transfer (CCT) programmes, e.g. to cover the employer's share of the social security premium for the informal workers (CCT in Indonesia is considered by the ILO-Manila as Best Practice in Asia of extending social security).

Lessons for ILO:

- Further analysis of the data of the 22 subsectors, and in-depth studies of a few selected subsectors.
- In-depth study of new policy in Solo: especially survey among informal workers to find out their opinion and response.

- Write Technical Cooperation Project proposal for a Pilot project of 2-3 years jointly with Jamsostek to extend social security coverage to specified subsectors having the potential and willingness to adopt social security rapidly. It would help if these subsectors are high profile having a demonstration effect on other more reluctant and/or ignorant groups of workers.
- Encouraging the development of micro-insurance schemes, for example, through a pilot scheme (cf. Angelini & Hirose 2004).

The momentum created by this study through its presentation at a workshop on 17 June 2009 must now be maintained and employed to set up several small pilot projects as preparations and at the same time as transitional phases towards a large, multi-year donor-funded project. Proposals for preparatory, transitional projects include the following:

- 1) Study of several kinds of local governments:
 - a. Local government that cooperates with national government in area of social security
 - b. Local government that develops newly its own system of social security
 - c. Local government that is not involved in social security.

Select a municipality and a kabupaten for each of these three types and study the 6 areas.

- 2) In-depth investigation of a few pilot subsectors jointly with Jamsostek to establish concrete ways of extending social security on the ground and investigate the roles of different types of intermediary organisations.
- 3) Investigation of innovative local policy in Solo to formalize the informal economy
- 4) Qualitative investigation into the question "Who collects the funds?"

The larger project is envisioned to be broader in scope than social security per se, how important in itself this may be. It is felt that the social security cause will be better served if it is embedded in a multi-disciplinary project with four main pillars: 1) "Covering the Uncovered"; 2) "Organizing the Unorganized"; 3) "Improving informal businesses"; and 4) "Involving Local Government".

C. Road Map

A Road Map needs to be designed which will include among other things: Feasibility studies; Pilot projects; Careful sequencing of steps needed towards Universal Coverage (UC) of social security as indicated by the constitution for which the government is responsible; Transition options; Capacity development of the implementing organisations; and Awareness raising and visibility enhancement

Financing the extension of coverage need also to be included whereby the following sources of finance could be considered: Regular Government Budget; Tax (fuel price increases); Out-of-pocket (OOP) and Contributory financing; Corporate Social Responsibility (CSR) fund of Jamsostek; and Donor agencies. The regularity and sustainability of financing needs to be considered carefully.

Background and Objectives

“Only one-out-of-five people in the world today has adequate social security”, said ILO Director-General Juan Somavia. “What’s more, half the world’s population has no social security coverage of any kind. We have the will, and now must find the way, to provide more people with the social benefits needed to survive and prosper.”

(Source: http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_005285/index.htm)

1.1 International context

Social security protection is clearly defined in ILO conventions (cf. Box 1). It is defined as a **basic human right** already since 1944.¹ However, it is a right that only a small proportion of the people on our planet actually enjoy:²

- Only 20 percent of the world’s population has adequate social security coverage;
- More than half lacks any kind of social security protection at all.
- In most industrialized countries, coverage is close to 100% (although increasing informalisation of work results in lower levels of coverage, especially in countries in economic transition).
- The Republic of Korea increased health insurance coverage from 20 percent in 1977 to full coverage in 1989.

Box 1: Definition of Social Security

Social security is the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner (ILO 2001).

The full range of minimum standards set by the ILO are relatively high and difficult to achieve all at once (cf. Box 2).

1 The ILO’s Declaration of Philadelphia (1944) and its Income Security Recommendation, 1944 (No. 67).

2 Cf. ILO Website: Facts on Social Security.

Once governments are directly involved in social security, it becomes part of the social safety net discussion. A recent World Bank publication on the issue (Grosh et al. 2008) distinguished for example the following types of safety nets: 1) cash transfers (conditional and unconditional), 2) in-kind transfers, 3) price subsidies, 4) fee waivers, and 5) public works. Taking care of the employer's share in social security is in fact a fee waiver. Another influential World Bank publication (Fiszbein et al. 2009) underlines that CCT programs have two clear objectives:

- 1) They seek to provide poor households with a minimum consumption floor.
- 2) In making transfers conditional, they seek to encourage the accumulation of human capital, and break a vicious cycle whereby poverty is transmitted across generations.

This underscores the quote from Hiroshi (2008): social security should not be seen as a cost, but as *an investment in human capital* that leads to greater productivity.

Box 2: The ILO Social Security (Minimum Standards) Convention, 1952 (No. 102)

The Social Security (Minimum Standards) Convention, 1952 (No. 102), is the flagship of all ILO social security Conventions, as it is the only international instrument, based on basic social security principles, that establishes worldwide-agreed minimum standards for all nine branches of social security. These branches are:

- | | | |
|-----------------------|-------------------------------|--------------------------|
| 1) medical care; | 2) sickness benefit; | 3) unemployment benefit; |
| 4) old-age benefit; | 5) employment injury benefit; | 6) family benefit; |
| 7) maternity benefit; | 8) invalidity benefit; and | 9) survivors' benefit. |

While Convention No. 102 covers all branches, it requires that only three of these branches be ratified by Member states, which allows for the step-by-step extension of social security coverage by ratifying countries).

Within the framework of ILO's 'Global Campaign on Social Security and Coverage for All' a comprehensive study has indicated that "basic social security" is affordable for low-income countries (ILO 2008a). It is an effective way of reducing poverty, encouraging equity and supporting economic and social stability. The 'Basic Social Security Floor' is a part of the concept of a Global Social Floor that was promoted inter alia by the World Commission on the Social Dimension of Globalization in 2004. It consists of a basic and modest set of social security guarantees – implemented through social transfers in cash and in kind – for all citizens ensuring that ultimately:

- All residents have access to basic/essential health care benefits through pluralistic delivery mechanisms where the State accepts the general responsibility for ensuring adequacy of the delivery system and its financing;
- All children enjoy income security at least at the poverty level through various family/child benefits aimed at facilitating access to nutrition, education and care;
- Some targeted income support is provided to the poor and the unemployed in the active age group;
- All residents in old age or with disabilities enjoy income security at least at the poverty level through pensions for old age, disability and survivors.

The Basic Social Security Floor thus consists essentially of a guaranteed set of basic social transfers in cash or in kind to all. It is formulated as a set of guarantees rather than a set of defined benefits. This leaves the option open to individual countries to realize these guarantees by way of means-tested, conditional or universal transfers. The essential fact is that everybody in a given society can access these essential transfers. While conceptually these are a part of the country's social security architecture, in most countries the benefits provided would most likely have the characteristics of social assistance rather than social security benefits. It is assumed here that most likely the basic/low benefits are financed from general taxation. The transfers of the social floor are granted to all residents as of right, thus their financing is generally a responsibility of the society as a whole. Social security benefits on the other hand usually are the result of rights acquired on the basis of payment of contributions or taxes and usually of a high level of income replacement.

All countries have some form of social security but few, outside of the members of the European Union (EU) or other high-income members of the Organization for Economic Co-operation and Development (OECD), provide a basic social security floor for all. Typical reasons for this severe undersupply of social protection include the lack of understanding of the benefits of investing in people, limited technical capacity, lack of resources and low political will. These need to be urgently addressed. The idea of a Basic Social Security Floor has to be gradually translated into an internationally agreed standard and then into national legislative provisions. In particular, results of research and experience of the International Labour Office (ILO) and that of other development institutions show that the crucial prerequisite for the implementation of the Basic Social Security Floor in developing countries is to ensure that governments and other stakeholders understand that it can be fiscally affordable and does not have a substantial economic opportunity cost.

Strategies and Tools against Social Exclusion and Poverty (STEP)

STEP is a global programme of the Social Security Department of the ILO focusing on the poor and excluded populations in the informal economy and rural sector. STEP works in two interconnected fields:

- the extension of social security in health, and
- integrated approaches to fight against social exclusion at the local level.

Among STEP's pioneering approaches, its work on the development of community based social protection schemes (such as micro insurance, mutual health organizations, etc.) has been hailed as a promising perspective for poor populations excluded from formal systems in particular in the least developed countries. STEP has also created an innovative electronic platform (CIARIS), connecting people, experts and resources to better combat social exclusion and poverty. The ILO/STEP programme's website includes a large number of publications downloadable free of charge, a description of its field activities, a unique set of tools relating to the establishment and operation of micro-insurance schemes and a direct access to the Learning and Resources Centre on Social Inclusion (CIARIS).

1.2 National Context

“The state develops Social Security System for the people and empower poor communities.”

(Constitution of Indonesia, 1945, article 34, clause2)

Over the years the ILO has supported the development of social security in Indonesia. In particular, from 1 April 2001 to 31 December 2002, the ILO implemented a technical assistance project “Restructuring of the Social Security System” (INS/00/M04/NET) that was funded by the Government of the Netherlands. The main findings and recommendations of the project have been presented in a comprehensive publication (ILO 2003). As a follow up to this project, the ILO commissioned a study into the rural and urban informal economy which was laid down in the Working Paper by Angelini and Hirose (2004). The present study has benefited substantially from this work done. It needs to be concluded as well that not much has been done since 2004. This was the year in which the SJSN Law was proclaimed; the ILO had been deeply involved in its preparation but not much has been done since then. Only in late 2008/early 2009 the President installed finally the NSS Council, which now has to undertake urgent implementation steps since the law will expire in September 2009.

1.2.1 Informal Economy

The informal economy has been defined in a large variety of ways (cf. ILO 2007). Here we will use the definition of the Statistical Office of Indonesia (BPS), which has developed an elaborate definition of informal employment based on a combination of main occupation and main employment status (cf. Table 1.1). However, as Angelini & Hirose (2004) indicated, this definition does not allow us a comparison in time and therefore another definition based on employment status is also used specifically for this purpose.

Table 1.1: Definition of Informal Employment of BPS

Main Employment Status	Main Occupation									
	Professional Technical & Related Workers	Administrative & Managerial Workers	Clerical & Related Workers	Sales Workers	Services Workers	Agricultural Workers	Production Workers	Operators	Laborers	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
Non-Agric. Freelance Worker	F	F	F	INF	INF	INF	INF	INF	INF	INF
Unpaid Worker	INF	INF	INF	INF	INF	INF	INF	INF	INF	INF

BPS Definition

Following the BPS definition, there were about 61.3% workers classified as informal in 2008 according to the latest survey (BPS/SAKERNAS 2008). Table 1.2 indicates that the percentage has come down somewhat since 2006 from 62.8%, although the absolute number of informal workers has increased by almost 3 million workers. At the same time, the formal workers have increased both in percentage and in number (4.2 million more).

Table 1.2: Informal Employment in 2006 – 2008 (BPS Definition)

	2006		2007		2008	
	# of workers	%	# of workers	%	# of workers	%
Formal employment	35,511,090	37.2	37,839,250	37.9	39,729,948	38.7
Informal employment	59,945,845	62.8	62,090,967	62.1	62,822,802	61.3
Total	95,456,935	100.0	99,930,217	100.0	102,552,750	100.0

Source: BPS, SAKERNAS (2008).

Employment status

Angelini & Hirose (2004: 9-10) have compiled a different definition of 'informal' based on 'employment status', the data for which are also available in SAKERNAS 2008. We use this definition here only to be able to make a comparison with data for 2001 and 2003. Table 1.3 below indicates that total number of workers has increased significantly between 2003 and 2008: with almost 12 million workers more, that means an increase of almost 13%. The majority of the increase was absorbed by the informal economy (7.1 million or 60.4%). At the same time we must conclude that the formal employees have also grown in number substantially between 2003 and 2008 (4.4 million or 37% of the increase), while there was a decrease between 2001 and 2003. The Asian Crisis had resulted in a substantial increase in the share of the informal economy, while since 2003 this share has decreased to the current 69.6%. The Global Crisis may again have an impact on this share.

Table 1.3: Number of workers in Formal and Informal economy in Indonesia (x 1,000)

Employment Status	2001	%	2003	%	2008	%
Employers formal economy	2.788	3,1	2.707	3,0	3.015	2,9
Employees formal economy	26.578	29,3	23.828	26,2	28.184	27,5
Informal economy	61.435	67,7	64.243	70,8	71.352	69,6
Total	90.801	100,0	90.778	100,0	102.551	100,0

Sources: 2001 & 2003 Data: Angelini & Hirose (2004); 2008 Data: BPS, SAKERNAS (2008).

Angelini and Hirose (2004) have shown convincingly that coordination is an important factor since 11 ministries are involved in activities and projects for the informal economy in addition to the provincial and district (*Kabupaten*) administrations.

We will pay special attention to the gender dimension since women are particularly disadvantaged in terms of labour force participation, unemployment and especially underemployment (cf. Table 1.4).

Table 1.4: Selected labour force characteristics by gender

2007	Women	Men
Labour force participation rate	50 %	> 80%
Unemployment rate	11.8%	8.5%
Underemployment rate	41.3%	25.1%

(Source: ILO/Jamsostek, July 2008).

1.2.2 Social Security

The Constitution of Indonesia (1945) stipulates that every citizen has the right to social security and emphasizes the role of the State in providing universal social security coverage. As we saw in the previous section about 70% of the workers in Indonesia worked in 2008 in the informal economy. The majority of the informal workers is rural (about two-thirds works in agriculture), but increasingly it becomes an urban phenomenon (ILO 2008). This underlines the importance of the social security coverage for informal workers, and the ILO and Jamsostek have been paying attention to this issue (ILO/Jamsostek 2008).

It is important to recognize that there is a variety of methods and approaches to extend social security coverage, according to its three dimensions, i.e. in terms of persons, contingencies (notably sickness, maternity, employment injury, unemployment, invalidity, old age and death of the breadwinner), and benefit levels (cf. Van Ginneken 2008). This variety is often the result of different economic and political circumstances and the history that a particular country has gone through. For the extension of social security, the priority is on the extension of *personal* coverage and on contingencies that are most relevant to the groups that are not covered by existing systems.

The State Corporation PT JAMSOSTEK (Jaminan Sosial Tenaga Kerja, or Social Security for Workers) was installed in 1992, Law No. 3, under the Ministry of Manpower and Transmigration (see also Figure 1.1). This scheme provides basic protection in the formal sector for workers covered by the scheme, i.e. those who pay the premium fixed by the Ministry. It provides medical care benefits, savings for old age, death benefits, benefits for accidents at work and for occupational illnesses.

In 2006 the Jamsostek scheme was made available for *informal* workers as well through the Ministry's new Law No. 24/2006. It stipulates in detail how much premium one has to pay at a certain income level (*Upah*) for each of the above-mentioned benefits and it also specifies how much benefits are received for every situation. In May 2008 this was updated and published by means of a leaflet.

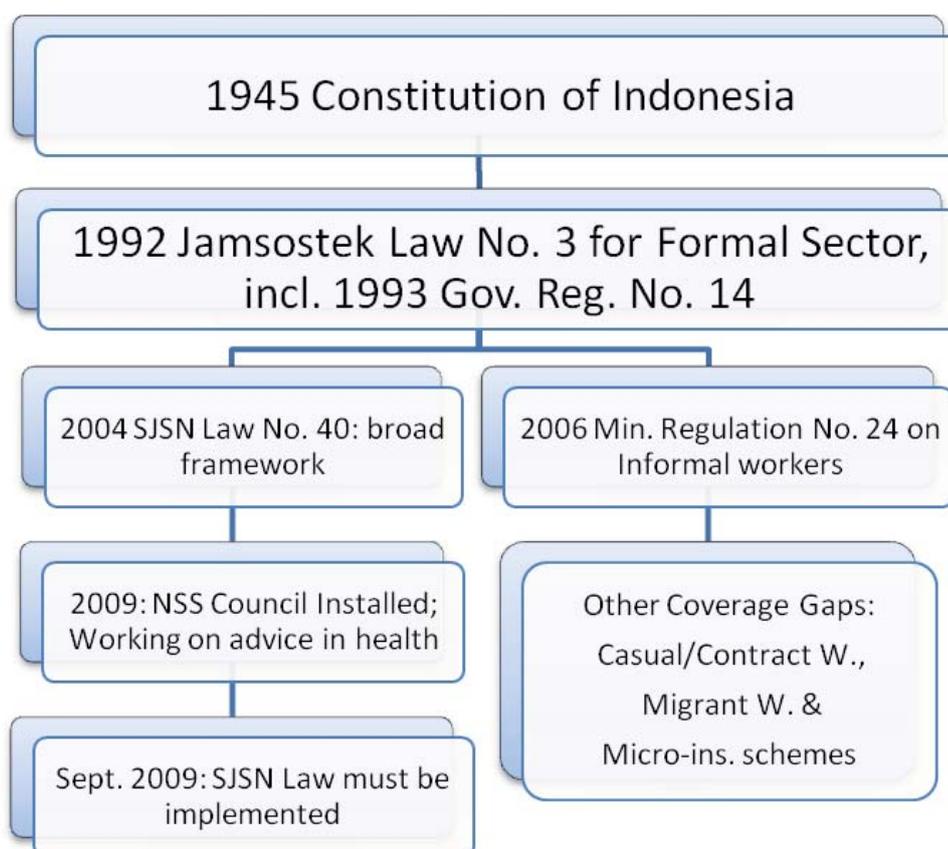
In Indonesia there are four types of social security mainly catering for formal sector employees (cf. Angelini and Hirose 2004):

- I. JAMSOSTEK: Fund for private sector employers and their employees. Has four programmes: Employment Injury, Death, Health Insurance, and a provident fund type Old Age Benefit.
- II. TASPEN: Fund for civil servants (retirement/pension).
- III. ASKES: Health Insurance for public sector employees.
- IV. ASABRI: Fund for the armed forces and police (retirement/pension).

Since 2005 a new scheme has been added dealing with health care:

- V. Jamkesmas (formerly Askeskin): Health Care for the Poor: To reach 76 million people.

Figure 1.1: Main Laws and regulations on Social Security in Indonesia.



In early 2008 the coverage has not yet reached half of the formal sector workers (47%), and this represents only about 17% of the total employed population. Not covered in the formal sector are:

- Firms with less than 10 workers or monthly labour expenses of more than 1 million Rupiah.
- Contract workers
- Casual workers
- Migrant workers.

The reasons for such a relatively low penetration of social insurance in the private formal sector are the following (cf. ILO/Jamsostek, July 2008):

- 1) Legally only enterprises with 10 or more workers or a payroll of over 1 m. Rupiah per a month are required to enrol their workers in Jamsostek.
- 2) Under-declaration of contributory wages, e.g. report the basic wage only.
- 3) The opting out clause for health insurance from Jamsostek to a private insurance that provides higher levels of benefits.
- 4) Jamsostek has no inspectors under its own control to enforce compliance.
- 5) Insurance has an unfavourable image amongst many workers.

In the *informal* economy only a total of some 105,000 informal workers (e.g. fishermen and farmers) are covered under the scheme, or about 0.15 % of the 71 million workers in 2008. The targets set by the government for 2008 are quite ambitious: 2.5 million new formal sector employees and 150,000 new informal workers should be covered by the Jamsostek scheme. The state corporation is self-sufficient in the sense that all funding comes from the premiums paid by employees and employers.

