



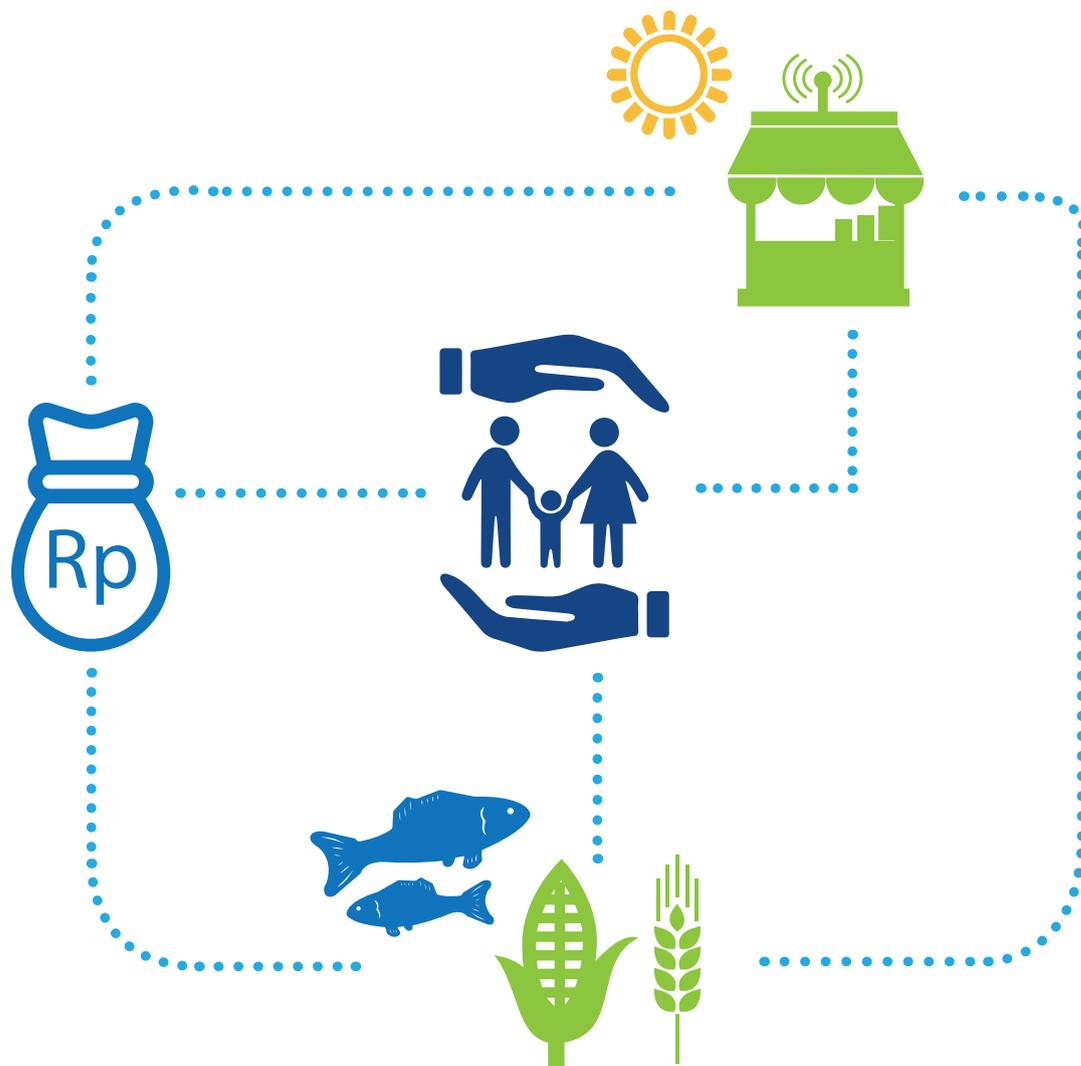
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# Strengthening Economic Opportunities For Program Keluarga Harapan Families

## A Case Study of Four Districts in Java



Strengthening Economic Opportunities For Program Keluarga Harapan Families:  
A Case Study of Four Districts in Java

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February 2020



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## FOREWORD



Over the next five years (2020-25), the Indonesian Government will focus on developing and improving the quality of human resources (HR). In line with this, the poverty and open unemployment rates are expected to fall to 6.0-7.0 per cent and 3.6-4.3 per cent respectively in 2024. The Human Development Index (HDI) is expected to increase to 75.54 by 2024 which indicates improvements in the quality of HR. To achieve these targets, there is a need to accelerate development in various fields, including the integration of social protection programs, so as to develop sustainable livelihoods.

The Family Hope Program (PKH), like the conditional cash transfer program in many countries, is designed to reduce intergenerational poverty by increasing access to education and health services for children so that they can improve/develop their HR capability. Various studies have shown that this program contributes positively to improving health conditions, nutritional status, and the education level of beneficiary families. Nevertheless, the ability of the program to improve the family economy is still very limited, as reflected by the small proportion of beneficiary families who have graduated—only around 12 per cent of beneficiary families in 2017 and 2018 had graduated by 2019. Limited ability to improve the family's economy is partly due to the lack of integration of the PKH program with other economic empowerment programs—for example, the People's Business Credit (KUR) program or the Ultra Microfinance Program (UMI).

This study has become very relevant in order to improve the integration of the PKH program with programs that provide support for economic improvement. Until now, the impediments to economic development and employment conditions in PKH beneficiary families—discussed in this report—have not been explored much. Recommendations regarding opportunities for strengthening PKH family livelihoods, as well as institutional arrangements and program implementation systems needed to ensure that PKH families can access livelihood development opportunities, are certainly valuable inputs for program development and enhancing integration between programs in the future so they can accelerate the economic independence of PKH beneficiary families.

Jakarta, February 2020  
Minister of Social Affairs Republic of Indonesia

A handwritten signature in black ink, appearing to be 'J. Batubara', written in a cursive style.

**Juliari P. Batubara**



## ABSTRACT

The Family Hope Program (PKH) is a conditional cash transfer program launched by the Government of Indonesia in 2007. Since then its beneficiary coverage has reached 10 million families with the goal of reducing intergenerational poverty. An impact evaluation of the Family Hope program showed that after six years of investment it has significantly improved human capital development. However, it is not a replacement for employment and therefore has not assisted families to become self-sufficient in regards to their livelihoods (Cahyadi et al. 2018; TNP2K, 2015). Existing research to establish the reasons for this outcome has, however, been limited. In response, this research (commissioned by the Australian Government through the MAHKOTA program) seeks to identify the barriers that PKH families face in achieving sustainable livelihoods and the interventions needed to strengthen their economic opportunities.

This research was conducted in four districts in Java, representing different typologies: urban (West Bandung district), semi-urban (Surakarta), rural (Pacitan district) and coastal (Indramayu district). Field data was collected in March 2019 through in-depth interviews and focus group discussions (FGDs) with working-age members (15-59 years of age) within PKH families, government and private sector actors at the subdistrict level; a quantitative survey covering 200 PKH recipient households (539 respondents within PKH families), as well as through secondary data analysis of national surveys and document reviews.

Overall the research revealed a relatively high demand for employment among PKH family members. Although unemployment rates among PKH family members within the workforce were lower than national unemployment levels, about one-fifth are underemployed. Meanwhile, 13 per cent of PKH family members are still in school and will soon enter the workforce.

Most adults of working age in PKH families have relatively low education levels and limited livelihood capital in terms of their access to natural resources, infrastructure, and financial and social capital. Family members who own agriculture businesses and micro, small, and medium enterprises (MSMEs) manage their businesses using simple methods and skills passed down from generation to generation. Over one-third of the workforce engage in the non-agricultural sector but they are vulnerable since most of the companies they work for do not

offer employment contracts. Interestingly, those within the 15-30 age bracket have higher education levels and are qualified for jobs as highly skilled workers but are unable to penetrate the formal job market or have high occupational aspirations and are struggling to find the 'right' opportunity. Individuals within this age cohort have the potential to transform the household economy.

Few PKH working-age family members receive information or assistance from the various livelihood development programs in their areas, and the PKH-specific livelihood interventions are not leading to substantial economic impacts. It is, therefore, recommended that the Ministry of Social Affairs (MoSA) collaborate with the Ministry of Manpower and the Ministry of Cooperatives and Small and Medium Enterprises (SMEs) at the national and subnational levels to ensure that PKH families are benefiting from available complementary livelihood interventions. A productive inclusion program for PKH families with enterprise capacity could transform their income-earning potential but such assistance should be extended to the PKH family member with strong enterprise capacity and not just to the PKH beneficiary. Lastly, greater efforts to link PKH family members with employers (for those who wish to enter the labour market) or to private sector buyers (for entrepreneurs) would reduce their reliance on middlemen and maximise economic gains.

# EXECUTIVE SUMMARY

## Background to the Study

Indonesia's flagship Family Hope conditional cash transfer program, (*Program Keluarga Harapan* – PKH) aims to reduce inter-generational poverty and currently reaches 10 million families across the country. A wide body of evidence demonstrates that social protection – particularly in the form of cash transfers – stimulates the economy and leads to increased labour market participation and productivity (McCord and Slater, 2015). Conditional cash transfer programs such as PKH encourage families to access health and education services, thereby strengthening the quality of a country's future labour force. Research shows that after six years of participation in the program, the Family Hope program has strengthened the quality of human capital, but it is not a replacement for employment and therefore has not assisted families to become self-sufficient in regards to their livelihoods (Cahyadi et al. 2018; TNP2K, 2015). This resonates with other evidence that suggests that cash transfers alone cannot overcome the structural barriers to employment and sustainable livelihoods that the poor and vulnerable encounter (McCord, 2018).

In this context, MAHKOTA commissioned SMERU Research Institute to conduct a detailed analysis of the livelihood landscape of PKH beneficiaries. The research was conducted from February to June 2019 across four districts in Java. The sample areas represent PKH families with various sources of livelihoods: the fishing sector in the coastal area of Indramayu; the agricultural sector in rural Pacitan; small-scale micro-enterprises in peri-urban Surakarta; and formal or informal employment in small to medium sized firms in urban West Bandung. The availability and type of livelihood programs in these areas also vary. The in-depth qualitative and quantitative research methods covered a total of 200 beneficiary families and 539 respondents. The research team used the sustainable livelihoods framework as an analytical lens, allowing for linkages between the various forms of capital that PKH families can access – human, physical, financial, natural and social – and the livelihood strategies that they pursue (DFID, 1999).

In terms of human capital, over 60 per cent of the population surveyed had primary level education or lower, with rates reaching 80 per cent in Indramayu and 68 per cent in Pacitan. Family members who have education levels of junior secondary and higher are typically in the 15–30 years age cohort but only 20 per cent of them are part of the workforce.

## The Livelihoods of Family Hope Program Beneficiaries

The livelihoods of PKH family members in the study districts fall into four main categories: agricultural workers (including farm owners, farm managers and labourers on other people's farms) – 36 per cent; micro and small to medium enterprise (MSME) owners – 18 per cent; wage employees in the formal and informal sectors – 38 per cent; and unpaid family workers – 8 per cent.

The farmers in the study typically manage using minimal capital and simple tools. Their limited access to natural resources – particularly water and land – also contributes to low productivity and profitability. A dearth in financial, human and social capital further undermines PKH family agri-business owners. Only 18 per cent of PKH farm owners belong to farming cooperatives although these cooperatives provide important marketing channels and critical information on relevant government programs.

Most small entrepreneurs in the study run food stalls or trade in goods, such as old clothes or spare parts. Supplies are easily obtained and these shops can mostly be managed from home or close to home, enabling women to still take care of domestic chores. Although small business owners have higher earning potential than agricultural workers, most PKH family members in this sector run into bottlenecks in the business cycle for the following reasons: they do not have business licences; they cannot meet packaging, hygiene and other basic consumer standards; they lack bookkeeping skills; and they have no formal qualifications. Just as with agri-business owners, financial capital constraints continue to curtail business opportunities for PKH family members in this sector.

More than half (57 per cent) the workers in the non-agricultural employment sector in the study work for individual businesses (with less than 10 employees), around a quarter (28 per cent) work for medium to large companies, around 10 per cent work as domestic workers in people's homes and less than 5 per cent work in government or non-governmental institutions. The sector tends to be dominated by men and the education levels among these employees is generally higher than in the other sectors. Respondents seeking wage employment encounter four key barriers: inadequate information about job opportunities; limited local opportunities in their areas; domestic responsibilities; and the lack of written or oral contracts. The job-seeking process is also constrained by limited financial capital.

Although respondents in the 15–30 age cohort are generally better educated, only around 14 per cent have the senior secondary level education needed for formal employment in large companies or government institutions. In addition, 89 per cent of respondents have never participated in certification courses or vocational training.

## Livelihood Development Programs

Aware of these kinds of constraints that community members face, local and national governments offer a plethora of vocational training schemes and other interventions to address the barriers to employment. However, only 16 per cent of the respondents in the study had ever benefitted from such interventions.

Various ministries in collaboration with local governments, for example, run technical and vocational training courses in agriculture and fisheries. Information about these courses tends to be delivered by word of mouth or through posters in the village offices which means that most PKH families do not hear about them. If they do find out about these courses, they may not meet the requirements for participation or have the necessary funds to get to or stay at the venue. In addition to training, some local government schemes provide seeds, subsidised fertiliser and farming tools, for example, but this tends to be provided through farmers' groups that PKH respondents are typically excluded from. When asked what national and local governments can do to improve these services for PKH families, respondents suggested they should: open up participation by lifting any requirements for group membership or capital ownership; complement the training by providing seeds or capital; and offer training on cultivation techniques that are relevant to the local area.

The Ministry of Small and Medium Enterprises (SMEs) and Cooperatives also offer interventions for business owners such as: training on processing and packaging consumer items; loans and grants to scale up existing enterprises; assistance in securing business licences; and consultations to connect small businesses to larger markets. Once again, PKH families often do not get information about these opportunities and only 17 per cent of the respondents had benefitted from these services. Respondents that had attended courses reported that the training was incomplete and had not helped them manage their businesses. District governments have tried to address these gaps and provide better support services for small business owners.

In terms of capital assistance to business owners, limited grant and loan schemes are on offer for PKH families but most of their businesses are nascent and small-scale, making it difficult to prove their viability to lending authorities. Also, they do not have adequate collateral to help guarantee their loan. Most PKH respondents are also risk-averse and prefer not to apply for a loan they may not be able to repay. Some non-governmental organisations offer soft loans that come with coaching on managing finances and operating a business and respondents considered these useful. However, only some respondents in West Bandung had accessed these loans so far.

Ministry of Manpower and sub-national governments run national and local level interventions to connect individuals to wage-employment across all four study districts. These interventions include training offered through the public vocational skills training centres, competency-based training and job fairs. They also offer training for those already engaged in specific sectors who want to update their skills to remain competitive. Once again, PKH family members were generally unaware of the public vocational skills training centres and the competency-based training offered. Also, the few who had participated said that the trainers lacked industry experience and the services had not helped them to secure employment. The employment office also organises regular job fairs in Surakarta and Pacitan in collaboration with employers in the area but PKH family members seldom manage to attend.

