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Employment, Living Standards and Poverty in Contemporary Indonesia

The **Indonesia Project**, a major international centre for research on the Indonesian economy and society, is housed in the **Crawford School of Economics and Government's Arndt-Corden Department of Economics**. The Crawford School is part of the **ANU College of Asia and the Pacific at The Australian National University (ANU)**. Established in 1965, the Project is well known and respected in Indonesia and in other places where Indonesia attracts serious scholarly and official interest. Funded by the ANU and the Australian Agency for International Development (AusAID), the Indonesia Project monitors and analyses recent economic developments in Indonesia; informs Australian governments, business and the wider community about those developments and about future prospects; stimulates research on the Indonesian economy; and publishes the respected *Bulletin of Indonesian Economic Studies*.

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Together with PSC, the Project holds the annual Indonesia Update conference, which offers an overview of recent economic and political developments and devotes attention to a significant theme in Indonesia's development. The *Bulletin of Indonesian Economic Studies* publishes the conference's economic and political overviews, while the edited papers related to the conference theme are published in the Indonesia Update Series.

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Employment, Living Standards and Poverty in Contemporary Indonesia

Edited by

Chris Manning and Sudarno Sumarto

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**INSTITUTE OF SOUTHEAST ASIAN STUDIES
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Cover photo: A nurse weighs a young child at a local health clinic. The use of maternal and child health services is increasing as women become aware of the contribution they can make to their own and their children's health – or even survival. The government continues to implement programs to raise knowledge and awareness about such services, especially in rural areas.

Photo courtesy of Stella Hutagalung

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CONTENTS

| | |
|--|------|
| <i>List of Tables</i> | vii |
| <i>List of Figures</i> | xi |
| <i>List of Contributors</i> | xiii |
| <i>Acknowledgments</i> | xv |
| <i>Glossary</i> | xvii |
| <i>Map of Indonesia</i> | xx |
| | |
| 1 Employment, Living Standards and Poverty: Trends, Policies and Interactions | 1 |
| <i>Chris Manning and Sudarno Sumarto</i> | |
| | |
| PART 1 Economic Transformation and Trends in Poverty: National and International Experience | |
| | |
| 2 How Good Are Good Transitions for Growth and Poverty? Indonesia since Suharto, for Instance? | 23 |
| <i>Lant Pritchett</i> | |
| 3 Poverty, Food Prices and Economic Growth in Southeast Asian Perspective | 47 |
| <i>Peter Warr</i> | |
| 4 Accelerating Poverty and Vulnerability Reduction: Trends, Opportunities and Constraints | 68 |
| <i>Asep Suryahadi, Umbu Reku Raya, Deswanto Marbun and Athia Yumna</i> | |
| 5 Regional Patterns of Poverty: Why Do Some Provinces Perform Better than Others? | 90 |
| <i>Riyana Miranti</i> | |

PART 2 Employment and Migration

- 6 Indonesian Industrialisation: Jobless Growth? 113
Haryo Aswicahyono, Hal Hill and Dionisius Narjoko
- 7 Occupational Choice and Mobility among Migrants
to Four Cities 134
Sherry Tao Kong and Tadjuddin Noer Effendi

PART 3 Education and Health

- 8 The Quality of Education: International Standing
and Attempts at Improvement 161
Daniel Suryadarma
- 9 Educational Challenges with Special Reference to
Islamic Schooling 183
Risti Permani
- 10 What Is Ailing the Health System?
Governance, National Policy and the Poor 206
Adrian C. Hayes and Nida P. Harahap
- 11 Social Health Insurance: Towards Universal
Coverage for the Poor? 221
Robert Sparrow
- 12 Sanitation and Health: The Past, the Future and
Working Out What Works 245
Lisa Cameron and Susan Olivia

**PART 4 Connecting with the Poor:
Government Policies and Programs**

- 13 The Evolution of Poverty Alleviation Policies:
Ideas, Issues and Actors 273
Ari Perdana and John Maxwell
- 14 Reducing Poverty by Increasing Community
and Female Participation 291
Vivi Yulaswati and Pungky Sumadi
- 15 Targeting of the Poor and Vulnerable 313
Vivi Alatas, Ririn Purnamasari and Matthew Wai-Poi
- 16 Social Assistance: Understanding the Gaps 333
Lisa Hannigan

