



# Pathways to Middle-Class Jobs in Indonesia

Indonesia Jobs Report



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Indonesia is a story of low-productivity job growth, not job-less growth

Productivity growth is insufficient to unlock the backlog of 47% of Indonesians stuck in aspiring middle-class status



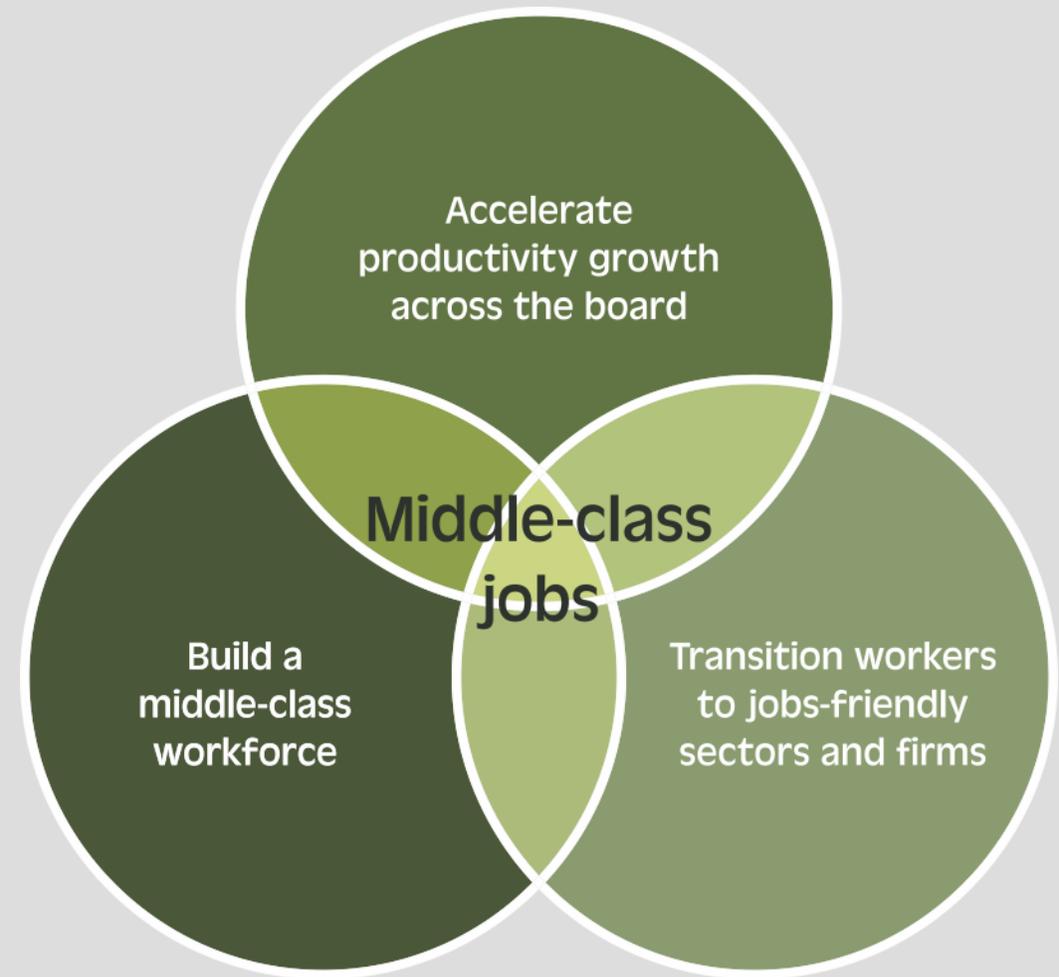
Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

To move beyond creating just any jobs to jobs that could lift Indonesians to a middle-class status, we introduce:

## Three Pathways to Middle-Class Jobs



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Reform Strategy

## 1. Accelerate Across-the-Board Productivity Growth

("within" and sector-blind or specific)

**1.1. Unlock firm entry and growth to create competition and innovation that spurs productivity gains in the private sector**

**1.2. Support the growth of SME to be a better middle-class job creator**

**1.3. Tailor support to increase productivity in household enterprises where a large share of jobs exist**

## 2. Transition Workers to Jobs-Friendly Sectors and Firms

("between" and sector-specific)

**2.1. Prioritize investment promotion strategies to draw FDI to sectors and projects (including infrastructure projects) that are amenable to the creation of middle-class jobs**

**2.2. Close information gaps to help workers transition to higher quality jobs**

## 3. Build a Middle-Class Workforce

### 3.1 Facilitate learning by:

- Support at-risk students to complete secondary school
- Develop and improve access to on-line distance learning for adult workers
- Teach analytical, cognitive, interpersonal, and digital skills through pedagogical methods
- Enhance the quality of TVET programs

**3.2. Provide tailored support to special groups, especially women, youth, and workers with disability**

Comprehensive policy interventions to close infrastructure, human capital and financial services gap



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Contents

1. MC Jobs Challenge
2. (Slow) Structural Transformation Towards MC Jobs
3. Enterprise-level (Little) Dynamics of Job Creation
4. Workforce Not Ready & Not Inclusive for MC Jobs
5. Policy Direction



# Definition of Middle-Class Jobs

*Middle-class jobs* may be defined as jobs that pay a level of wages and a certain level of job satisfaction, benefits and security that is commensurate with expectations of a middle-class population.

In this report, middle-class jobs are defined as those paying at or above a middle-class income, equivalent to:

$(3.5 * \text{poverty line} * 4) / 1.5$

or

3,752,000 IDR monthly in 2018

where:

- The threshold of middle-class consumption is approximately 3.5 times the poverty line per capita (World Bank, 2020)
- Assuming 4 members in a household on average, with one full-time adult worker and one part-time adult worker

Income data is only available for income earners (wage employees, casual workers, self-employed), excluding profit-earning employers with workers and unpaid family workers, limiting the analysis to 68.6 percent of all jobs, although the analysis in the report include the universe of jobs.



# Of 124 million jobs in Indonesia in 2018

15% of the 85 million who are income earners hold a middle-class job, equivalent to 13 million workers

7% of the 49 million wage employees earn a middle-class income, enjoy full social benefits and hold a permanent contract, equivalent to 3.5 million wage employees

9% of 22 million self-employed household enterprise owners earn at least a middle-class income, equivalent to 2 million HHE owners



# 01

## MC Jobs Challenge



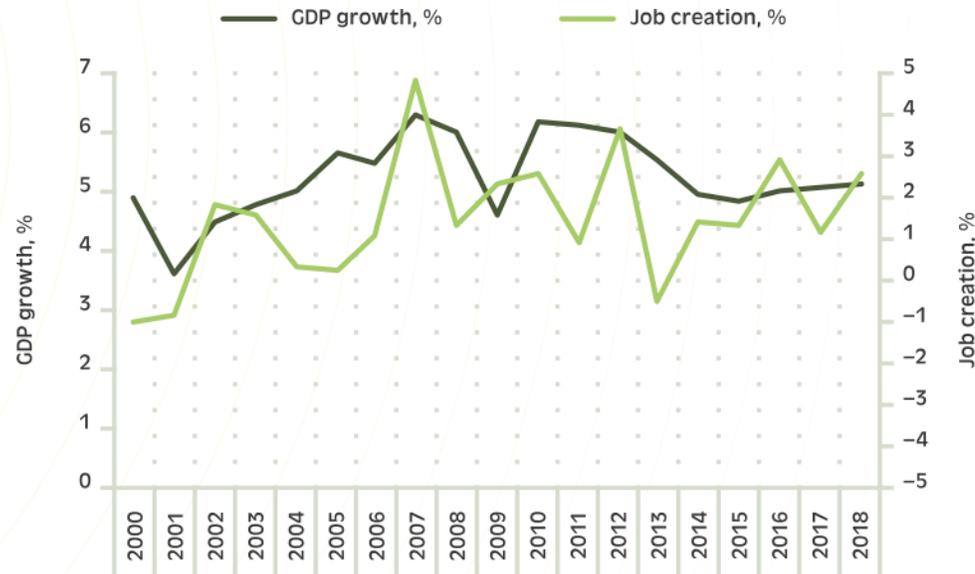
Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

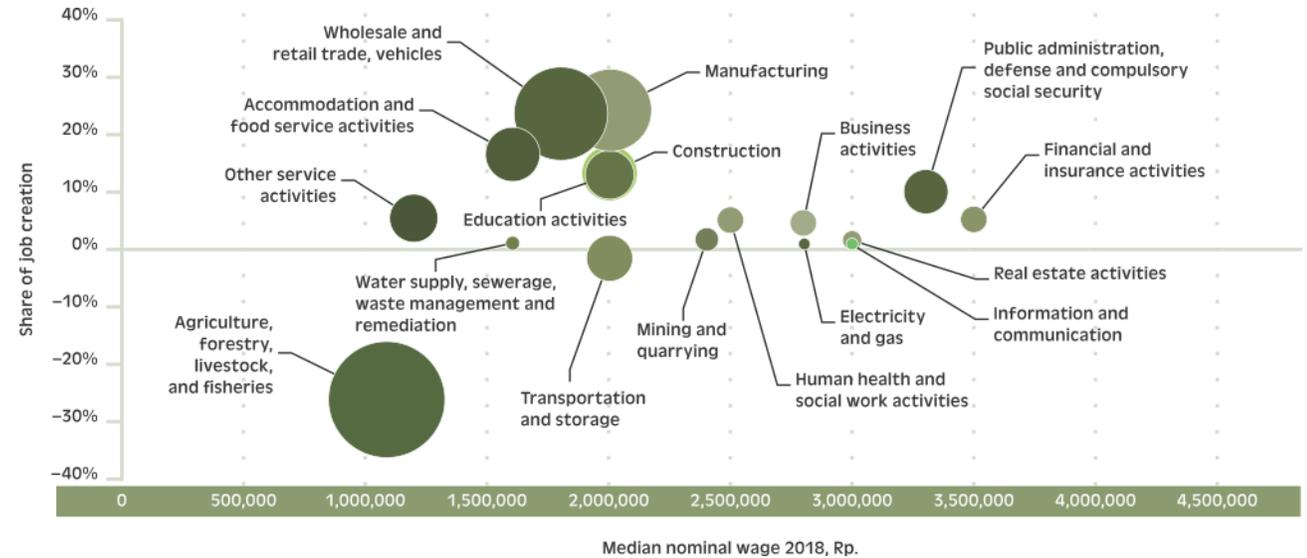
# Indonesia is not a story of job-less growth, but limited creation of middle-class jobs is hampering Indonesia's middle-class expansion