The employers, both private as well as public, are contributing substantially to the premium for their workers; in the Jamsostek scheme the employer pays up to 11.2% and the employee only 2% of their wage. However, informal workers have to pay all of it themselves, i.e. up to 13.2 % of their average monthly salary.

In the area of health insurance the coverage has been most widespread:

- 18.7 million people (Askes: 15.6 million, and Jamsostek: 3.1 million).
- JAMKESMAS (formerly ASKESKIN): primary health care and health insurance for poor households: Target of this programme for 2007 was 76.4 million persons.
- Together: 95.1 million persons or 43.2 % of the total population of 220 million.

There are several main implementation bottlenecks faced by Jamsostek which can be summarized as follows:

- i. Voluntary membership leads to high claim ratios.
- ii. The administrative capacity to adjust to the un-standardized needs of the informal workers needs to be enhanced.
- iii. Lack of Resources in the branch offices to expand the coverage to informal workers.
- iv. The extension to informal workers requires a new distribution channel with an intermediary agent between the members and Jamsostek. The working flows among these three parties are not yet smooth. Further evaluation is required.

Issues of local government, decentralisation and devolution will be discussed in Chapter 7, along with a case study of innovative local policy in Solo to formalize the informal economy.

The literature indicates that there are also different types of *informal* social security, such as informal arrangements provided by labour contractors (i.e. Mandor), informal associations and/or community self-help (e.g. Arisan and Gotong Royong), mutual solidarity, etc. According to Angelini & Hirose (2004: 14) informal social safety nets in Indonesia are called "local wisdom." Some of the examples they give are:

"Other community initiatives include practices such as farmers storing a portion of their harvest in a local community barn. This produce can then be borrowed by community members who are short of food, and repaid at harvest time. This can be regarded as analogous to a form of micro-insurance. Similar practices of setting aside a portion of produce or revenue to meet needs of members facing difficulties have been noted amongst groups of traditional fishermen, and even urban Becak drivers."

The 2004 publication commissioned by the ILO (Angelini & Hirose 2004), following its studies of the urban and rural informal economies, proposes a combination of three policy options:

- 1) Extending the existing statutory social security measures, in particular the removal by Jamsostek of the Government Regulation No. 14 (1993) which limits coverage to the formal sector enterprises with 10 nor more workers or a monthly payroll of Rp. 1 million.
- 2) Creating a special scheme for the informal economy workers since the current legislation and fund structure has limitations for them. Jamsostek is advised to develop the Government regulations as mentioned in Article 4 (2) of Act No.3, 1992. It is further recommended to conduct a large-scale (area-based) self-funded pilot scheme.
- 3) Encouraging the development of micro-insurance schemes: Group based (Grameen-type) is considered as a good interim alternative to full-scale government coverage. A pilot scheme is proposed.

These interesting options will be analysed in the present study and tested in reality, with the workers themselves and with the relevant authorities as well as with ILO.

In his article “Covering the Uncovered” Tauvik (2008) has identified several problems that are likely to be encountered in making social insurance accessible to informal workers, such as the low and irregular income of most informal workers; the level and type of benefits that are not responsive to the needs and resources in the informal economy; a general lack of awareness of social insurance concepts; and a distrust of government institutions.

1.3 Objectives of the study

The overall objective of the survey is to assess the feasibility of extending social security to informal economy workers and to analyze the interface between social security and informal economy to be able to better target and reach the informal workers with the following details:

- 1) To establish the demand (or the market) for social security measures, leading to an assessment of the potential of such measures, which would allow better targeting of social security packages to informal workers;
- 2) To determine the current coping mechanisms of informal workers vis-a-vis social insecurity, including types of informal coping mechanisms, and types of formal social security assistance (Jamsostek, CCT/UCT, NGEF).
- 3) To assess the impact on the informal economy of the current global financial crisis, leading to an influx of laid-off formal sector workers.

On the basis of this analysis proposals will be designed for follow-up activities.

In order to be able to establish the demand for social security measures and to determine the current coping mechanisms (Objectives 1 and 2), it is required to investigate the opinion of a sample of the informal workers themselves concerning social security measures such as those of Jamsostek, to establish inter alia:

- their interest in such packages,
- their preference for which specific social security measures,
- their willingness to pay for the package, and
- their ability to pay for the package.

This has been done through a survey of a sample of informal workers. Objective 3 on the impact of the current global crisis on the informal economy, has been approached from two angles: the point of view of the informal workers, as well as that of a small sample of laid-off *formal* sector workers entering the informal economy. The former has been done through the survey mentioned above, while for the latter several case studies have been undertaken. The next chapter will provide the details of the methodology employed.

2

Methodology

The methodology used for this study includes interviews with key stakeholders, a survey among a sample of informal workers, case Studies among laid-off formal sector workers, and a case study of innovative local policy in Solo to formalize the informal economy.

2.1 Interviews with key stakeholders

A series of interviews has been held by the consultants during this assignment with key stakeholders, including representatives of ILO Jakarta, PT JAMSOSTEK (Head office in Jakarta as well as branch offices in Central Java and Kupang), Ministry of Labour & Transmigration (DepnakerTrans), Buro Pusat Statistik (BPS), Labour unions and Labour-NGOs, CEMSED at the Christian University of Satya Wacana (UKSW) in Salatiga, and donor organisations in Jakarta, including World Bank and GTZ. In addition links have been established with existing projects operating in related areas of interest, such as ILO's Domestic Workers Programme, ILO's Migrant Workers Project, and the Secretariat in Singapore of the ASEAN Social Security Association (ASSA). The most relevant literature studied is listed in Annex 8.

2.2 Survey of informal workers

The consultants have designed the baseline survey tool, the 5-page questionnaire in late April/early May 2009. After discussing it with the key stakeholders, ILO and Jamsostek, several trial interviews were held and the questionnaire was finalized. The national consultant then translated it into Bahasa Indonesia. The English version is included as Annex 1. The national coordinator has prepared a code book in Bahasa Indonesia to be used by coordinators, interviewers and data processors.

Selection of Sample Areas and (Sub)Sectors

The selection of the sample areas was done in close cooperation with the two key stakeholders (and was already outlined in the Terms of Reference for this study). The following four areas were selected:

- Central Java (*rural areas only*)
- Jakarta (main engine of growth)
- Yogyakarta (traditional types of informal activities)
- Kupang (East Indonesia).

This selection includes both urban and rural areas, and sample areas in both Java and East Indonesia. For practical reasons, it was not possible to include other areas (e.g. Sumatra), mainly for considerations of timing: this study was intended as a catalyst for longer term projects and programmes dealing with social security, and therefore the aim was to complete the data analysis and present the results in a workshop in Jakarta already in mid-June 2009. This allowed for less than two months for the entire study!

In view of the enormous heterogeneity of types of activities in the informal economy the selection of (sub)sectors is a complicated task. Striving for, on the hand, a degree of representativity, and on the other, for the inclusion of the most important activities, can easily lead to an unmanageably large number of interviews. Therefore, the number of (sub)sectors needs to be kept low for each sample area. The Terms of Reference for the present study specified the following criteria to be used, apart from the gender dimension:

- 1) Representativity;
- 2) Inclusion of the most important activity in each area;
- 3) Representation of female workers;
- 4) Relative vulnerability of workers: accident-prone, environmental hazards, exploitation;
- 5) Enhance outreach, visibility and awareness raising capacity of the programme, e.g. 'quick wins': early adopters/innovators, small enterprise clusters, domestic workers, and migrant workers;³
- 6) Representation of different economic sectors (manufacturing, services and trade); and
- 7) Representation of occupational status (self-employed, home workers, employees, etc.).

This is presented in a tabular form in Annex 3. The main economic sectors were chosen using the data from the latest SAKERNAS (BPS 2008); these data are summarized in the tables in Annex 4. In addition SAKERNAS also gives an indication of the relative importance of the different occupational statuses and this was taken into account in the selection of subsectors (for example select sectors where home workers are relatively important).

On the basis of this table the final selection has been made on the ground, in cooperation with the four coordinators in the sample areas who have the most localized information. Three of these discussions were held by both consultants in early May, while the national consultant travelled to Kupang, East Indonesia, in the second week of May. This resulted in the selection of subsectors and numbers of interviews per subsector, which had to be adjusted again in the field during the actual interviews. The final result of the selection of (Sub)sectors shows the diversity of the informal economy: 22 subsectors in 7 main economic sectors which will be discussed in the next Chapter. For the details reference is made to Annex 5.

3 Concerning migrant workers, ILO/Jamsostek (2008) made a special reference and linked it to the ASEAN policy: "In the framework of two regional projects (EU and Japan) to advance the ILO Plan of Action on Labour Migration in Asia and the Pacific, steps can be taken to extend social protection for migrant workers in coordination with ASEAN and ASEAN Social Security Association (ASSA). The migrant workers project can address the issues of remittances (social security contributions), reintegration of returned migrant workers (possible link with small enterprise development project)."

Although the characteristics of the workers are of course determined by the selection of the 22 subsectors, the 2,068 interviews can be taken as an almost representative sample for the four areas in question, in particular since representativity was one of the main criteria.

Training of Coordinators

The collection of data will be coordinated at the local level by the following four coordinators:

- Jakarta: Mr. Timboel Siregar, President of Indonesia Workers Organization (OPSI);
- Central Java: Mr. Bayu Wijayanto, Head of CEMSED, Centre for Micro and Small Enterprise Dynamics of UKSW in Salatiga;
- Yogyakarta: Mrs. Paula Hartyastuti, Head of Community Development Bethesda Unit;
- Kupang: Mr. Budi Salean, Researcher at Faculty of Economics of the Christian University of Arta Wacana (UKAW).

The coordinators in the four sample areas were informed by the consultants and discussions were held on objectives, sample and selection of (sub)sectors. The national consultant then trained the coordinators in the use of the questionnaire.

Implementation of Survey

The survey has been implemented under the general supervision of the two consultants. Locally the coordinator is responsible for contracting sufficient, good quality interviewers. In close consultation with the national consultant the interviews have been undertaken at local level.

Computerization has taken place at CEMSED, Centre for Micro and Small Enterprise Dynamics at the Satya Wacana Christian University in Salatiga, under the direct responsibility of the national consultant with backstopping from the international consultant.

Focussed group discussions

Focussed group discussions were considered, but in view of time and budget constraints were left out, and are an option for a follow-up phase.

2.3 Case studies of laid-off formal sector workers

The current global crisis has already led to the discharge of formal sector workers in Indonesia; for example a textile factory in Salatiga has laid-off 150 of its 200 employees in recent months. To investigate the impact on the informal economy 15 laid-off workers in seven different textile, garment and, furniture factories around Salatiga were interviewed, especially in order to gather information on their endeavours to acquire other employment over the coming months. The case studies have been undertaken with a checklist which has been designed by the consultants in early May 2009 (cf. Annex 2).

2.4 Solo: Innovative Local Policy, a Case Study

Interviews were held with local authorities in the city of Solo Central Java, in order to gather information on their policy to abolish the informal economy in the local urban area.

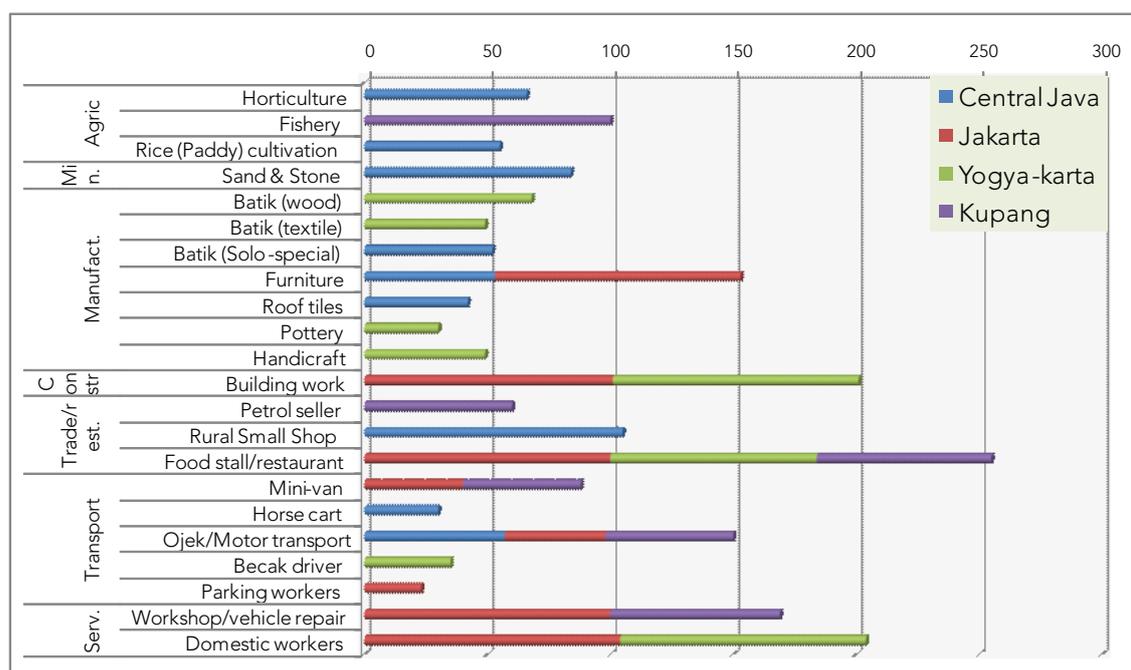
3

Types of informal workers

3.1 Types of Subsectors

The final selection of the 22 subsectors in the 8 main economic sectors and the numbers of interviews for each in the four sample areas is given in Figure 3.1. Below is given a brief description of the main activities in each the 22 subsectors.

Figure 3.1: Final Selection of Subsectors by Main economic sector and by sample area



N = 2,066. Source: Own Survey 2009.

Agriculture

- 1) *Horticulture* covers all activities of cultivating various types of vegetable and tobacco.
- 2) *Rice cultivation* covers all activities of cultivating rice.
- 3) *Fishery* consists of offshore and coastal fishery activities. In offshore fishery, fisherman needs apart from a boat also some basic fishing equipments like a net; whereas coastal fishery use fishhook and fish trap, and collecting shells.

Mining

- 4) *Sand and stone* covers activities to dig, lift and carry sand from the sand ground field to the truck; and to dig, cut and break, and carry the stone to the truck.

Manufacturing

- 5) *Batik Cloth* covers all activities of producing batik cloth usually done in a factory.
- 6) *Batik Solo* consist of activities of home worker in the production process, who get the main raw material of producing batik from a company, but produce them at home.
- 7) *Batik (wood)* covers all activities of producing souvenir by drawing batik motif on wood.
- 8) *Handicraft* covers all activities of producing many types of souvenir.
- 9) *Pottery* consists of all activities of producing home accessories using clay as the raw material.
- 10) *Roof tiles* consist of all activities producing roof tiles from mix the clay, mould them, dry, burn and unload them from the stove.
- 11) *Furniture* consists of all production activities of wood furniture from cutting wood, mould them, smooth, paint, pack, and load them.

Trade

- 12) *Rural small shop* consists of all activities of shops in rural areas selling many types of daily needs.
- 13) *Food stall and street restaurant* consists of all activities in selling cooked foods in a permanent place or ambulant using push cart.
- 14) *Petrol seller* covers activities of selling/ retailing gasoline on the street.

Transportation

- 15) *Horse Cart* covers all activities of transporting passengers using a cart dragged by a horse.
- 16) *Ojek* covers all activities of transporting passengers using motor cycle.
- 17) *Minivan transportation* consists of all activities transporting passengers using minivan.
- 18) *Parking worker* covers activities to tidy up many types of car and motor cycle in a parking place.
- 19) *Becak driver* consists of activities of transporting passengers using three-wheel cart.

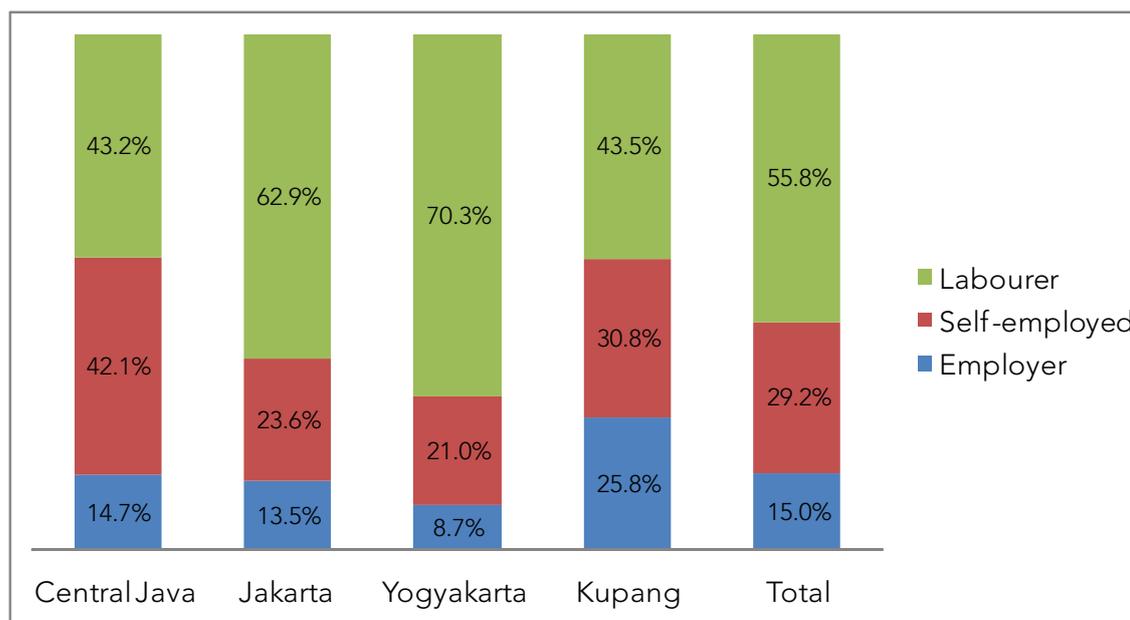
Construction

- 20) *Building work* consists of all activities of building houses, roads, bridges and other facilities.

Services

- 21) *Workshop/ vehicle repair* covers all activity to repair many types of vehicles.
- 22) *Domestic worker* dealing with activities to do many types of domestic work like cleaning, cooking, gardening, baby sitting, taking care of elderly people etc.

Figure 3.2: Occupational status of respondents by sample area



N = 2,068. Source: Own Survey 2009.