In addition to these mainstream livelihood interventions, a few complementary programs are designed specifically to boost the productive capacity of PKH families. These are all implemented by the Ministry of Social Affairs and include financial management and economic coaching through the PKH family development sessions (known as P2K2), group enterprises through the PKH joint business groups (KUBE PKH) and electronic community-based kiosks and mobile banking agents administered through e-Warong KUBE PKH. While the family development sessions are provided across all study areas, KUBE PKH was only found in West Bandung and Indramayu, and e-Warong KUBE PKH was only offered in Surakarta. Almost all the respondents had participated in the family development financial coaching sessions, approximately 20 per cent participated in e-Warong KUBE PKH and less than 1 per cent participated in KUBE PKH.

## Conclusion and Recommendations

Practical strategies to address livelihood constraints among social protection beneficiaries require inter-ministerial collaboration at the policy level and coordination mechanisms between implementing agencies at the local level. The varying constraints and economic trajectories that PKH family members face also need to be considered. Overall the recommendations that emerged from the study are as follows:

- **Facilitate PKH farmers to produce goods that are in greater demand for the market.** Farmers in rural areas have the potential to cultivate high-value secondary crops that require less inputs, are less common and in strong demand;
- **Foster stronger market linkages between PKH families and local buyers.** Buyers are willing to engage directly with PKH farmers and fishermen and cut out intermediary brokers but this will require agreements between both parties and alternative support systems for the producers;
- **Ensure that complementary livelihood interventions are pro-poor and accessible to PKH family members.** Poor information dissemination, distance to services and capital requirements often make government livelihood interventions inaccessible to PKH family members. Local governments need to address these issues and collaborate with the private sector to ensure the PKH family members are given equal opportunities for training and employment;
- **Set up inter-ministerial coordination mechanisms so that social protection beneficiaries can apply for pre-employment cards.** Government needs to ensure that social protection beneficiaries have access to the recently launched pre-employment card program (*Kartu Prakerja*). The subsidy scheme offers technical training and certification to give first-time graduates new skills or improve and upgrade their current skills, as well as to provide support while they are looking for employment.
- **Make complementary interventions for PKH families available to all working-age members within the household.** Existing PKH livelihood interventions only target PKH beneficiaries, although they may not be the most suitable entry point. The study has highlighted that many women are burdened with additional care duties and other household members (particularly those within the 15–30 age bracket with higher levels of education) may be in a better position to manage an enterprise.
- **Facilitate greater female labour force participation through childcare centres.** Only 30 per cent of women within PKH families are engaged in wage employment due to their need for flexible working arrangements that most employers do not offer. There is a strong need for local childcare services so that vulnerable women, such as PKH beneficiaries, can participate in the labour force should they choose.
- **Implement a productive inclusion pilot for PKH families with strong enterprise potential and interest.** KUBE PKH is the primary livelihood intervention available to PKH families although the program has limited participation rates, impact and sustainability. Following international best practice, Ministry of Social Affairs should consider implementing a productive inclusion pilot over three years to enable PKH members with entrepreneurial capacity to establish sustainable livelihoods (in urban and rural areas). As a part of the scheme, PKH families with business potential would receive financial support, linkages with private sector buyers and regular ‘business coaching’ sessions from an enterprise facilitator for two years. The enterprise facilitators could further link profitable businesses to microfinance services in the third year to ensure sustainability.

# TABLE OF CONTENTS

<b>Acknowledgements</b>	i
<b>Minister of Social Affairs Foreword</b>	iii
<b>Abstract</b>	v
<b>Executive Summary</b>	1
<b>Table of Contents</b>	5
<b>List of Tables</b>	6
<b>List of Figures</b>	7
<b>List of Appendices</b>	7
<b>List of Boxes</b>	7
<b>List of Terms &amp; Abbreviations</b>	8
<b>Chapter 1. Introduction And Research Methods</b>	9
1.1 Background and Research Objectives	9
1.2 Economic Profiles of PKH Family Members: National Level	10
1.3 Research Methods	13
1.4 Report Structure	17
<b>Chapter 2. Findings: Economic Profiles of PKH Working-Age Members</b>	19
2.1 Overview of PKH Beneficiary Family Members	19
2.2 Economic Activities of Working-age Family Members	23
2.3 Profile of Unemployed Members of the PKH Beneficiary Families	48
<b>Chapter 3. Complementary Livelihood Programs</b>	55
3.1 Complementary Livelihood Interventions for Farm Owners and Managers	55
3.2 Complementary Interventions for MSME Owners	60
3.3 Programs to Help PKH Family Members Join the Labour Market	65
3.4 Livelihood Development Programs Designed for PKH Beneficiaries	68
<b>Chapter 4. Conclusions And Policy Recommendations</b>	73
4.1 Conclusions	73
4.2 Recommendations	75
<b>Appendices</b>	79
<b>Bibliography</b>	94

## LIST OF TABLES

Table 1 : Primary qualitative data collection informants	15
Table 2 : Education Levels of PKH Family Members by Age Group (15+ years)	20
Table 3 : Prevalence of Chronic Disease and Disability in PKH Families	21
Table 4 : Employed Family Members of Working-Age: Demographic Characteristics	24
Table 5 : Distribution of Farm Owners or Managers by Age Group (%)	26
Table 6 : Distribution of Farm Labourers by Age Group	26
Table 7 : Profile of Farming Business Operated by Family Members (%)	28
Table 8 : Demographic Characteristics of Micro, Small, and Medium Enterprise (MSME) Owners	34
Table 9 : Participation of Beneficiary Family Members in Certified Training	38
Table 10 : Percentage of Sample Family Members Working in the Industrial, Trade, and Services Sector by Age Group by Highest Education Level (%)	41
Table 11 : Percentage of Workers in the Industrial, Trade and Services Sector, by Workplace and Highest Education Level (%)	42
Table 12 : Percentage of workers in the industrial, trade and services sector, by workplace and Highest Education Level (%)	43
Table 13 : Percentage of Workers in the Industrial, Trade and Services Sector With and Without Work Contracts, by Type of Workplace	44
Table 14 : Percentage of Workers in the Industrial, Trade and Services Sector Who Know Where Training Takes Place, by Type of Workplace	45
Table 15 : Average Distance from Home to the Nearest Centre of Economic Activity: Respondents Employed as Workers in the Industrial, Trade, and Services Sector (by Type of Workplace)	46
Table 16 : Percentage of Workers in the Industrial, Trade and Services Sector in the Study, by Employment-Seeking Process	47
Table 17 : Demographic Characteristics of Unemployed Family Members in the Study	49
Table 18 : Net and Gross Education Enrolment Rates of Survey Sample (%)	51
Table 19 : Demographic Characteristics of Family Members in the Study Who are Not Part of the Labour Force	52
Table 20 : Description of Agricultural Livelihood Interventions	56
Table 21 : Impact of Livelihood Development Programs for the Agricultural Sector	58
Table 22 : Description of Complementary Interventions for MSME Owners	60
Table 23 : Impact of livelihood development programs for MSME Businesses	62
Table 24 : Description of Labour Interventions	65
Table A1 : Rationale for Research Locations Selected	81

## LIST OF FIGURES

Figure 1 : Age Breakdown of PKH Family Members	11
Figure 2 : Employment Status of PKH Family Member Aged 15-59 Years (2018, National Level)	12
Figure 3 : Employment Status of PKH Working-Age Family Members with a High School Education (or Higher) at the National Level	13
Figure 4 : Research Location and Main Livelihoods in Each Location	13
Figure 5 : Research Methodology (Qualitative and Quantitative)	14
Figure 6 : Sustainable Livelihood Framework	17
Figure 7 : Sample Respondents, Grouped by Employment Status	22
Figure 8 : Sample Respondents, Grouped by Age Group	23
Figure 9 : Proportion of PKH Family Members by Economic Activity	25
Figure 10 : Types of Capital Needed to Manage MSMEs at Various Stages	37
Figure 11 : Primary Sources of Financing for PKH Enterprise Owners	39
Figure 12 : Participation in Livelihood Interventions for PKH Beneficiaries	68
Figure 13 : Benefits of the FDS in Supporting the Economic Activities of Participants (by Type of Activity)	69
Figure A2 : Proportion of Workers According to Employment Sector: Surakarta	85
Figure A4 : Steps to Implement a Productive Inclusion Program for PKH Entrepreneurs	91

## LIST OF APPENDICES

Appendix 1: Process for Selecting the Research Location	80
Appendix 2: Overview of District/City and Village/Community of Study Targets	83
Appendix 3: Sample PKH Beneficiaries Family Selection Procedure	88
Appendix 4: Details of a Productive Inclusion Pilot	90

## LIST OF BOXES

Box 1 : Micro, Small and Medium Enterprise Cooperatives Centre for Integrated Services (PLUT-KUMKM)	64
Box 2 : 2015 A Summary of KUBE PKH 2015 Evaluation Findings	71

# LIST OF TERMS & ABBREVIATIONS

APK	<i>Angka Partisipasi Kasar</i> (Gross Enrolment Rate)
APM	<i>Angka Partisipasi Murni</i> (Net Enrolment Rate)
BLK	<i>Balai Latihan Kerja</i> (Public Vocational Training Centre)
BPNT	<i>Bantuan Pangan Non Tunai</i> (Non-cash Food Aid)
BNPB	<i>Badan Nasional Penanggulangan Bencana</i> (National Disaster Management Agency)
BPS	<i>Badan Pusat Statistik</i> (Statistics Indonesia)
DTKS	<i>Data Terpadu Kesejahteraan Sosial</i> (Integrated Data of Social Welfare)
e-Warong	<i>Elektronik warung gotong royong</i> (Electronic community-based kiosk program)
FDS	Family Development Session
FGD	Focus Group Discussion
KUBE	<i>Kelompok Usaha Bersama</i> (Joint business groups program)
KUSUKA	<i>Kartu Pelaku Usaha Kelautan dan Perikanan</i> (Maritime and Fishery Commercial Card)
MoU	Memorandum of Understanding
MSME	<i>Usaha mikro, kecil dan menengah</i> (Micro, small, and medium enterprises)
NGO	Non-government Organisation
PDRB	<i>Produk Domestik Regional Bruto</i> (Gross Regional Domestic Product)
PEKKA	<i>Pemberdayaan Perempuan Kepala Keluarga</i> (Women-headed households empowerment program)
P2K2	<i>Pertemuan peningkatan kemampuan keluarga</i> (Family Development Session)
PKH	<i>Program Keluarga Harapan</i> (Family Hope Program)
PKKPM	<i>Peningkatan Kesejahteraan Keluarga Melalui Pemberdayaan Masyarakat</i> (Community Empowerment Program for Improving Family Welfare)
PLUT	<i>Pusat Layanan Usaha Terpadu</i> (Integrated Business Services Centre)
Sakernas	<i>Survei Angkatan Kerja Nasional</i> (National Workforce Survey)
SDC	Skills Development Centre
SD	<i>Sekolah Dasar</i> (Elementary School)
SMA	<i>Sekolah Menengah Atas</i> (High School)
SME	Small and Medium Enterprise
SMP	<i>Sekolah Menengah Pertama</i> (Junior High School)
Susenas	<i>Survei Sosial Ekonomi Nasional</i> (National Socioeconomic Survey)
TNP2K	<i>Tim Nasional Percepatan Penanggulangan Kemiskinan</i> (National Team for the Acceleration of Poverty Alleviation)
UMK	<i>Upah Minimum Kota/Kabupaten</i> (City/District Minimum Wage)
UMKM	<i>Usaha Mikro, Kecil dan Menengah</i> (Micro, Small, and Medium Enterprises)
UMR	<i>Upah Minimum Regional</i> (Regional Minimum Wage)
UPPKS	<i>Usaha Peningkatan Pendapatan Keluarga Sejahtera</i> (Income-generating Activities to Create Prosperous Families Program)

# CHAPTER 1.

# INTRODUCTION AND RESEARCH METHOD

## 1.1 Background and Research Objectives

Indonesia's flagship conditional cash transfer program, the Family Hope Program (*Program Keluarga Harapan: PKH*), is designed to assist poor families with pregnant mothers and children.<sup>1</sup> The program aims to reduce inter-generational poverty in the long-term by investing in children's health and education, thereby boosting the human capital development of future generations. In the short term, the transfers are intended to reduce immediate hardship, stimulate consumption, and boost local economic growth (TNP2K 2018). PKH reaches 10 million families across Indonesia and is recognised as the one of the largest conditional cash transfer programs in the world.

**An impact evaluation of the Family Hope program showed that after six years of investment it has significantly improved human capital development. However, it is not a replacement for employment and therefore has not assisted families to become self-sufficient in regards to their livelihoods (Cahyadi et al. 2018; TNP2K, 2015).** However, PKH is not a replacement for sustainable livelihoods, and therefore, beneficiary families are not necessarily investing in productive assets, although the recent increase in the PKH benefit level may cause the future economic behaviour of PKH families to change (ibid).<sup>2</sup> Existing research to establish the reasons for this outcome has, however, been limited.

**A wide body of evidence demonstrates that social protection—particularly in the form of cash transfers—stimulates the economy and leads to increased labour market participation and productivity (see McCord and Slater 2015).** Conditional cash transfer programs such as PKH encourage families to access health and education services, thereby strengthening the quality of a country's future labour force. If transfer amounts are sufficient, they often enable beneficiaries to engage in micro-enterprises and access paid work (Gertler et al. 2017; Handa et al. 2017). Lastly, cash transfers help families hit by shocks, for example, by reducing the likelihood that they will sell productive assets as a coping strategy (OPM and IDS 2012).

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<sup>1</sup> As of 2016, Gol included top-up benefits for PKH families who have elderly and persons with disability within their households.

<sup>2</sup> While the PKH benefit was previously provided as a "flat" household benefit irrespective of family size and education levels, as of 2019 PKH has reverted to its original design of a staggered benefit (depending on number of children and their education levels). Benefit levels have also significantly increased since 2019.

**On the other hand, evidence also suggests that cash transfers alone are insufficient to systematically overcome the structural barriers to employment and sustainable livelihoods (McCord 2018).** Addressing such barriers requires a closer look at the reasons for low productivity and poorly remunerated employment among the poorest segment of Indonesia's population. In short, why do PKH beneficiaries experience challenges to attaining sustainable livelihoods, and how can this be addressed?

**In response, the MAHKOTA program (with the support of the Australian Government) collaborated with the SMERU Research Institute (SMERU) in this study to identify opportunities to strengthen the livelihoods of PKH recipient families living in different regions.** The study explores:

- The economic profiles and characteristics of working-age members within PKH families;
- The availability of government employment services in the study areas and the extent to which PKH families use and benefit from these schemes; and
- The livelihood aspirations of PKH families and the contextual barriers to achieving them.