- Index* 353

TABLES

| | | |
|------|---|----|
| 1.1 | Unemployment rate, index of employment by sector and employment status, and index of wages, 2001-2009 | 7 |
| 2.1 | Polity ratings for selected East Asian countries, 1996-2008 | 28 |
| 2.2 | Classification of candidate countries with large democratic transitions | 32 |
| 2.3 | Countries with large democratic transitions starting from above-average growth in GDP per capita | 34 |
| 2.4 | Difference in growth rates of countries with, versus those without, a large democratic transition | 35 |
| 2.5 | Summary of Indonesia's post-crisis, post-transition growth performance relative to benchmarks | 36 |
| 2.6 | Poverty, economic growth and implied elasticity, 1976-96 | 40 |
| 2.7 | Poverty, economic growth and implied elasticity, 2000-2008 | 40 |
| 2.8 | Cross-country estimates of the elasticity of 'dollar a day' headcount poverty to GDP per capita | 42 |
| A2.1 | All countries with large democratic transitions | 45 |
| 3.1 | Data decomposition: annual rate of change in poverty incidence | 56 |
| A3.1 | Regression results: Thailand, Indonesia, the Philippines and Malaysia | 67 |
| 4.1 | Rural-urban gap for various dimensions of poverty and deprivation, 2009 | 71 |
| 4.2 | Monetary welfare indicators by gender of household head, 2007 and 2009 | 73 |
| 4.3 | Employment indicators by gender, 2003-2009 | 74 |
| 4.4 | Priority given to gender in education, the labour market and household domestic work, 2009 | 75 |

| | | |
|------|--|-----|
| 4.5 | Poverty transition matrix, 2008–2009 | 76 |
| 5.1 | Revised Hill provincial grouping | 94 |
| 5.2 | Headcount poverty rates by province and change in poverty over time, 1984–2002 | 98 |
| 5.3 | Provincial performance on selected development indicators, 1984–2002 | 100 |
| 5.4 | Selected development indicators of the Hill provincial grouping | 102 |
| 6.1 | Output and employment growth by sector, 1990–2008 | 117 |
| 6.2 | Output and employment growth in manufacturing, Indonesia and comparison countries, 1990–2008 | 119 |
| 6.3 | Manufacturing sector employment by firm size, 1986–2006 | 122 |
| 6.4 | Output elasticities for large and medium-sized manufacturing firms, 1986–2006 | 124 |
| 6.5 | Change in output elasticities for large and medium-sized manufacturing firms, 1986–96 and 1996–2006 | 125 |
| 6.6 | Output elasticities for small manufacturing firms, 1996–2006 | 127 |
| 7.1 | Distribution of migrant sample by period of first arrival and city of destination, 2009 | 141 |
| 7.2 | Descriptive statistics on migrants by period of first arrival in the city | 142 |
| 7.3 | Incidence of occupational mobility between first and current occupation in the city | 148 |
| 7.4 | Transition matrix of occupational mobility between first and current occupation in the city | 148 |
| 7.5 | Migrants' choice of first job in the city | 150 |
| 7.6 | Occupational mobility of migrants between first and current job | 154 |
| A7.1 | Content and codes of occupational categories | 158 |
| 9.1 | National statistics for <i>madrasah</i> , academic years 2003/4–2006/7 | 194 |
| 9.2 | Characteristics of <i>madrasah</i> teachers and class size ratios, 2007 | 196 |
| A9.1 | Summary statistics for respondents, 2007 | 202 |
| A9.2 | Probit estimation of the determinants of junior secondary <i>madrasah</i> attendance, selected variables, academic year 2006/7 | 204 |
| 10.1 | Minimum service standards for the health sector | 210 |
| 11.1 | Outpatient and inpatient utilisation rates, 2001–2007 | 225 |

| | | |
|-------|--|-----|
| 11.2 | Households' out-of-pocket health spending shares and incidence of catastrophic payments for health care, 2001–2007 | 228 |
| 11.3 | Health care utilisation, out-of-pocket health spending and catastrophic health spending by insurance status, 2007 | 230 |
| 12.1 | Proportion of households without access to a toilet, by province, 1993 and 2009 | 247 |
| 12.2 | Location of main toilet facility, use of a shared facility, and safety at night | 253 |
| 12.3 | Reasons for building or improving a toilet facility | 254 |
| 12.4 | Proportion of villages that received toilets under the 1974 Presidential Instruction on Drinking Water and Family Toilets, 1980 and 1983 | 257 |
| 12.5 | Relationship between sanitation and the incidence of diarrhoea | 261 |
| A12.1 | Place of excreta disposal among households that do not have access to a toilet, by province, 1993 | 267 |
| A12.2 | Place of excreta disposal among households that do not have access to a toilet, by province, 2009 | 268 |
| 14.1 | School participation by age group and household income quintile, 2005 | 302 |
| 14.2 | Infant and child mortality rates and births attended by a medical professional, by household income quintile, 2003 | 304 |
| 14.3 | Nutritional status of children aged 0–5 years, 1989–2005 | 304 |
| 14.4 | Annual benefit per household for PKH beneficiaries | 306 |
| 14.5 | Preliminary assessment of the impact of PKH, 2008 | 308 |
| 15.1 | Indonesia's social safety net during the Asian financial crisis | 315 |
| 16.1 | Characteristics of case study locations | 335 |