3.2 Occupational status

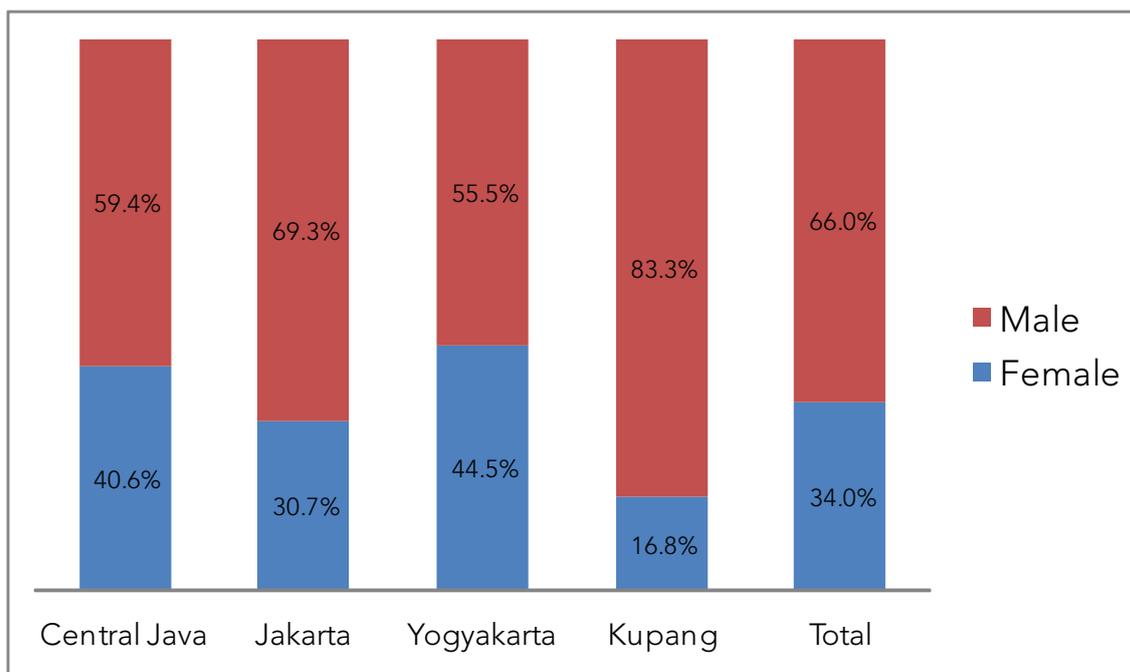
The occupational status is partly given by the selection of subsectors and of respondents, so it does not as such present a representative overall picture. However, the three groups each do present a representative picture of their characteristics. The final result is as follows: 56% of the respondents are Labourers, 29% Self-employed and 15% Employers (cf. Figure 3.2). In Kupang the number of employers is relatively higher because of the selection there of certain subsectors with many employers. The self-employed are best represented in rural Central Java due to the prevalence of home-workers/self-employed in among others artisanal subsectors.

3.3 Selected Characteristics

Gender

A substantial number of respondents are women: 34%. There is some difference according to sample area and in particular in Kupang the share of women is less (cf. Figure 3.3). This is most likely due to the selection of subsectors (with less presence of women). In the rural areas of Central Java women are, by the way, well represented among the respondents with over 40%.

Figure 3.3: Gender of respondents by sample area

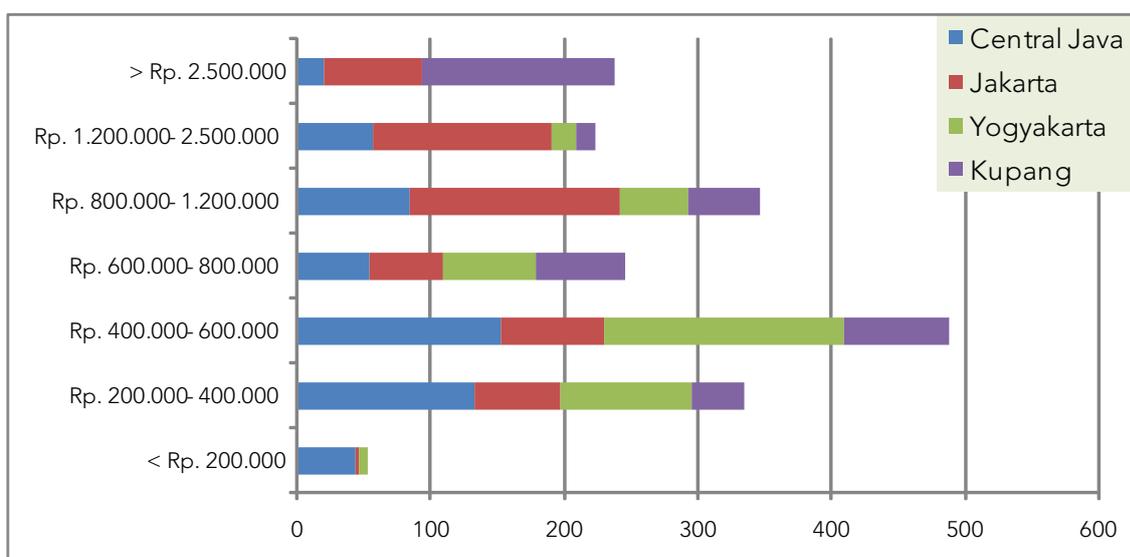


N = 2,068. Source: Own Survey 2009.

Income

In terms of income categories, 58% of informal workers earn below 800,000 Rupiah per month, and 45% earn even less than 600,000 (cf. Figure 3.4). The workers in Central Java and Yogyakarta are overrepresented in the lower income brackets, and those in Jakarta in the higher income brackets. For Kupang a diversified picture emerges, including a surprising large number of respondents in the highest income category which can partly be explained by the fact that there are relatively many employers among the respondents.

Figure 3.4: Income of respondents in rupiah per month by sample area



N=1929; Source: Own Survey 2009.

We can compare these wage levels with the minimum wage levels which are determined per province (cf. Table 3.1). There is a clear correlation between income and occupational status, in that much more employers are to be found in the higher income brackets (e.g. almost two-thirds earn above Rp. 1.2 million per month), while labourers are more numerous among those with the lower incomes (cf. Figure 3.5).

Table 3.1: Minimum wage levels in selected areas in Rp. per month in 2009

Jakarta	1.069.000
Central Java (rural & urban)	833.000
Yogyakarta	700.000
NTT (incl. Kupang)	750.000

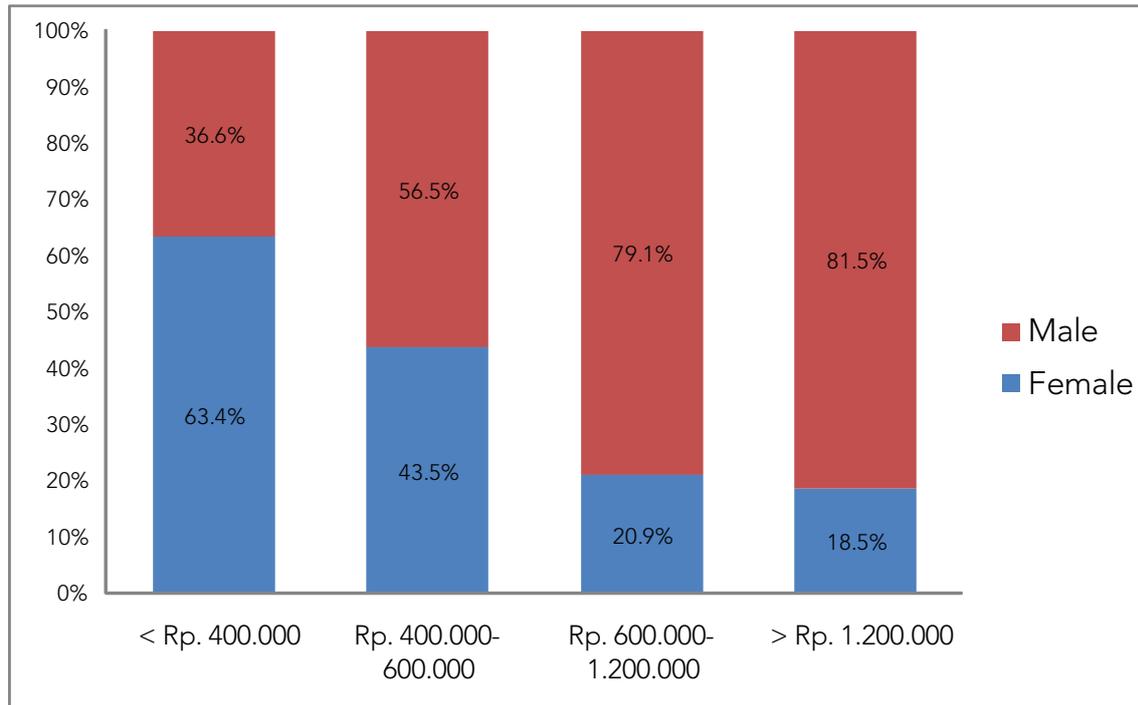
Figure 3.5: Income of respondents by occupational status



N=1923; Source: Own Survey 2009.

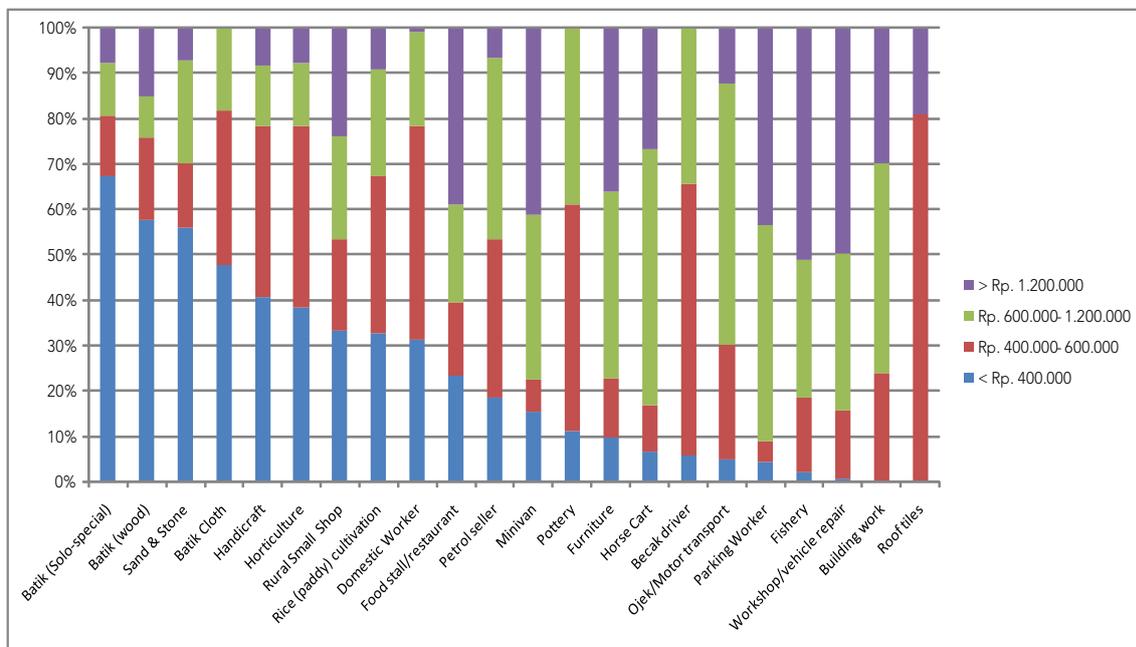
The self-declared incomes show that women earn, as expected, generally lower incomes than men (cf. Figure 3.6). When the 22 subsectors are considered, the income of the workers shows great variation (cf. Figure 3.7). The lowest levels of income are registered for Batik workers and sand/stone cutters (50-60% earn less than Rp. 400,000), while the highest income levels are found in vehicle repair workshop, food stall/restaurant, bemo, fishery, furniture and parking workers.

Figure 3.6: Gender of respondents by income



N = 1,928. Source: Own Survey 2009.

Figure 3.7: Income of respondents by 22 subsectors

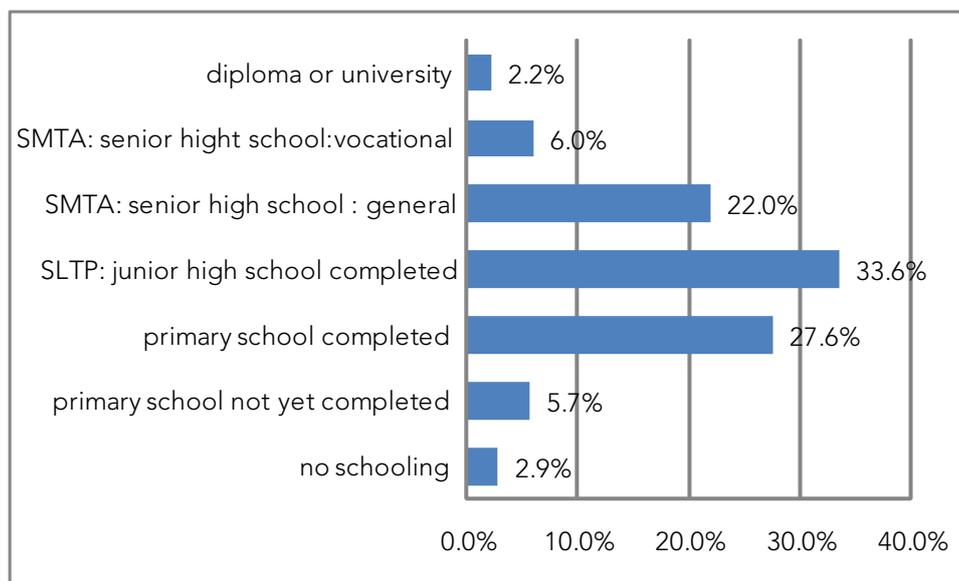


N = 1,929. Source: Own Survey 2009.

Education

The informal workers interviewed are not un-educated: less than 10% did not complete primary school (Figure 3.8). A majority of almost 64% did at least complete junior high school (SLTP). Employers are in general higher educated with 50% having at least Senior High School completed, while the percentage is much lower for the self-employed (33%) and labourers (23%).

Figure 3.8 :Education of respondents

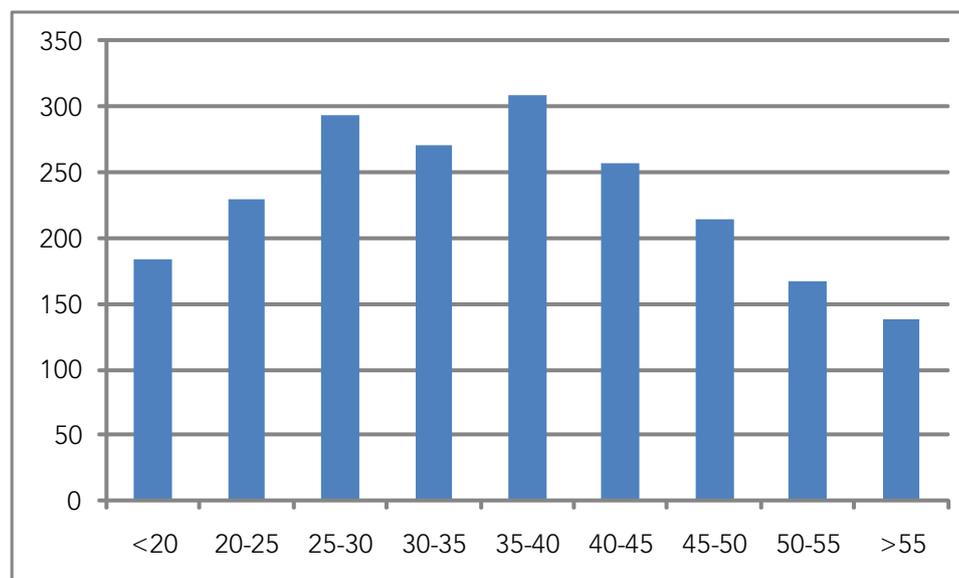


N = 2,063. Source: Own Survey 2009.

Age and Dependants

There is a near-perfect distribution of age groups among the respondents (cf. Figure 3.9); only the 30-35 years age group seems to be lagging behind somewhat.

Figure 3.9 : Age of respondents



N = 2,062. Source: Own Survey 2009.

With respect to the number of dependants, it is surprising to find that almost 80% of the respondents indicated that there are only one or two persons dependent on their income (respectively 39.9% and 39.6%). This is of course related to the relatively large number of young respondents (below 30 years) and the older ones. Only 7% of the respondents indicated that 5 or more persons were dependent on them.

Among the respondents there are only 8 children (6 girls and 2 boys). However, this does not mean that child labour is insignificant since adults were targeted during the interviews for their opinions on social security, and the selection of subsectors may also have contributed to the low number of children.

3.4 Summary

The survey was undertaken in May 2009 in four areas: rural Central Java and the urban areas of Jakarta, Yogyakarta and Kupang. In total 2,068 labourers, self-employed workers and employers in the informal economy were interviewed. The selection of main economic sectors and subsectors in each of these four areas was based on the following criteria: 1) Representativity; 2) Inclusion of the most important activity in each area; 3) Representation of Female workers; 4) Relative vulnerability of workers; 5) Enhanced outreach, visibility and awareness raising capacity of certain subsectors; 6) Representation of different sectors (based on SAKERNAS 2008); 7) Representation of occupational status. Some of the main findings of the survey can be summarized as follows.

The characteristics of the workers are of course determined by the selection of the 22 subsectors but since representativity was aimed for the 2,068 interviews can be taken as an almost representative sample. Among the interviewed, 56% are labourers, 29% self-employed and 15% employers. Due to the selection of subsectors there is a certain deviation according to sample area: Jakarta and Yogyakarta have high levels of labourers (60-70%), while in Kupang a large group of employers is included (26%). Rural Central Java has the highest level of self-employed (42%).

Significantly, 34 % of the respondents are female. Income levels vary substantially, but about 58% are poor with an income below Rp. 800,000. Per month (monthly minimum wage levels vary but are about 1 million Rp. in Jakarta and 833,000 Rp. in Central Java); 45% earn less than Rp. 600,000 per month. Employers are clearly better-off with almost two-thirds earning above 1.2 million Rp. per month, while women are worse-off with almost two-thirds earning less than 400,000 Rp. per month. Needless to say that income also varies greatly according to subsector, with the lowest levels for Batik workers and sand/stone cutters (50-60% earn less than Rp. 400,000), while highest levels are found in vehicle repair workshop, food stall/restaurant, bemo, fishery, furniture and parking workers.

4

Current coping mechanisms of informal workers concerning social insecurity

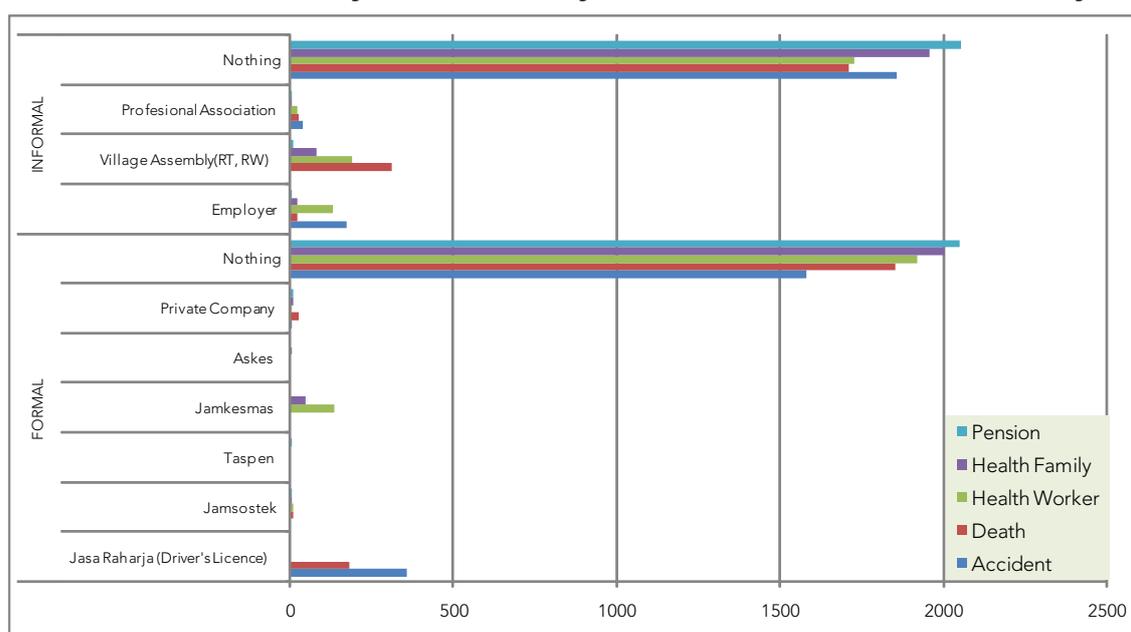
4.1 Informal workers lack social security

About 80% of the interviewed informal workers have no social security whatsoever:

- no formal social security, and
- no stated informal social security, apart from within the family: 90% of the respondents mentioned the family when asked who will take care of them in case something happens.