**Based on the findings, the study goes on to provide practical recommendations for linking working-age PKH family members to complementary livelihood interventions that suit their context, with the aim of addressing their challenges to sustainable livelihoods and increasing their household income in the long term.**

## 1.2 Economic Profiles of PKH Family Members: National Level

**PKH targets poor and vulnerable families that are registered in the national unified database (UDB), Indonesia's poverty database and social registry. The program provides a benefit level between Rp. 1,450,000 to Rp. 9,750,000 (~US\$103 to US\$726) per family per year, depending on the education level of the child<sup>3</sup>.** The payment is contingent on school attendance for children and health check-ups for pregnant and breastfeeding mothers. Since 2016, an additional cash transfer has been added to existing benefit levels for PKH families with elderly members (above the age of 60) and people with severe disabilities.<sup>4</sup>

**Based on data from the 2018 national economic and social survey census (Susenas), over eight million families benefit from PKH (BPS 2018a), equivalent to 8 per cent of all households in Indonesia.** This is a dramatic rise from 2 per cent in 2014 and 5 per cent in 2017. The government expects PKH to benefit 10 million families in 2019. Most PKH beneficiaries live in rural areas (64 per cent), with the largest proportion in the East Nusa Tenggara province, and the highest number living in East Java and West Java provinces.

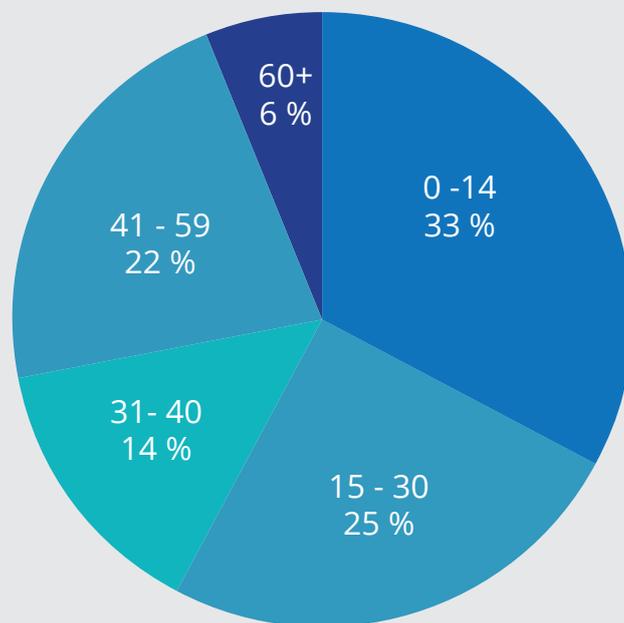
**More than one-half of PKH family members are children aged 0–14 years and young people aged 15–30 years. About one-third fall within the working age cohorts of 31–40 and 41–59 years and about 6 per cent are 60 years and above (see Figure 1).**

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<sup>3</sup> The base benefit level is Rp 550,000 per family per year, or Rp 1,000,000 for those who are in remote and hard to reach areas (known as PKH Akses). Pregnant mothers also receive Rp 2,400,000 per year; each young child receives Rp 2,400,000; elementary school students receive Rp 900,000; junior high school students receive Rp 1,500,000; and high school students receive Rp 2,000,000.

<sup>4</sup> At the time of writing, PKH families with a person with severe disability receive an additional Rp 2,400,000, and those with an elderly person above the age of 60 receive an additional Rp 2,400,000. A maximum of four people is supported within the family.

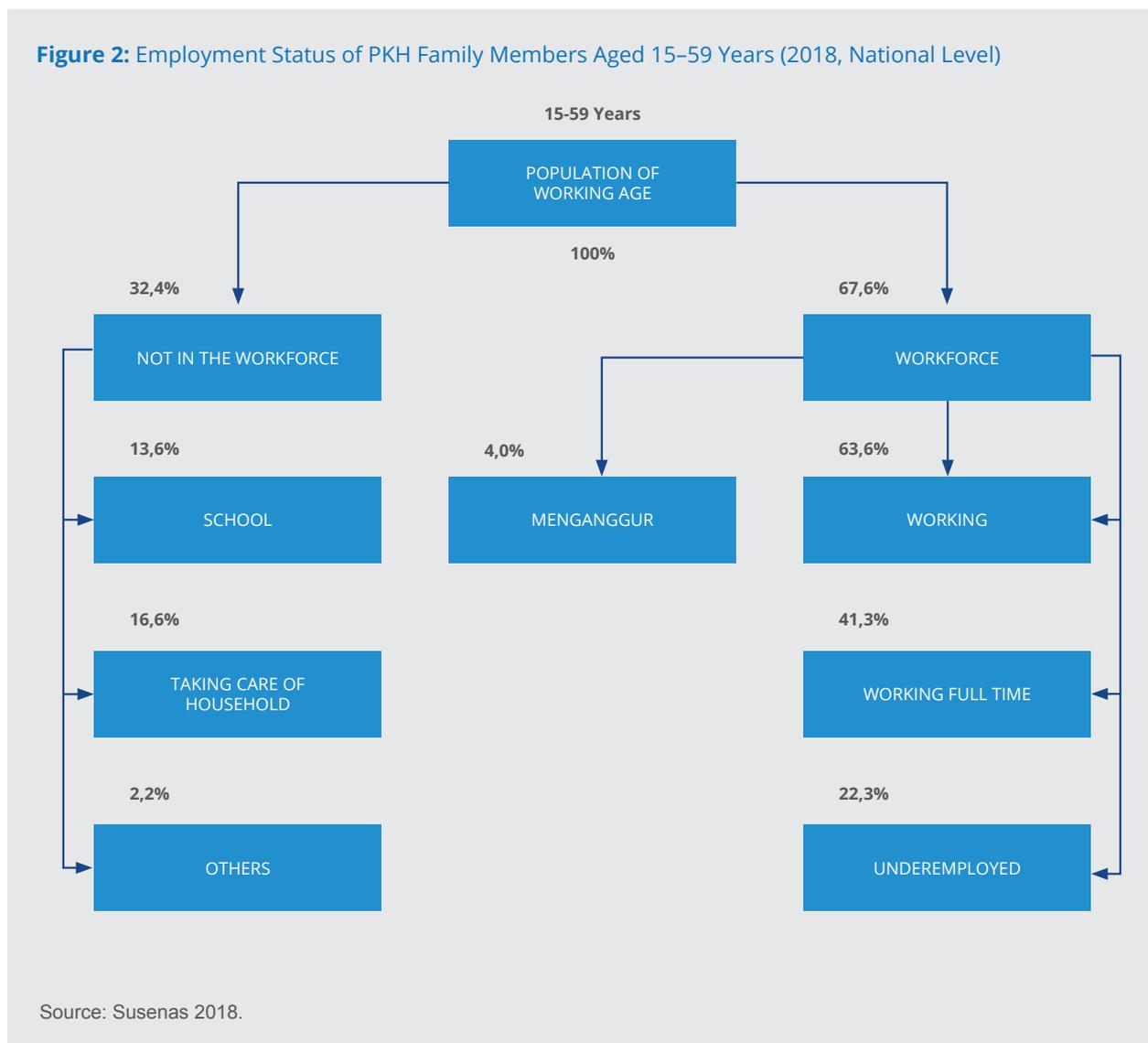
**Figure 1: Age Breakdown of PKH Family Members**



Source: Survey data

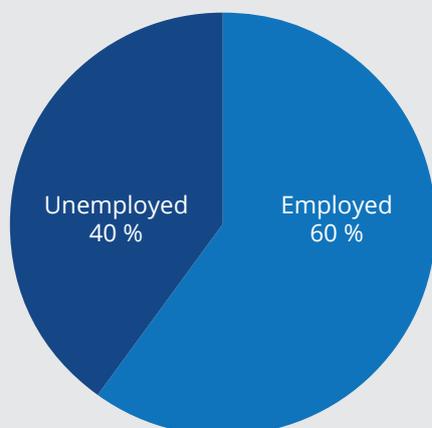
**Most PKH family members of working age (15-59 years as per Indonesia's Bureau of Statistics standards) are members of the labour force (68 per cent) (Figure 2).** The remaining 32 per cent of working age PKH family members are still at school, take care of the home, or are unemployed. The proportion of women who are not in the workforce is 48 per cent (primarily due to homecare duties) as compared to 17 per cent of men.

**Figure 2:** Employment Status of PKH Family Members Aged 15–59 Years (2018, National Level)



While the percentage of PKH family members in the 15–59 years age bracket who are unemployed is low (4 per cent), most of the unemployed (85 per cent) fall into the 15–30 years age bracket. These young unemployed people are mostly senior secondary school or university level graduates (39 per cent) (Figure 3). Meanwhile, most employed have limited education backgrounds, as 63 per cent are primary school graduates and only 17 per cent hold secondary school or university level diplomas.

**Figure 3:** Employment Status of PKH Working-Age Family Members with a High School Education (or Higher) at the National Level



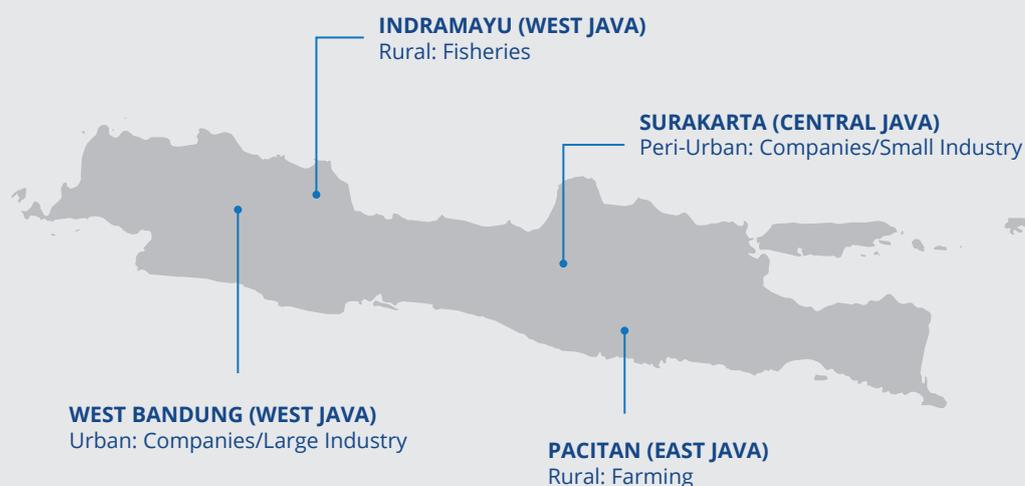
Source: Processed from survey data

### 1.3 Research Methods

#### Research Period and Location

Quantitative and qualitative data were collected in the period 13 to 30 March 2019. The research was undertaken in two villages/municipalities in each of the following districts: Indramayu and West Bandung in West Java; Surakarta city in Central Java; and Pacitan district in East Java (Figure 4). The districts, subdistricts, villages, and communities for the study were purposively selected by considering the number and proportion of PKH beneficiary families, the types of livelihoods of the population and the presence of government livelihood interventions for PKH families. Details of the selection process and justifications for the research locations are presented in Appendix 1 and an overview of the research locations is provided in Appendix 2.

**Figure 4:** Research Locations and Main Livelihoods in Each Location



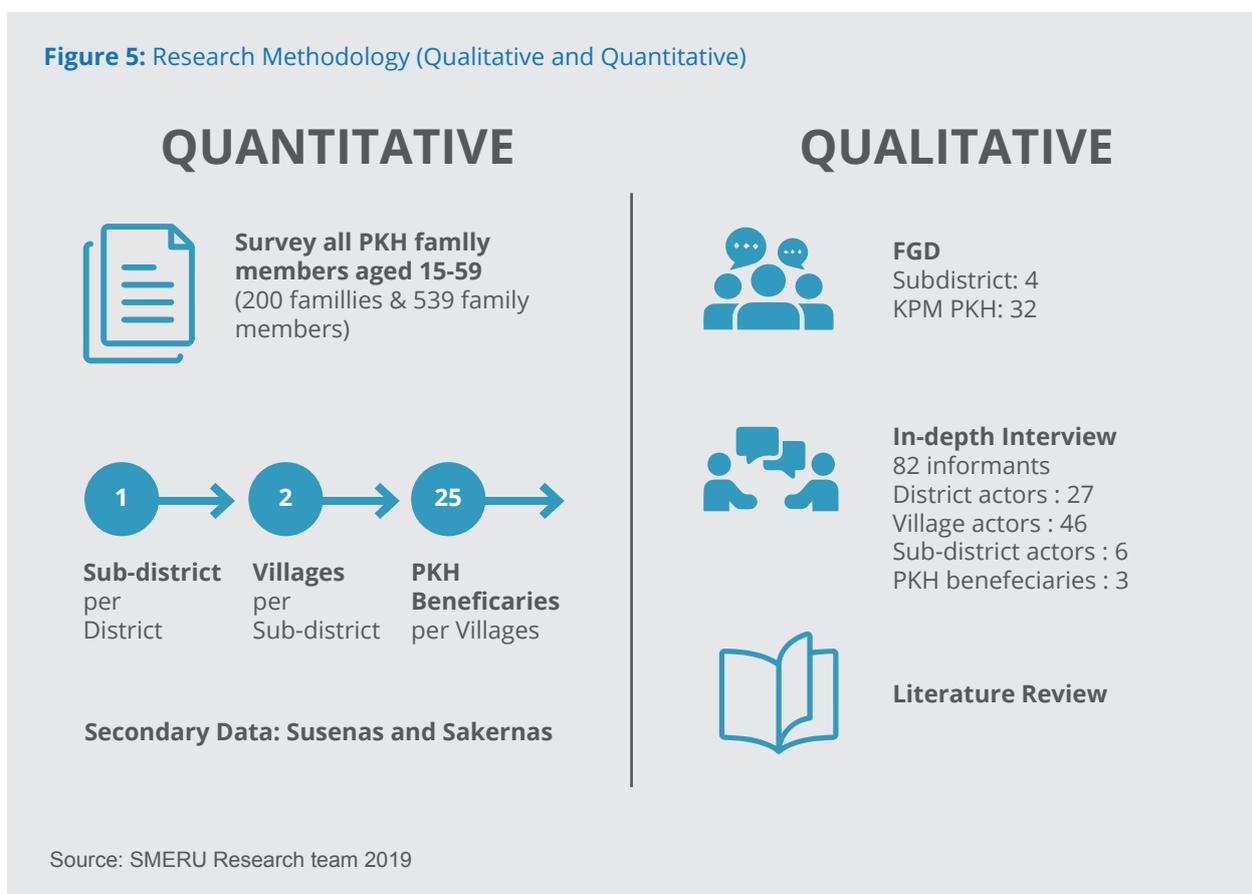
Source: Processed from survey data

## Research Methodology

### Qualitative Methods

Qualitative data was collected through 82 in-depth interviews and 36 mini focus group discussions (FGDs) at the village, subdistrict, and district levels as well as desk review analysis (Figure 5). Respondents included microfinance institutions that PKH beneficiary household members had accessed; local government agencies who offered livelihood programs and services; private traders and business owners; PKH facilitators; and PKH beneficiary family members engaging in various livelihood activities (including entrepreneurs who had graduated from the PKH program) (Table 1).