FIGURES

| | | |
|-----|---|-----|
| 1.1 | Poverty in Southeast Asia, 2005 | 4 |
| 2.1 | Five periods of growth in GDP per capita, 1960–2008 | 25 |
| 2.2 | Four scenarios for the expected path of growth in GDP per capita, 1999–2008 | 27 |
| 2.3 | Polity ratings for Indonesia, 1960–2008 | 29 |
| 2.4 | Average Polity rating for 163 countries plotted against average growth in GDP per capita, 1999–2008 | 30 |
| 2.5 | Headcount poverty rate, 1976–2010 | 38 |
| 2.6 | Headcount poverty rate and two scenarios for the expected path of poverty reduction, 2000–2008 | 39 |
| 3.1 | Annual real GDP growth rates, Indonesia, Thailand, the Philippines and Malaysia, 1980–2009 | 48 |
| 3.2 | Poverty incidence, Indonesia, 1976–2009 | 49 |
| 3.3 | Poverty incidence, Thailand, 1969–2009 | 54 |
| 3.4 | Poverty incidence, Philippines, 1971–2009 | 54 |
| 3.5 | Poverty incidence, Malaysia, 1970–2007 | 55 |
| 3.6 | Indonesian and world prices of rice, 1985–2010 | 61 |
| 3.7 | Real price of rice, Indonesia, 1985–2010 | 61 |
| 4.1 | Monetary poverty rate and number of poor people, 1976–2010 | 70 |
| 4.2 | Trends in the poverty rate, HDI and GDI, 2000–2007 | 72 |
| 4.3 | Diagnostic framework explaining slow rates of reduction in poverty and vulnerability to poverty | 81 |
| 4.4 | GDP growth rate and poverty rate, 1976–2009 | 82 |
| 5.1 | Headcount poverty rate by province, 2009 | 92 |
| 5.2 | Persistence of provincial poverty rates, 1984–2002 | 104 |
| 8.1 | Score on mathematics component of TIMSS, Indonesia and comparison countries, 1999–2007 | 165 |
| 8.2 | Attainment on mathematics component of TIMSS, Indonesia and comparison countries, 2007 | 166 |
| 8.3 | Score on mathematics component of TIMSS by domain and gender, Indonesia, 2007 | 167 |

| | | |
|------|--|-----|
| 8.4 | Hours of total instruction per week, share of mathematics in total instruction, and hours of mathematics instruction per month, Indonesia and comparison countries, 2007 | 168 |
| 8.5 | Number of TIMSS mathematics topics taught to students, Indonesia and comparison countries, 2007 | 169 |
| 8.6 | Share of teachers with a university degree and share of mathematics teachers who have majored in mathematics, Indonesia and comparison countries, 2007 | 171 |
| 8.7 | Number of students per teacher, selected countries, 2008 | 173 |
| 8.8 | Correlation between score on mathematics component of TIMSS and class size, Indonesia, 2007 | 174 |
| 8.9 | Correlation between TIMSS score and the availability of resources, and between score and teachers' perceptions of the school learning environment, Indonesia, 2007 | 175 |
| 9.1 | Average cost of education at <i>madrasah</i> and non- <i>madrasah</i> junior secondary schools, 2007 | 189 |
| 11.1 | Concentration curves for outpatient and inpatient health care utilisation in 2007 | 226 |
| 11.2 | Concentration curves for out-of-pocket health spending shares in 2007 | 226 |
| 12.1 | Place of excreta disposal among households that do not have access to a toilet, 1993 and 2009 | 248 |
| 12.2 | Sanitation situation in Indonesia, 1993 and 2009 | 250 |
| 12.3 | Access of households to sanitation facilities by per capita expenditure quintile, 2009 | 252 |
| 12.4 | Type of sanitation infrastructure available to households by per capita expenditure quintile, 2009 | 253 |
| 13.1 | Composition of central government spending | 282 |
| 14.1 | The process of community empowerment | 294 |
| 14.2 | Occupation of household head of PNPM beneficiaries by poverty status of village | 297 |
| 14.3 | Type of community contribution to PNPM infrastructure projects by poverty status of village | 297 |
| 14.4 | Road map for the PNPM | 299 |
| 14.5 | Reasons for not attending school, children aged 7-18 years, 2003 | 303 |
| 14.6 | Reasons for not attending a health centre, 2003 | 303 |
| 15.1 | Beneficiaries of social assistance programs, 2009 | 321 |
| 15.2 | Distribution of benefits of social assistance programs by consumption decile, 2009 | 322 |
| 15.3 | Targeting performance of programs, 2009 | 324 |
| 15.4 | Targeting (inclusion and exclusion) error of 2005 and 2008 proxy means tests when applied to two household samples | 330 |
| 16.1 | Coverage of social assistance programs by income quintile | 338 |