Respectable growth and job creation rates, 2000-2018  
Percent, per annum



Source: Sakernas 2000-2018 (August Round), National Accounts and WDI

Despite the robust job creation, half of jobs created since 2008 have accrued to low-end, low-wage services  
Median real wage 2018, share of job creation 2008-2018, share of employment 2018 (bubble size)



Source: Sakernas 2008-2018, WB staff calculation

# Some types of jobs are more successful in bringing Indonesians into middle-income class status than others

**Wage employment** alone contributed to two thirds of the increase in the share of middle class for income earners between 2011 and 2018

**Formal employment** contributed significantly to the increase of the share of middle-class jobs than to the decline in the share of poor and vulnerable jobs

Jobs that **do not move workers to the middle class**:

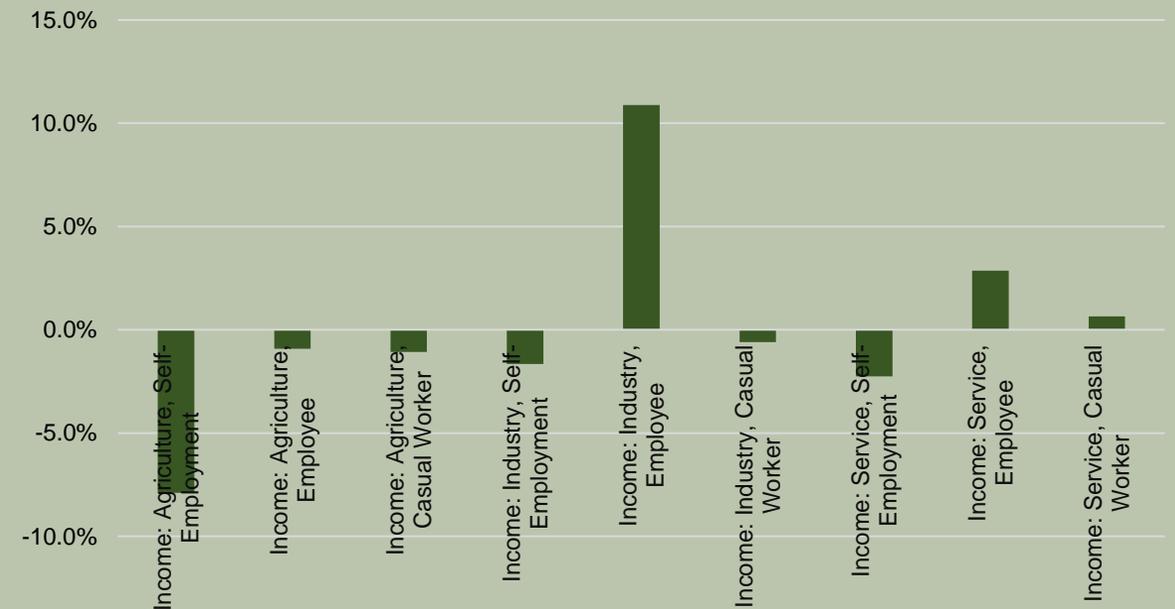
- Agriculture/ forestry/livestock/fisheries sector
- Community, social, and personal services sector
- Self-employment in the services sector
- Self-employment and casual jobs in industry

though they do move workers out of poverty and vulnerability.

Using a more restrictive definition of middle-class jobs to include **worker protection benefits and contract status** of wage employees only, **only civil servants** have more than 10 percent (unconditional) likelihood to earn above middle-class wages.

Wage employment in industry is good for MC expansion but not necessarily possible for escaping poverty or economic vulnerability

*Difference in pp between %contribution of jobs to MC jobs and poor & vulnerable jobs*



Source: Sakernas 2011-2018, WB staff calculation



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# 02

## **(Slow) Structural Transformation Towards MC Jobs**



Australian Government



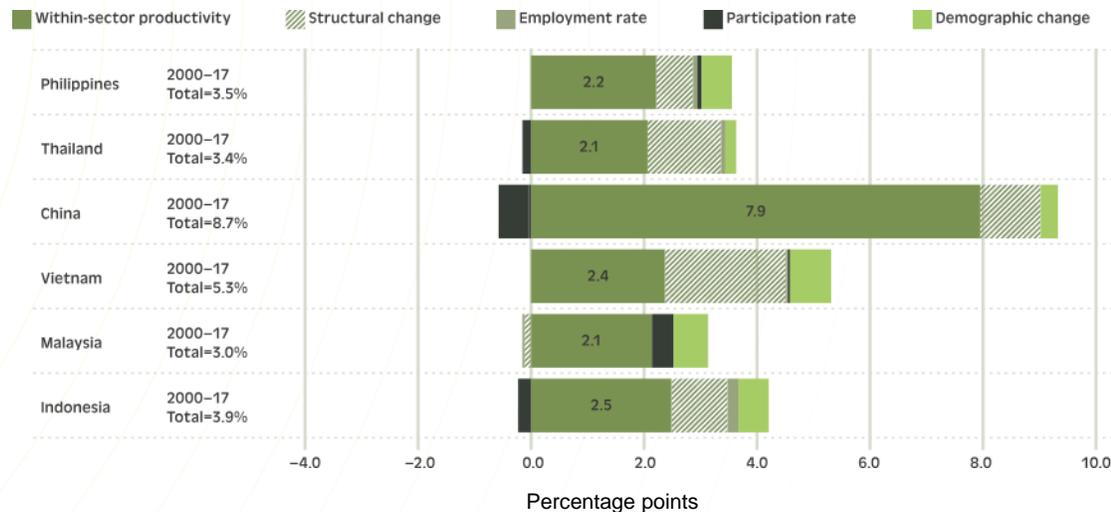
THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP



# The robust expansion of middle-class jobs in the 2000's has not materialized because “structural transformation 2.0” has not brought enough productivity gains to shift people decidedly out of vulnerability and economic insecurity

Labor productivity growth has been driving growth...

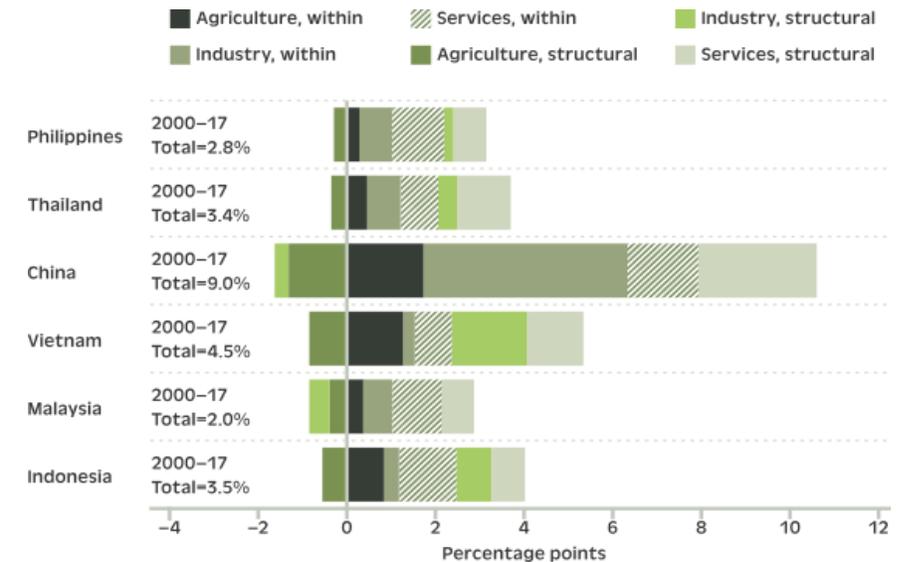
*Contribution to value-added per capita growth over 2000-2017, pp, Indonesia and comparators*



Source: World Bank staff calculations using data from BPS and Sakernas, WDI

...but the contribution of structural transformation to labor productivity growth has been limited, which has limited (positive) impacts on jobs

*Contribution to labor productivity growth over 2000-2017, pp; Indonesia and comparator*



Source: Diop, 2016



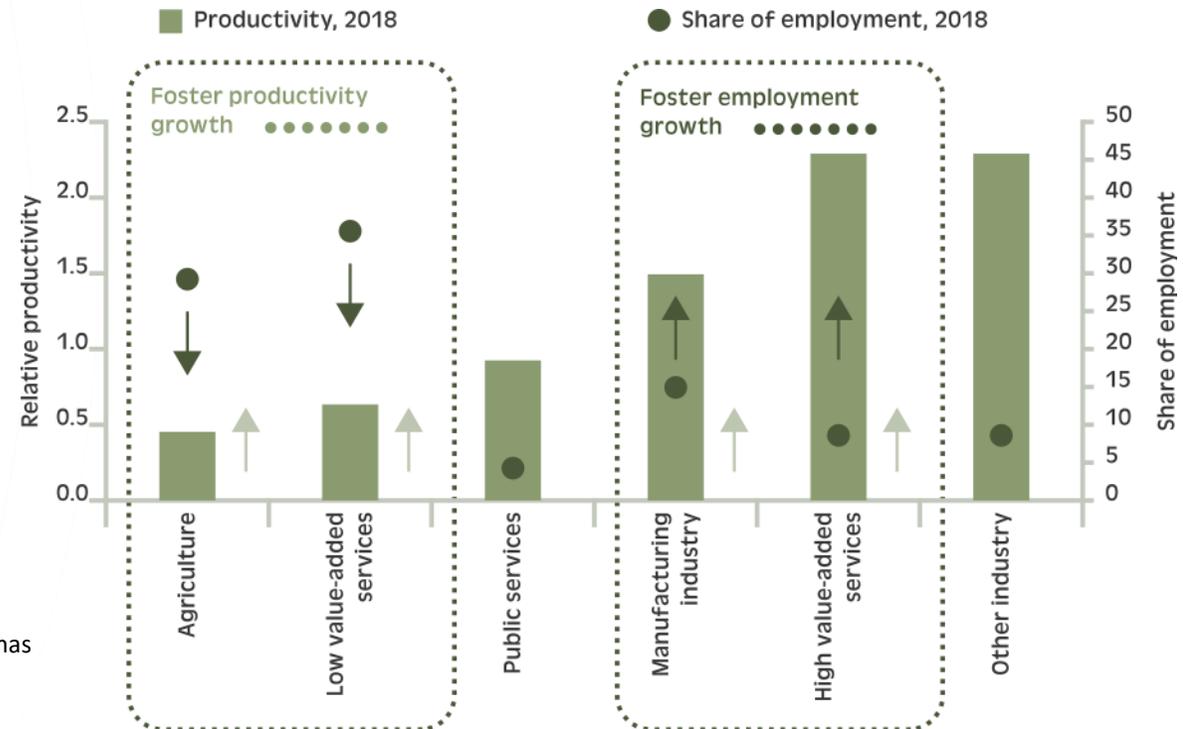
Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Indonesia needs to embark on “structural transformation 3.0” with a focus on moving more workers into manufacturing and high VA services, while increasing productivity in all sectors

Towards more and even better jobs:  
Structural Transformation 3.0



Source: World Bank staff calculations using data from BPS and Sakernas  
Note: Red arrows represent productivity shift.  
Green arrows represent employment shift.