Figure 5: Research Methodology (Qualitative and Quantitative)



**Table 1:** Primary Qualitative Data Informants

Level	Informant/participant	Data collection activity
District/city	Social affairs office and PKH implementers	In-depth interviews
	District employment office	
	District cooperatives and micro, small, and medium enterprises (MSMEs) office	
	Regional planning and development agency (Bappeda)	
	District marine affairs and fisheries office (Indramayu district)	
	District industry and trade office (West Bandung district, Surakarta city)	
District agricultural office (Pacitan district)		
District/city/ subdistrict	Microfinance institutions	In-depth interviews
Subdistrict	Discussions with local government employees	FGDs
Village/municipality	PKH/KUBE PKH/e-Warong KUBE PKH facilitators	In-depth interviews
	Local business owners	
	Traders	
	Village/municipality government officials	
Village/municipality	Young male PKH beneficiary family members (15–30 years old)	Mini FGDs
	Young female PKH beneficiary family members (15–30 years old)	
	Adult male PKH beneficiary family members (31–59 years old)	
	Adult female PKH beneficiary household members (31–59 years old)	
Families/individuals	Successful entrepreneurs within PKH beneficiary families	In-depth interviews
	Unsuccessful entrepreneurs within PKH beneficiary families	

Source: SMERU research team 2019.

**Each mini FGD at the village level involved five PKH beneficiary family members, grouped by sex and age.** FGDs explored participants' livelihoods and the factors supporting and impeding their access to these livelihoods. Where the village or municipality was covered by specific livelihood interventions for PKH families, the composition of the groups also reflected their membership in these programs. Further to this, larger FGDs involving PKH facilitators, subdistrict government officials, village or municipal officials, local business owners, and non-government organizations (NGOs) were used to confirm our research findings and to generate recommendations.

### **Quantitative Methods**

**The quantitative data covered 200 PKH beneficiary households (50 households per district) (Figure 5).** Samples were selected through a systematic random process based on PKH beneficiary data provided by the Ministry of Social Affairs (MoSA). The study respondents included PKH family members of working age (15–59 years of age), totaling 539 respondents. The sampling procedure is described in Appendix 3.

**The surveys were conducted by four enumerators per district using tablets running computer-assisted personal interviewing software and the responses were processed using the Census and Survey Processing System (CSPPro) software.** During the surveys, all working-age members of the families and those who had worked within the last week (including working minors) were interviewed. The questions asked in the interviews explored: (i) the participant's type of work; (ii) how much time they allocated to work; (iii) their income; (iv) what training certificates they held; (v) existing levels of debt and whom they borrow from; and (vi) their aspirations for the future.

### **Analytical Framework**

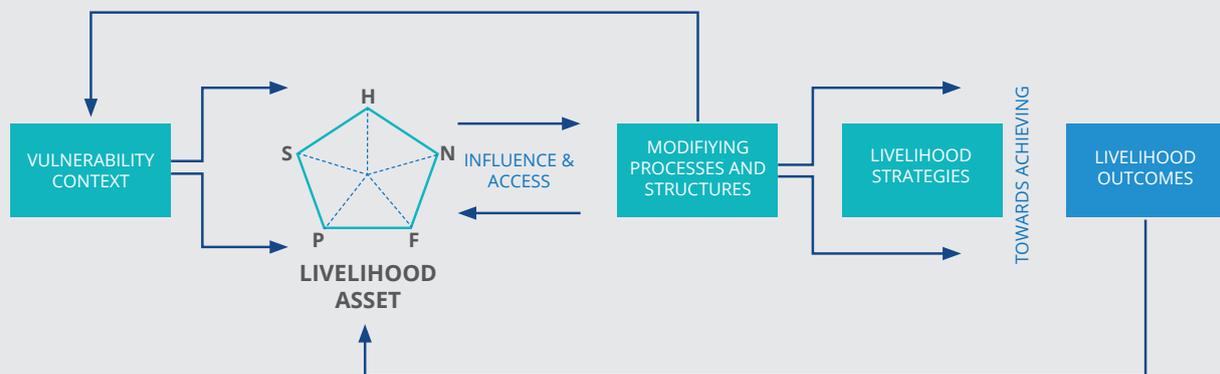
**The research adopted the sustainable livelihood framework<sup>5</sup> that examines the links between the various livelihood assets that the PKH beneficiary family members can access: human resources, natural resources, finance, infrastructure, and social relations (Figure 6).** For instance, the level of human capital, such as skills, qualifications and education, strongly influence the livelihood opportunities that PKH family members can access, particularly in urban and peri-urban contexts. **Physical capital**, such as fertile land and irrigation systems, are critical assets for those engaged in the agricultural and fishing sectors. Access to **financial resources** is required to offset labour mobility costs and to provide seed capital for enterprises. **Social networks** typically mediate access to information about employment opportunities, technical and vocational education and training, and other support services. **Physical capital** and the quality of infrastructure enables (or inhibits) families from accessing markets, training centres, government offices, and places of work.

**Modifying processes and structures**, such as governing agencies, policies, and quality of services also have an impact on the livelihood strategies and outcomes that PKH families can achieve. The framework also considers the **vulnerability context** (the nature of their poverty traps and other constraints) that the PKH families face. For the purpose of gender mainstreaming and social inclusion, we analysed the data by gender, age, and disabilities. Our analysis of the potential livelihood strategies for PKH family members also considers the supply side (PKH family members as agents) and the demand side (labor market, and business opportunities).

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<sup>5</sup> DFID 1999.

**Figure 6: Sustainable Livelihood Framework**



Source: DFID 1999.

Note: H = Human capital, N = Natural capital, F = Financial capital, S = Social capital, P = Physical capital.

## 1.4 Report Structure

**The study report consists of four chapters.** Chapter 1 presents the introduction and describes the research methodology. Chapter 2 delves into the economic profiles of working-age PKH family members, while Chapter 3 explains PKH members' access to government complementary livelihood interventions. Finally, Chapter 4 concludes with practical recommendations for strengthening the economic opportunities that PKH families can avail, as well as some critical policy recommendations to consider.



## CHAPTER 2.

# FINDINGS: ECONOMIC PROFILES OF PKH WORKING-AGE MEMBERS

**This chapter presents the demographic profiles of the PKH family members in the study, as well as their economic activities which are grouped into: (i) agricultural business owners and farm labourers; (ii) MSME owners; and (iii) workers or employees in the non-agricultural sector.** The chapter concludes with a profile of family members who are currently not employed but could become involved in economic activities in the future.

### 2.1 Overview of PKH Beneficiary Family Members

**The study sample included 200 PKH beneficiary families (totaling 883 family members), consisting of 49 per cent females and 51 per cent males.** Eleven households, mainly in Surakarta and Indramayu, were headed by women. A study on household livelihoods found that, during times of economic instability, households headed by women tended to have less effective risk management strategies since the women bore the double burden of seeking livelihoods and taking care of domestic chores (Kusumawardhani et al. 2016: 57).

**A large proportion (65 per cent) of family members in the sample families were within the working age cohort (15–59 years old) which is higher than the national level (60.5 per cent) (Susenas 2018).** On average, each sample family includes one young adult (15–30 years old), although the proportion of young people in the sample families in Pacitan is lower. Qualitative interviews revealed that parents tend to encourage their children to work outside the agricultural sector. With the limited employment opportunities in rural areas like Pacitan, young people often migrate, however, once they marry or reach full adulthood, they tend to return to the village and take over land inherited from their parents.

**The education level of sample family members in all research locations was relatively low.** Among family members aged 15 years and over, 57 per cent had an elementary school education (or equivalent) while 31 per cent attained junior high school education or equivalent (**Table 2**). Interestingly, 8 per cent of family members under the age of 35 also attained senior high school and equivalent, while five respondents had managed to attain university degrees.

Participants from urban areas tend to have higher education levels which can partly be attributed to the higher number of secondary schools (or their equivalents) and universities in the cities. In the sampled subdistricts of Indramayu and Pacitan, for example, there are only two or three secondary schools (or their equivalent) and the one university is in the district's capital, incurring high transport costs to access (refer to Section 2.2 for further discussion).

For PKH family members above the age of 15, 57 per cent have elementary level education; 8 per cent have a senior high school education; 1 per cent have university degrees.

**Table 2.** Education Levels of PKH Family Members by Age Group (15+ years)

Age Group	Education Group				Total		
	Elementary below	Junior High School	Senior High School	University	n	%	
15-24	42	98	35	3	178	28.7	
25-34	28	32	16	1	77	12.4	
35-44	130	41	14	0	185	29.8	
45-54	95	17	6	1	119	19.2	
55-59	57	4	0	0	61	9.8	
Total	n	352	192	71	5	620	n.a.
	%	56.8	31	11.4	0.8	n.a.	100

Source: Processed from survey data

**Some sample families also faced challenges due to chronic or prolonged illnesses or disability.**<sup>6</sup> Overall, 26 per cent of the sample families had at least one family member with a chronic or long-term disease and 13 per cent had at least one member with a disability. The chronic diseases reported most frequently were rheumatism, hypertension, asthma, cardiovascular disease and diabetes but some family members also suffered from cancer, tuberculosis, and strokes. The cohort with the highest prevalence of chronic disease or disability were those aged 60 years and above, although the relatively high prevalence of chronic disease (26 per cent) and disability (20 per cent) among young people aged 15-30 years is alarming (**Table 3**).

<sup>6</sup> In the survey, beneficiaries are considered to have some form of disability when they choose any of the following answers: (i) difficulty in seeing, even when using glasses; (ii) difficulty in hearing, even when using a hearing aid device; (iii) difficulty climbing stairs; (iv) difficulty in remembering/concentrating; (v) difficulty taking care of oneself, such as bathing or getting dressed; (vi) difficulty communicating even when using their day-to-day language; (vii) living with a mental disability; or (viii) living with a mental illness.

**Table 3:** Prevalence of Chronic Disease and Disability in PKH Families

Age group	Chronic disease		Disability (5 years+)	
	%	n	%	n
0-14	6.5	262	4.1	220
15-30	25.6	216	20.1	216
31-40	15.4	149	4.7	149
41-59	32.4	224	13.8	224
60+	53.3	30	67.7	31
<b>Total (individuals)</b>	<b>16.9</b>	<b>881</b>	<b>9.5</b>	<b>840</b>
<b>Total (families)</b>	<b>26.4</b>	<b>200</b>	<b>12.9</b>	<b>200</b>

Source: Processed from survey data 2019

26 per cent of PKH families interviewed have a family member with a chronic illness and 13 per cent have a member with some form of disability. 25 per cent of people with a chronic illness and 20 per cent with disability are within the 15-30 age bracket.

**The most frequently mentioned disabilities include difficulty seeing and difficulty climbing stairs, although ten family members from the sample suffer from mental problems and nine of them are 30 years old or younger.** One mother (PKH beneficiary) of a person with mental and physical disabilities in Pacitan reported that her disabled child is not able to work except by helping them collect weeds in the field. She was reluctant to let the child work for other people as the child had previously been bullied.

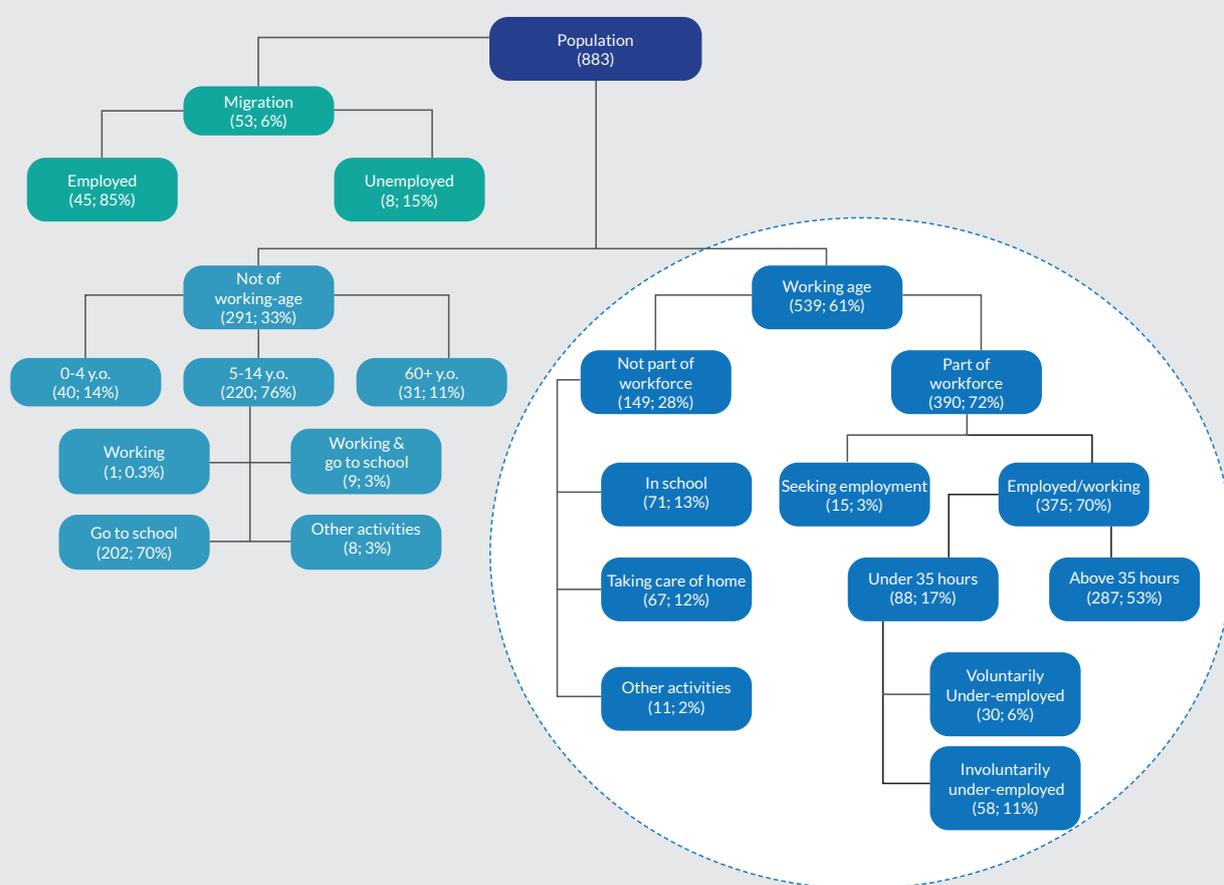
**With regard to the economic activities of the family members in our sample, we found that 53 members of PKH families had migrated<sup>7</sup> (Figure 7), 42 had left the city or district and 11 had gone overseas.** Around 85 per cent of the migrants sought work while the rest accompanied their spouse or relatives. Family members who migrated within the country send back remittances of Rp 500,000 to Rp 1.5 million each month while those who migrated overseas send back around Rp 1–4 million every month.

**Family members from Pacitan made up most of the in-country migrants (27 people) and most of them still live in neighbouring cities or districts such as Surabaya.** While a few of these migrants were labourers on palm oil plantations outside Java, for example in Sumatra, they usually work in factories, as construction labourers or as domestic workers. The migrants who had left the country mostly came from Indramayu (nine people) and they chose to work in Taiwan and Malaysia as construction workers or domestic workers. According to their relatives, only the migrant workers from Indramayu received pre-departure education or training from the Indonesian Migrant Worker Placement Agency, private worker placement agencies or non-governmental organizations before they left to work overseas.