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This book is based on papers given at the Indonesia Update conference, held at the Australian National University (ANU) on 24–25 September 2010. It derives its title from that event. Following the tradition of Indonesian Updates in recent years, this occasion enabled some of the best minds on a topical issue related to Indonesia to gather in Canberra to present papers and join in lively discussion. For the first time, the 2010 Update addressed issues of living standards and poverty, generating spirited debate. We are especially grateful to former Australian Ambassador to Indonesia, Bill Farmer, for setting the tone by giving an engaging opening address, and to Lant Pritchett for travelling from the east coast of the United States to give a stimulating keynote address that placed Indonesia in broader comparative perspective.

The book, however, is much more than a collection of conference papers presented at the Update. The papers were all revised for publication, some substantially so, based on comments from the editors and readers. Three chapters in the book were not presented at the conference, and we thank the authors – Adrian Hayes and Nida Harahap, Riyana Miranti and Peter Warr – for taking the time to contribute. We also thank Julia Tobias, Samuel Bazzi, Ross McLeod, Edward Aspinnall and Terry Hull for giving their time to comment on draft chapters. We are very grateful to the authors for revising the papers quickly and in good spirit.

Many of the authors are professional economists or policy specialists. Our goal from the outset was to try to ensure that their presentations at the conference and the chapters in this book were accessible to an audience beyond the specialists. This meant relegating technical material to appendices or footnotes, or omitting it altogether. We hope that the revisions to the original papers have achieved a reasonable balance between rigorous, academic analysis and description.

Our thanks go to the many ANU staff and helpers who helped make the conference a success, and to those who played a part in producing what we hope will be a useful reference on this complex topic. First and

foremost we thank the staff of the Indonesia Project – Cathy Haberle, Trish van der Hoek and Nurkemala Muliani – for working hard, efficiently and cheerfully to organise such a large and complex event. They were helped by Allison Ley and Thuy Thu Pham from the Department of Political and Social Change. Academic staff members in the Indonesia Project lent their support; Ross McLeod and Ed Aspinall in particular made special contributions to helping organise the event. Planning for each Update conference begins in earnest more than six months before the event, and a successful conference requires concentrated effort in the two months or so before the Update. We greatly appreciate everyone's endeavours.

The publication of the book in a timely fashion (within approximately nine months of the conference) was made possible mainly through the efforts of Beth Thomson, who has now edited and typeset nearly every Indonesia Update book since 1994. This is a remarkable record, not only for the quality and timeliness of Beth's work, but also for the rigorous editing out of logical errors and inconsistencies that are the rightful responsibility of the editors.

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We sincerely hope that this book will contribute to a deeper understanding of the difficult and pressing challenges facing Indonesia in relation to employment, poverty and living standards, not just in Australia and internationally, but also back home – *di tanah air*.

Chris Manning and Sudarno Sumarto

Canberra and Jakarta

March 2011

GLOSSARY

| | |
|---------------|---|
| Asabri | Asuransi Sosial Angkatan Bersenjata Republik Indonesia (Armed Forces Social Insurance Plan) |
| ASEAN | Association of Southeast Asian Nations |
| Askes | Asuransi Kesehatan (Health Insurance) |
| Askeskin | Asuransi Kesehatan Masyarakat Miskin (Health Insurance for the Poor) |
| AusAID | Australian Agency for International Development |
| Bappenas | Badan Perencanaan Pembangunan Nasional (National Development Planning Agency) |
| BBM | Bahan Bakar Minyak (petroleum-based fuel initiative) |
| BKS | Bantuan Khusus Siswa (Special Assistance for Students) |
| BLT | Bantuan Langsung Tunai (Direct Cash Assistance), an unconditional cash transfer program |
| BOS | Bantuan Operasional Sekolah (Schools Operational Assistance), a program of block grants for schools |
| BP3 | Badan Pembantu Penyelenggaraan Pendidikan (Educational Assistance Board) |
| BPS | Badan Pusat Statistik (Statistics Indonesia), the central statistics agency |
| Bulog | Badan Urusan Logistik (the national food logistics agency) |
| <i>bupati</i> | district head |
| CLTS | Community-led Total Sanitation |
| CPI | consumer price index |
| DAK | Dana Alokasi Khusus (Special Allocation Fund) |
| DAU | Dana Alokasi Umum (General Allocation Fund) |
| DI | Daerah Istimewa (Special Region) |
| DKI | Daerah Khusus Ibukota (Special Capital Region) |