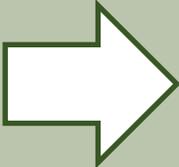


Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Structural Transformation 3.0



Reform Strategy 1 & 2

1. Make firms, workers and jobs more productive in *all sectors* of the economy
2. Help workers transition more quickly from less to more productive sectors, firms and jobs



Australian Government

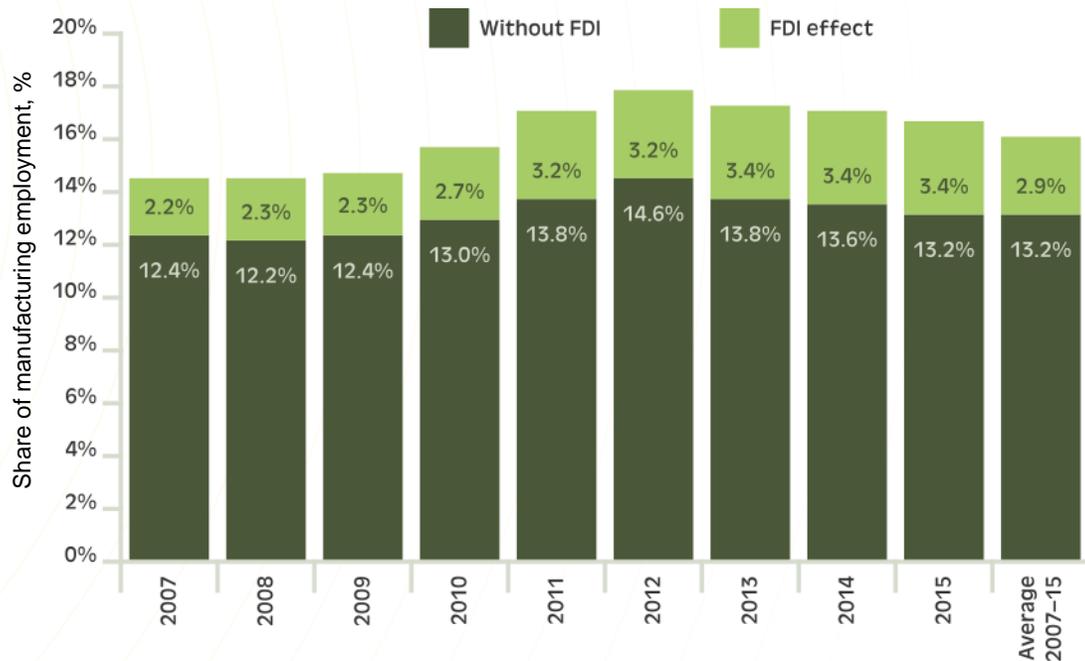


THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# The role of FDI in specific sectors is key; manufacturing FDI can accelerate a jobs transformation since not only does it create jobs, but it also creates higher-paying jobs

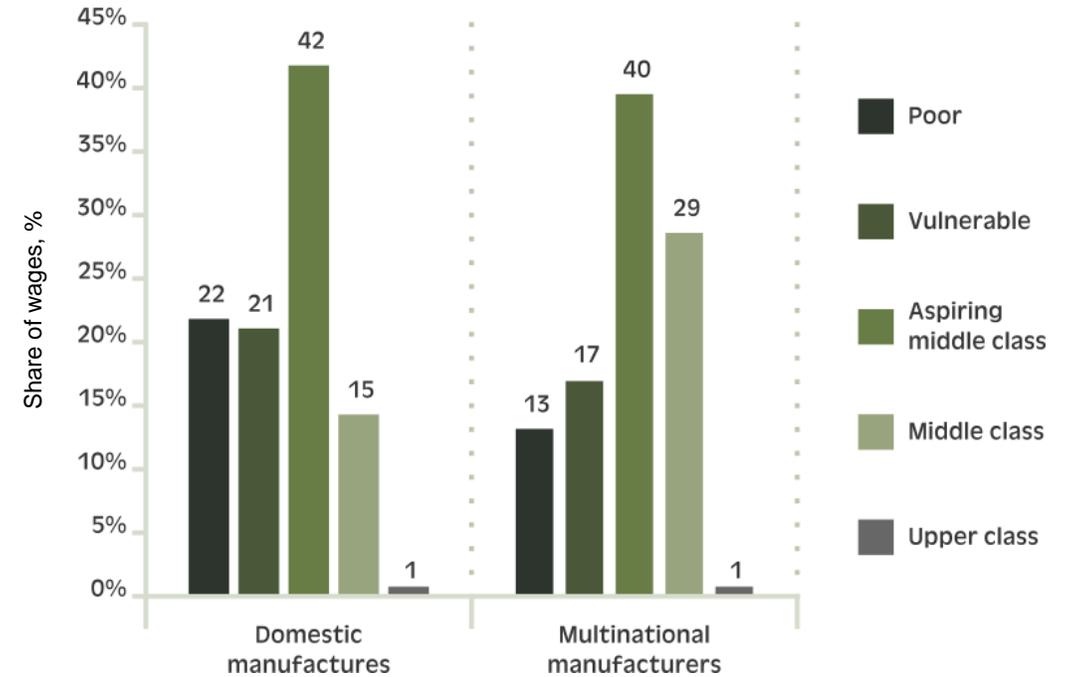
## FDI increases the share of manufacturing jobs in total employment

Share of manufacturing employment in total, without FDI and FDI effect, percent



## Foreign-owned firms pay better than domestic firms

Share of wages in each class category, by firm ownership



Source: Statistik Industri 2015, World Bank staff calculations

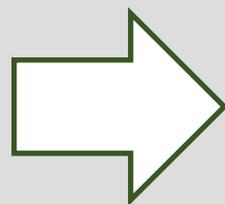


Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

But, Indonesia has not succeeded in attracting *export-oriented* and *job creating* FDI, on a greater scale, largely due to legal and regulatory barriers to competition, trade, investment, and access to skilled workers



### Reform strategy 2.1

**To accelerate structural (economic and jobs) transformation, FDI should be prioritized from the jobs and productivity perspective**



# 03

## Enterprise-level (Little) Dynamics of Job Creation



Australian Government

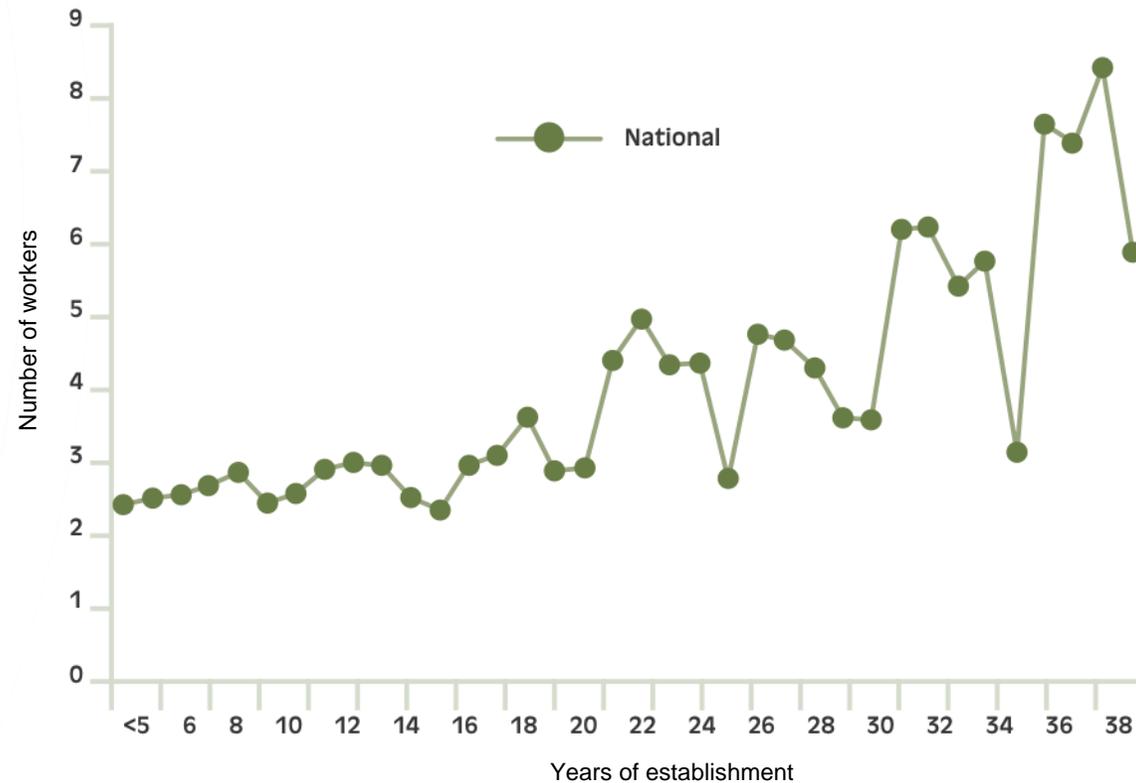


THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Most enterprises in Indonesia are NOT significant job creators, let alone middle-class job creators; the growth of manufacturing firms is 'stunted' relative to other countries

## Non-agricultural firm size does not begin to increase until a firm is 22 years old

*Employment life cycle of non-agricultural enterprise, 2016, starting with an average of less than three employees by the fifth year*

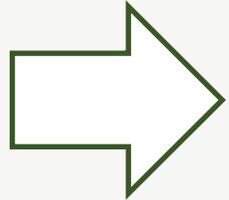


Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

SME policies framed in social welfare instead of productivity, lack of assimilation to GVC/MNC, digital infrastructure gap, and limited access to financial services contributed to 'stunted' growth of Indonesian firms



Reform Strategy 2.3

**To support SME growth to be a better middle-class job creator, policies should focus on productivity and efficiency, instead of (only) social welfare**

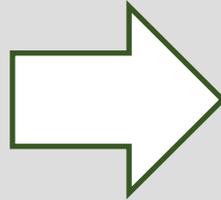


Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

Although the services sector is a key sector in creating middle-class jobs, ...