<sup>7</sup> PKH family members are considered to have migrated if their names are on the family card but they have lived outside the district, city, or country for six months or more.

**Around one-third of the family members were not in the working-age group: 11 per cent were 60 years old or older; 14 per cent were babies and under-fives; and 76 per cent were between 5–14 years of age.** Nine school children were, however, at school and working part time to earn money and one was working and did not go to school. They live in Pacitan (six children) and Surakarta (three children). The underlying reasons for the children working were, however, different between the two study areas. In Pacitan it is customary for children to help their parents in the fields and collect weeds (the practice of *ngarit*) as many families in this district have inherited land. Helping parents is seen as a learning process so the children are able to manage the land in the future. Meanwhile, in Surakarta, the children are working on their own volition and some work for other people, such as working part-time at traditional food stalls or cafés.

**Figure 7: Sample Respondents, Grouped by Employment Status<sup>8</sup>**



Source: Processed from survey data 2019

Note: Figures slightly less than 100% due to the effects of rounding.

**Most family members of working age in the sample are employed: 53 per cent work full-time and 17 per cent are underemployed.** For those who are of working-age but not part of the labour force, 13 per cent are still in school, 12 per cent take care of the home or other activities and 2 per cent are looking for work.

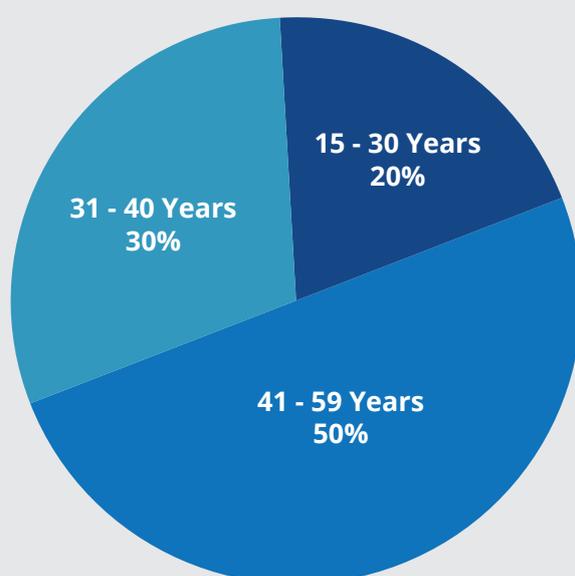
<sup>8</sup> According to the National Employment Survey (Sakernas) carried out by Statistics Indonesia (*Badan Pusat Statistik*: BPS), “working age” only considers those who are residing in the household. Migration statistics are, therefore, calculated separately

## 2.2 Economic Activities of Working-age Family Members

**Overall, male family members in our research sample have a higher workforce participation rate (84 per cent) than their female counterparts (61 per cent).** This female participation rate is, however, still higher than that for female PKH family members at the national level (around 52 per cent). According to study respondents, women generally participate less in the labour force as compared to men because of their domestic duties and difficulty in finding flexible employment opportunities. Nevertheless, women usually engage in more varied economic activities than men because certain jobs are stereotypically attached to women, such as domestic work, ironing, childcare or selling prepared foods. Independent businesses, such as traditional kiosks and simple food stalls, that can be run at home are also mostly operated by women because of the flexibility that they offer. Although generally more men of working age in the sample families are employed,<sup>9</sup> reaching 65.5 per cent in West Bandung, the opposite was found in Pacitan. The high proportion of women working in Pacitan is due to the predominance of the agriculture sector that tends to be more flexible and open to women's participation.

**In terms of age group, around one-half of the family members in our sample who are employed fall into the 41–59 years age group and one-third are in the 31–40 years age group.** Meanwhile, on average, 20 per cent of young people (15–30 years old) are employed since some are still in school (**Figure 8**). In West Bandung, however, 26 per cent of young people are working, and this is partly due to the semi-urban typology of the region that offers a wide variety of employment–creating a pull factor for young people into the job market.

**Figure 8:** Sample Respondents, Grouped by Age Group<sup>10</sup>



Source: Processed from survey data

<sup>9</sup> The term "employed" in this research refers to the BPS definition, namely persons who:  
 (i) undertook economic activities with the purpose of generating or helping to generate income or profit, for no less than one hour (uninterrupted) within the past week;  
 (ii) are engaged in a form of work but did not perform such work during the past week due to reasons such as being ill, on leave, waiting for harvest time or on strike.

<sup>10</sup> According to the National Employment Survey (Sakernas) carried out by the Bureau of Statistics (BPS), "working age" only considers those who are residing in the household. Migration statistics are therefore calculated separately.

Well over one-half of those employed have only a primary school education, particularly those above 40 years of age, resulting in low skill levels and minimal qualifications for jobs.

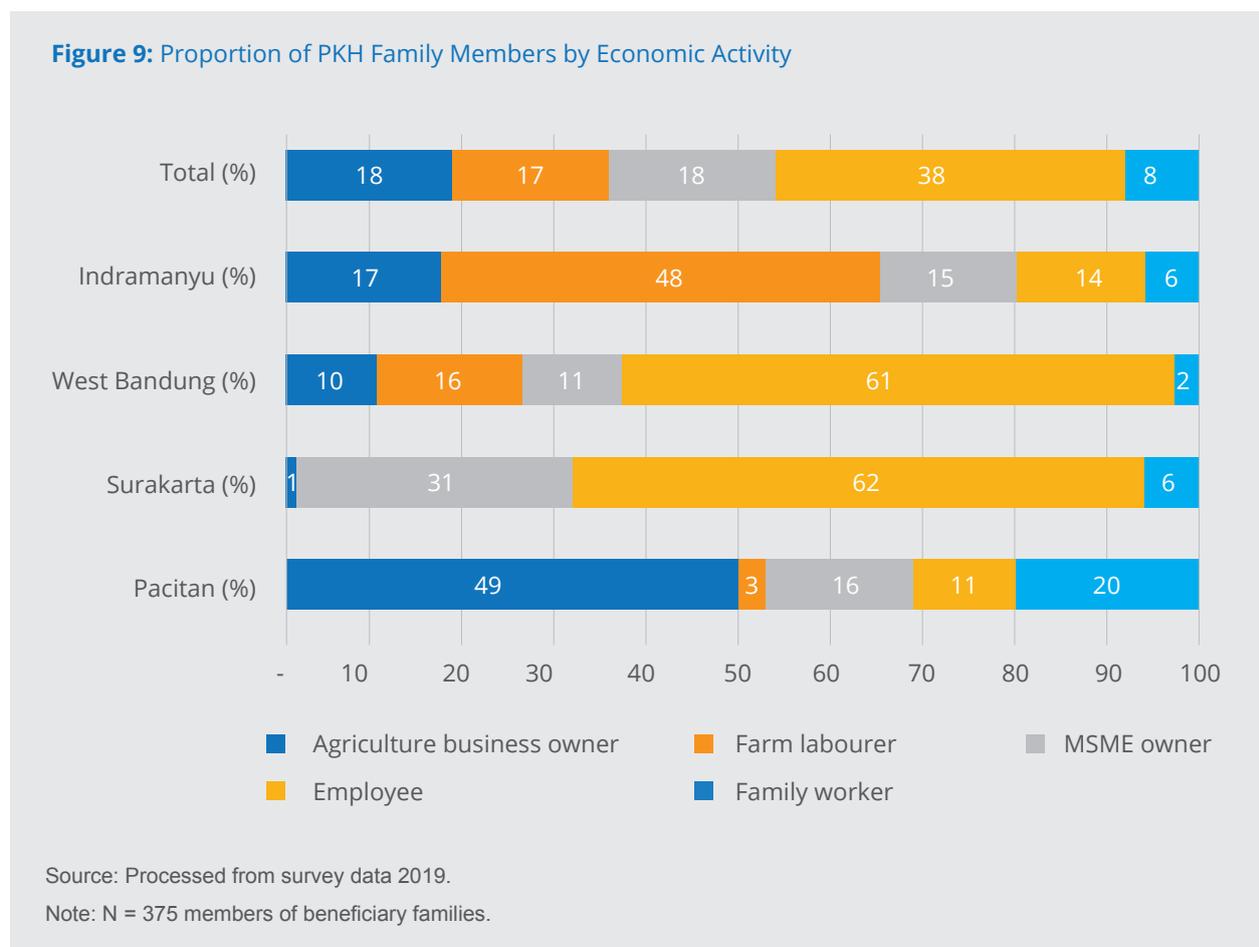
Reflecting the generally low education levels of the family members in our sample (Table 4), more than one-half of those employed also have a limited education, particularly in Indramayu and Pacitan. In both districts' residents of 40 years and above mostly have primary school education and some did not finish sixth grade because education was not always easy to access in the past. Even today residents in some hamlets find it difficult to access education due to poor road conditions and the lack of secondary schools or the equivalent. Some respondents in Pacitan also reported that their eldest child decided to start contributing to the family financially rather than continue at secondary school so that their younger siblings would not have to drop out of school.

**Table 4:** Employed Family Members of Working-Age: Demographic Characteristics

Category		Region (%)				Total	
		Indramayu	Bandung Barat	Surakarta	Pacitan	%	N=375
Sex	Female	41.1	34.4	41	50.6	41.6	156
	Male	58.9	65.6	59	49.4	58.4	219
Age Group	15-30	20	25.8	17	14.9	19.5	73
	31-40	29.5	32.3	31	33.3	31.5	118
	41-59	50.5	41.9	52	51.7	49.1	184
Education (15 th+)	Primary and lower	80	59.1	38	67.8	60.8	228
	Junior secondary	15.8	24.7	29	29.9	24.8	93
	Senior secondary School	4.2	15.1	30	2.3	13.3	50
	College	0	1.1	3	0	1.1	4

Source: Processed from survey data 2019.

**Within the selected research areas, family members are engaged in a variety of livelihood activities.** Overall, more than one-third of working-age family members in the sample work in agricultural sectors. In Pacitan nearly one-half are business owners in the agriculture sector and in Indramayu almost one-half are farm labourers (Figure 9). In West Bandung and Surakarta, however, more than one-half are working in non-agricultural sectors. In Surakarta, for example, close to one-third of the respondents are MSME business owners.



## Agricultural Farm Owners and Labourers

### General Characteristics

**Of the 133 family members working in the agricultural sector, just over one-half run businesses as owners or managers (52 per cent) and the rest are farm labourers (48 per cent).** These groups, however, present different demographic characteristics. Farm owners or managers are predominantly men (64 per cent) while farm labourers are mostly women (62.5 per cent) (**Table 5** and **Table 6**). This phenomenon reflects the conventional belief that men are the implementers of agricultural activities in the family (Suradisastira 1983). Women also frequently work as farm labourers in agricultural businesses owned by a third party.

**Nearly two-thirds of family members working in the agricultural sector, whether as owners, managers or labourers are in the 41–59 years age group while one-third are in the 31–40 years age group (Table 5).** On the other hand, only 1.4 per cent of farm owners or managers are below 31 years of age compared to 14 per cent of farm labourers (**Table 6**). This may be because the data collection period coincided with harvest time—particularly for rice and secondary crops—so more young people were temporarily employed as farm labourers.

**In Pacitan and West Bandung, work available as farm labourers in crop cultivation<sup>11</sup> is seasonal, especially for younger workers.** Most farm labourers aged 40 years or less (77 per cent ) also do other work during the year. They work as farm labourers during harvest or planting season and the rest of the time they work as construction workers, market porters or food peddlers. On the other hand, only 46 per cent of farm labourers over 40 years of age undertake other jobs.

**A different phenomenon emerged in the fishing subsector.** Family members working as crew on board fishing boats and independent fishermen using their own boats generally do not engage in any other work.

**Table 5: Distribution of Farm Owners or Managers by Age Group (%)**

Agricultural subsectors	Age group			Total	Sex		Total
	15-30 years	31-40 years	41-59 years		Female	Male	
Rice and secondary crops	0	17.4	36.2	<b>53.6</b>	20.3	33.3	<b>53.6</b>
Horticulture	0	2.9	5.8	<b>8.7</b>	4.3	4.3	<b>8.7</b>
Plantation	0	0	2.9	<b>2.9</b>	2.9	0	<b>2.9</b>
Fishing	1.4	4.3	15.9	<b>21.7</b>	1.4	20.3	<b>21.7</b>
Animal husbandry	0	8.7	4.3	<b>13</b>	7.2	5.8	<b>13</b>
<b>Total</b>	<b>1.4</b>	<b>33.3</b>	<b>65.2</b>	<b>100</b>	<b>36.2</b>	<b>63.8</b>	<b>100</b>

Source: Processed from survey results 2019.

Note: Number of respondents = 69 members of beneficiary families. Total values are slightly less than 100% due to rounding.

**Table 6: Distribution of Farm Labourers by Age Group**

Agricultural subsectors	Age group			Total	Sex		Total
	15-30 years	31-40 years	41-59 years		Female	Male	
Rice and secondary crops	10.9	25	45.3	<b>81.3</b>	46.9	34.4	<b>81.3</b>
Horticulture	0	0	3.1	<b>3.1</b>	1.6	1.6	<b>3.1</b>
Plantation	0	0	1.6	<b>1.6</b>	1.6	0	<b>1.6</b>
Fishing	3.1	1.6	6.3	<b>10.9</b>	9.4	1.6	<b>10.9</b>
Aquaculture	0	0	1.6	<b>1.6</b>	1.6	0	<b>1.6</b>
Animal husbandry	0	0	1.6	<b>1.6</b>	1.6	0	<b>1.6</b>
<b>Total</b>	<b>14.1</b>	<b>26.6</b>	<b>59.4</b>	<b>100</b>	<b>62.5</b>	<b>37.5</b>	<b>100</b>

Source: Processed from survey results 2019.

Note: Number of respondents = 64 members of beneficiary families. Total values are slightly less than 100% due to rounding.

<sup>11</sup> Included in crop cultivation are rice fields, secondary crop cultivation, horticulture and plantations.

**When separated by subsector, around one-half of farm business owners or managers plant rice and secondary crops while one-fifth engage in fishing (Table 5).** Rice cultivation takes place in Pacitan, West Bandung and Indramayu, while secondary crop cultivation—including corn and tuber plants—was only found in Pacitan.

**Fishing only took place in Indramayu—the only area among the four study locations that is located on the coast.** Not one single family member had a fishery due to the large capital and extensive land area required. As such, most family members working in the fisheries industry are members of boat crews or fish farm workers. Valuable sea products were harvested during the research period, namely: squid, crab and shrimp, in addition to the regular fish species.

#### ***Enterprise Practices of PKH Farm Owners and Labourers***

**Farming businesses in this research cover crop cultivation (rice, secondary crops and horticulture), animal husbandry, fish farming and fishing.** In general, the family members in this study still manage their farms using simple methods. The use of tractors, for instance, is still limited (13 per cent), while, among the corn farmers, only two out of five farmers use corn sheller machines. In the fishery subsector, family members who work as fishermen usually use simple fishing gear such as nets, fishing rods, guiding barriers, and fishing platforms. Approximately one-half of the fishermen in Indramayu fish without fishing boats while almost all the remainder use boats with outboard motors, and just a few use boats with onboard motors (**Table 7**). With limited production tools, the productivity of farm businesses run by family members is relatively low.