This has been depicted in the dual Figure 4.1. A relatively small percentage of workers mention certain types of informal insurance, such as Village Assembly and employer's assistance, or formal insurance, such as driver's license related insurance, Jamkesmas and Jamsostek.

Figure 4.1: Number of respondents that are currently covered by a) Informal, and b) Formal social security divided each by the five elements of social security

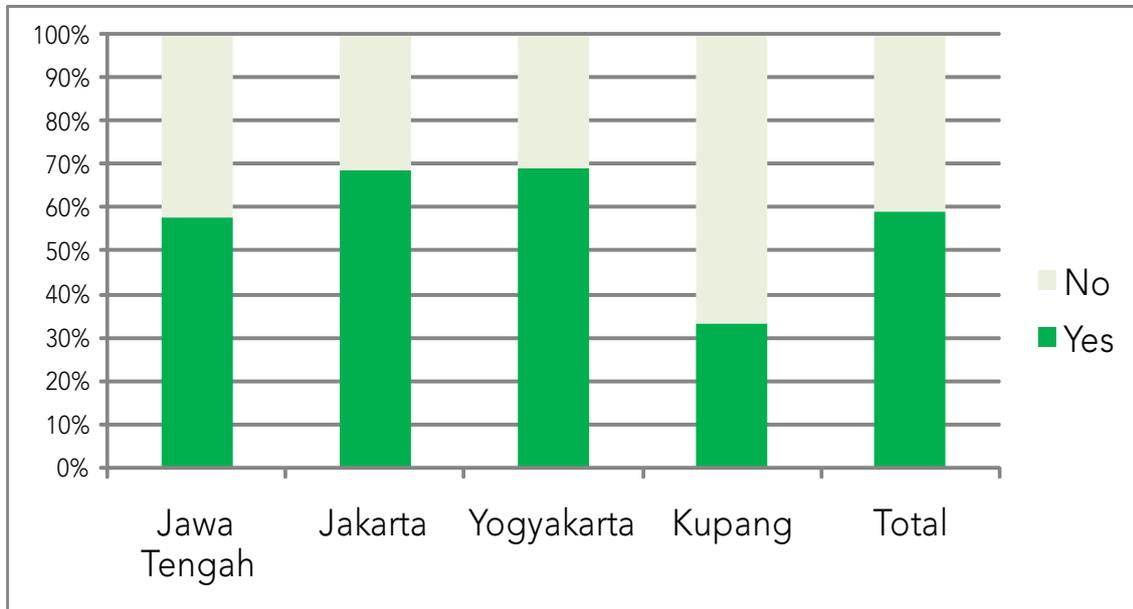


N (Formal Accident)=1938; N (9 other variables) = 2064; Source: Own Survey 2009.

4.2 Knowledge of social security

We have asked the informal workers whether they have heard of the schemes in social security implemented by Jamsostek, and a majority of almost 60% indeed knows about it (cf. Figure 4.2).

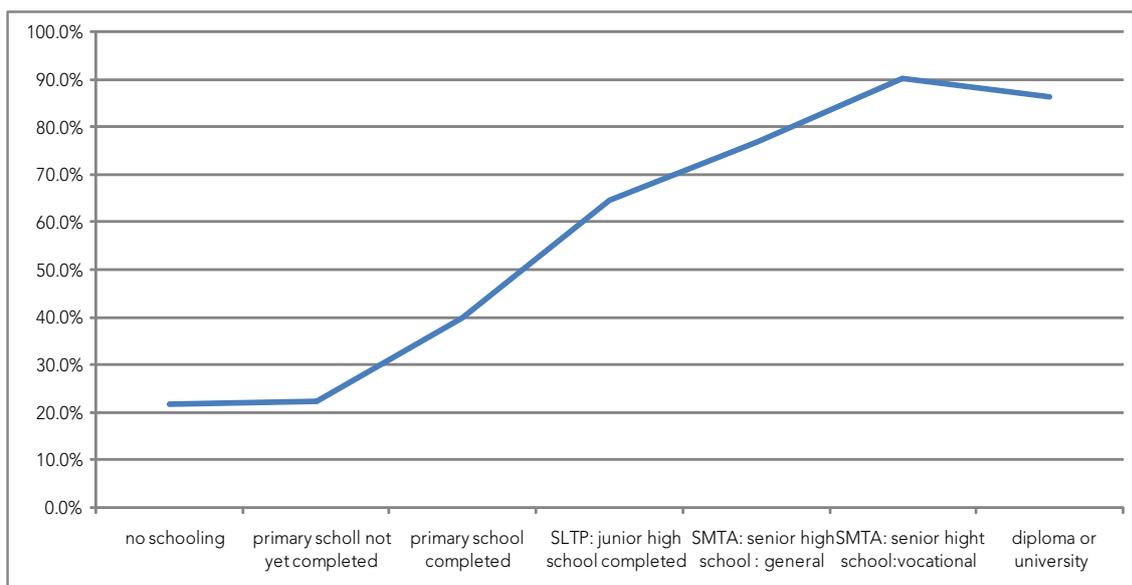
Figure 4.2: Knowledge of Jamsostek among respondents by sample area



N = 2,066. Sumber: Survei 2009.

When knowledge of Jamsostek was cross tabulated with education, it resulted in an almost perfect curve: the more education, the more often they know about Jamsostek (Figure 4.3).

Figure 4.3: Education of the respondents by knowledge of Jamsostek

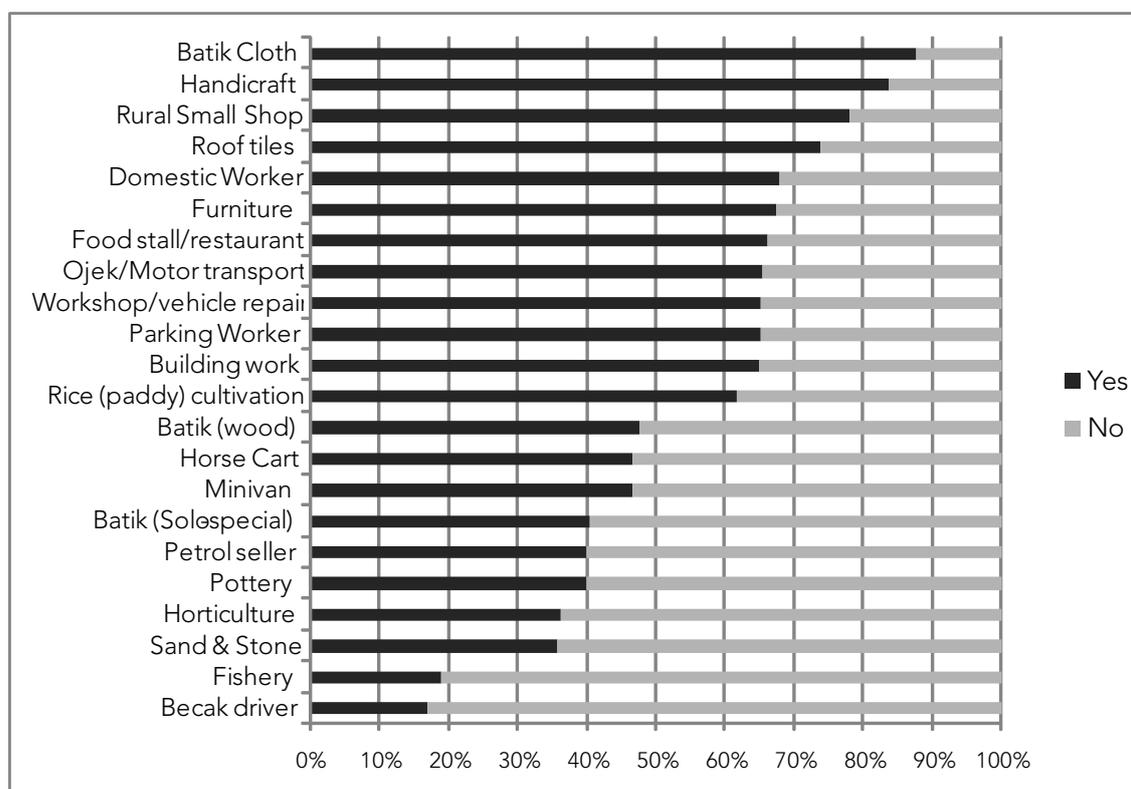


N = 2,058. Source: Own Survey 2009.

With respect to Age, in most income groups 60% or more knows about Jamsostek except for the very young and very old (both about one third).

Knowledge of the programme differs greatly among the 22 subsectors ranging from 15% of the respondents in Becak driving and fishery to 85% in batik cloth and handicrafts (cf. Figure 4.4; see also the overview in Annex 6).

Figure 4.4: Knowledge of Jamsostek (Yes/No) by subsector



N = 2,062. Source: Own Survey 2009.

With respect to occupational Status, employer's awareness of Jamsostek (71%) is higher than that of the self-employed and labourers (respectively 60 and 55%). Regarding gender, no difference at all was established between women/men (both 60%).

4.3 Attitude towards social security

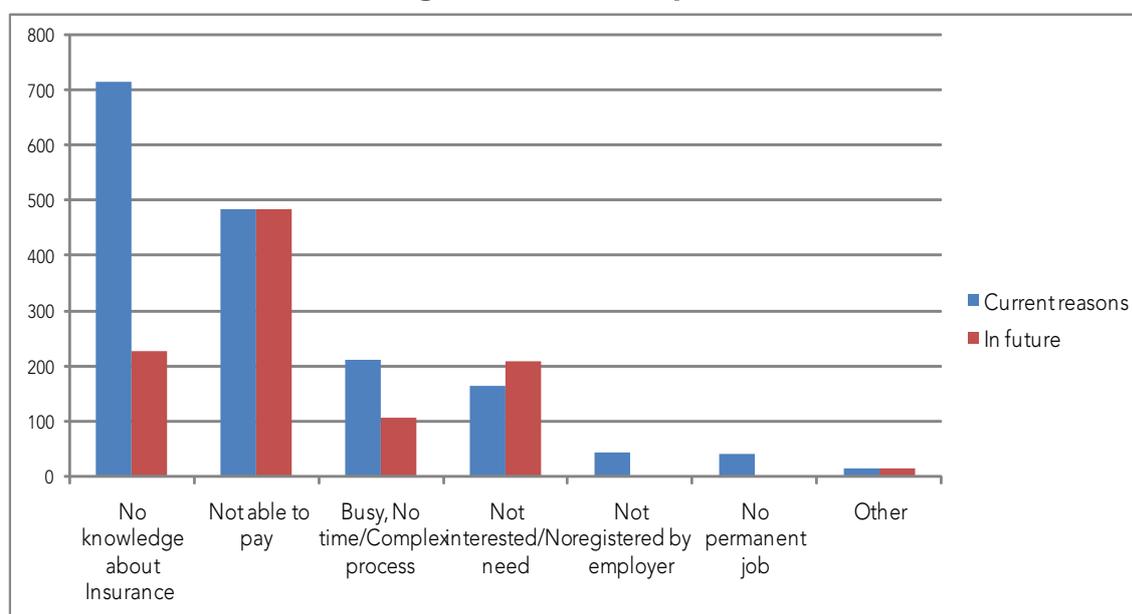
While 81% of the informal workers has currently no formal social security, 50% stated that they do not intend to acquire it in the future either. While for the current reasons 'no knowledge of insurance' was most important, for the future 'inability to pay' is most important (cf. Figures 4.5 and 4.6).

Figure 4.5: Reasons for presence of Current versus Future Formal Social Security

Reason	Current (%)	Future (%)
No knowledge	42	22
Cannot afford	29	46
Busy	13	10
No interest	10	20
Other	6	2
Total	100	100

N (current)=1679; N(future)=1047. Source: Survey 2009.

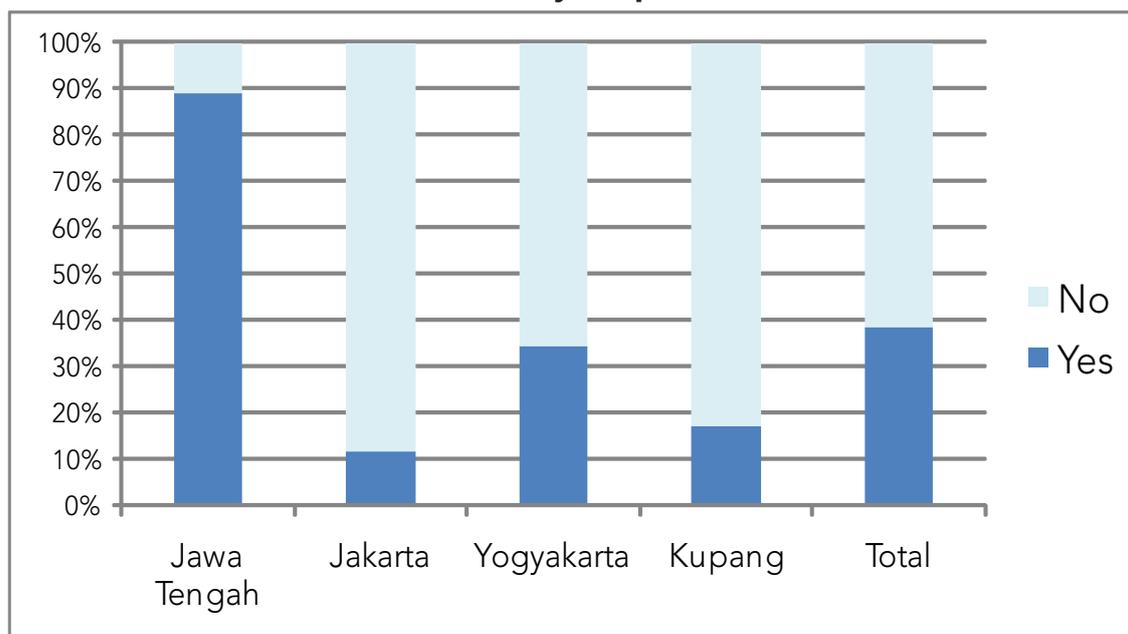
**Figure 4.6: Current and future reasons:
(1) Reason for not having any formal insurance at present
(2) Reason for not being interested to acquire insurance in the future**



N (current)=1679; N(future)=1047. Source: Own Survey 2009.

In terms of gender, it is established that more women stated to have no knowledge about insurance than men (50% vs. 37%). There are no significant differences with respect to occupational status except that employers are somewhat more often busy and not interested than the others. As Figure 4.7 shows, social activities are important mainly in rural Central Java where almost 90% are members (e.g. PKK).

Figure 4.7: The incidence of social activities of which respondents are a member by sample area



N = 2,066. Source: Own Survey 2009.

4.4 Conclusion: Current forms of Social Security

The survey found that about 80% of the 2,068 informal workers have no social security whatsoever: no formal social security and no stated informal social security apart from within the family. Significantly, 90% mentions the family when asked who will take care of them in case something happens to them. Only a few other options were mentioned such as Village Assembly, Driver's license and Employer's Assistance. Despite this lack of actual insurance, it certainly does not imply ignorance, because almost 60% of the informal workers does indeed know about the Jamsostek programme! An interesting very positive correlation was found between level of education and knowledge of Jamsostek. The different levels of knowledge in the subsectors can help target the awareness raising activities of Jamsostek; also East Indonesia needs to be informed better about this programme.

While 81% of the respondents indicated that they currently have no formal insurance, half of all respondents stated that they do not intend to acquire formal insurance in the future. The reasons for the former are mainly no knowledge about insurance, not able to pay, too busy, or not interested/ no need. The reasons for not acquiring it in future deal mainly with inability to pay. There is a task to educate women since they more often stated to have no knowledge about insurance than men (50 versus 37%). Social activities (such as PKK) were found to be important only in rural Central Java where almost 90% of informal workers were members.

5

Demand for social security measures among informal workers

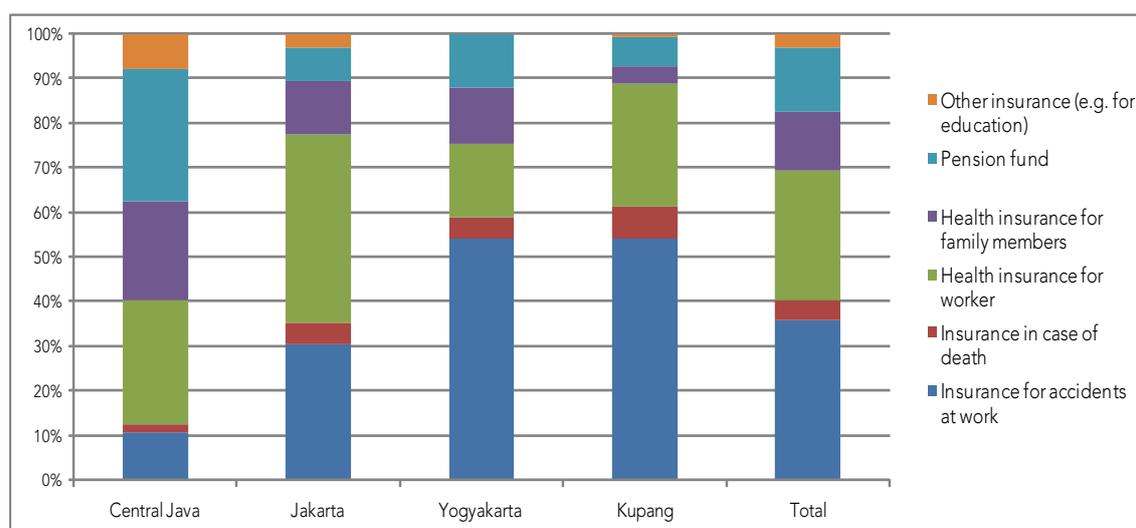
5.1 Priority social security measures

The priorities of informal workers among different social security measures is as varied as the informal economy itself. To be sure, the total tally of their priority amounted to a surprising outcome:

- The 1st priority is insurance for accidents at work (mentioned by 36% of respondents).
- The 2nd priority is insurance for worker's health (29%).