| | |
|----------------------------|---|
| DPR | Dewan Perwakilan Rakyat (People's Representative Council), the national parliament |
| DPRD | Dewan Perwakilan Rakyat Daerah (Regional People's Representative Council), regional legislature |
| <i>dukun</i> | traditional birth attendant |
| <i>dusun</i> | village, neighbourhood |
| <i>gotong royong</i> | mutual community self-help program |
| Guided Democracy | period of enhanced presidential authority under Sukarno (1959–65) |
| HDI | human development index |
| Infrastruktur Pedesaan | village infrastructure program |
| Inpres | Instruksi Presiden (Presidential Instruction), a program of special grants from the central government |
| Inpres Desa Tertinggal | Neglected Villages Program, a special presidential program for poor villages |
| Jamkesmas | Jaminan Kesehatan Masyarakat (Health Security for the Poor), subsidised health insurance scheme |
| Jamsostek | Jaminan Social Tenaga Kerja (Workers Social Security Program), social security program for wage employees |
| JPS | Jaring Pengaman Sosial (Social Safety Net) |
| <i>kecamatan</i> | subdistrict |
| <i>kelurahan</i> | village administrative unit (below <i>kecamatan</i>) |
| LP3ES | Lembaga Penelitian, Pendidikan dan Penerangan Ekonomi dan Sosial (Institute of Economic and Social Research, Education and Information) |
| <i>madrasah</i> | Islamic school |
| <i>madrasah aliyah</i> | Islamic senior high school |
| <i>madrasah ibtidaiyah</i> | Islamic primary school |
| <i>madrasah tsanawiyah</i> | Islamic junior high school |
| <i>musrenbang</i> | <i>musyawarah perencanaan pembangunan</i> (consultative community meeting to assess development priorities) |
| New Order | the Suharto era (1965–98) |
| ODF | Open Defecation Free |
| OECD | Organisation for Economic Co-operation and Development |
| OPK | Operasi Pasar Khusus (Special Market Operations), a subsidised rice program |
| Padat Karya | labour-intensive public works program |

| | |
|----------------------|--|
| Pamsimas | Program Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat (National Strategy for Community-based Total Sanitation), a continuation of the WSLIC programs |
| PDM-DKE | Program Pemberdayaan Daerah Mengatasi Dampak Krisis Ekonomi (Regional Empowerment Program to Overcome the Impact of the Economic Crisis) |
| <i>pesantren</i> | Islamic boarding school |
| PKH | Program Keluarga Harapan (Family Hope Program), a conditional cash transfer program |
| PKS | Partai Keadilan Sejahtera (Prosperous Justice Party) |
| PNPM | Program Nasional Pemberdayaan Masyarakat (National Program for Community Empowerment), an umbrella program for community development |
| Podes | Potensi Desa (Village Potential), a BPS survey of village economic status) |
| PPP | purchasing power parity |
| <i>puskesmas</i> | <i>pusat kesehatan masyarakat</i> (community health centre) |
| Raskin | Beras untuk Keluarga Miskin (rice program for poor families) |
| <i>reformasi</i> | 'reform', frequently used to refer to the post-New Order period |
| Sakernas | Survei Angkatan Kerja Nasional (National Labour Force Survey) |
| Sekolah Dasar Inpres | Inpres for Primary Schools |
| SMERU | Social Monitoring and Early Response Unit (now the SMERU Research Institute) |
| SToPs | Sanitasi Total dan Pemasaran Sanitasi (Total Sanitation and Sanitation Marketing, or TSSM) |
| Susenas | Survei Sosio-Ekonomi Nasional (National Socio-Economic Survey) |
| TIMSS | Trends in International Mathematics and Science Study |
| TNP2K | Tim Nasional Percepatan Penanggulangan Kemiskinan (National Team for the Acceleration of Poverty Reduction) |
| TSSM | Total Sanitation and Sanitation Marketing |
| USAID | United States Agency for International Development |
| WSLIC | Water Supply and Sanitation for Low-income Communities |
| Currencies | |
| \$ | US dollar |
| Rp | Indonesian rupiah |

Map of Indonesia



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