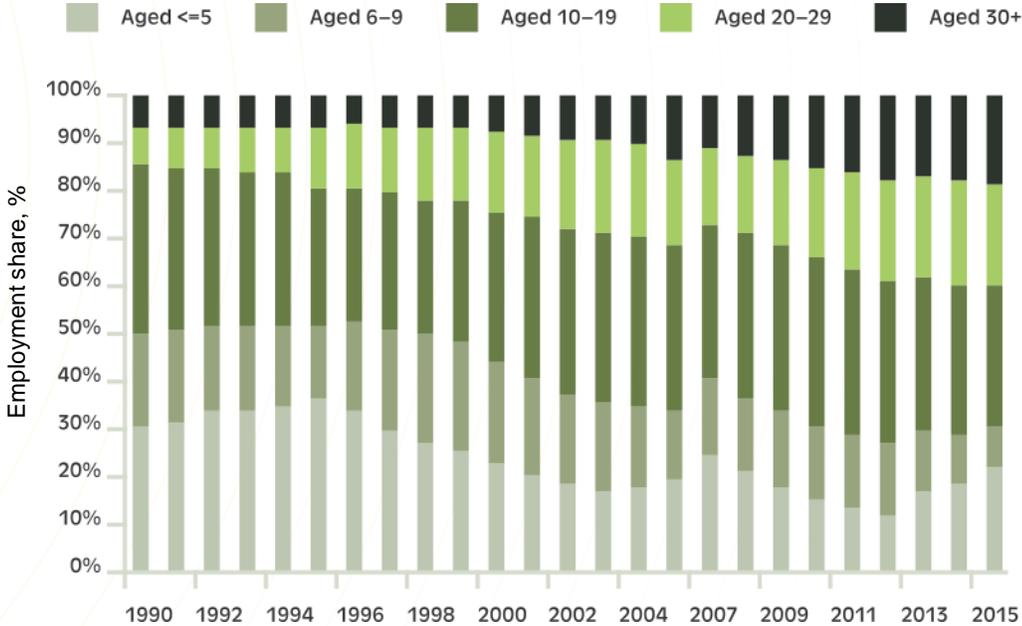
...firm-level panel data is unavailable to allow a deep demand-side of job analysis



**In the manufacturing sector, combined with more of younger and smaller firms exiting during the AFC, employment was increasingly absorbed by old and large firms, protected from competition that may hamper productivity and better job creation**

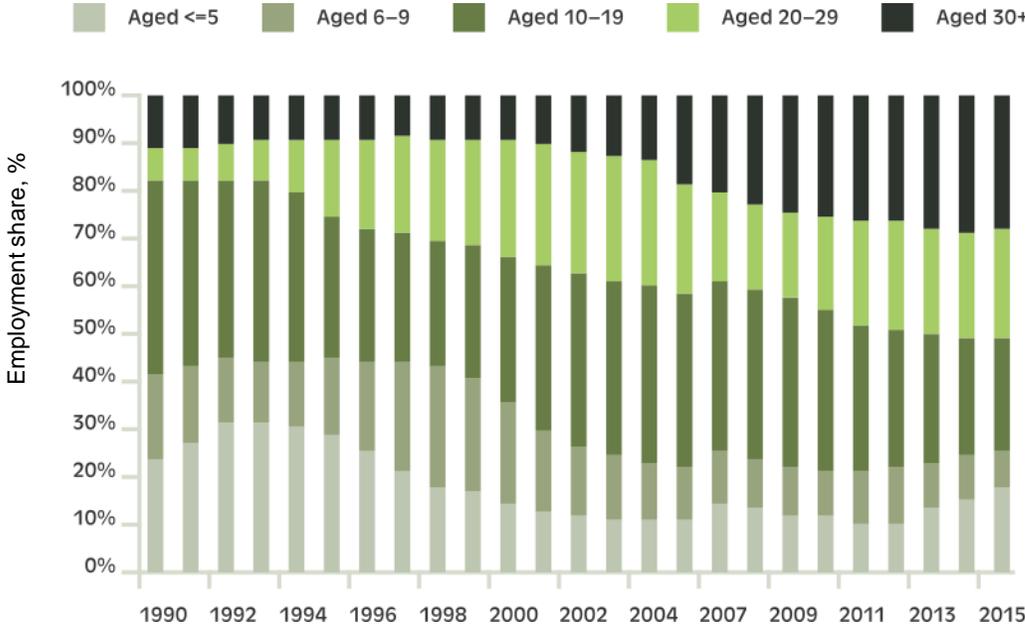
**Jobs were increasingly absorbed by old firms**

*Employment share by age group*



**...and by big firms**

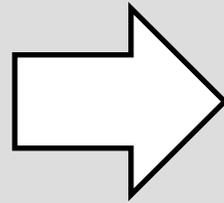
*Employment share by firm size*



Source: Statistik Industri, 1991-2015, WB staff calculation



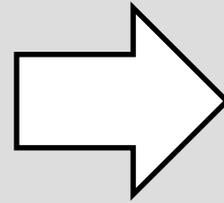
Ineffective competition regulatory framework, disparate innovation instruments and regulatory uncertainties contributed to the lack of dynamism by new (and exiting) firms



**Strengthen the dynamism and allocative efficiency among private domestic firms through policy areas of intervention to unlock firm entry and growth to create competition and innovation, as well as support job transition**



Contrary to what many people fear, higher productivity growth and higher employment growth go hand-in-hand



**Facilitating capital investments will be crucial, which can be done by reducing barriers to capital imports and increasing access to financing for investments**



# Manufacturing FDI has heterogenous (positive) effects on a sector's wages

Increase average wages and benefits for those who have at least a primary education

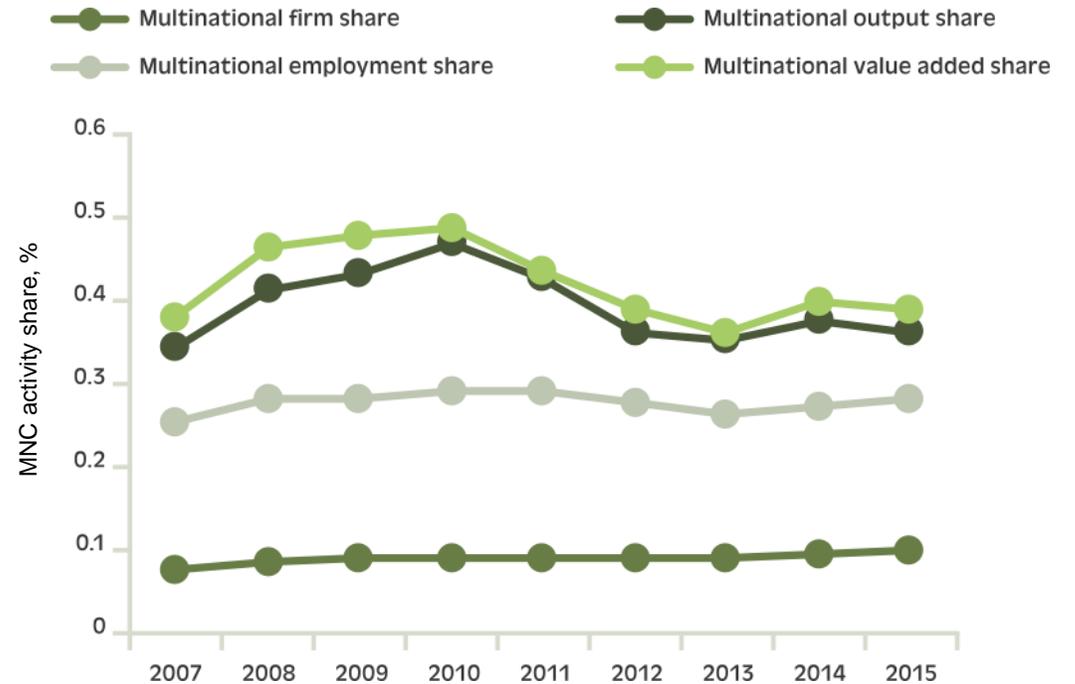
A skills premium where higher-educated and white-collar workers benefit more

Women appear to benefit more than men (likely a result of the type of sectors MNC engage in)

The effects are more widespread in low-skilled than higher skilled manufacturing sectors

Note: firms are classified as MNCs if their foreign capital share is at least 10%.

MNC activity in Indonesia is subdued  
MNC activity shares over time; firm average, 2007-2015



Source: Statistik Industri, 2007-2015, WB staff calculation

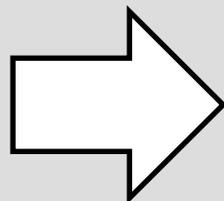


Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

Some industries are better than others with respect to their potential to create good jobs and women inclusiveness



Reform Strategy 2.1

**Direct investment promotion strategies (including for infrastructure development) to a select set of priority sectors can improve the overall effectiveness of investment promotion from the perspective of job creation and productivity**