**Farmer productivity among PKH families is low due to lack of education and knowledge of modern cultivation techniques, limited access to productive tools, and low participation within farmers' collectives.**

**Table 7:** Profile of Farming Businesses Operated by Family Members (%)

Indicator		Indramayu (N=16)	West Bandung (N=9)	Pacitan (N=43)	Surakarta (N=1)	Total
Female (%)		6.3	55.6	44.2	0	<b>26.5</b>
Age group						
	15–30 years old	6.3	0	0	0	<b>6.3</b>
	31–40 years old	18.8	44.4	37.2	0	<b>25.1</b>
	41–59 years old	75	55.6	62.8	100	<b>73.4</b>
Subsectors						
	Rice and secondary crops	6.3	77.8	67.4	0	<b>37.9</b>
	Horticulture	0	11.1	11.6	0	<b>5.7</b>
	Fishing	93.8	0	0	0	<b>23.5</b>
	Animal husbandry	0	11.1	16.3	100	<b>31.2</b>
Irrigation systems						
	Rainwater harvesting	0	75	86.1	NA	<b>40.3</b>
	Semi-technical irrigation	100	25	8.3	NA	<b>33.3</b>
	Technical irrigation (ground water)	0	0	5.6	NA	<b>1.4</b>
Type of fishing boats						
	Onboard motor boats	6.7	NA	NA	NA	<b>6.7</b>
	Outboard motor boats	40	NA	NA	NA	<b>40</b>
	Without boats	53.3	NA	NA	NA	<b>53.3</b>
	Own boat	20	NA	NA	NA	<b>20</b>
Marketing orientation						
	Sell entire product	81.3	22.2	51.2	0	<b>38.7</b>
	Sell portions of the product	12.5	44.4	23.3	100	<b>45</b>
	Entirely self-consumed	6.3	33.3	25.6	0	<b>16.3</b>
Marketing method						
	Sell at the market	6.7	0	3.2	0	<b>2.5</b>
	Through broker	93.3	83.3	87.1	0	<b>65.9</b>
	Sell to customers within the neighborhood	0	16.7	9.7	100	<b>31.6</b>

Source: Processed from survey results 2019.

Note: Surakarta values are listed as N/A so that the sample size of “1” does not distort total averages. Total values are slightly less than 100% due to rounding.

**The majority of PKH farm owners and fishermen operate on a semi-commercial basis.** About one-half (52 per cent ) sell all their produce and 27 per cent partially sell their produce. Among rice farmers, around 46 per cent sell a portion of their harvest while the rest consume their entire yield.

**In terms of marketing their products, around 88 per cent of farm owners or managers sell their products through brokers, lengthening their supply chain and pushing down farmers' profits.** Around 9 per cent sell their products to neighbors, and only 3.3 per cent sell directly to the market where they could potentially obtain the highest prices for their produce.

**The preference for using brokers to sell their products may be influenced by infrastructure but there are also other factors to consider.** In the rice and secondary crop farming subsector, farmers know that brokers frequently manipulate prices, but they prefer to utilize this channel because of their urgent need for cash. Farmers also have a small volume of harvested crops to sell, making it easier to sell to the closest broker rather than to a market further away that requires an expensive journey on rough roads and adverse terrain.

**88 per cent of farmers sell their produce through brokers. Only 3.3 per cent sell directly to the market where they can potentially get the highest prices.**

## Analysis of Farm Owners' and Labourers' Livelihood Capital

**Farm owners experience a range of challenges in managing their businesses.** These challenges specifically relate to a deficit in the various sources of livelihood capital, as discussed below.

### *Human Capital*

**Limited human resources capacity is the main reason for the limited farm production techniques the business owners use.** Most of the farm owners had only a primary school education or lower and just over 15 per cent of the family members who own or operate farming businesses are not able to read and write. The low levels of education affect their attitude and work ethics as well as their ability to adapt to advancements in technology. Intan (1997) states that a deeply rooted challenge involving human capital in agribusiness is negative attitudes that result in a slow pace or poor quality of work. Many farmers admit that they only became farmers for want of any other skills (Muksin 2007). The inability to adapt to technology can also be observed in the use of tractors. Among the few farmers who rent tractors for tilling (13 per cent ), almost none can operate the machines themselves and they have to rent the tractor and hire an operator at great cost. The cost can be as much as 30 per cent of their total operating costs, excluding wages, thereby further reducing profit and finally only a few are willing to rent tractors.

**In addition to their low level of formal education, most of the farmers in our study have never had training in managing an agricultural business, animal husbandry, or fishery.** This training is usually available through farming or fishing cooperatives but members either need to own land or have the social capital to get around that requirement which excludes most respondents. This is discussed further in Chapter 3.

## **Natural Resources**

**Land and water are the key natural resources in an agricultural business.** Land is an absolute requirement for crop cultivation, fish farming, and animal husbandry. Fresh water is needed to irrigate crops, for livestock to drink and as a medium for freshwater aquaculture. Likewise, brackish water is needed for fish or shrimp cultivation, while rivers, lakes, and the sea are the key resources for the fishing industry.

**Land ownership among family members in our study varied in the different study locations.** Pacitan has fields to grow rice and secondary crops and grazing land for small-scale livestock.<sup>12</sup> Indramayu has rivers and ponds for fish cultivation, as well as rice paddies near the fertile coast. West Bandung has wetlands near the Saguling dam that can be harnessed for paddies using tide irrigation and dry fields for growing rice and secondary crops. Surakarta has no agricultural land as it is an urban area.

**The availability of land in an area determines the type of business and how it is operated.** Of the 54 family members who own or manage crop cultivation businesses, 80 per cent manage self-owned land with an average area of 2,773 square metres. The remaining 21 per cent manage their land under a profit-sharing system, representing 831 square metres of land in total. The average area of land managed and its status vary according to study areas. In Pacitan, most plots are self-owned, with an average area of 2,926 square metres. As these plots of land were mostly inherited, the properties will continue to shrink according to the number of inheritors.

*“The lands (paddies) keep getting smaller as they are continually being split up when passed down through the generations”*  
(participant, subdistrict FGD, Pacitan, 20 March 2019).

**A small number of agricultural business owners in Pacitan work their land under a profit-sharing scheme based on an agreement between the landlord and the sharecropper.** Conversely in West Bandung, most agricultural business owners cultivate their land through a rent system, with plots of 831 square metres on average. The rent arrangement is established between the business owner and the landlord, with farmers having to pay rents ranging from Rp 200,000 – 300,000 per annum. This rent agreement can be passed down through generations. In Indramayu, only one family member in our sample was in the farming business using the family's own 200 square metres of land. Informants at the village and community level reported, however, that land near the coast can be used for agriculture by paying the government for a permit amounting to Rp 250,000 per planting. Paddies can also be rented out for Rp 5 million per hectare per annum and farming ponds can be rented for Rp 18 million per hectare per annum.

**Although the average area of land managed by respondents in Pacitan is larger than in the other two areas, the land is hilly, leaving limited areas<sup>13</sup> to plant rice despite using terraced paddy fields.** The small areas of arable land available means that farming is basically a subsistence activity to meet personal needs.

**The other vital natural asset in running a farming business is water.** Sumaryanto (2006) found that irrigation water is a strategic resource that not only determines agricultural productivity but also influences the strategies farmers use, particularly when they are cultivating rice and secondary crops. Most farming businesses managed by the sample households harvest rainwater to provide irrigation and the rest rely on semi-technical irrigation.<sup>14</sup>

<sup>12</sup> With the exception of one village in Pacitan, there is an unwritten rule that requires the local community to collect elephant grass on land that they own. This means that beneficiary families who do not own land have to buy grass for their animals or give their animals weeds.

<sup>13</sup> This is consistent with the topography of Pacitan district where only 4 per cent of the total land area is flat land (overview in the regional medium-term development plan of Pacitan district 2016-2021).

<sup>14</sup> A semi-technical field or paddy is one whose source of irrigation is the river, although not available all year round.

**In Indramayu a semi-technical irrigation system is available from a semi-permanent dam but, due to its proximity to the sea, the river is often contaminated by sea water, degrading the quality and quantity of the harvest.** In Pacitan, 14 per cent of the family members in our sample rely on the river or springs to irrigate. No one uses groundwater (from bore wells) in this highlands location as they cannot afford to rent water pumps. This means the farmers harvest their crops once a year instead of three times a year if they were able to use semi-technical irrigation methods, reducing their yield and annual income. Farmers with fields near the river or a spring are able to harvest their crop twice a year.

**In addition to rainwater harvesting, farmers in West Bandung also use dams for irrigation.** Family members in our sample have always used tidal land by planting rice and vegetables on land where water has receded and subsequently, they use dam water to inundate the ground as irrigation. The supply of dam water is decreasing, however, due to the growth of large-scale industries in surrounding areas. Dam water is also often contaminated by wastewater from the neighbouring textile factories. Relying on nature to irrigate their crops means the farmers harvest their crops only once a year, which is insufficient to meet both household consumption and income needs. Nevertheless, some farmers in our sample manage to harvest twice a year by using the last remaining days of the wet season although they risk having a degraded crop in terms of volume, quality or harvest failure if the rainfall turns out to be minimal.

**Although natural resources are a major component in the agricultural sector, environmental conditions also contribute to the vulnerability of a farming business.** Pacitan, for example, is highly prone to natural disasters, such as landslides and floods that occur almost every year due to the region's hilly topography (BNPB 2019). Landslides are more likely when rice paddies are established on the mountain slopes. Rice does not have strong roots and the additional weight of inundated fields on the slopes can cause landslides during heavy rainfall. Such natural disasters have caused many crop failures over the last three years.

**The fishing subsector in Indramayu also relies on the wind.** During seasons when the wind blows from the west, waves are high and can threaten the safety of the fishermen. In these conditions, fishing must be done elsewhere where the waves are not as high. If this is not possible, the fishermen must pursue other means of earning a living by becoming labourers or they take the opportunity to repair their damaged fishing gear. Farmers face the same predicament during the dry seasons. They become farm labourers in other regions that are served by technical irrigation systems or work temporarily as construction workers and wood porters or spend time tilling the soil in preparation for the wet season.

*"I once worked planting rice and was paid Rp 50,000 for a half-day of work or Rp 80,000 for a full day of work. Jobs for farm labourers are plentiful but only during planting or harvest seasons"*  
(participant, young women's FGD, Indramayu, 17 March 2019)

80 per cent of PKH farmers in the study manage their own limited land, but typically of poor quality. **86 per cent lack irrigation systems and rely on rainwater harvesting, reducing their yield from three times a year to just once a year.**

### **Financial Capital**

**Access to financial capital also affects the management of farming businesses.** Most farm owners or managers (90 per cent) are aware of the entities that provide capital loans but only 37 per cent have ever had a loan and only 10 per cent have borrowed from a formal financial institution. Although loans with low interest rates are available under micro and ultra-micro credit schemes, most of the farmers in our sample are reluctant to access credit. At the national level, take-up of the people's business credit scheme (*Kredit Usaha Rakyat* or KUR) in the farming and fishery sectors was still low in 2018 (21 per cent and 1.4 per cent, respectively) compared to the trade sector (53.3 per cent) (KUR 2018). To access this credit, however, farmers must prove that their businesses are viable and profitable, which most PKH farmers are unable to do (refer also to the discussion in **Chapter 3**). Despite this barrier, the low access to credit even from informal financial institutions (17 per cent) indicates there is little demand for credit.

**Most of the family members managing agricultural businesses in the study own the land they farm, and one-fifth of the fishermen own their boats, however, most of the generally small outboard boats they own cannot be accepted as collateral.** The situation is different with respect to farmland. Provided the farm managers can prove they own the land; they can use it as collateral up to the land's value. While more than one-half of the farm owners in our study are managing their own land, one-third of this group do not hold valid land titles.

Three key factors contribute to the low level of demand for credit among the beneficiary family members:

- 1. Preference for Islamic banks (*syariah*):** Most PKH farm owners realize that their assets can serve as collateral in accessing loans from formal financial institutions, but they prefer to borrow from Islamic banks that are not generally available.
- 2. No perceived need to take out loan:** Some business owners or operators in the subsistence agriculture subsector grow crops only intended to meet the family's needs and they have no desire to expand the business and increase capital, let alone by taking out a loan.
- 3. Lack of confidence to take risks:** PKH family members fear that they will be unable to pay the installments if they take out a loan and do not want to take that risk (see also **Chapter 3**). This phenomenon can be found among business owners in the animal husbandry and fishery subsectors, however, one respondent in Pacitan successfully expanded his poultry farm using capital borrowed from a formal financial institution. Other poultry farmers encouraged and mentored him in the process. This highlights the need for business capital assistance to be accompanied by encouragement and support from other business owners who can be models or mentors.

**Only 37 per cent of farmers have taken a loan and only 10 per cent from a formal financial institution.**

### **Infrastructure**

**The condition of roads and the availability of transport affects how farmers market their products with most farmers in our study selling their products through brokers.** The average distance to the market is 10.6 kms in Pacitan, 7.8 kms in Indramayu and 4.4 kms in West Bandung. Many of these farmers own motorcycles (71 per cent) but it takes some time to reach the city centre and market in Pacitan and Indramayu. In Pacitan, the roads are steep and slippery while the roads in Indramayu are in poor condition and muddy during the wet season. Although 70 per cent of farm business operators in Pacitan reported that the roads were accessible by motorcycle all year long, the remaining 30 per cent said the roads were inaccessible when there was a landslide or even at any time during the wet season. Road conditions and transport in the semi-urban area of West Bandung are not an issue.

**Although road conditions and lack of transport can impede access to markets, there does not appear to be a significant correlation between distance to market and the decision to sell products there.** In Pacitan and West Bandung, for instance, only two farmers sold their products at the market (despite being less than 5 km away), highlighting that the preference for farm owners to sell their products through brokers rather than directly to the market is influenced by factors other than physical distance.

### **Social Capital**

**As discussed in the section on human capital, most of the business owners in our study have not had any training as only 18 per cent are members of farming or fishing collectives.** Membership of a farming or fishing collective is crucial social capital since any training and support comes through these collectives, including: (i) subsidized fertilizer and seeds; (ii) food crop production facility support; and (iii) fishery-related support. Non-members must pay the full price for seeds and fertilizer while fishing business owners receive no assistance in buying fishing gear and inputs.

**The low membership of farming or fishing collectives among the PKH families in our study is mostly because they are unable to meet the membership requirements.**<sup>15</sup> According to the Ministry of Agriculture Regulation No. 67/2016, an underlying condition of the collectives is that farming must be the primary source of livelihood for the members, but how a primary livelihood is determined depends on the regional context. According to one agricultural sector field facilitator interviewed in Pacitan, although most of the PKH beneficiaries are farmers, they are considered part-time farmers due to the size of the land they own. This disqualifies them from joining farmers' collectives. In West Bandung, PKH family members tend smaller areas of land managed through rent schemes (as described in the section on natural resources) but they are eligible to join farmers' collectives as size of land is not a criterion for admission.