The other measures were mentioned much less often: at 3rd place is pension fund with only 14% (cf. Figure 5.1). Another surprising find is that only very few seem to worry about death insurance. The preference for accident insurance is related to the perception of the interviewed workers regarding the type of work they perform and the hazards encountered: 63% of the workers confirms that their work is dangerous or accident-prone. The hazard mentioned second most often are the long working hours or night work (mentioned by 22 % of respondents).⁴

Figure 5.1: Priority social security measure by sample area



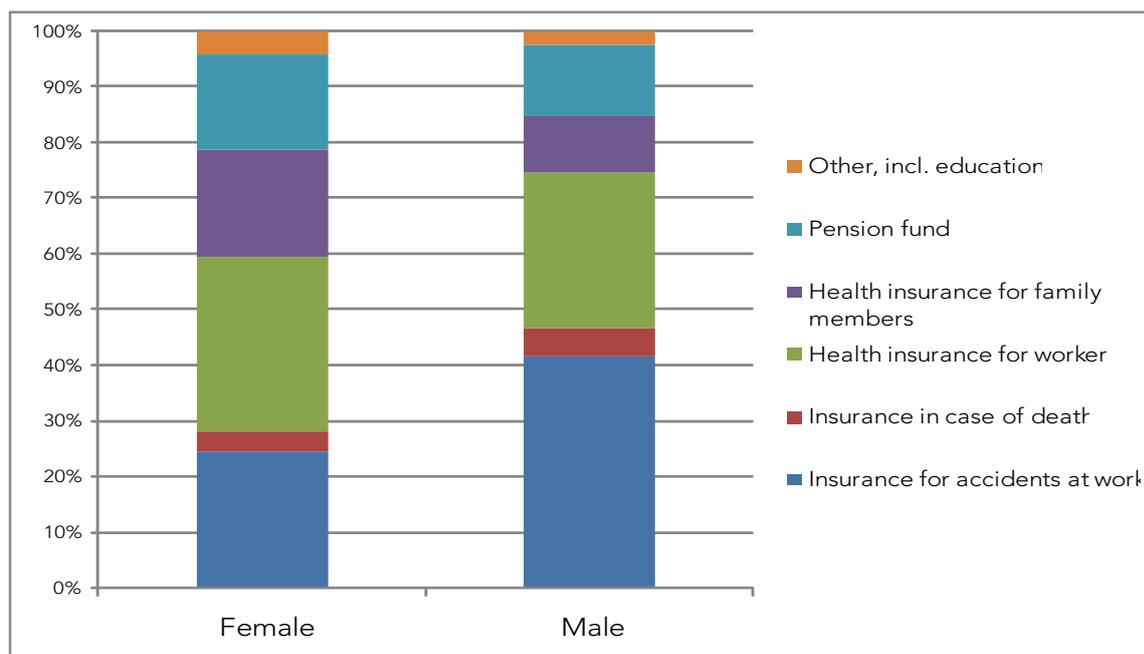
N = 2,061. Source: Own Survey 2009.

4 The other categories mentioned in the questionnaire (Annex 1, question 18), i.e. environmentally dangerous work and risk of exploitation were each mentioned by less than 3% of the respondents.

At the same time, however, we need to stress the diversification according to several variables:

- The cities of Yogyakarta and Kupang show an even higher priority for accident insurance (over half of respondents). However, in metropolitan Jakarta the worker's health is clearly priority number one (42%).
- Rural Central Java is divided, but with a surprisingly highest priority for pension fund (30%), followed by worker's health (28%) and at a good third place the family's health (22%). Here accidents at work apparently do not happen that often as in the urban areas!

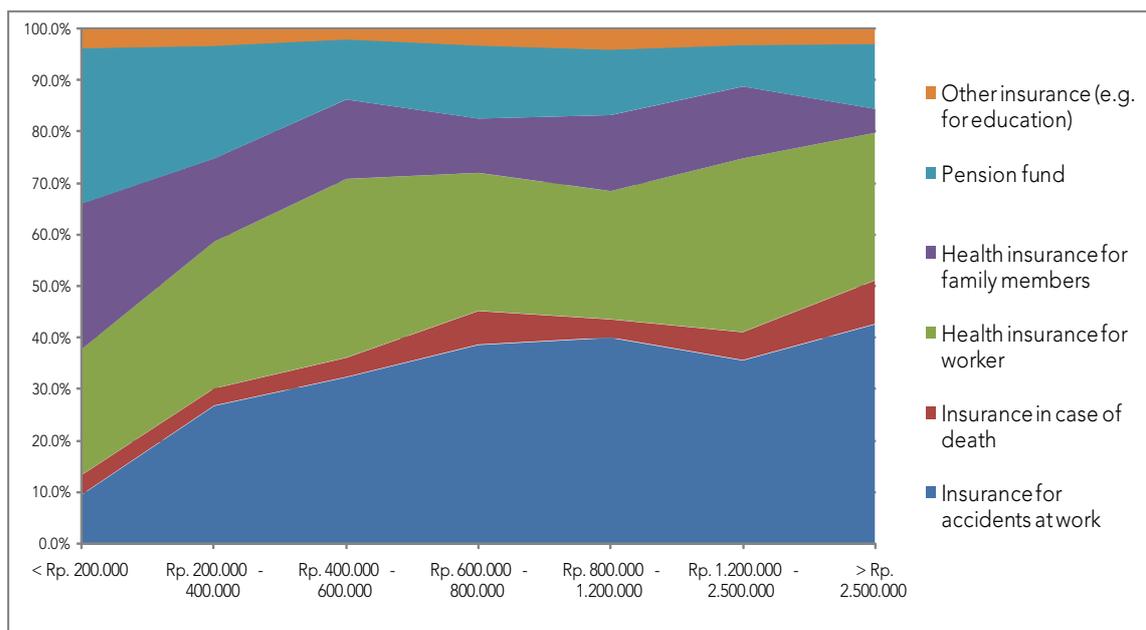
Figure 5.2: First priority social security measure by gender



N = 2,059. Source: Own Survey 2009.

- For the female informal workers the order of the top two priorities is reversed with the worker's health ranking number 1 with 31%, followed by accident insurance with 25% (cf. Figure 5.2). Also family's health and pension fund are more often mentioned by women than by men.
- There are no significant differences when Occupational Status is considered.
- With respect to Age, the only pattern is that the older respondents (above 45 years of age) more often choose for pension instead of accident insurance.

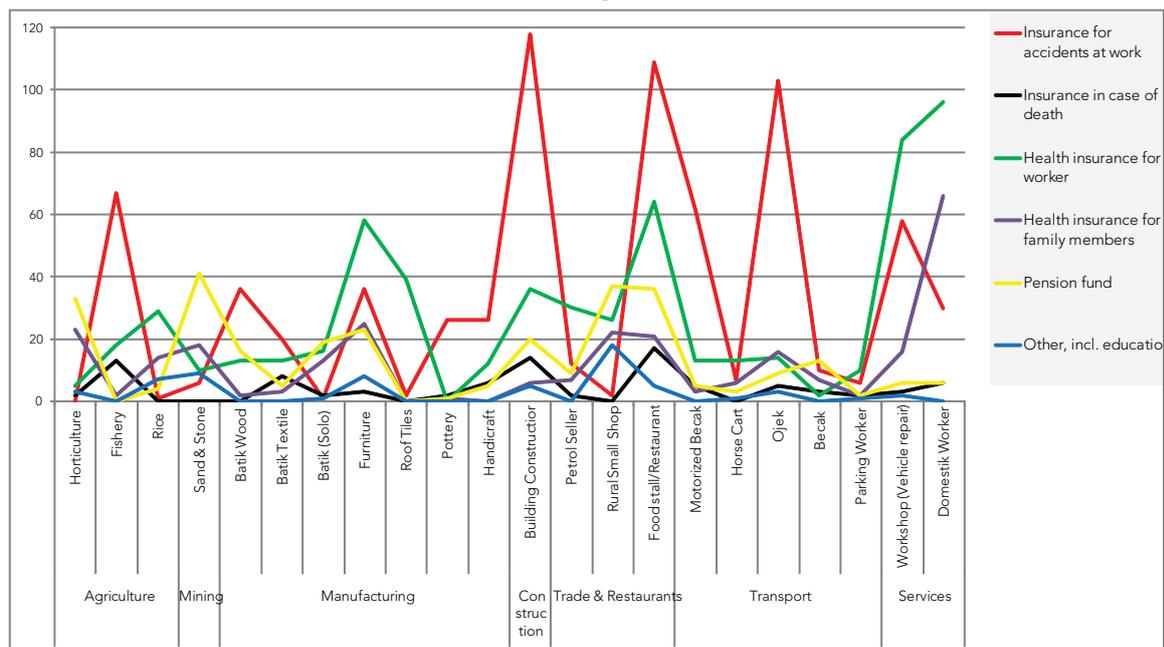
Figure 5.3: First priority social security measure by income



N = 1,922. Source: Own Survey 2009.

- Correlated by income per month, Figure 5.3 shows that the respondents in the lowest income bracket (below 200,000 per month) actually have as first priority the pension fund (30%) closely followed by the family's health (28%). Pension fund is also still rather important for the next lowest income level (22%), although here worker's health and accident insurance are already mentioned somewhat more often. The figure shows graphically that the 'richer' the respondents the more importance they attach to accident insurance and the less to pension and the family's health.
- Lastly, a large variety exists among the 22 subsectors as is shown in Figure 5.4. This figure and the overview of selected characteristics of the subsectors in Annex 6 allow us to easily identify those subsectors scoring high on each of the different insurances identified. For example:
 - ◆ Accident insurance is considered as important especially by construction, foodstall/restaurant and ojek workers (100 respondents or more), and also by fishery, motorized becak and vehicle repair workers (each around 60 respondents).
 - ◆ Worker's health insurance is seen as important by domestic workers and in vehicle repair workshops, but also in the subsectors foodstall/restaurant, furniture and roof tiles.
 - ◆ Family's health insurance is seen as important by a large number of domestic workers.
 - ◆ Surprisingly, the one subsector in which pension was mentioned most is sand/stone cutters, workers who are by no means guaranteed of work and/or (sufficient) income.
 - ◆ Death insurance and other types (education) do not reach beyond 20 respondents in any one of the 22 subsectors.

Figure 5.4: First priority social security measure by subsector (number of respondents)



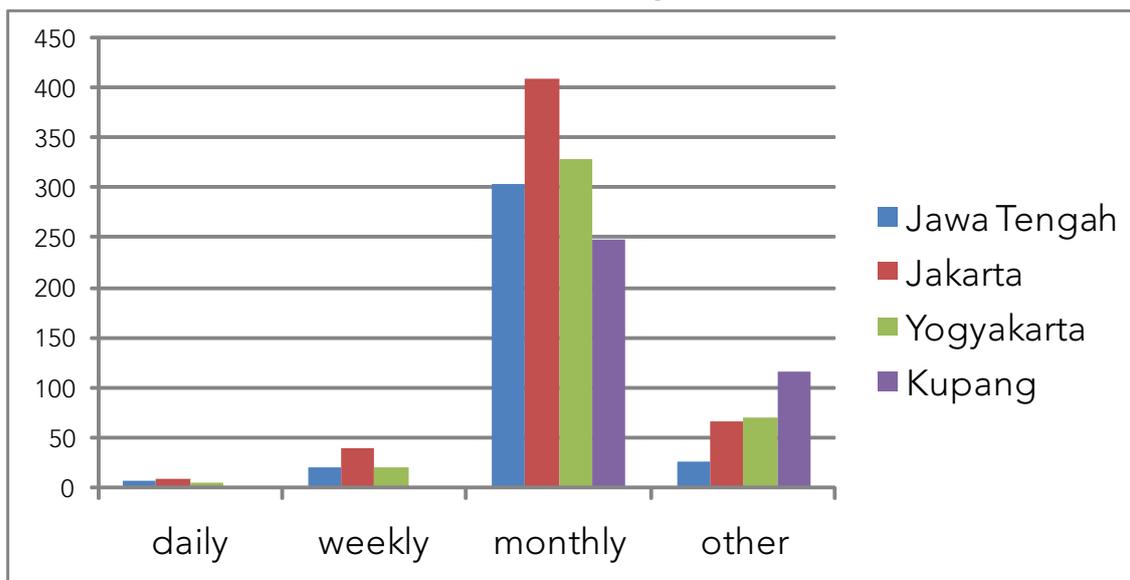
N = 2,061. Source: Own Survey 2009.

5.2 Willingness to pay

We have asked the respondents whether they would be able to pay for social security insurance. 80% responded that they are willing to contribute financially on a regular basis. In addition, 77% prefers monthly payment of premium (cf. Figure 5.5).

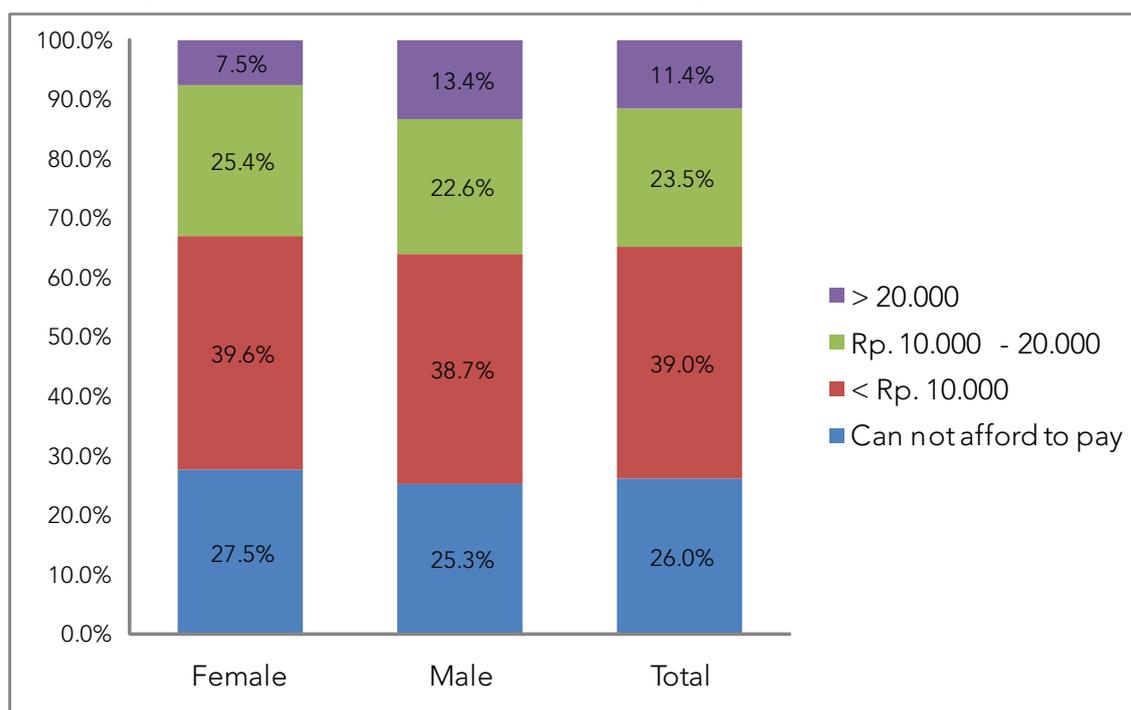
We also asked them how much they could pay per month for the premium, giving them the choice between 'Could not pay' and a range of categories, from below 10,000 Rupiah, until even above 100,000 (cf. Annex 1). A quarter indicated that they could not pay, while 40% preferred to remain below 10,000 Rupiah (cf. Figure 5.6). So, in total almost two-thirds of the respondents are ready to contribute anything between 1 and 20,000 Rp. per month. In addition, 11% are even willing to pay more than Rp. 20,000 per month: half of them are employers; in Kupang almost 30% is willing to pay > 20,000 Rp. while in other areas this is below 10%. Figure 5.6 further indicates that there is only a slight gender difference "at the top" with almost twice as many males willing to contribute above Rp. 20,000 than females.

Figure 5.5: Preference for method of payment of premium by sample area (number of respondents)



N = 1,680. Source: Own Survey 2009.

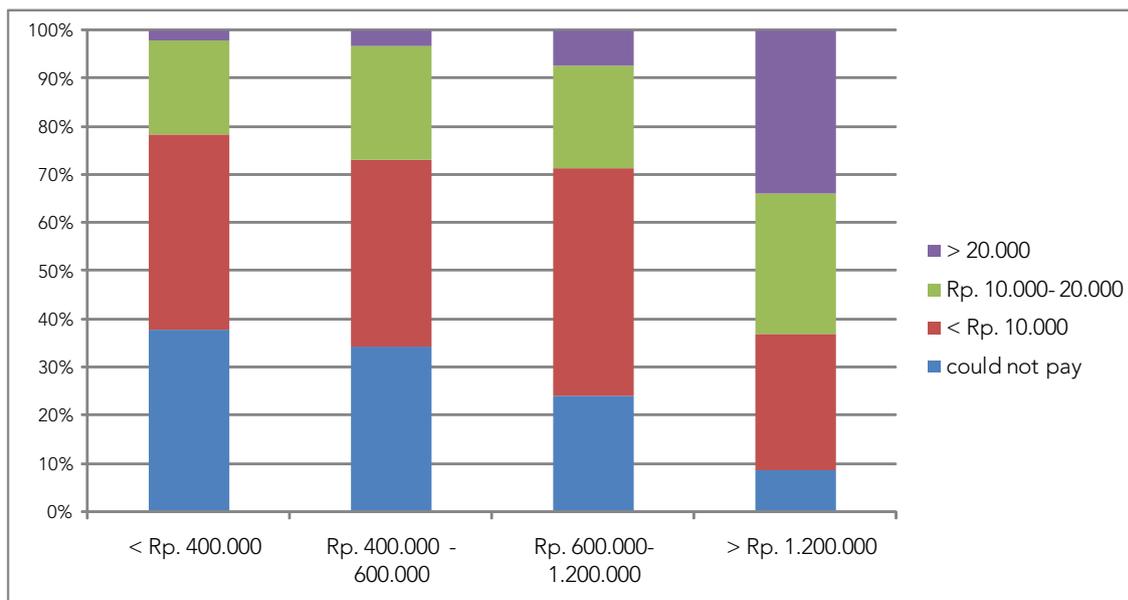
Figure 5.6: Capability to pay premium by gender (% of respondents)



N = 2,066. Source: Own Survey 2009.

When related to income, there is an expectedly positive correlation: the higher the income, the more premium one is willing to contribute (cf. Figure 5.7).

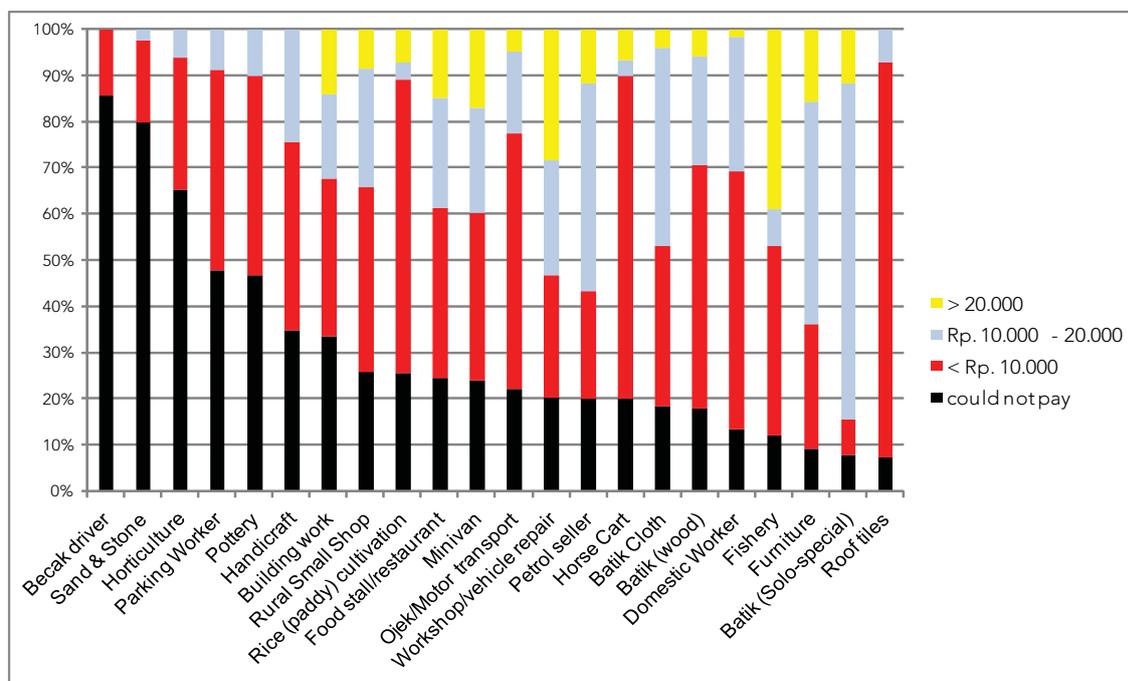
Figure 5.7: Capability to pay premium by income (% of respondents)



N = 1,929. Source: Own Survey 2009

With respect to the 22 subsectors, Figure 5.8 and Annex 6 indicate the large variety in the ability and willingness to pay. In some sectors, i.e. Becak, Sand & Stone, and Horticulture, a large majority states that they are not able to pay, while in other subsectors the share of respondents who states that they cannot afford the premium is around 10% or less, i.e. domestic work, fishery, furniture, batik (Solo) and roof tiles.