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

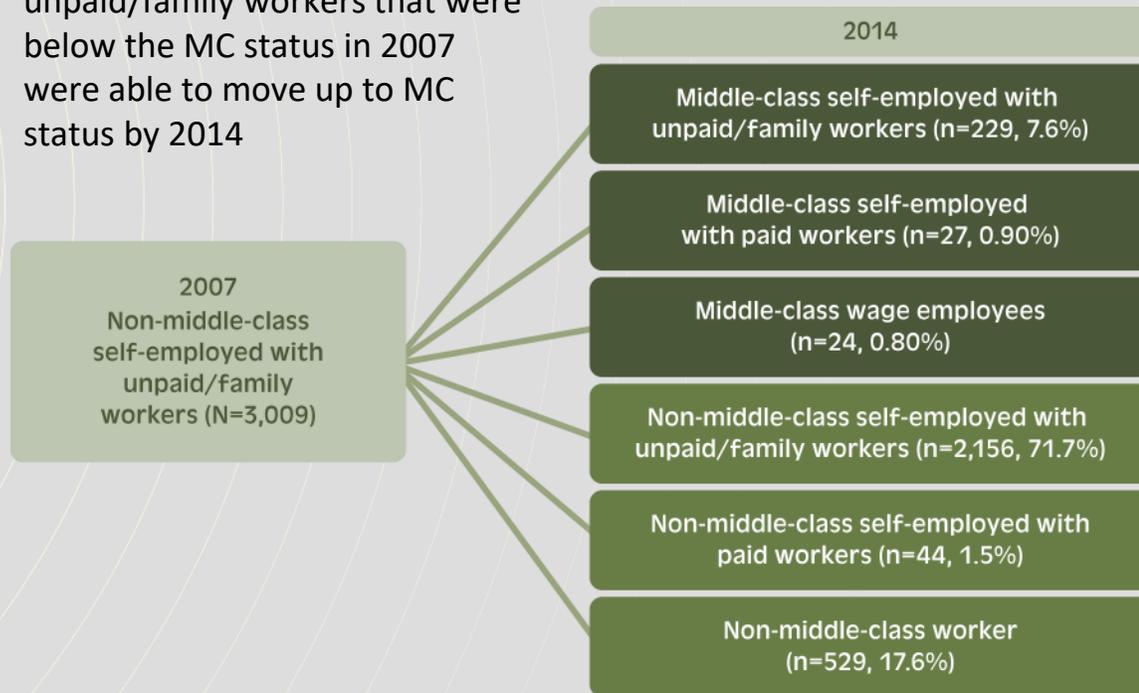
## Household enterprise is ubiquitous in Indonesia, employing 83 million workers or about 69 percent of total employment in Indonesia

- There are 45 million household enterprise owners and 38 million working in these enterprises, both unpaid and paid
- Around half of informal workers are household enterprise owners
- Very low profit per worker of HHE reflects the low productivity of HHE in general



# Household enterprises can be a path to middle-class jobs and would be so even more if some of the productivity constraints were addressed

8.5% of HHE owners with unpaid/family workers that were below the MC status in 2007 were able to move up to MC status by 2014



Source: IFLS Data 2007-2014, World Bank Staff Calculation

9% percent of self-employed HHE owners earn enough to be classified as MC status (similar finding from a nationally representative survey in (pre-pandemic) 2020), which is slightly lower (5pp) than the rest of income earners

Household enterprise owners who:

- have a minimum of senior secondary school
  - use the internet
  - have financial account
  - male
  - older
  - without any disability
  - are located in urban areas or in Java Island
- are more likely to achieve middle-class status



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# 04

## Building an inclusive middle-class workforce



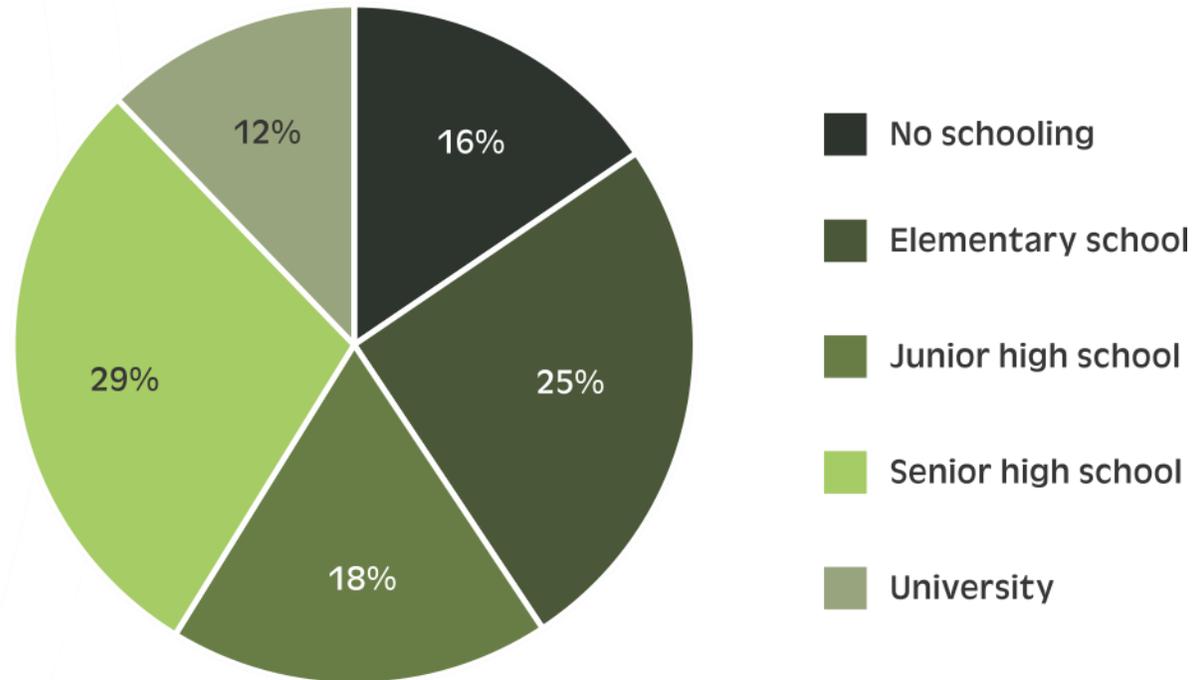
Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# The Indonesian labor force does not have the education level required for middle-class jobs...

Only 41% of Indonesian workers have acquired an upper-secondary education or more  
*Educational distribution of workers, 2018*



Source: Sakernas, 2018, WB staff calculation



Australian Government



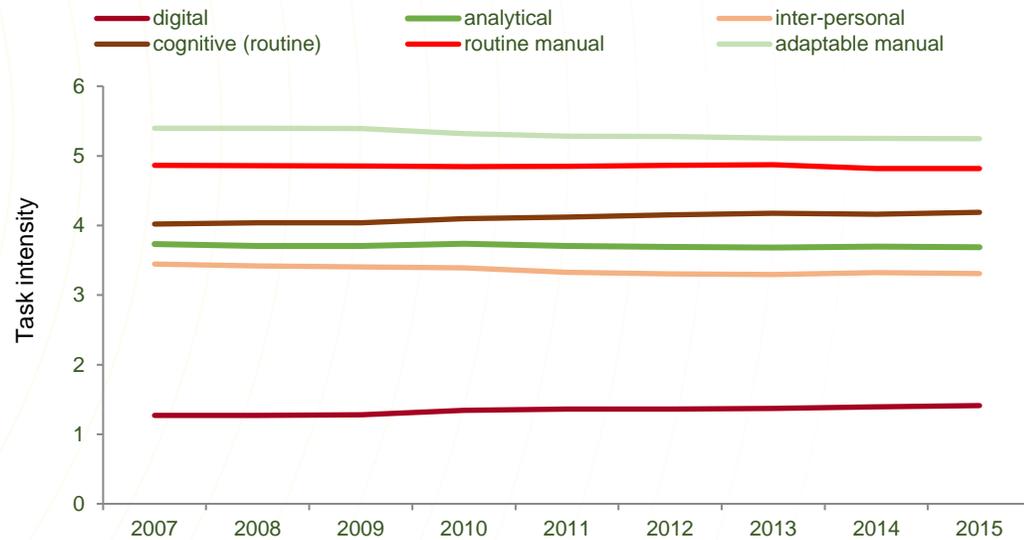
THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# ... or the skills that are required in middle-class jobs.

Interviews with a small group of Indonesian employers find that the most severe shortages are in skills to perform task-type that are most intensive in middle-class jobs.

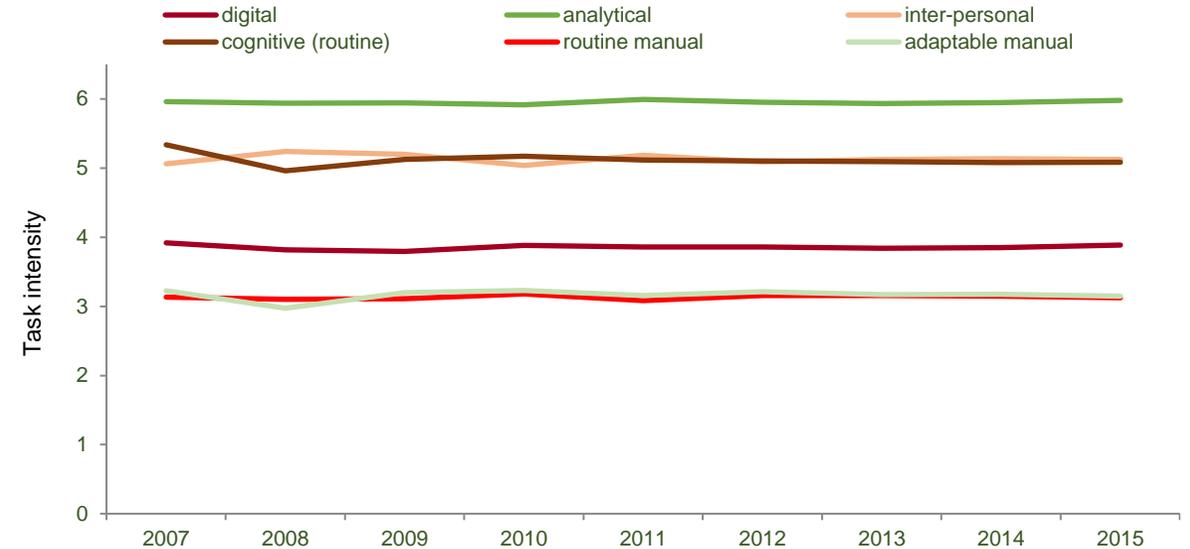
## Non-middle-class occupations require manual skills

Task intensity of non-middle-class occupations, 2007-2015



## Middle-class occupations require analytical, cognitive, interpersonal and digital skills

Task intensity of middle-class occupations, 2007-2015



Sakernas 2007-2015 and O\*Net task content of occupation, WB staff calculation. Notes: The task intensity score is estimated for each occupation and then aggregated across sample of middle-class occupations to generate a score for each task intensity type for each year. The sample of "middle-class jobs" is defined in 2015 and the same set of occupations is used for each sample year.