**Social relations also have an impact in marketing farming and fishing products that are mostly sold to brokers or "poolers" who buy from many producers.** In the fishing subsector in Indramayu, the social relationship between brokers and fishermen is vital. For example, the fishermen may need funds to prepare fishing trips or to make ends meet in the off-season and, in exchange, the brokers are assured of their future fish supply. Before a fisherman has paid off his debt, however, the broker has the power to set a purchase price lower than the market price. These relationships have undermined local government efforts to establish a fish auction centre to market fish in the subdistrict. Although the fishermen could obtain higher prices, they sell their catch to the brokers for lower prices to have access to capital and loans during the off-season.

<sup>15</sup> Other reasons are explained in Chapter 3, including: feeling more comfortable working individually rather than in groups; avoiding conflicts that often arise in the groups; and not knowing how to join a group.

*“There needs to be a fish auction centre in the next village that takes the fish. These centres are difficult to establish due to resistance from the brokers. In 2009 there was an attempt to revitalize the auction centre but it only operated for a month as the brokers retaliated by seizing the boats of fishermen who owed them money”*  
(Informant W, male, fish product seller, Indramayu, 19 March 2019).

## MSME Owners

### General Characteristics

**Around 16 per cent of the respondents within the labour force own an MSME. More than one-half (58 per cent) of the respondents operating these businesses are women and most (85 per cent) are in the 31–59 years age bracket (Table 8).** The gender composition in each age group varies, however, with the 41–59 age group dominated by men whereas the 31–40 years age group is dominated by women who run small businesses to complement the primary household income earned by their husbands (as heads of the households).

**Table 8:** Demographic Characteristics of Micro, Small and Medium Enterprise (MSME) Owners

Business Subsectors	Age Category			Total (n=69)	Sex		Total (n=69)
	15-30 years	31-40 years	41-59 years		Female	Male	
Processing	1.4	2.9	5.8	<b>10.1</b>	2.9	7.2	<b>10.1</b>
Trade and eateries	13	23.2	43.5	<b>79.7</b>	49.3	30.4	<b>79.7</b>
Transport or construction, services	0	7.2	2.9	<b>10.1</b>	5.8	4.3	<b>10.1</b>
<b>Total</b>	<b>14.5</b>	<b>33.3</b>	<b>52.2</b>	<b>100</b>	<b>58</b>	<b>42</b>	<b>100</b>

Source: Processed from survey result 2019.

Note: Figures rounded up to first decimal point which results in small discrepancies.

**The education level of the enterprise owners varies among the age groups.** SME owners in the 31–59 years age bracket generally have primary school level of education and below, while owners in the 15–30 years age bracket have mostly graduated from junior secondary school (ninth grade). The youngest enterprise owner in the study was 23 years old.

**Out of the 20 per cent of respondents who are enterprise owners, more than one-half are women.** Enterprise owners in the 15-30 age range generally have much higher levels of education compared with those within the 31-59 age range.

**In general, the type of business run by the enterprise owners in our study can be divided into three subsectors: (i) trade and eateries; (ii) transport, construction, and services (services subsector); and (iii) food and non-food processing.** Business activities in the trade and eateries subsector include trading in food and beverages; selling used goods, machinery spare parts, garments or animals; running kiosks or small shops; and doing online trading. Business activities in the transport, construction, and services subsector include electronic servicing; parking attendants; seamstresses; motorcycle taxi drivers; and laundry services. Businesses in the processing subsector can involve handicrafts and mining (rock and sand).

**Most of the enterprise owners in our study run trade and eatery businesses (80 per cent).** These are considered easy to run since the ingredients to prepare food or products to be traded are available locally. Trade and eatery businesses can also be run from home or not far from home, enabling owners to still undertake their domestic chores. They are also considered activities that people who are physically challenged can still do.

**Not many of the enterprise owners in our study run businesses in the other subsectors although opportunities exist.** Those in the processing subsector already have skills acquired from their previous employment and have access to materials they can process creatively. Equally, those running businesses in the services subsector recognize the opportunities available and already have the specialized skills required.

**80 per cent of enterprise owners run trade and food businesses because of the flexibility of running these businesses from the home.** This enables women to manage their enterprises while also fulfilling their household care responsibilities.

#### ***Enterprise Management and Livelihood Assets***

**Overall, MSME processes include producing goods and services (for example, sourcing inputs, production, and packaging) and marketing, although the intensity of each stage varies according to the business.** The trade and eatery businesses require all the processes from inputs through to marketing, while the services sector usually only involves the inputs and marketing components.

**In most businesses, the key inputs are skills (human capital) and a continuous supply of raw materials (natural assets).** In the services subsector, raw materials supplies may not be relevant as skills are the principal “raw material”. While the education and skills levels of most enterprise owners in the study are relatively low, they have no difficulty in accessing raw materials as they mostly use materials available in their areas.

**The three important elements in the production process are: maintaining continuous production; using production methods (and tools) that meet the applicable standards or demands; and having an appropriate business permit so the product can reach a larger market.** Of the three elements, the biggest problems the enterprise owners in our study face relate to production techniques (tools) and business permits. They can generally access a continuous supply of raw materials but their inability to adopt techniques that conform to standards or demands—for example, meeting standards of hygiene or coming up with more appealing variants of the products—is largely due to a lack of skills and tools. As a result, for example, one respondent who produces cassava chips offers only a limited choice of flavors.

**Some of the enterprise owners in our study reported they had no help with equipment for their businesses.**

In the transport services subsector, for instance, motorcycle taxi operators do not necessarily own a motorcycle, and some borrow a motorcycle from a friend. The following are some interview excerpts illustrating the need to support enterprise owners who need equipment.

*"[I] don't have a machine to absorb oil yet, so I don't dare sell chips that have been packed more than a week. The chips may become soggy because the oil has not been rinsed out using a machine. That is why I still refuse to sell at places that are too far away"*

(in-depth interview, unsuccessful PKH family enterprise owner, West Bandung, 16 March 2019).

*"So far the sewing machine and fabric printing tools that I am using are low quality; the overlock is not neat enough because the machine can only accommodate three threads while the market standard for overlock nowadays is four threads with an overdeck machine to make the overlocks neater. Even for simple sewing they are not too interested [in using my services] because my machines are not up to standard"*

(in-depth interview, unsuccessful PKH family enterprise owner, West Bandung, 17 March 2019).

**In general, PKH family members who run food processing businesses do not yet have permits, such as a home industry business permit (*Produk Industri Rumah Tangga*: PIRT).** This permit is required to sell their products to a wider market, including modern markets. Enterprise owners generally do not know how to obtain such permits. Of the 69 MSME owners in our study, only five have a business permit and three of these operate food processing businesses. The few business owners with a PIRT obtained them with help from programs established to facilitate the process. One such program is organized by the health office in West Bandung through the subdistrict administrators, however, information on such programs is not widely disseminated.

At one of the research locations in West Bandung, the village government has suggested it could facilitate business permit applications, but the regional government has not yet responded to this initiative.

*"Meanwhile, to help get products on to the formal market, the village proposed to the subdistrict office that they could facilitate these permits but as of yet there has been no follow up"*

(in-depth interview, community Leader, West Bandung, 18 March 2019).

**Aside from not having business permits, most of the owners do not keep accounting records to track their performance.** Bookkeeping allows owners to evaluate the activities they undertake and develop their business accordingly, but only 12 per cent of the business owners maintain written bookkeeping records. Around 32 per cent measure their profit by looking at their ability to meet daily needs and just 2 per cent compare their business outcomes with other businesses.

**With regard to packaging, not many of the enterprise owners in the trade and eatery or processing subsectors present their products in attractive packaging that adds value.** The present study found that in West Bandung the industry and trade office organized a training program on how to create more appealing packaging and similar training was held by a non-governmental organisation established to empower female heads of households (*Pemberdayaan Perempuan Kepala Keluarga*: PEKKA)<sup>16</sup>. The initiative was hampered by limited publicity and low participation and the business owners lacked the tools to package their goods using modern methods.

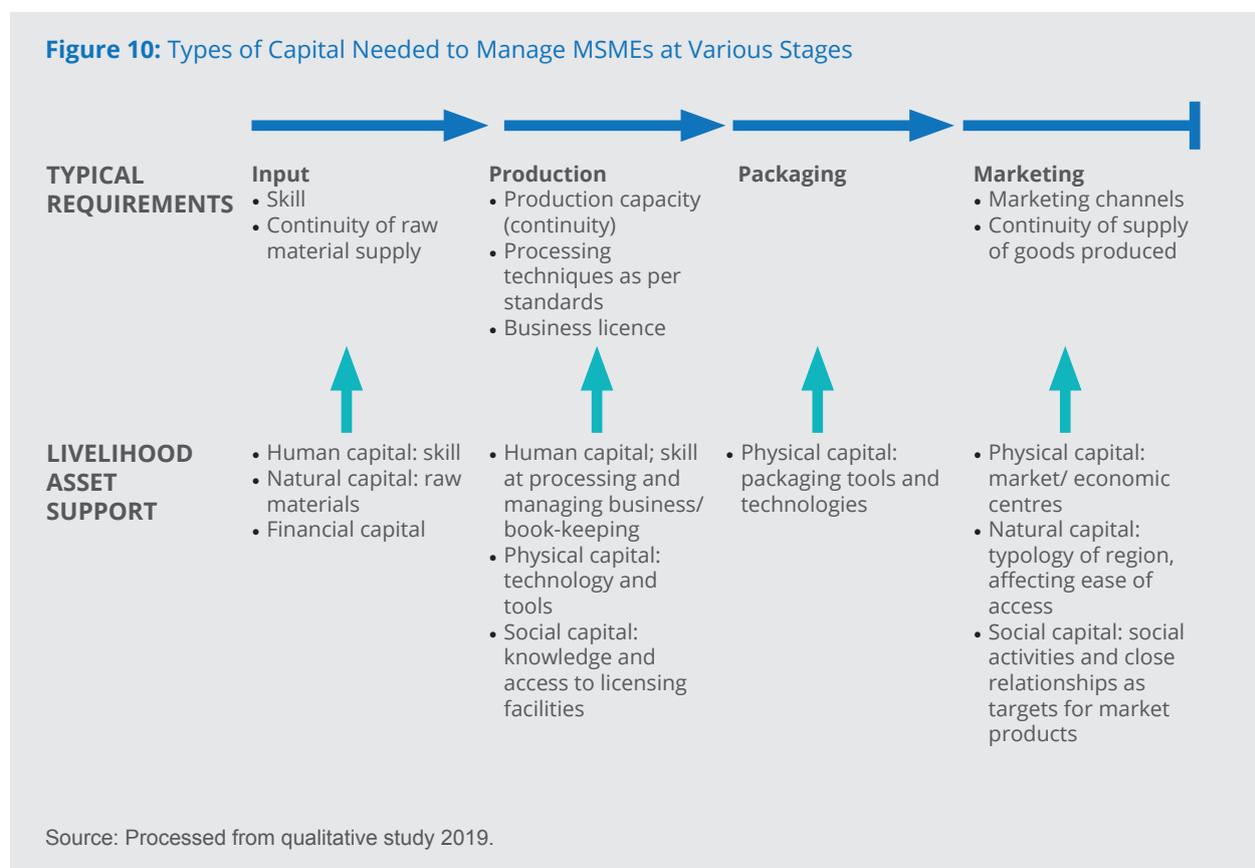
<sup>16</sup> PEKKA is aimed at women heads of households who need to be empowered economically to establish sustainable livelihoods.

**The business owners often have limited options for effective marketing channels.** The challenges in urban, semi-urban, and rural settings differ due to their respective economic infrastructure, as well as the road conditions and means of transport. The business owners in our study have not yet pursued the potential for marketing their products at modern or mini markets and through online channels. Most modern markets adopt an indirect payment mechanism with profits from sales paid at certain intervals (weekly/monthly) but this does not suit small businesses that rely on a quick turnover of capital (Pinti 2013). Meanwhile, online marketing is not utilised by PKH family members because they lack the skills to do so, and goods produced by PKH families are typically simple consumables (such as chips or cakes) that do not have a high online demand.

**These limited marketing options mean that most of the enterprise owners in our study (84 per cent) market their products directly to end consumers, for example, through traditional food stalls or from counters set up at home.** Only 20 per cent sell directly at the market as well as at home. In West Bandung, a PKH family member volunteered to be a neighbourhood administrator to become more involved in social activities that would give her the opportunity to sell the clothes her husband sews.

*"[I] volunteered to be a neighbourhood administrator in order to meet more people. There are two reasons for that, to introduce myself as I am a relatively new resident [who only came here in 2007] in this village. Secondly, I take this opportunity to build a marketing network for garments"*  
(in-depth interview, unsuccessful PKH beneficiary family member, West Bandung, 17 March 2019).

**As Figure 10 shows, MSMEs require various resources across each stage of the business cycle, creating bottlenecks for poor entrepreneurs.**



Most PKH enterprise owners lack equipment and cannot meet the requirements of intermediary buyers. They also seldom have business permits, limiting their ability to sell their goods in wider markets. **Only 12 per cent of PKH enterprise owners maintain written bookkeeping records.**

### Human Resources

**In addition to the limited education level of business owners in our study, few have had high quality training in their respective business areas (Table 9).** For these businesses to remain competitive, they need the skills to be creative in developing goods and services. In Indramayu, for instance, the stalls that our respondents operate tend to sell the same goods as the stalls run by other residents, thereby intensifying competition.

*“My kiosk business was at one time larger when there was less competition and when I sold many more goods”*  
(in-depth interview, unsuccessful PKH beneficiary family member, Indramayu, 18 March 2019).

**Table 9:** Participation of Beneficiary Family Members in Certified Training

Business subsector	Participation in certified training (%)
Processing	0
Trading goods and food stalls	4.3
Services	1.4
<b>Total</b>	<b>5.7</b>

Source: Processed from survey result 2019.

**In the services subsector, limited education and skills have forced business owners to seek work as parking attendants, motorcycle taxi drivers or doing domestic laundry.** These types of work can be taken on as they do not require special skills. Several family members in our study who have special skills have opened sewing shops, electronic repair shops, and welding businesses. A sewing shop owner in West Bandung acquired her skills from her past employment in a garment factory. This shows that previous experience doing a job that requires specialized skills can support our respondents in their service sector businesses.

**Many business owners in the services subsector in our study had skills that were handed down through family members or acquired from friends.** Acquiring skills in this manner relies on the quality of social capital in the community. One sampled entrepreneur in Indramayu who recently opened a welding business acknowledged this:

*“[I] am able to weld because I watched my friends who were already able to weld [before me]”*  
(in-depth interview, 16 March 2019).