Figure 5.8: Capability to pay premium by subsector (% of respondents)



N = 2,068. Source: Own Survey 2009.

5.3 Conclusion: Demand for Social Security

Among the different elements of social security, the first priority of informal workers is insurance for accidents at work (36%). This is related to the perception of the majority of respondents about their work being dangerous and/or accident-prone. The second priority is insurance for the worker's health (29%). It varies according to subsectors and thus also to sample areas; for example, in Kupang and Yogyakarta accident insurance is even more important (over half of respondents), while in Jakarta health insurance is relatively more important. However, for the female informal workers health is priority number one (31%) and accident comes second (25%). Again, the different priorities mentioned by the respondents in the 22 subsectors can help target specific packages to specific activities. In addition an interesting finding is that accident insurance is prioritised lower by the ones with the lower incomes, while they value higher pension and health for family members.

The willingness to pay is surprisingly high with 80% willing to contribute financially on a regular basis. The preferred method of payment is monthly. The amounts that respondents indicated they are able to contribute are relatively low: 64% is ready to contribute anything between 1 and 20,000 Rp. per month. However, one should not forget that, first of all, it is a kind of opening bid, and secondly, 11% is willing to pay more than Rp. 20,000 per month which comes close to what is required in the Jamsostek programme, even apart from the employer's share. Half of this 11% are employers, and many of them are in Kupang (where 30% is willing to pay > 20,000 Rp.). In terms of gender, there is only a very slight difference at the top end with only few women willing to contribute more than Rp. 20,000 per month. In general, the higher the income the more premium one is willing to pay. Subsector information again is interesting to target packages.

6

Impact of the current global financial crisis on the informal economy

The impact of the Global Crisis has in this research been approached from two sides:

- 1) The impact as perceived by the 2,068 informal workers interviewed, and
- 2) The impact as perceived and actually experienced by 15 laid-off *formal* sector workers.

6.1 Impact of Crisis on Informal Workers

The impact as perceived by the 2,068 informal workers interviewed has been operationalised by means of four questions as indicated by Table 6.1.

Table 6.1: Impact of Global Crisis operationalised through four Questions

No.	Acronym	Question
1	Impact	Do you feel any impact on your work situation of the Global Crisis since it hit Indonesia from about November 2008?
2	Work	Has it been more difficult to find work for you in your line of business as a result of the Global Crisis?
3	Orders	<i>(Only for employers:)</i> Has it been more difficult to acquire orders as a result of the Global Crisis?
4	Influx	Have you noticed an influx of laid-off formal sector workers in the past months?

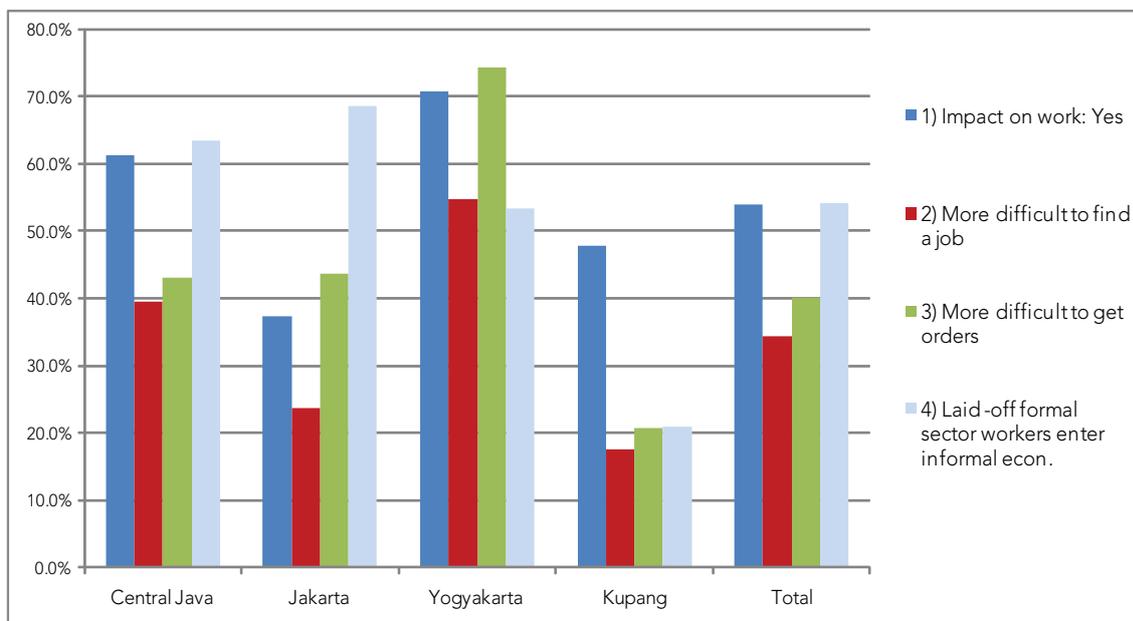
A majority (54%) of the informal workers feel an impact of the crisis on their work, and noticed the influx of laid-off formal sector workers in their occupation. There is not much difference when occupational status is considered (+/- 5%). At the same time, only 40% of the informal employers found it more difficult to acquire orders since the start of the global crisis (cf. Figure 6.1).

Women consistently estimate the impact of the crisis lower than men by about 10%-points, except for the influx of ex-formal sector workers (both around 55%). Although it was hypothesized that the more globally connected city of Jakarta would show the highest impact, this turned out to be

wrong, except for a large influx of laid-off workers (cf. Figure 6.1). Apparently these workers are looking for alternative work opportunities in the global city.

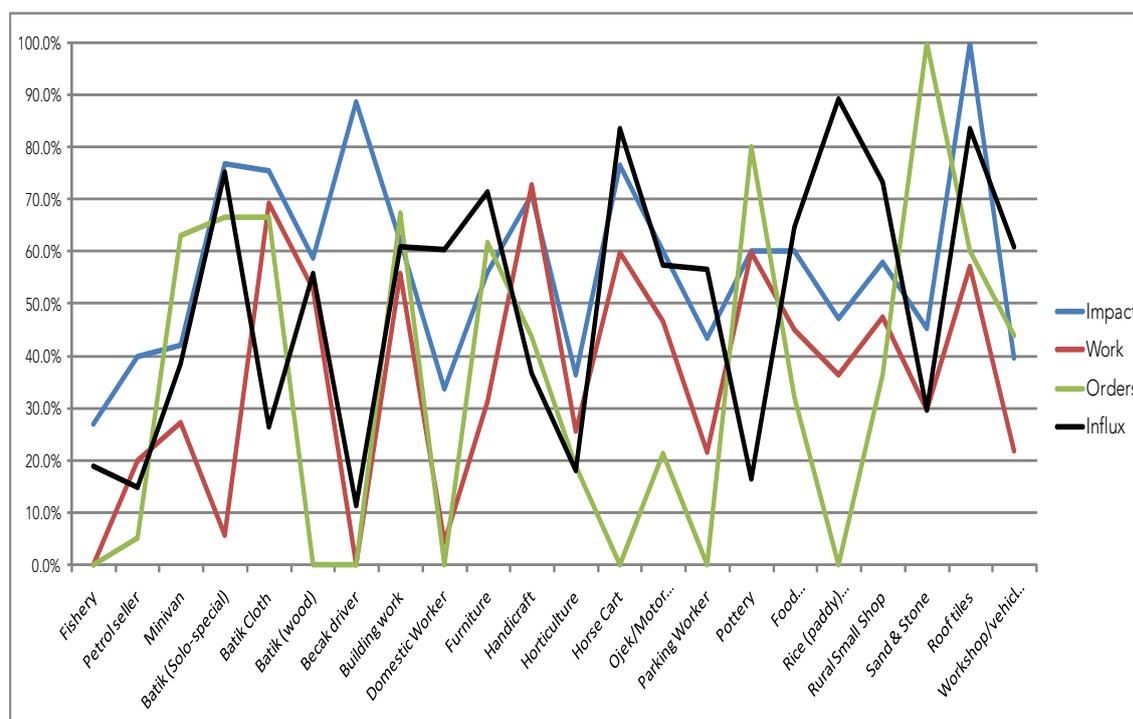
The answers per subsector provide further interesting information with about 10 subsectors where more than 70% of respondents indicate a definite impact of the crisis (cf. Figure 6.2); this requires further, more in-depth analysis.

Figure 6.1: Global Crisis: 4 Questions at a glance (for explanation see Table 6.1)



Question 1: N=2066; Question 2: N=2062; Question 3: N=447; Question 4: N=2067. Source: Own Survey 2009.

Figure 6.2: Global Crisis by Subsector (for explanation see Table 6.1)



N=2066, 2062, 447 & 2067. Source: Own Survey 2009.

6.2 Impact of Crisis on Formal Workers: Case studies of laid-off formal sector workers

This study intends to explore the situation of a group of formal workers that are laid off by the company as a result of the global crisis. The total number of respondents are 15 workers from 7 companies located in and around Salatiga. The interviews were taken in May 2009, based on a structured questionnaire.

Characteristics of respondents before lay-off

Most of the respondents (10 out of 15) are young women; half of them are single, the average age is 32 years ranging from 20 to 49 years, with an average number of dependents of about 2. Some two-thirds of them are relatively well educated having completed high school. Most of them do not have any non formal education.

The respondents have been working with the same company for 1-5 years, and the majority (60%) had a permanent status. Before they were laid off most of them were employed in the production section and only 2 were dealing with administrative work. They worked mostly 6 days a week and 8 hours per day. In order to get that job, about 60% applied through a written application to the company. The average income received by these workers is about Rupiah 880,000 ranging from 0.5 to 2.25 million. About 60% of these workers were covered by Jamsostek, and another one worker had a private insurance. The layoff included many co-workers ranging from 10 to 360 workers per factory. The reasons for the layoff were mainly related to the decreasing number of orders caused by the global financial crisis, and by efficiency considerations of the factory to become more competitive. When they were fired, one third of the workers did not get any compensation, and this group included all contract workers. Meanwhile, those who have permanent status received various types of compensation: 5 workers got from 50 – 100% of one monthly salary, and some received substantial lump sums (2 million rupiah, and one even claims to have received 15 million rupiah). Of course, the variety in types of compensation the result of various factors, such as the financial condition of the factory and the position of the worker in the company.

Current situation

The feeling of the workers when they were fired is almost the same: disappointed, confused and stressed. However, the majority expect they will be re-employed by the company quite soon, even some of them expect to be re-employed within 2 or 3 months in the same position. Among the respondents, 3 of them got a job in another formal company but half of them (8 workers) turned to the informal economy for employment; four as entrepreneur and 4 as labourer. Another 4 workers remained unemployed. The average income is Rupiah 745,000, ranging from 0 to 3 million (this includes the 4 unemployed workers).

In the new job, only 2 workers are currently covered by social security (1 Jamsostek and 1 private company). The reasons for no social security coverage are: low income, not a priority, or not provided by the company they are working for. Most of these workers were involved in social activities, such as PKK or neighbourhood activity like RT. Only 2 of them were not involved in any social activities.

Demand for social security

Most of the respondents mentioned pension as the first priority. This may be related to the experience of having been fired from their formal company. The second priority is health insurance for the family, followed by social security for education. Currently even though education is free by law, in reality many people have to pay substantial amounts of money even when they want to enter public school. With respect to the willingness to pay for social security, it was found that the majority of the respondents (53%) indicated that they are able to pay between Rupiah 10,000 – 20,000, and most of them prefer to pay on a monthly basis.

6.3 Conclusion: Impact of Global Crisis

54% of the informal workers feel an impact of the crisis on their work, and also noticed the influx of laid-off formal sector workers in their occupation. There is no significant difference when occupational status is considered (+/- 5%). At the same time, only 40% of the informal employers found it more difficult to acquire orders since the start of the global crisis. Women consistently estimate the impact of the crisis lower than men by about 10%-points, except for the influx of ex-formal sector workers (both around 55%). Although it was hypothesized that the more globally connected city of Jakarta would show the highest impact, this turned out to be wrong, except for a large influx of laid-off workers! Apparently they are looking for alternative work opportunities in the global city. The answers per subsector provide further interesting information with about 10 subsectors where more than 70% of respondents indicate a definite impact of the crisis; this requires further, more in-depth analysis.

Interviews were held with 15 formal sector workers laid-off from several factories in Central Java dealing with textile, garments and furniture. It showed that out of the 15 workers laid-off in early 2009, four are still unemployed, while more than half (eight) have found work in the informal sector. Although the average salary of the 15 workers did not change all that dramatically, it is the insecurity that affects them most: 80% is anticipating to return to their original factory, and even mostly in their original position.

7

Role of Local Government

It was felt that the role of the local government in the area of social security has become more important since the decentralisation policies were implemented. It was found that certain local governments are even newly designing their own systems of social security running parallel to those of the national government and Jamsostek. Therefore, a separate chapter is devoted to the role of local government, investigating decentralisation policies, an innovative policy in Solo and its possible role in follow-up activities.

7.1 Decentralisation policy

“Formally launched in 2001, the decentralisation of governmental authority is one of the most important reform programmes in Indonesia. Both supporters and critics of the program acknowledge that decentralisation has changed the landscape of the central-local political relationship. However, a closer examination of the effects of decentralisation reveals significant variations across the country. Recent research indicates local state capture and rampant corruption in some jurisdictions, but deepening democracy and the emergence of effective government in others.” (Erawan 2007: 55).”

Regional autonomy or decentralisation, laid down in Law 22/1999 on regional governance and Law 25/1999 on fiscal balance between the central and local governments, became effective on 1 January 2001, and was further accelerated in the revisions of these laws in September 2004. It provides for the devolution of national government Ministries and Departments to the provincial administrations. It also has resulting in a deepening of democracy through what has been called Pilkada, i.e. the direct elections of local leaders such as governors, mayors and district heads (cf. Erb & Sulistiyanto 2009).

Utilities and public companies such as Jamsostek and five national Ministries (i.e. Finance, Defence, Foreign Affairs, Justice and Religion) are exempted from the devolution process. Local governments were simultaneously given responsibility for public sector activities in health, education, and rural and urban infrastructure, along with authority over more than 2.3 million former central government staff. The process was adopted to generate local responsibility for local problems, and to encourage participation and regional relevance of public sector services and initiatives

Registration of workers by enterprises is compulsory since 1981 (Act No. 7), and needs to be done at Depnaker, the Directorate of Labour Inspection. Since the Decentralisation Laws of 1999, you have to register at DISNAKER, the District Offices of Depnaker, which are under control of the Provincial authorities.

Angelini & Hirose (2004) underline the difficulties of administration of social protection programs in a decentralized environment given the various administrative levels in Indonesia, especially National, Provincial (33), District or *Kabupaten* (302), Municipal (89) and Sub-district or *Kecamatan* (4,918).

7.2 Innovative local government policy in Solo

Basically, local governments have a strategic role to play in the development of the informal economy, implying that the growth and the positive contribution to the local economy depend on the policy taken by the government. One of the important informal subsectors is street vending which is often one of the informal activities with which local governments do not know exactly how to deal with. The local government of Solo currently gives serious attention towards regulating activities of street vendors (PKL). In 2005, there were 5,817 street vendors (PKL) in Solo, but the number has since decreased to 3,883 in 2007.

Unlike many towns in Indonesia, the policy of Solo city is not intending to put PKL out of business, but to offer assurance by formalizing PKL. The Solo government's view is that PKL is a potentially important sector which is contributing to the growth of the local economy. Based on this view, the government policy on PKL is directed to empowering and utilizing PKL. In the meantime, PKL is required to maintain basic principles, such as cleanness and tidiness, and they should not disturb public spaces.

In Solo city the management of PKL is integrated in the city management in which PKL have to remain confined to certain areas, thereby formalizing their existence and at the same time maintaining zero growth of PKL. Zero growth means the government manages existing PKL but not tolerate the coming of new PKL. The basic concept for PKL management is:

- Providing exclusive neighbourhoods for PKL
- Providing specific streets for PKL

These two concepts are implemented by

- Relocation
- Providing shelters by the local government
- PKL are required to use *tenda*, a kind of knock-down umbrella
- PKL are required to use *gerobag* (push cart).

Concerning relocation, in managing PKL the local government used 2 approaches: dialogue and cultural approach. For instance in 2006, local government relocated 989 PKL peacefully from Monjari (the previous location) to Notoharjo Semanggi (new location). The negotiation process for the relocation took 6 months or about 52 meetings between the government and PKL. In respect to PKL, the negotiation took place in the formal house of the mayor that used to be opened for the high rank government officers. In the new location, the government provides each street vendor with a shop for free. As a return, the PKL are obliged to pay retribution of Rp 3,000 per shop per day. After they moved to the new location, the government gave them permits for free, the so-called SIUP (*surat ijin usaha perdagangan* – a kind of license for doing trade) and TDP (*tanda daftar*

perusahaan - a licence that the business is listed by a government office). Having the permit, implies that the status of the PKL is turned formal. The advantage for PKL of being formal is that they can access credit from banks. In order to support the policy of zero growth, the government regularly conduct censuses (in cooperation with the local university), to provide a more current data base on PKL. Meanwhile the monitoring of PKL is done by officers of the *kecamatan* (sub district) and the *kelurahan* (village).

As mentioned above, besides relocation, the strategy of the Solo government is to built shelters, and also requires PKL to use umbrella (*tenda*) and push car (*gerobag*). Although PKL have to follow many rules set up by the local government they are no longer illegal in those specified areas. This arrangement of course gave PKL more security in doing their business as they will not be forced to move from a certain place.

Regarding the development of social security coverage for informal workers, the local government also has a potentially important role to play by introducing workers to social security organizations and creating collection mechanisms for workers to realize their payment. In Solo, the local government facilitates access to social security of Jamsostek. These workers got subsidy for the premium for the first 5 months. Furthermore, to make the premium collection easier the government also assists the establishment of informal worker associations.

7.3 Recommendation

The recommendation that results from the above is that further analysis is required into the role of local government in social security by investigating several selected Kabupaten and/or municipalities. With respect to the innovative policy in Solo, we can conclude that so far, there is no information about the reactions and the responses of PKL to this program, nor about the effectiveness of the institutional set up in helping collection of the payment. Therefore, an in-depth study is needed to further elaborate these aspects.