Moreover, middle-class job holders are more likely to pursue training courses once leaving school. [\(reform strategy 3.1\)](#)



Australian Government

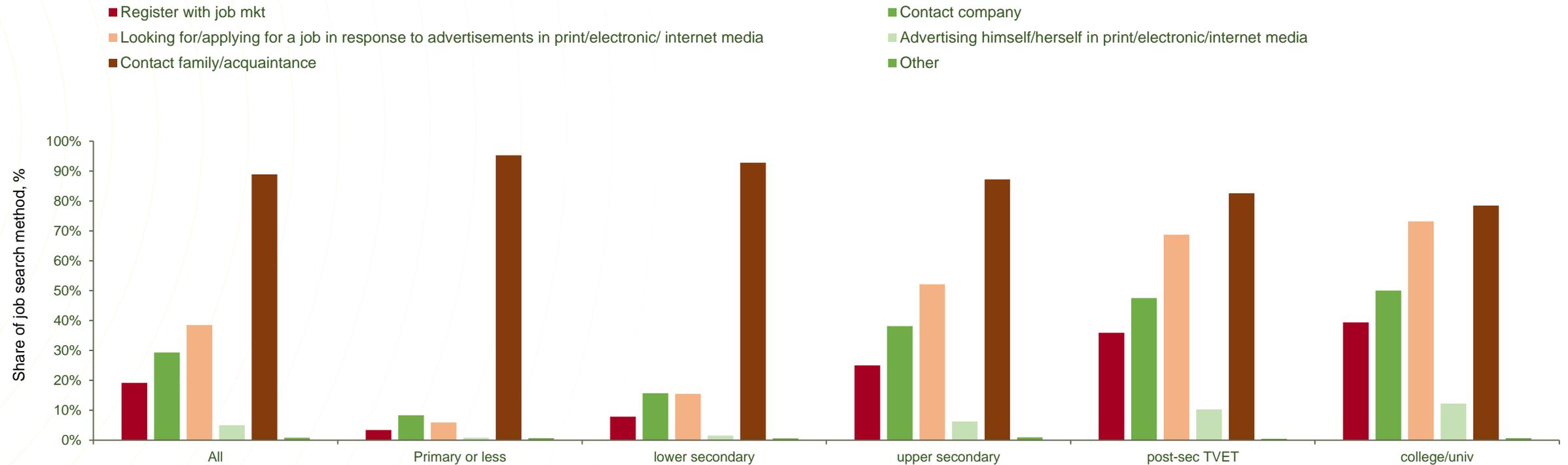


THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Middle-class job holders acquired jobs through a wider set of proactive methods than non-middle-class job holders (reform strategy 2.2)

## Proactive job search increases with education level

Method of job search, total and by education level, 2018



Source: Sakernas, 2018, WB staff calculation



Australian Government

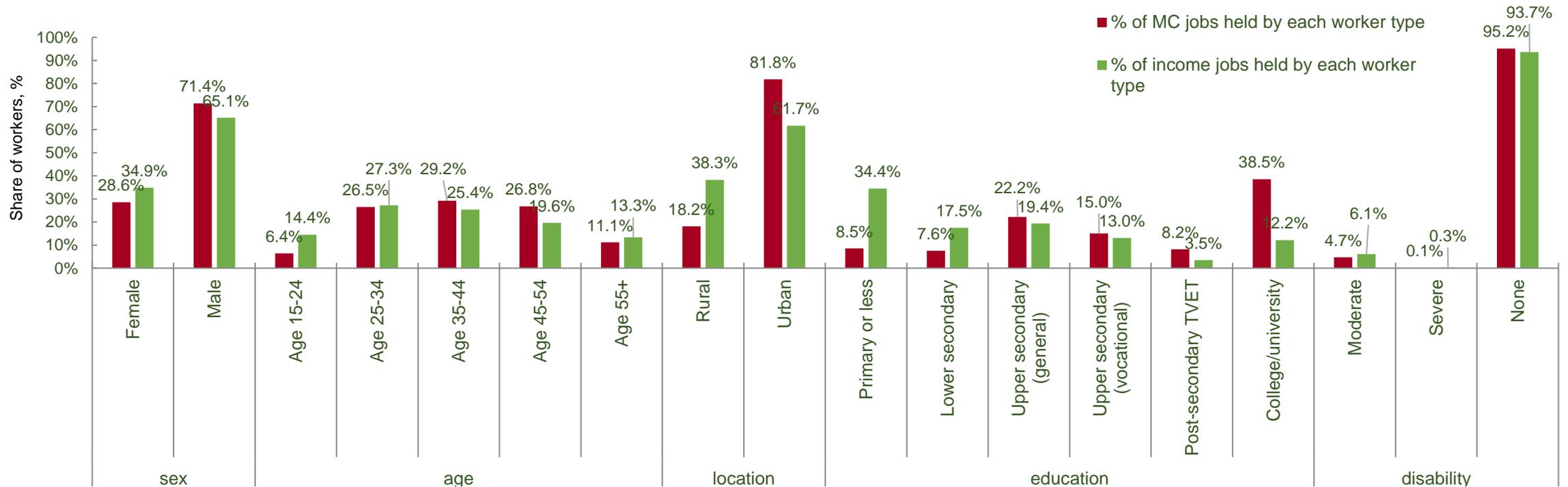


THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Women, youth, workers with severe disability are under-represented in middle-class jobs, though the constraining factors are not clearly established [\(reform strategy 3.3\)](#)

## Less “vulnerable” groups are over-represented in middle-class jobs

Distribution of income-earning jobs and distribution of middle-class jobs across defined demographic groups, 2018

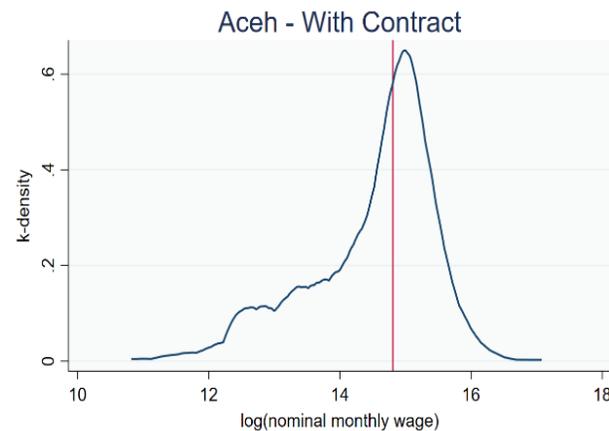
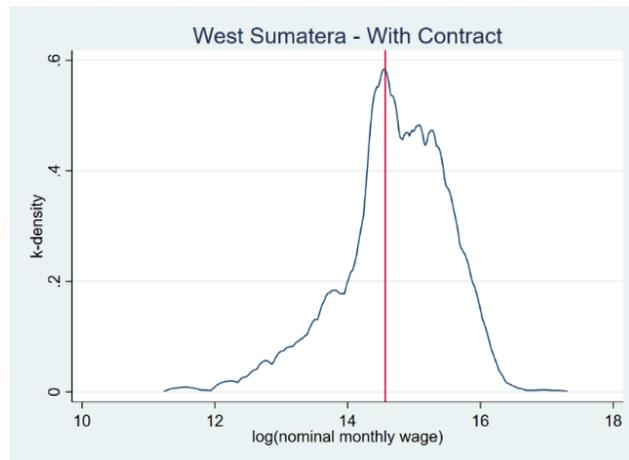


Source: Sakernas, 2018, WB staff calculation

# Labor legislation is NOT a viable tool for creating middle-class jobs

Minimum wage may affect wages (West Sumatra) or not affect wages (Aceh) even among those holding employment contracts

Kernel distribution of (log) nominal monthly wage among employees with employment contracts; minimum wages



Worker protections are not synonymous with middle-class jobs

Share of workers who receive each benefit, by middle-income job status

	middle-class job	no middle-class job
Health insurance	86.4%	28.9%
Work accident benefit	78.4%	24.5%
Death benefit	68.5%	16.6%
Old age benefit	62.1%	13.1%
Pension	56.3%	9.7%
Paid annual leave	75.2%	23.0%

Source: Sakernas 2018, WB staff calculation

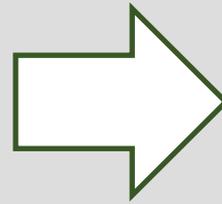


Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

The skill level of the labor force, job search inefficiencies, and social factors hinder advancement to MC jobs



Reform Strategy 3

**Institutional reforms to enhance job preparation and search, more than labor legislation, can speed the transition to a middle-class workforce**



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# 05

## Policy Direction

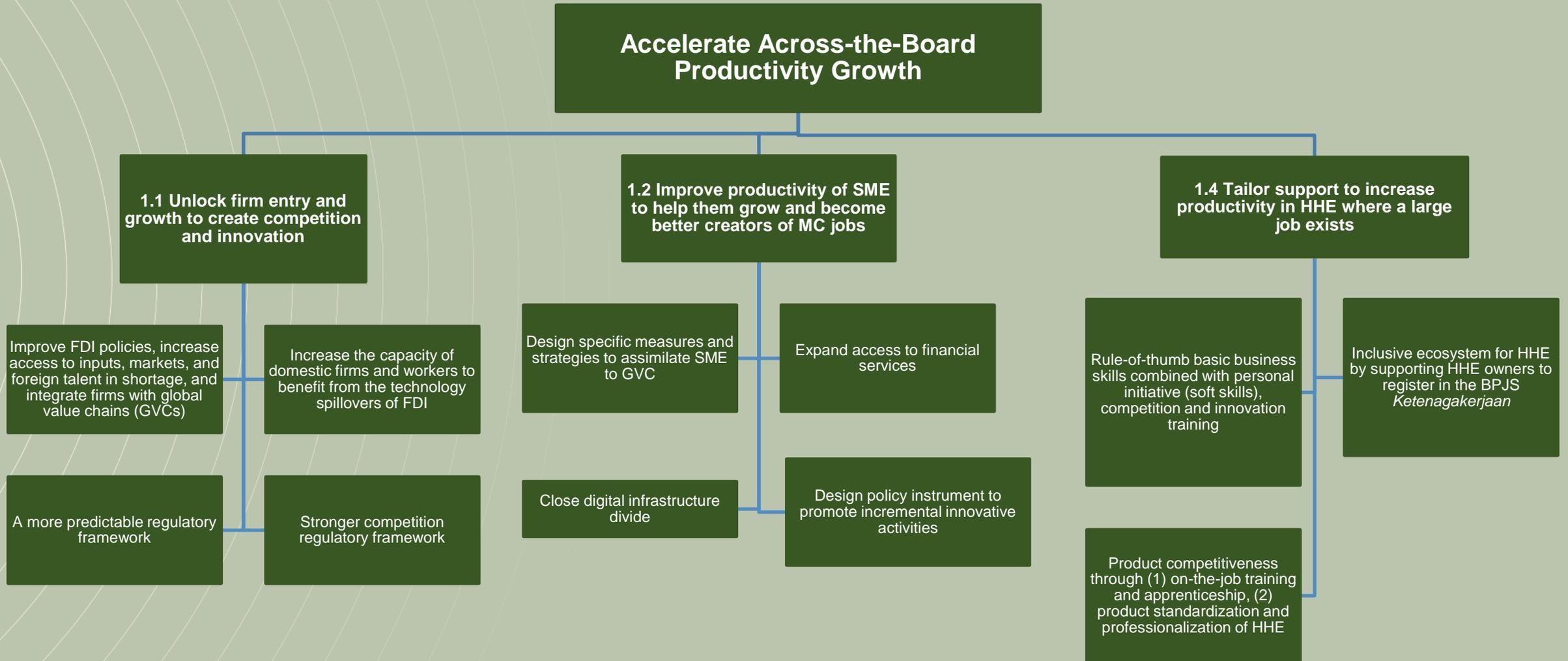


Australian Government

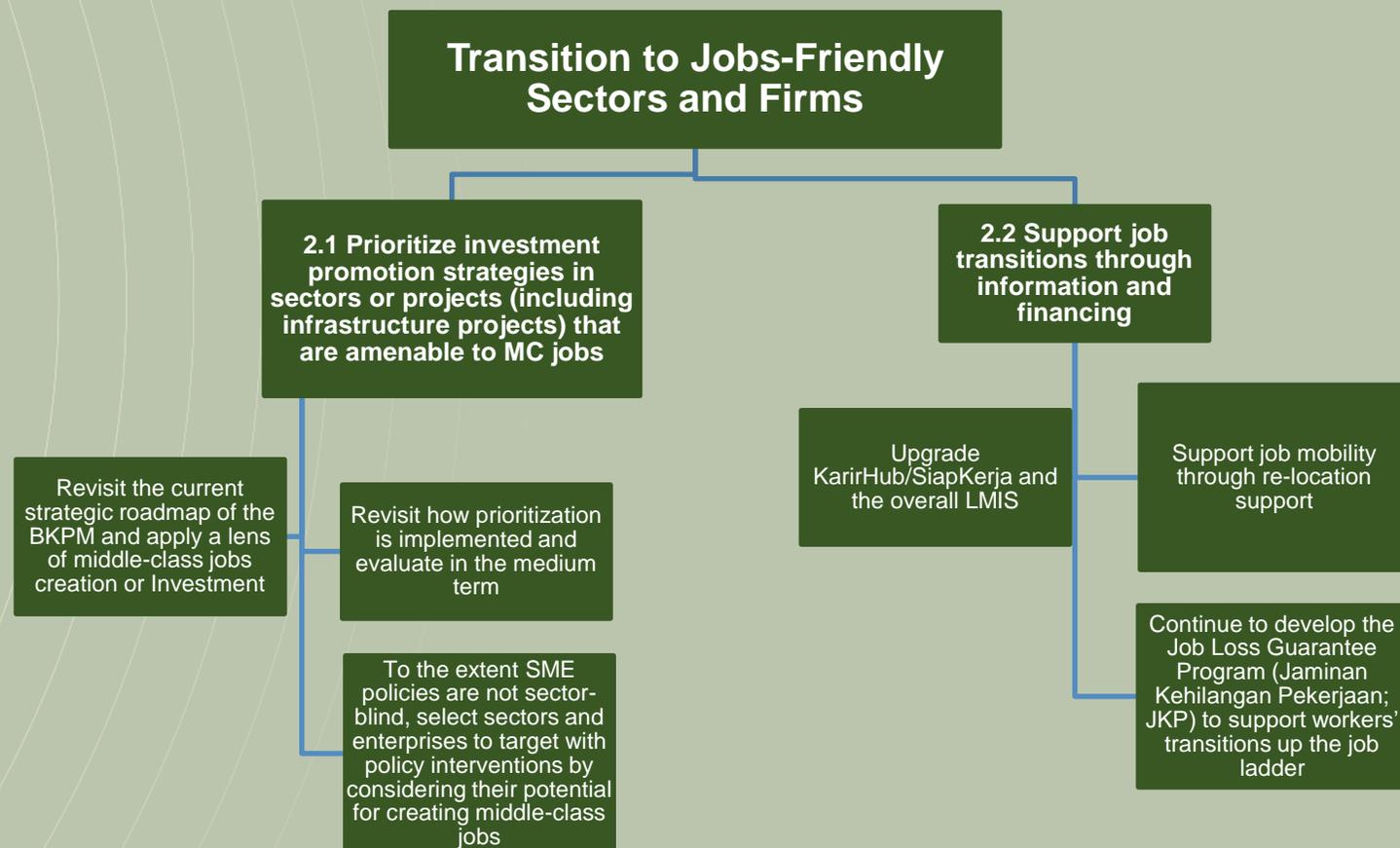


THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

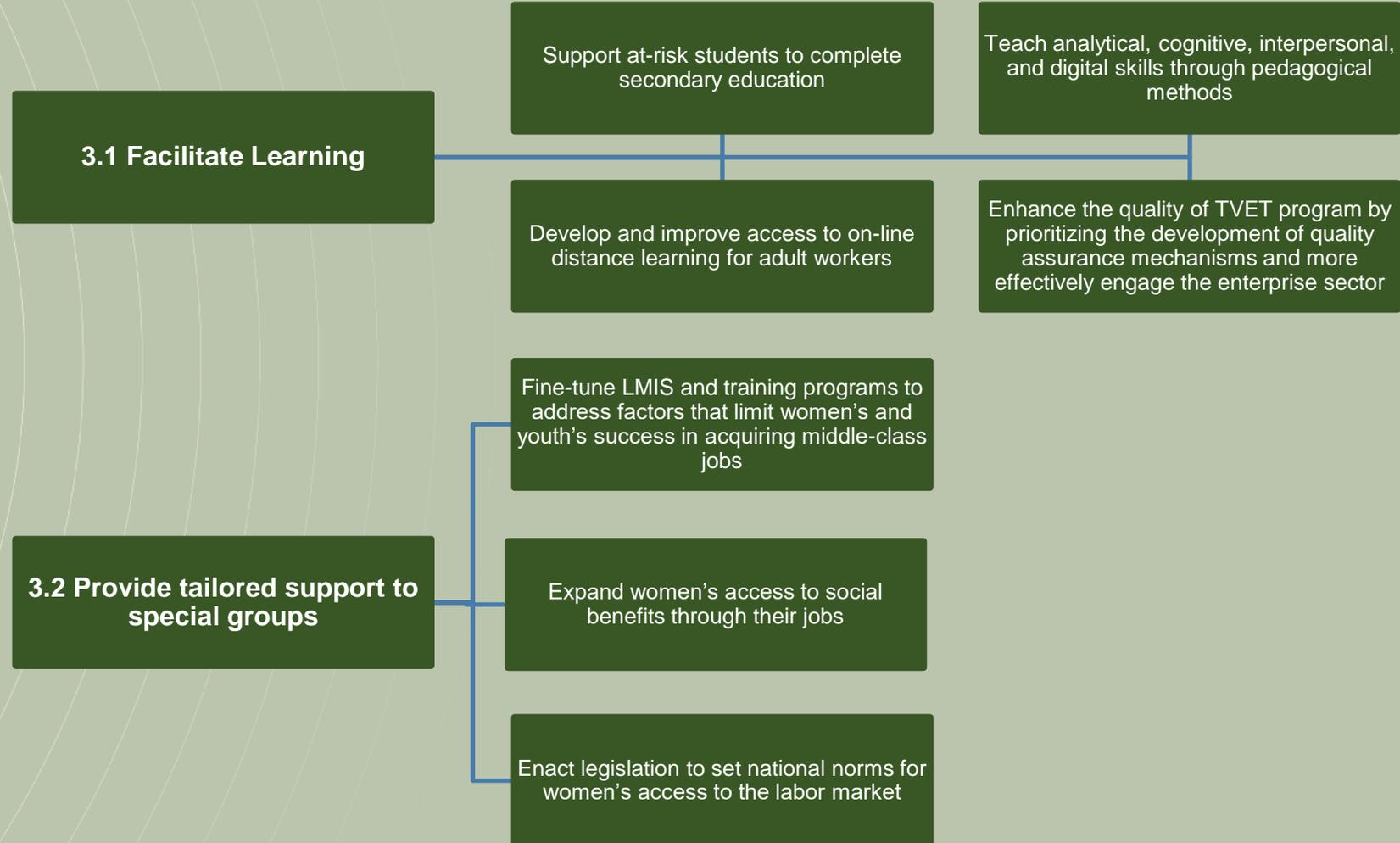
# Reform Strategy 1: Accelerate Across the Board Productivity Growth



# Reform Strategy 2: Transition to Jobs-Friendly Sectors and Firms



# Reform Strategy 3: Build a Middle-Class Workforce



# Thank you

The full report can be downloaded here:

<https://www.worldbank.org/en/country/indonesia/publication/pathways-to-middle-class-jobs-in-indonesia>

Contact authors:

- Maria Monica Wihardja [mwihardja@worldbank.org](mailto:mwihardja@worldbank.org)
- Wendy Cunningham [wcunningham@worldbank.org](mailto:wcunningham@worldbank.org)