8

Recommendations: Follow-up Activities through a Multi- disciplinary Approach

The study and the presentation of the results at the well-attended workshop in the Sultan Hotel in Jakarta on Wednesday 17 June 2009 has created a synergy between organisations such as ILO, Jamsostek, Depnaker and Bappenas, to deal with social security for informal workers. The momentum thereby created must now be maintained and employed to set up several small pilot projects as preparations and at the same time as transitional phases towards a large, multi-year donor-funded project. This project is envisioned to be broader in scope than social security per se, how important in itself this may be. It is felt that the social security cause will be better served if it is embedded in a multi-disciplinary project with four main pillars:

- 1) "Covering the Uncovered": Extension of social security coverage to informal workers.
- 2) "Organizing the Unorganized": Self-organization of the workers with the mediation of labour unions and labour-NGO's.
- 3) "Improving informal businesses": Enhancing the productivity and thereby the income base of informal workers so that their ability to afford the social security premium is increased.
- 4) "Involving Local Government": Involving local government authorities in an integrated approach on the one hand at local level by means of Local Economic Development (LED) and through innovative Public Private Partnerships (PPP), and on the other hand with national level agencies including Depnaker and Jamsostek.

In the following we will discuss a number of principles which have arisen out of the present study as important for social security extension to informal workers. Then we will outline several preparatory and transitional small projects as well as the integrated, multi-year project. Finally we will propose a road map for the follow-up activities.

8.1 Principles

The ILO has developed **Guidelines On Creating Policy For Extending Social Security Coverage** (Hiroshi 2008). This suggests that any social security scheme should include seven pragmatic elements:

- 1) The scheme must reach out to all;
- 2) It must be effective in lifting people out of poverty;
- 3) It must provide adequate, reliable and sustainable benefits;
- 4) It must be financially and administratively sustainable in the long-term;
- 5) It must support the achievement of more employment and good general economic performance;
- 6) It must make efficient use of workers' and employers' taxes and contributions;
- 7) It must be designed, managed and governed with the adequate and fair participation of Governments, Workers and Employers, on the basis of social dialogue and national consensus.

From our analysis in this report we can underscore the following **principles** for follow-up activities:

- The *number* of informal workers is increasing and due to the global crisis its relative share may also be on the rise.
- In general it is more *difficult* to reach informal workers than formal workers, who can be approached through the registered employer.⁵
- Therefore, exploration is needed of the involvement of *intermediary* agents:
 - ◆ Local branches of Jamsostek
 - ◆ Local government organisations (Can Local Government act as employer?): In cooperation with central government instead of newly developing their own system.
 - ◆ Social activity organisations at grass-roots level in selected regions, such as PKK in Central Java.
 - ◆ the 'formal' trade unions and
 - ◆ Leaders of group based, micro-insurance schemes
 - ◆ External facilitators
 - ◆ Leader / Agent (can be paid: e.g. for collection of premium, e.g. 12.5 %)
 - ◆ Explore innovative partnerships, e.g. commercial insurance companies, NGOs and cooperatives, as is stimulated by the ILO through its micro-insurance grant scheme.
- To actually *convince* the informal workers of the importance for themselves of this package, is a long, incremental process as was indicated by the 2008 study on the informal economy and the experiences of trade unions.⁶
- In order to *cover the employer's share* of the social security premium for the informal workers one could think of a link with the large National Community Empowerment Program (NCEP or in Indonesian, PNPM) and the two Conditional Cash Transfer (CCT) programmes (one individual and one based on communities) which the Government of Indonesia is implementing (it is considered by the ILO as Best Practice of extending social security).

5 See e.g. VanderLoop, T. & R.K. Andadari (2008): Targeting the Workers in the Informal Economy; Report of the Country Study Indonesia. CNV/Utrecht and BMB-Mott MacDonald/Arnhem: April 2008

6 See e.g. VanderLoop, T. & R.K. Andadari (2008): Op. Cit.

- Extension of coverage of informal workers must be done *incrementally* and in *packages targeted* at informal workers: e.g.: Implement in phases, and start with accident insurance and health care.
- *Flexibility* is essential (in contrast to the SJSN Law which requires workers to take all social security components at once which actually reduces flexibility).

Parallel issues:

- What happens with the SJSN Law, and what will the newly appointed council do? How will the outcome affect the informal workers?
- Jamsostek to be converted from PT (Profit making) into a Trust Fund (not-for-profit), although it has already come a long way towards not-for-profit since the SJSN Law was enacted in 2004.

8.2 Proposals for preparatory, transitional Projects

Before we will propose the actual projects, let us first look into the lessons learned during the present study for both Jamsostek and ILO.

Lessons for JAMSOSTEK:

- Looking for flexible, highly targeted programmes to extend social security coverage to informal workers
- Investigate possible connections with National programmes such as NCEP and CCT
- Focus on targeted groups; e.g. Different packages for different provinces:
 - ♦ Accident insurance: Yogyakarta and Kupang (urban areas)
 - ♦ Health: Jakarta
 - ♦ Pension: Rural areas (Central Java)
- Awareness raising/Education programme
 - ♦ East Indonesia
 - ♦ Women
 - ♦ Use community radio stations, for example VHR Media (which has an extensive network of 350 community radio stations spread all over the archipelago)
 - ♦ In combination with specially designed music promoting the use of social security this can be a powerful instrument.
- Relationship with Depnaker: e.g. own labour inspectors at Jamsostek.

Lessons for ILO:

- Further analysis of the data of the 22 subsectors (see for example Annex 6)
- Further in-depth studies of a few selected subsectors
- In-depth study of new policy in Solo: especially survey among informal workers to find out their response
- Technical Cooperation Project proposal: Pilot project for 2-3 years: Lessons should be learned from the pilot phase and the set-up can then be improved and replicated.

- Encouraging the development of micro-insurance schemes, for example, through a pilot scheme (cf. Angelini & Hoirose 2004): Group based (Grameen-type) is considered as a good interim alternative to full-scale government coverage.

Concrete proposals for preparatory, transitional projects include the following:

- I. Study of several kinds of local governments:
 - a. Local government that cooperates with national government in area of social security
 - b. Local government that develops newly its own system of social security
 - c. Local government that is not involved in social security.

Select a municipality and a kabupaten for each of these three types and study the 6 areas.

- II. In-depth investigation of a few pilot subsectors jointly with Jamsostek to establish concrete ways of extending social security on the ground and investigate the roles of different types of intermediary organisations.
- III. Investigation of innovative local policy in Solo to formalize the informal economy
- IV. Qualitative investigation into the question "Who collects the funds?" Alternatives could be area-based cooperatives, sector-based coordinators, and/or through electricity bill. Explore the safest mechanism to deliver the money to the 'manager' of the funds. The creation of online information provision for easy access and trust enhancement is recommended. The role of the local government is to create 'enabling' programs and to participate in paying.

A general **Terms of Reference (TOR)** has been written for these four small(er) projects, which can in a later stage, when approved by the relevant stakeholders (in particular ILO and Jamsostek), be separated in four separate TOR's. The general TOR is attached as Annex 7.

8.3 Proposal for an integrated, multi-year project

The proposal for an integrated, multi-year project will be outlined here and will be further detailed as the preparatory projects will provide further inputs. Below we will discuss the four pillars of the proposed project.

- I. "Covering the Uncovered"
Extension of social security coverage to informal workers. The basis is the current study.
- II. "Organizing the Unorganized"
Self-organization of the workers with the mediation of labour unions and labour-NGO's.
As basis we can use among others the study done concerning the organisation of informal workers by trade unions (cf. VanderLoop and Andadari 2008).
- III. "Improving informal businesses"
Enhancing the productivity and thereby the income base of informal workers so that their ability to afford the social security premium is increased.
Elements would be capacity development, enhancing Business Development Services (BDS) and finance (micro-credit).
- IV. "Involving Local Government"
Involving local government authorities in an integrated approach on the one hand at local

level by means of Local Economic Development (LED) and through innovative Public Private Partnerships (PPP), and on the other hand with national level agencies including Depnaker and Jamsostek.

8.4 Road Map

The Road Map includes the following:

- Feasibility studies
- Pilot projects
- Careful sequencing of steps needed towards Universal Coverage (UC) of social security as indicate by the constitution for which the government is responsible
- Transition options
- Capacity development of the implementing organisations
- Awareness raising and visibility enhancement
- Numerous detailed issues to be decided on:
 - ◆ the design of the basic benefits package;
 - ◆ Selection of groups eligible for public subsidies;
 - ◆ identification and collection of premiums for informal workers;
 - ◆ how medical care providers will be paid;
 - ◆ who will administer the program.

Financing

The preparatory, relatively small projects should be financed at relatively short notice; therefore, funding should ideally come from ILO, JAMSOSTEK, or any other flexible fund. The multi-year project should be donor-financed and as such requires substantial preparation time.

ANNEXES

Annex 1 Survey Questionnaire

Questionnaire on Social security coverage among Workers in the Informal Economy
in Indonesia; ILO / PT JAMSOSTEK, Jakarta

Sample Area: Central Java Jakarta Yogyakarta Kupang

Ward / Area / Village:

Location (street):

Date: , May / June 2009. Number: .

A – Introduction

- 1) Type of informal enterprise:

<input type="checkbox"/> Agriculture <input type="checkbox"/> Mining <input type="checkbox"/> Manufacturing <input type="checkbox"/> Construction	<input type="checkbox"/> Trade & restaurant <input type="checkbox"/> Transport <input type="checkbox"/> Services <input type="checkbox"/> Other, specify:
--	--
- 2) Specify the precise activity:
- 3) Respondent is: Female Male Child (< 15 years)
- 4) What is your age? years.
- 5) In which province were you born?
- 6) What is your civil status? Married Single Other:
- 7) How many persons are dependent on your income for their living? persons.
- 8) Which schools did you attend?

<input type="checkbox"/>	No Schooling
<input type="checkbox"/>	Primary school not yet completed
<input type="checkbox"/>	Primary school completed
<input type="checkbox"/>	SLTP/SMP: Junior High School completed
<input type="checkbox"/>	SMTA/SMA: Senior High School: General
<input type="checkbox"/>	SMTA/SLTA: Senior High School: Vocational
<input type="checkbox"/>	Diploma or University
<input type="checkbox"/>	Other, specify:.....
- 9) Did you attend any non-formal education? Specify:
- 10) How many hours do you work on average per day? hours
- 11) How many days per week? 1 2 3 4 5 6 7
- 12) How long have you done the present job?

<input type="checkbox"/>	Less than 1 month
<input type="checkbox"/>	Less than one year (> 1 month)
<input type="checkbox"/>	1 to 5 years
<input type="checkbox"/>	5 to 10 years
<input type="checkbox"/>	10 years or more

13) How do you operate in your work?

- I am the boss (employer)
- I work on my own (self-employed)
- I am working for somebody else (labourer)
- I am working for a formal company (casual worker)
- Other, specify:.....

14) (Only if you have people working for you):

How many male, female and child labourers work for you? (fill in table)

Code	Type of workers	Male	Female	Children (<15 y age)
a	Regular labourers			
b	Casual workers			
c	Family members			
d	Unpaid workers			
e	Others:			

15) Do you have a written contract for your employment?

- Yes No

a..... Can you give an indication of the amount of Rupiahs that you earn per month in your present job? Rupiah.

16) What is the method of payment in your current job?

- Daily
- Weekly
- Monthly
- Piece rate
- Other:

17) Do you have a side income?

- Yes No

If YES: a) What is the source of this side income?.....

b) How much do you earn with that per month? Rp.

18) Are there any potentially harmful aspects about your work?

- Dangerous or accident-prone:
- Long working hours / Night work:
- Environmentally dangerous:
- Risk of exploitation:
- Other, specify:

19) Do you use any equipment in your present job (tools, machines, vehicles, etc.)?

- Yes No (go to next question)

If YES:

20.1 Describe the equipment:

Tools:

Handphone:

Machines:

Vehicles:

Other:

20.2 Are you the owner of the main equipment mentioned above?

- Yes: How did you acquire the money to buy the main equipment?

- Own savings
- Lent from relatives or friends
- From Arisan or other informal savings group:
- From government organisation:
- From a Bank: Name of Bank:

- No: What is the arrangement between you and the owner:

- I rent it from the owner (for money)
- The owner lets me use it for free
- Other:

B - The current coping mechanisms of informal workers concerning social insecurity:

20) There are generally FIVE types of social security elements. For example the state corporation JAMSOSTEK is currently interested to extend the coverage to informal workers. Have you ever heard of JAMSOSTEK?

- Yes No

21) Do you enjoy at present any type of informal or formal social security as specified in the table below?

SOCIAL SECURITY ELEMENTS	WHAT KIND OF SOCIAL SECURITY DO YOU HAVE NOW? <i>Specify the type and name of organisation/person</i>	
	FORMAL*)	INFORMAL **)
1) Insurance for accidents at work		
2) Insurance in case of death		
3) Health insurance for the worker		
4) Health insurance for family members		
5) Pension fund		

*) *Formal types are for example JAMSOSTEK, Driving licence, Written work contract, Government organisation, Bank, etc.*

**) *Informal types are for example: Employer's promise, Micro-insurance/self-help group, Community help, Arisan, etc.*

22) In case these benefits are not sufficient are there any other ways that you cope with unexpected situations (accident, deaths, large incidental expenses, etc.)?

- Yes No (go to next question).

If YES:

Can you please specify:

.....

23) If you have NO formal social security coverage at all, what is the reason for that?

.....

.....

24) Are you a member of any social activity organisation?

- Yes No (go to next question).

If YES: Mention the type of the two organisations in which you are mostly involved:

1)

2)

If **NO**: Why not?

C - The demand for social security measures:

25) We are interested to know your opinion about the relevance of such social security measures for your own situation. This would help us design packages that are suitable for you and targeted to your situation. Therefore, we would like to know how you rate the different measures in order of priority. Perhaps you would even like to add another one.

SOCIAL SECURITY ELEMENTS	Indicate Top 3 Priority <i>From 1 to 3</i>
1) Insurance for accidents at work	
2) Insurance in case of death	
3) Health insurance for the worker	
4) Health insurance for family members	
5) Pension fund	
6) Other, specify:	

26) For these social security insurance measures a payment will be required. How much could you pay for that per month?

- Could not pay.
- Rp. < 10,000
- Rp. 10,000 - 20,000
- Rp. 20,000 - 30,000
- Rp. 30,000 - 40,000
- Rp. 40,000 - 50,000
- Rp. 50,000 - 100,000
- Rp. > 100,000

27) What is the method of payment that you would prefer?

- Daily
- Weekly
- Monthly
- Other:

28) Would you be able to pay such an amount on a regular basis?

- Yes No.

If No:

Can you please specify why not:.....

29) **IF** you are not interested to acquire insurance coverage in the future, what is the reason?

30) **IF** you do not have insurance, **who** do you think will take care of you in case of unemployment, accident, illness, or old age?

D - The impact on the informal economy of the current global financial crisis:

31) Do you feel any impact on your work situation of the Global Crisis since it hit Indonesia from about November 2008?

- Yes No.



If Yes:

Can you please specify:

.....

32) Has it been more difficult to find work for you in your line of business as a result of the Global Crisis?

Yes No.

If Yes:

Can you please specify:

.....

33) (**only for employers**) Has it been more difficult to acquire orders as a result of the Global Crisis?

Yes No.

If Yes:

Can you please specify:

.....

34) Have you noticed an influx of laid-off **formal** sector workers in the past months?

Yes No.

If Yes:

Can you please specify:

.....

Thank you for your cooperation!

- 14) How many workers were laid-off from your factory after the global financial crisis together with you?
(nr. of laid-off workers)
- 15) What are the reasons for laying-off workers?
Specify:
- 16) What kind of compensation did you receive from the company when you were laid off and from whom? a) I received:
b) Received from:.....
- 17) Did you have any kind of insurance for becoming unemployed?
 Yes No
If YES: a) What kind of insurance?
b) Which benefits did you receive from your insurance?
.....
- 18) When working at the factory, were you covered by JAMSOSTEK or other social security organisation?
Yes None
If YES: a) Name: Jamsostek Other:
b) Which benefits did you receive from that organisation?
.....

C. Current situation

- 19) When you were laid-off from the factory, how did you feel?
.....
- 20) Do you expect to return to your old job?
 Yes No
If YES: a) When do you expect to be re-employed?
b) Do you expect to be re-employed in the same position and salary?
.....
- 21) Were you able to find another job?
 No: Why not? [Go to Question 31.](#)
 Yes: Go to next Question.
- 22) What is your current job?
- 23) Specify the precise activity in the current job:
- 24) Why did you decide to go for the current job?
.....
- 25) How do you operate in your work?
 I am the boss (employer)
 I work on my own (self-employed)
 I am working for somebody else (labourer)
 I am working for a formal company (casual worker)
 Other, specify:

- 26) **IF EMPLOYER:** How many male, female and child labourers work for you?
 male workers; male workers; child workers.
- 27) How long have you done the present job? Specify:
- 28) Do you have a written contract for this job? Yes No
- 29) Can you give an indication of the amount of Rupiahs that you earn per month in your present job?
 Rupiah.
- 30) What is the method of payment in your current job?
 Daily
 Weekly
 Monthly
 Piece rate
 Other:
- 31) Do you have a side income?
 Yes No
If YES: a) What is the source of this side income?.....
 b) How much do you earn with that per month? Rp.
- 32) Are you currently covered by Jamsostek or other social security organisations?
 No Yes: a) Name of organisation:
 b) Payment:.....
 c) Actual or Expected benefit:
- 33) If you have NO *formal* social security coverage at all, what is the reason for that?

- 34) Are you a member of any social activity organisation?
 Yes No
If YES: Mention the type of the two organisations in which you are mostly involved:
 3)
 4)
If NO: Why not?

C - The demand for social security measures:

- 35) We are interested to know your opinion about the relevance of such social security measures for your own situation. This would help us design packages that are suitable for you and targeted to your situation. Therefore, we would like to know how you rate the different measures in order of priority. Perhaps you would even like to add another one.

SOCIAL SECURITY ELEMENTS	Indicate Top 3 Priority <i>From 1 to 3</i>
7) Insurance for accidents at work	
8) Insurance in case of death	
9) Health insurance for the worker	
10) Health insurance for family members	
11) Pension fund	



12) Other, specify:	
.....	

36) For these social security insurance measures a payment will be required. How much could you pay for that per month? (for premium)

- Could not pay.
- Rp. < 10,000
- Rp. 10,000 - 20,000
- Rp. 20,000 - 30,000
- Rp. 30,000 - 40,000
- Rp. 40,000 - 50,000
- Rp. 50,000 - 100,000
- Rp. > 100,000

37) What is the method of payment that you would prefer?

- Daily
- Weekly
- Monthly
- Other:

38) Would you be able to pay such an amount on a regular basis?

- Yes No.

If No:

Can you please specify why not:

39) **IF** you are not interested to acquire insurance coverage in the future, what is the reason?

.....

40) **IF** you do not have insurance, **who** do you think will take care of you in case of unemployment, accident, illness, or old age?

.....

Thank you for your cooperation!