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

# Annex Table

## Summary of Policy Direction



Australian Government



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

Policy Reform Area	Selected Policy Actions	Actors
<b>Reform Strategy 1: Accelerate Across-the-Board Productivity Growth</b>		
Unlock new firm entry and growth to create competition and innovation that spur productivity in the private sector.	<p>Improve foreign direct investment (FDI) policies, increase access to inputs, markets, and foreign talent for occupations where there is a shortage of domestic workers, and integrate firms with global value chains (GVCs) by: (i) reducing the list of sectors reserved for Indonesian micro, small, and medium enterprises (MSMEs) and turning burdensome minimum local content requirements across various sectors into positive incentives to use local supply; (ii) eliminating the Expatriate Manpower Utilization/Placement Plan as a precondition for employment of expatriates in high-skill occupations for which there is a shortage of domestic workers; (iii) reviewing, reducing, and streamlining nontariff measures including measures around product certification, preshipment inspections, and requirements for ministerial letters of recommendation; (iv) pursuing ambitious preferential trade agreements to lock in domestic reform, and attract investment by finalizing the EU Comprehensive Economic Partnership Agreement.</p>	<p>Office of the President; Coordinating Ministry of Economic Affairs (Kementerian Koordinator Bidang Perekonomian; CMEA); Ministry of Finance; Investment Coordinating Board (Badan Koordinasi Penanaman Modal; BKPM); Ministry of Trade; Ministry of Industry; Ministry of Manpower; Ministry of Cooperatives and SMEs; Ministry of Foreign Affairs; Ministry of Law and Human Rights; Directorate General of Immigration</p>
	<p>Increase the capacity of domestic firms and workers to benefit from the technology spillovers of FDI by: (i) increasing the human capital of domestic workers (see Reform Strategy 3); (ii) promoting links between firms; (iii) providing incentives and advocacy to promote firm-based training programs; (iv) building business networks; (v) establishing institutional partnerships, especially between domestic and foreign-owned firms; and (vi) providing information services covering, for example, the quality requirements of multinationals.</p>	<p>Ministry of Trade; BKPM; Ministry of Research and Technology; Ministry of Industry</p>
	<p>Support firms with a more predictable regulatory framework by: (i) introducing a regulatory oversight body; (ii) introducing compulsory public consultation procedures; and (iii) consolidating and targeting policy instruments that better assist firms to innovate.</p>	<p>Office of the President; Cabinet Secretariat; Ministry of National Development Planning; Ministry of Law and Human Rights</p>
	<p>Strengthen the competition regulatory framework by: (i) strengthening the technical capacity of the Commission for the Supervision of Business Competition (Komisi Pengawas Persaingan Usaha; KPPU); (ii) revisiting the existing Competition Law (No. 5/1999); (iii) mainstreaming competition considerations in the policy-making process.</p>	<p>CMEA; KPPU</p>



<p>Improve productivity of small and medium enterprises (SMEs) to help them grow and become better creators of middle-class jobs.</p>	<p>Develop specific measures and strategies to assimilate SMEs into GVCs. Smallholders should be integrated into agriculture value chains and home-based workers into manufacturing and services GVCs by: (i) addressing information gaps between SMEs and multinational corporations regarding quality standards; (ii) supporting SMEs to meet these quality standards; (iii) providing tax incentives for multinationals that invest in the upgrading of local suppliers; and (iv) lowering transaction costs for SMEs using free trade agreements.</p>	<p>CMEA; Ministry of Industry; Ministry of Cooperatives and SMEs; Ministry of Trade</p>
	<p>Promote incremental increases in innovative activities to boost productivity with a mix of policy instruments including: (i) technology extension and diffusion programs; (ii) early-stage infrastructure and advisory services; (iii) inducement incentives; (iv) vouchers for collaboration; and (v) direct grants for business innovation.</p>	<p>Ministry of Research and Technology; Ministry of Cooperatives and SMEs; Ministry of Trade</p>
	<p>Close the digital infrastructure divide and ensure affordable, reliable, and ubiquitous high-speed broadband internet access (fixed-broadband and 4G) by: (i) reforming spectrum management and infrastructure sharing to stimulate further private investment; and (ii) closing remaining gaps in internet access through targeted public-private partnerships.</p>	<p>Ministry of Information and Communications Technology, in collaboration with telecoms/internet service providers (private sector); Ministry of Public Works; Ministry of State-Owned Enterprises</p>
	<p>Expand access to financial services by: (i) preparing a roadmap targeting a leveling of the playing field for the delivery of financial services; (ii) strengthening financial sector infrastructure such as credit registries and infrastructure related to secured transactions; and (iii) promoting the use of dedicated liquidity and risk-sharing facilities.</p>	<p>Bank Indonesia; Financial Services Authority (Otoritas Jasa Keuangan; OJK); Ministry of Finance; financial intermediaries</p>



Target support to increase productivity in household enterprises (HHEs), which house a large share of jobs.	Increase basic business skills through training and education by: (i) creating short training programs with simplified rule-of-thumb modules in business skills combined with personal initiative (soft skills) training and innovation training; (ii) providing information to HHEs about the benefits of training and possible routes to enrolling in training; (iii) in the medium term, synchronizing and integrating government training and support programs across ministries and bodies.	Ministry of Cooperatives and SMEs; Ministry of Manpower; Ministry of Education; OJK
	Create inclusive ecosystems for HHEs by: (i) encouraging HHE owners to join the social security system Badan Penyelenggara Jaminan Sosial (BPJS) Ketenagakerjaan for nonwage workers by providing tailored information on the benefits of doing so; (ii) providing government contributions to ease entry into and sustain participation in the program; (iii) promoting the benefits of becoming a legal entity by bundling legal registration with other government support programs; and (iv) improving the delivery of support programs, and broadening and facilitating HHE access to them, independently of their participation in social assistance programs.	CMEA; BPJS Ketenagakerjaan; Ministry of Manpower; Ministry of Finance; Ministry of Social Affairs; Ministry of Cooperatives and SMEs
	Improve product competitiveness by: (i) promoting on-the-job training and apprenticeships; (ii) providing shared factories or machines that can be used by HHEs; (iii) supporting product standardization and modernization of HHEs.	Ministry of Cooperatives and SMEs; Ministry of Manpower; technical ministries, including Ministry of Agriculture and Ministry of Industry; National Standardization Body of Indonesia (Badan Standardisasi Nasional)



**Reform Strategy 2: Transition to Sectors and Firms That Create Good-Quality Jobs**

<p>Prioritize investment promotion strategies to attract FDI to sectors or projects (including infrastructure projects) that are amenable to the creation of middle-class jobs.</p>	<p>Prioritize investment promotion strategies to draw FDI to sectors and projects (including infrastructure projects) that are amenable to the creation of middle-class jobs by (i) revisiting the current strategic roadmap of the BKPM (including the goals for infrastructure development) and applying a lens of middle-class jobs creation using a global best-practice framework, such as the OECD Policy Framework for Investment, when considering which investment to prioritize; also, (ii) revisiting how prioritization is implemented and evaluating in the medium term whether the prioritization strategy has achieved the intended result of more middle-class jobs. Also, to the extent that reforms in the SME and HHE sectors are not sector-blind, select sectors and enterprises to target with policy interventions by considering their potential for creating middle-class jobs.</p>	<p>CMEA; BKPM; Ministry of Finance; Ministry of Trade; Ministry of Cooperatives and SMEs; Ministry of Manpower</p>
<p>Close information gaps to help workers transition to higher-quality jobs.</p>	<p>Upgrade KarirHub and the overall labor market information system by: (i) including private jobs portals and public portals providing services for job search and career development within the system; and (ii) populating the labor market information system platform with real-time information.</p> <p>Provide relocation support for hard-to-fill vacancies by: (i) ensuring the labor market information system provides information on nationwide (and not just local) information on job vacancies across Indonesia; and (ii) providing stipends to support relocation (travel, housing, and other social services) for workers who are relocating to fill critical occupations.</p> <p>Continue to develop the Job Loss Guarantee Program (Jaminan Kehilangan Pekerjaan; JKP) to support workers' transitions up the job ladder by: (i) allowing current workers to opt in (or out) of the program while mandating all newly hired workers to join the system; (ii) working with social partners to define the program parameters—including financing mechanisms—and to implement a communications campaign about the benefits of the reform for workers and firms; (iii) developing a strong monitoring system to avoid misuse of the program; and (iv) establishing strong links with the rest of the labor market information ecosystem.</p>	<p>Ministry of Manpower; Ministry of Social Welfare; Ministry of Education</p>



**Reform Strategy 3: Build a Middle-Class Workforce**

Facilitate learning.	Provide support to at-risk students to encourage them to complete secondary school by: (i) mapping risk factors for at-risk populations and designing interventions accordingly; and (ii) expanding the reach of and modifying the service delivery mechanism of the Paket C diploma equivalency program.	Ministry of Education, Culture and Higher Education (Directorate of Community Education and Special Education); local education authorities (Dinas Pendidikan)
	Support the development of short technical and vocational education and training (TVET) courses for adult workers and also support their access to these courses by: (i) accrediting web-based training courses; (ii) providing training vouchers for adult learners in critical occupations or skills; and (iii) developing a database of accredited online training courses.	Ministry of Manpower; Ministry of Information, Communication and Technology; Ministry of Education, Culture and Higher Education; National Agency for Professional Certification (Badan Nasional Sertifikasi Profesi); National Accreditation Committee (Komite Akreditasi Nasional)
	Teach nonroutine interpersonal, analytical, and digital skills to students and adult learners through revised curricula and pedagogical methods.	Ministry of Education, Culture and Higher Education; Ministry of Manpower; Ministry of Information, Communication and Technology
	Enhance the quality of TVET programs by: (i) prioritizing the development of the competency framework and the process for accrediting institutions and programs;(ii) developing a centralized monitoring and evaluation system for TVET; (iii) establishing a National Vocational Skills Steering Committee; and (iv) more effectively engaging the enterprise sector by amending Regulation 128/2019 to subsidize results-based worker training, and earmarking public resources to incentivize exchanges of staff between industry and institutions providing TVET.	Coordinating Ministry of Human Development and Cultural Affairs; CMEA; Ministry of Finance; Ministry of Education, Culture and Higher Education; Ministry of Manpower, National Agency for Professional Certification; National Accreditation Committee



Provide tailored support to particular groups.	Fine-tune the labor market information system and training programs to address factors that limit the success of women and youth in acquiring middle-class jobs by: (i) including gender- and age-relevant information in the labor market information system; (ii) earmarking a portion of training vouchers for women and youth to participate in courses that teach business practices and the technology needed for engaging in the gig economy; and(iii) incorporating business development training into entrepreneurship support programs for women.	Ministry of Manpower; Ministry of Education, Culture and Higher Education; and technical ministries
	Expand women’s access to social benefits through their jobs by: (i) modifying the Labor Law to protect against dismissal or disciplinary measures during pregnancy or maternity leave; and (ii) establishing a grievance procedure process related to firm payment of social benefits.	CMEA; Ministry of Manpower; Ministry of National Development Planning, Healthcare and Social Security Agency (BPJS)
	Enact legislation to set national norms for women’s access to the labor market by: (i) clearly defining the “equal pay for equal work” language in the Labor Law; (ii) introducing an article that defines sexual harassment; and (iii) extending paternity benefits to 30 days.	Ministry of Manpower; Ministry of Women’s Empowerment and Child Protection