Annex 3 Selection of subsectors by selection criteria

	KRITERIA PEMILIHAN	Jumlah pekerja terbanyak	Rentan kecelakaan	Bahaya lingkungan	Rentan eksploitasi.	Visibilitas & penyuluhan	Sektor ekonomi	Status pekerjaan *)	Laki-laki/ Perempuan	Sampel
	SUBSEKTOR									
	JAWA TENGAH									
1	Pertanian	XX					Pertanian	W & E	M & F	500
2	Pembuatan genteng & Perabotan/Tekstil	X				X	Manufaktur	W & E	M & F	
3	Perdagangan: toko kecil						Perdagangan	W & E & SE	M & F	
4	Industri rumah (dekat Solo)						Manufaktur	SE (Homew.)	M & F	
5	Pertambangan			X	X		Pertambangan	W & E & SE	M & F	
	JAKARTA									600
1	Transportasi: Tukang Ojek & Bajaj & tukang parkir	X				XX	Transportasi	SE	M	
2	Bengkel			XX			Jasa	W & E & SE	M	
3	Perdagangan: Restoran	XX					Perdagangan	W & E	M & F	
4	Kelompok Perabotan						Manufaktur	W & E	M (& F)	
5	Pekerja konstruksi	X	X				Konstruksi	W & E	M (& F)	
6	PRT	X			XX	X	Jasa	W	F (& M)	
	Yogyakarta									500
1	Perdagangan: Toko kerajinan tangan & Restoran	X					Perdagangan	W & E	M & F	
2	PRT					X	Jasa	W	F	
3	Pekerja konstruksi		X				Konstruksi	W & E	M (& F)	
4	Manufaktur: batik, barang tembikar, garmen			(X)			Manufaktur	W & E & SE	M & F	
5	Transportasi, misalnya tukang becak	X					Transportasi	W & SE	M	
	KUPANG									400
1	Perikanan	X				X	Pertanian	W & E & SE	M	
2	Perdagangan : Kaki Lima & Restoran	X					Perdagangan	W & E & SE	M & F	
3	Transportasi: Berbagai jenis transportasi						Transportasi	(W)	(M & F)	
4	Jasa : Berbagai jenis jasa	X					Jasa	(W & E)	(M & F)	

*) The following are distinguished as main categories (which will be subdivided further during analysis): SE=Self-Employed & Home Workers; W = Worker; E= Employer.

Annex 4 Main Economic Sectors and Main Occupational Status in Sample Areas

Population 15 years of age and over who worked during the previous week in informal activity by Main Industry and selected (sample) provinces.

Informal activities (in %)					
Main Industry	Sample Areas				Indonesia Total
	C. Java Rural	Jakarta Urban	Yokya Urban	NTT Urban	
1-Agriculture	66.4	1.6	27.3	21.6	60.2
2-Mining *)					
3-Manufacturing	7.3	6.8	12.8	6.9	5.8
4-Electr., gas, water *)					
5-Construction *)					
6-Trade, rest. & hotel	12.7	55.0	32.2	43.1	18.1
7-Transportation *)					
8-Fin. & insurance *)					
9- Services	2.5	13.5	5.8	6.9	3.9
Others *)	11.1	23.1	21.9	21.6	11.9
TOTAL	100.0	100.0	100.0	100.0	100.0
TOTAL x 1,000 workers	7,003	1,146	429	102	62,823

*) Several main activities were not separately distinguished in this part of SAKERNAS and were labelled under 'Others'.

Population 15 years of age and over who worked during the previous week by Main Industry and selected (sample) provinces.

All activities (formal + informal) - (in %)					
Main Industry	Sample Areas				Indonesia Total
	C. Java Rural	Jakarta Urban	Yokya Urban	NTT Urban	
1-Agriculture	52.3	0.5	11.8	9.3	40.3
2-Mining *)	1.1	0.3	0.9	0.4	1.0
3-Manufacturing	13.5	16.1	15.7	5.2	12.2
4-Electr., gas, water *)	0.1	0.3	0.1	0.4	0.2
5-Construction *)	7.0	4.2	8.1	5.9	5.3
6-Trade, rest. & hotel	15.3	37.1	31.2	29.0	20.7
7-Transportation *)	3.2	9.9	6.3	13.4	6.0
8-Fin. & insurance *)	0.5	7.2	3.1	2.6	1.4
9- Services	7.0	24.3	22.9	33.8	12.8
TOTAL	100.0	100.0	100.0	100.0	100.0
TOTAL x 1,000 workers	9,337	4,190	1,067	269	102,552

Population 15 years of age and over who worked during the previous week
by Employment Status and selected (sample) provinces.

All activities (formal + informal) - (in %)					
Employment Status	Sample Areas				Indonesia Total
	C. Java Rural	Jakarta Urban	Yogya Urban	NTT Urban	
1-Own Account Workers	16.4	22.7	19.9	24.2	20.4
2-Employer assist. by t.w./u.w.*)	27.3	9.0	16.0	15.6	21.2
3-Employer assist. by p.w. **)	1.7	4.2	5.2	4.5	2.9
4-Employee	15.9	57.1	41.4	44.6	27.5
5-Casual employee in agric.	9.6	0.1	2.0	0.4	5.8
6-Casual employee not in agric.	8.1	1.8	5.2	1.5	5.2
7-Family worker	21.0	5.1	10.2	9.7	16.9
TOTAL	100.0	100.0	99.9	100.4	100.0
TOTAL x 1,000 workers	9,335	4,191	1,066	270	102,551

*) Employer assisted by temporary worker/unpaid worker

***) Employer assisted by permanent worker

Source: BPS: Labor Force Situation in Indonesia (August 2008). Based on SAKERNAS 2008 (2nd Semester).

Annex 5 Numbers of interviews per sector and sample area

The selection of subsectors for each of the four sample areas is indicated in the tables below. For each sample area one table indicates the selected targets compared with the actual numbers of interviews that could be completed.

JAKARTA: Actual numbers of interviews by sector, compared with the targets.

JAKARTA	Informal Workers		Informal employers		Self-empl./Home-work		Total Actual	Target	Difference
	Men	Women	Men	Women	Men	Women			
1 Manufacturing									
a Furniture clusters	53	20	15	10	2		100	100	0
2 Construction									
a Building Constr.	5	1	19		67	9	101	100	1
3 Trade									
a Restaurants	22	36	10	10	18	4	100	100	0
4 Service									
a Domestic worker	21	83					104	100	4
b Vehicle repair	39	1	18	1	41		100	100	0
5 Transportation									
a Ojek	2				39		41	40	1
b Bajaj	25				15		40	40	0
c Parking workers	3				7	13	23	20	3
TOTAL Actual	170	141	62	21	189	26	609		9
TOTAL Target	215	160	65	20	130	10		600	
Difference	-45	-19	-3	1	59	16			9

CENTRAL JAVA: Actual numbers of interviews by sector, compared with the targets.

Central Java	Informal Workers		Informal employers		Self-empl./Home-work		Total Actual	Target	Difference
	Men	Women	Men	Women	Men	Women			
1 Agriculture									
a Rice	22	21	12				55	50	5
b Horticulture	30	20	16				66	50	16
2 Manufacturing									
a Tile	12	20	10				42	40	2
b Batik (Solo)					10	42	52	50	2
c Furniture	33	10	10				53	50	3
3 Trade									
a Rural Small Shops	21	22	11	11		40	105	100	5
4 Mining									
a Sand and Stone	10	13	10		31	20	84	80	4
5 Transportation									
a Ojek					57		57	60	-3
b Horse Car					30		30	20	10
TOTAL Actual	128	106	69	11	128	102	544		44
TOTAL Target	130	90	60	10	110	100		500	
Difference	-2	16	9	1	18	2			44

YOGYAKARTA: Actual numbers of interviews by sector, compared with the targets.

YOGYAKARTA	Informal Workers		Informal employers		Self-empl./Home-work		Total Actual	Target	Diffe- rence
	Men	Women	Men	Women	Men	Women			
1 Manufacturing									
a Batik cloth	16	20			7	5	48	50	-2
b Batik craft	35	19	8	1	2	3	68	60	8
c Pottery	6	8	1	1	11	3	30	30	0
2 Construction									
a Building Constr.	64	20	11	1	4		100	100	0
3 Trade									
a Handicraft shops	18	18	3	4	4	2	49	50	-1
b Restaurants	7	12	7	8	28	21	83	50	33
4 Service									
a Domestic worker	19	80				1	100	100	0
5 Transportation									
a Becak	10		24	1			35	60	-25
TOTAL Actual	175	177	54	16	56	35	513		13
TOTAL Target	229	161	60	0	20	30		500	
Difference	-54	16	-6	16	36	5			13

KUPANG: Actual numbers of interviews by sector, compared with the targets.

KUPANG	Informal Workers		Informal employers		Self-empl./Home-work		Total Actual	Target	Diffe- rence
	Men	Women	Men	Women	Men	Women			
1 Agriculture									
a Fishery	40		19	6	25	10	100	100	0
2 Trade									
a Kaki Lima-Bensin	17	9	13	7	11	3	60	70	-10
b Restaurants	16	12	14	8	15	6	71	70	1
3 Transport									
a Angkota/Bemo	24	0	10	4	10	0	48	50	-2
b Ojek	20	0	10	2	20		52	50	2
4 Services									
a Workshop/Beng	36	0	10	0	23	0	69	60	9
TOTAL Actual	153	21	76	27	104	19	400		0
TOTAL Target	160	40	70	40	70	20		400	
Difference	-7	-19	6	-13	34	-1			0

Annex 6 Selected Characteristics of the 22 Subsectors

In the table on the next page several selected characteristics of the 22 subsectors are presented in a summary format. Apart from the number of interviews in each subsector and the sample areas, all variables are in the same format, i.e., they indicate the percentage of respondents in the respective subsectors having the characteristic indicated.

Sectors	Nr.	Subsectors	Nr. of interv.	Sample Area *)	% Rural	% Female	% resp. with income < Rp. 600.000	% Knows Jamsostek	% Priority is insurance for accident	% Priority is insurance for worker's health	% Cannot pay for premium	
Agriculture	1	Horticulture	66	C.	100	30.3	78.5	36.4	0.0	7.6	65.2	
	2	Fishery	100	Ku	-	16.0	18.4	19.0	67.0	18.0	12.0	
	3	Rice (Paddy)	55	C.	100	38.2	67.3	61.8	1.8	52.7	25.5	
Mining	4	Sand & Stone	84	C.	100	40.5	70.2	35.7	7.1	11.9	79.8	
Manufact.	5	Batik (wood)	68	Yo	-	33.8	75.8	47.8	53.7	19.4	17.6	
	6	Batik (textile)	49	Yo	-	52.1	81.8	87.8	40.8	26.5	18.4	
	7	Batik (Solo-special)	52	C.	100	80.8	80.8	40.4	1.9	30.8	7.7	
	8	Furniture	153	CJ & Ja	35	26.1	22.8	67.3	23.5	37.9	9.2	
	9	Roof tiles	42	C.	100	50.0	81.0	73.8	4.9	95.1	7.1	
	10	Pottery	30	Yo	-	36.7	61.1	40.0	86.7	0.0	46.7	
	11	Handicraft	49	Yo	-	49.0	78.4	83.7	53.1	24.5	34.7	
	Construct.	12	Building work	201	Ja & Yo	-	15.4	23.8	65.0	59.3	18.1	33.3
	Trade/rest.	13	Petrol seller	60	Ku	-	31.7	53.3	40.0	20.0	50.0	20.0
		14	Rural Small Shop	105	C.	100	69.5	53.3	78.1	1.9	24.8	25.7
	Transport	15	Food stall/restaurant	255	Ja, Yo, Ku	-	46.1	39.4	66.1	43.3	25.4	24.3
16		Mini-van	88	Ja & Ku	-	4.5	22.4	46.6	70.5	14.8	23.9	
17		Horse cart	30	C.	100	0.0	16.7	46.7	23.3	43.3	20.0	
18		Ojek/Motor transport	150	CJ, Ja, Ku	38	1.3	30.2	65.3	68.7	9.3	22.0	
19		Becak driver	35	Yo	-	2.9	65.7	17.1	28.6	5.7	85.7	
Services	20	Parking workers	23	Ja	-	56.5	8.7	65.2	26.1	43.5	47.8	
	21	Workshop (vehicle rep)	169	Ja & Ku	-	0.6	15.7	65.3	34.3	49.7	20.1	
	22	Domestic workers	204	Ja & Yo	-	79.8	78.4	68.0	14.7	47.1	13.2	
TOTAL		TOTAL	2068		26.3%	33.8	45.4	58.9	35.8	29.2	26.1	

*) Legend for Sample Areas: CJ=Central Java; Yo=Yogyakarta; Ja=Jakarta; Ku=Kupang (East Indonesia)
Source: Own Survey 2009.

Annex 7 Terms of Reference (TOR) for preparatory projects

1. Context

The study and the presentation of the results at the well-attended workshop in the Sultan Hotel in Jakarta on Wednesday 17 June 2009 has created a synergy between organisations such as ILO, Jamsostek, Depnaker and Bappenas, to deal with social security for informal workers.⁷ The momentum thereby created is intended to be maintained and employed to set up several small pilot projects as preparations and at the same time as transitional phases towards a large, multi-year donor-funded project. This larger project is envisioned to be broader in scope than social security per se, how important in itself this may be. It is felt that the social security cause will be better served if it is imbedded in a multi-disciplinary project with four main pillars:

- 1) "Covering the Uncovered": Extension of social security coverage to informal workers.
- 2) "Organizing the Unorganized": Self-organization of the workers with the mediation of labour unions and labour-NGO's.
- 3) "Improving informal businesses": Enhancing the productivity and thereby the income base of informal workers so that their ability to afford the social security premium is increased.
- 4) "Involving Local Government": Involving local government authorities in an integrated approach on the one hand at local level by means of Local Economic Development (LED) and through innovative Public Private Partnerships (PPP), and on the other hand with national level agencies including Depnaker and Jamsostek.

In the above-mentioned publication a number of principles have been discussed which have arisen out of the present study as important for social security extension to informal workers, which can be summarised as follows:

- The number and share of informal workers is increasing.
- It is more difficult to reach informal workers than formal workers.⁸
- Exploration is needed of the involvement of several types of intermediary agents.
- Extension of coverage of informal workers must be incremental and in targeted packages.
- Flexibility is essential.

The currently proposed TOR consists of the preparatory and transitional projects and is meant to feed into and enhance the preparation of the integrated, multi-year project. The present TOR can in a later stage serve as the basis for four separate TOR's for the four proposed projects.

2. Background and Rationale

The current social security system (SJSN) law of 2004 that has to be implemented by 2009 calls for universal social security coverage in both formal and informal economies in Indonesia. Only a small portion of the Indonesia population of about 220 million is covered by formal social security system, which covers only some of the contingencies set out in ILO Conventions.

7 VanderLoop, T. & R.K. Andadari (2009): Social security for informal economy workers in Indonesia; Looking for flexible and highly targeted programmes. ILO/Jamsostek, Jakarta.

8 See e.g. VanderLoop, T. & R.K. Andadari (2008): Targeting the Workers in the Informal Economy; Report of the Country Study Indonesia. CNV/Utrecht and BMB-Mott MacDonald/Arnhem: April 2008.

To date 47% of the formal sector employees, and only 17% of the total working population has employment-linked systems of contributory social insurance. The rest of the population has not been protected by formal system of social protection in the country when they face adverse events affecting their livelihood, particularly in the informal economy. In 2008, nearly 70% of the productive workforce in Indonesia worked in the informal economy (71 out of 102 million workers).⁹ The majority of the informal workers is rural (65% worked in agriculture), but increasingly it becomes an urban phenomenon.¹⁰ This underlines the importance of the social security coverage for informal workers, and the ILO has been paying attention to this issue.¹¹

3. Objectives

The overall objective of all four subprojects is to feed into the preparation of the multi-disciplinary, multi-year, donor-funded project. The four preparatory projects are proposed with different objectives:

- I. Study of several kinds of local governments:
 - a. Local government that cooperates with national government in area of social security
 - b. Local government that develops newly its own system of social security
 - c. Local government that is not involved in social security.

Select one municipality and one kabupaten for each of these three types and study the 6 local areas. The objective is to find out which of these three models works most efficiently.

- II. In-depth investigation of a few pilot subsectors jointly with Jamsostek to establish concrete ways of extending social security on the ground and investigate the roles of different types of intermediary organisations. The objective is to quickly gain insight into ways to organise informal workers most effectively and which intermediaries are most efficient.
- III. Investigation of innovative local policy in Solo to formalize the informal economy: To find out the exact policies and the opinion of the informal workers involved by means of a survey.
- IV. Qualitative investigation into the question "Who collects the funds?" Alternatives could be area-based cooperatives, sector-based coordinators, and/or through electricity bill. Explore the safest mechanism to deliver the money to the 'manager' of the funds. The creation of online information provision for easy access and trust enhancement is recommended. The role of the local government is to create 'enabling' programs and to participate in paying.

4. Specific Tasks

For each of the four sub-projects specific tasks can be described as follows:

- I. Tasks are:
 - a. Study three different types of local – central government relations from both perspectives (central and local);

9 BPS (2008): SAKERNAS: Labour Force Situation in Indonesia (August 2008). Based on SAKERNAS 2008 (2nd Semester).

10 ILO (2008): Labour and Social Trends in Indonesia 2008; Progress and pathways to job-rich development. Jakarta.

11 Three publications can be mentioned here in particular:

- ILO/JAMSOSTEK (2008): Social Security in Indonesia; Advancing the Development Agenda. Jakarta: July'08;
- Taufik Muhamad (2008): Covering the Uncovered: Making Social Security Work for Informal Workers in Indonesia. ILO Newsletter, September 2008, Jakarta; and:
- Angelini, J. and K. Hirose (2004): Extension of Social Security Coverage for the Informal Economy in Indonesia. ILO Working Paper 11, Manila: Dec. 2004.

- b. Select for each of the three types an urban (Municipality) and a rural (Kabupaten) local government;
 - c. Undertake surveys among the population to establish opinions of informal workers about progress made regarding social security.
- II. Tasks are:
- a. Select a few pilot subsectors with high visibility and quick-win potential (e.g. Ojek, clusters of manufacturing firms, and/or domestic workers);
 - b. Following the trade union study (Van der Loop & Andadari 2008) establish concrete ways to organise informal workers most effectively;
 - c. Investigate the roles of different types of intermediary organisations:
 - Local branches of Jamsostek;
 - Local government organisations (jointly with subproject II);
 - Social activity organisations at grass-roots level in selected regions;
 - The 'formal' trade unions;
 - Micro-insurance schemes; and
 - Explore innovative partnerships.
- III. Tasks are:
- a. Establish exact local policy in Solo on the formalization of the informal economy;
 - b. Select certain subsectors involved, as well as those subsectors not or less involved;
 - c. Undertake survey among informal workers involved and a control group of workers not directly involved.
- IV. Tasks are:
- a. Qualitative investigation into the question "Who collects the funds?"
 - b. Alternatives could be area-based cooperatives, sector-based coordinators, and/or through electricity bill.
 - c. Explore the safest mechanism to deliver the money to the 'manager' of the funds.
 - d. The creation of online information provision for easy access and trust enhancement is recommended.
 - e. The role of the local government is to create 'enabling' programs and to participate in paying (jointly with subproject II).

5. Methodology

To be established in more detail when objectives and tasks have been approved by the relevant stakeholders.

6. Expected Output

To be established.

7. Time-Frame

To be established.

Annex 8 List of References

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