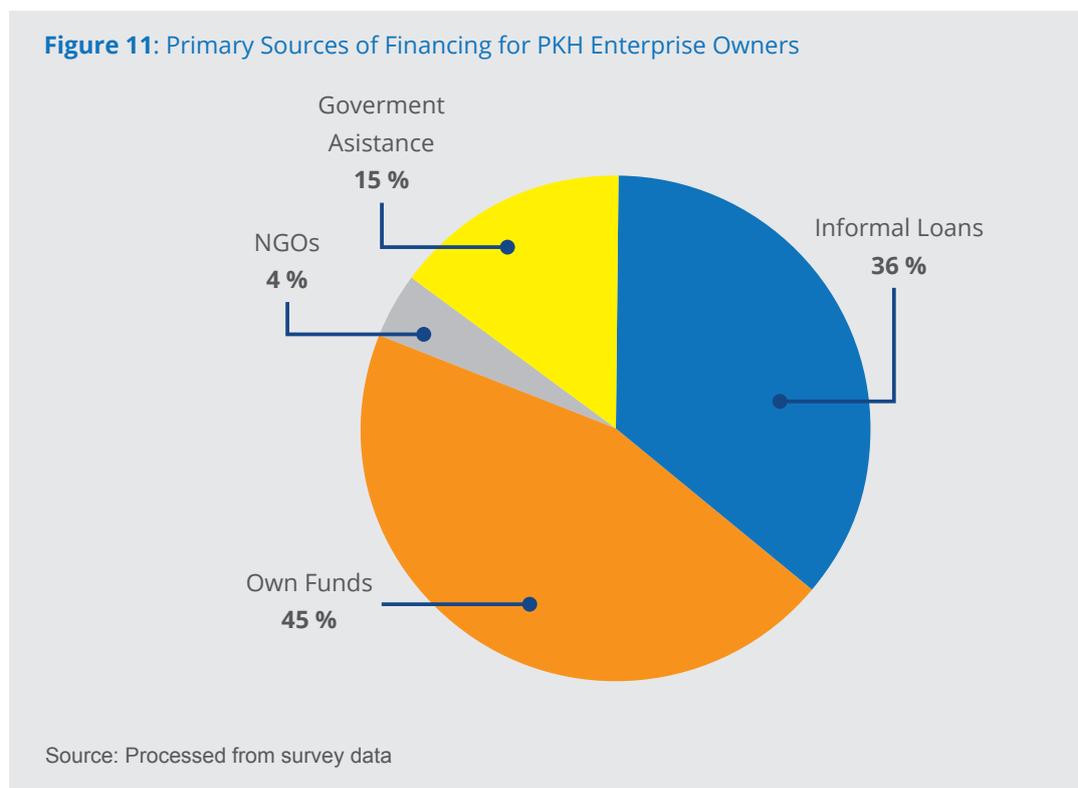
**Natural Resources**

As mentioned, the business owners in our study (particularly in the processing subsector) use raw materials that are readily available in their areas, but for rural areas that depend on natural raw materials, access is seasonal. In Indramayu and Pacitan, the raw materials come from the local farming or fishery products, but in Indramayu, for instance, processing fishing products may come to a halt during the big waves season. Although they can still get raw materials from other areas or from local fish farms, this would incur higher costs.

**Finance**

In terms of primary sources of business capital, 45 per cent of enterprise owners in our study financed their start-up capital out of their own funds (Figure 11), while around 36 per cent financed their businesses using informal loans. Fifteen per cent obtained their primary or supplementary capital through government assistance and 4 per cent through support from NGOs. The owners’ predominant use of private funds to finance their businesses makes it difficult to further grow their enterprises unless they access external capital.

**Figure 11:** Primary Sources of Financing for PKH Enterprise Owners



**Infrastructure**

While the availability and condition of infrastructure does not widely impact access to raw materials, it negatively affects marketing channels for the MSME owners in our study. In Surakarta, PKH entrepreneurs can buy the ingredients for their processed foods from the nearby markets where they are widely available. In West Bandung, those in the garment and accessory-making business can buy their raw materials from the local textile scrap market which has been a major support for them.

**Around 32 per cent of business owners, however, find it difficult to market their products due to the limited marketing locations.** The degree of such difficulty differs between the urban, peri-urban, and rural contexts. Urban areas like Surakarta offer more options for marketing—within the neighbourhood, on the side of the street, or even online. Even individual services, such as parking attendants, motorcycle taxi drivers and laundry services, are easier to offer to local consumers given the number of people and close proximity to markets.

**Although most areas in West Bandung are typically semi-urban, distance from the economic centres negatively impact business owners who do not live close to these centres.** Residents of a village in our study, for instance, must cross a dam or circle and travel more than 10 kms to reach the village office or the subdistrict market. In Pacitan, marketing is difficult due to the distance to the economic centres and the lack of economic activity generally.

### ***Social Capital***

**In general, the business owners in our study have adequate horizontal social capital with peers and neighbours but lack vertical social relationships with people of influence.** Around 86 per cent of respondents are involved in social activities in their village or neighbourhood and some owners acknowledge that their participation in social activities is for business purposes, such as obtaining capital or raw materials and marketing their products. A PKH beneficiary in West Bandung admitted that her activity as an RW (*Rukun Warga*: neighbourhood association) cadre was consciously aimed at introducing and marketing her stitching products at community meetings and the village environment in general. In the city of Surakarta, there are several beneficiaries who use a neighbour's place to run their food stalls and respondents making bird cages in Surakarta also teach other skills. There are, however, a lack of vertical social relationships with people of influence (such as traders, businessmen, and lenders) so, while useful, existing social relationships do not necessarily translate to more lucrative access or opportunities.

**PKH enterprise owners generally have adequate social networks with their peers but lack vertical social relationships with people of influence such as traders, businessmen, lenders.** While peer networks are useful, they seldom translate into more lucrative earning opportunities for PKH entrepreneurs.

## Employees Working in the Industrial, Trade and Services Sectors

### General Characteristics

Many of the PKH family members in our study who are employed work in the industrial, trade, and services sectors (38 per cent). Men make up 69 per cent of these workers. The distribution of workers by age is even (approximately 30 per cent across each age cohort) (Table 10). This is different to the composition of farm labourers and business owners, who are predominantly women. This is probably because women are more often expected to take care of the home. Among the women workers, around 23 per cent must tend to domestic duties while among the employed men only 4 per cent also take care of domestic work at home.

The family members in our study who are employed as workers tend to have a higher level of education than the farming or other business owners and farm labourers. Nevertheless, the largest proportion of these workers have only a primary school education and below (38 per cent), followed by junior secondary school (35 per cent), senior secondary school (25 per cent), and university level (1 per cent). Education levels do, however, differ across age groups. The 41–59 years age group mostly have a primary school education or below, while most of the 15–30 years age group have junior secondary and senior secondary school education (Table 10). As previously discussed, this reflects the greater opportunities for education for the younger generation.

**Table 10:** Percent age of Sample Family Members Working in the Industrial, Trade, and Services Sector by Age Group by Highest Education Level (%)

Age group	Highest education (%)				Total (n=142)
	Primary school and below (n=54)	Junior secondary school (n=50)	Senior secondary school (n=36)	University (n=2)	
15–30 years old	2.8	11.3	14.1	1.4	29.6
31–40 years old	13.4	14.8	5.6	0	33.8
41–59 years old	21.8	9.2	5.6	0	36.6
<b>Total</b>	<b>38</b>	<b>35.3</b>	<b>25.3</b>	<b>1.4</b>	<b>100</b>

Source: Processed from survey result 2019.

Employees within the scope of this study work at government or NGOs; companies; personal businesses,<sup>17</sup> and households (as domestic workers). Most respondents work in personal businesses (58 per cent), followed by companies (28 per cent), households (10 per cent) and government or NGOs (5 per cent) (Table 11).

<sup>17</sup> Personal businesses are those without a legal entity, and there is no separation between the owner's personal wealth and company resources. Most PKH respondents are engaged as employees in "personal businesses"

**More women are employed as domestic workers compared with men, although this is the second least popular employment channel even for women (Table 11).** Both men and women work predominantly as employees in personal businesses, but the difference between them is stark (44 per cent and 13 per cent respectively), which could be due to the gendered norms associated with certain types of work (domestic work is generally considered more appropriate for women).

Formal employers rarely offer flexible working arrangements. Women often must balance household care with work, contributing to **the fact that only 30 per cent of women are engaged as paid employees.**

**Table 11:** Percentage of Workers in the Industrial, Trade, and Services Sector, by Workplace, Age Group, and Gender (%)

Type of workplace	Age group			Total (n=142)	Sex		Total (n=142)
	15-30 Tahun (n=42)	31-40 Tahun (n=48)	41-59 Tahun (n=52)		Female (n=44)	Male (n=98)	
Government/NGOs	2.1	0.7	2.1	4.9	1.4	3.5	4.9
Companies	12	9.2	6.3	27.5	10.6	16.9	27.5
Personal businesses	14.1	21.1	22.5	57.7	13.4	44.4	57.7
Home (domestic workers)	1.4	2.8	5.6	9.9	5.6	4.2	9.9
<b>Total</b>	<b>29.6</b>	<b>33.8</b>	<b>36.6</b>	<b>100</b>	<b>31</b>	<b>69</b>	<b>100</b>

Source: Processed from survey result 2019.

**Workers employed in personal businesses and households tend to have education levels of primary school and below, while those working for the government or companies have usually completed junior secondary or senior secondary school (Table 12).** This reflects the minimum education requirements for certain employment and the disparities in opportunities available for people with different education levels—as will be discussed in subsequent sections.

**Table 12:** Percentage of Workers in The Industrial, Trade, and Services Sector, by Workplace and Highest Education Level (%)

Type of workplace	Pendidikan Tertinggi (%)				
	Primary school and below (n=54)	Junior secondary school (n=50)	Senior secondary school (n=36)	University (n=2)	Total (n=142)
Government/NGOs	0	0.7	4.2	0	4.9
Companies	6.3	7.7	12	1.4	27.5
Personal businesses	26.1	22.5	9.2	0	57.7
Home	5.6	4.2	0	0	9.9
<b>Total</b>	<b>38</b>	<b>35.2</b>	<b>25.4</b>	<b>1.4</b>	<b>100</b>

Source: Processed from survey results 2019.

Note: Total slight less than 100% due to rounding.

#### ***Workers' Conditions and Livelihood Capital***

**The PKH family members in our study generally face three major impediments in accessing employment: (i) minimal access to information about job opportunities; (ii) limited opportunities for non-agricultural employment in certain locations; and (iii) the burden of taking care of the family and home.** In Surakarta and West Bandung, information about job vacancies is not disseminated evenly and many learn about these opportunities through informal social networks. In Indramayu and Pacitan, in addition to the lack of information, opportunities for non-agricultural employment are limited and many people look for work outside the region, incurring higher costs.

**Some family members also encounter problems regarding working hours and distances to work locations due to their commitments of caring for the family and home.** In Pacitan district, some respondents said they were reluctant to leave the home, especially those with elderly relatives or children who could not be left unattended. Both men and women face this issue although the burden for women tends to be greater. In these situations, they often choose to work part time. People favour part-time work, particularly in areas where livelihoods are affected by the seasons. Respondents in Pacitan manage to find work as construction labourers or market porters, for example, during the dry season.

**Those who manage to secure employment are still vulnerable as they do not have written or even verbal work contracts (69 per cent) (Table 13).** Most of those employed without a contract work in personal businesses (50 per cent). From the various in-depth interviews, we found that respondents who are employed tend to work continually as contract workers. This is because they are unable to secure permanent employment (mostly found in "formal" organizations such as companies, government agencies or NGOs) and such work is also not widely available.

**Table 13:** Percentage of Workers in The Industrial, Trade, and Services Sector With and Without Work Contracts, by Type Of Workplace

Type of workplace	Work contract		
	Yes (n=44)	No (n=98)	Total (n=142)
Government/NGOs	3.5	1.4	5
Companies	19.1	8.5	27.7
Personal businesses	7.8	49.6	57.4
Home	0.7	9.2	9.9
<b>Total</b>	<b>31.2</b>	<b>68.8</b>	<b>100</b>

Source: Processed from survey result 2019.

Note: Total values are slightly less than the actual totals due to the effect of rounding.

**Securing employment in the industrial, trade and service sectors can be seen in terms of employability and accessibility.** Employability refers to the attributes required for the job, while accessibility refers to factors influencing access to such employment once the requirements are met. For example, to work in a company outside their hometowns people need a certain level of education (part of the employability factor) and they need the money to participate in the recruitment process outside their own areas (an accessibility factor).

**Education and skills constitute the main livelihood capital that people need to be employable while social and financial capital are the main livelihood capital that people need to access employment.** These components of livelihood capital are discussed in the following sections.

**69 per cent** of waged workers within PKH families in the Industrial, Trade, and Services Sector do not have written or oral contracts.

### **Human Resources**

**In relation to education, the family members in our study who are employed as workers have mainly completed junior secondary school level or below. However, the younger workers tend to have a higher education level.** Around 14 per cent of employed family members in the 15–30 years age group have graduated from senior secondary school or the equivalent (**Table 10**). Some of the younger family members who did not go to senior secondary school or dropped out without completing it usually had to contribute to the household income and they tended to choose jobs that did not require a high level of education, such as market porters, motorcycle shop workers, or construction workers.

**Interestingly, most of those employed as workers in our study have never had certified vocational skills training (89 per cent).** This is due either to a lack of information about the training available or to the lack of funds to participate. Around 75 per cent of our respondents did not know where any such training took place (**Table 14**). Those who did know the location were hampered from participating by the distances involved and could not afford to be absent from work or to pay for transport and other necessities. This was echoed by a worker in West Bandung district who said he wanted to participate in training if there were no transportation, accommodation, or other costs to pay by himself. Limited information available on the benefits of the training for people seeking employment means they are not willing to pay the costs of attending even when the training itself is free.

**Table 14:** Percentage of Workers in the Industrial, Trade, and Services Sector Who Know Where Training Takes Place, by Type of Workplace

Type of workplace	Do not know (n=107)	Know (n=35)	Total (n=142)
Government/NGOs	4.2	0.7	4.9
Companies	14.8	12.7	27.5
Personal businesses	47.2	10.6	57.7
Home	9.2	0.7	9.9
<b>Total</b>	<b>75.4</b>	<b>24.6</b>	<b>100</b>

Source: Processed from survey result 2019.

**As such, study respondents face at least three barriers in becoming employable: (i) low educational levels; (ii) limited skills; and limited access to vocational training.** Level of education is the most prevalent obstacle in securing employment in companies and government as they usually require at least a senior secondary school qualification or equivalent. Nevertheless, these are the fields of employment that many of our respondents most desire.

**It is noteworthy that even respondents who have graduated from senior secondary school do not automatically have better employment opportunities by virtue of their education level.** Many jobs require specific skill sets that they do not have or that need to be evidenced by official certification.

73 per cent of wage workers within PKH families have completed a junior high school education or below, while **89 per cent have never had certified or vocational training, limiting their employment opportunities.**

## Finance

**Several respondents had experienced financial difficulties when they tried to access jobs outside their region.** This was mainly found in study areas with limited opportunities to work in a company, for example in Pacitan and Indramayu. Anyone wanting to work in a company must travel outside their area, for example to Surabaya for those living in Pacitan and to Karawang for those living in Indramayu. The costs involved in the job-seeking process—for example for participating in a recruitment drive—has limited the number of respondents who have been able to follow the process.

**Similarly, access to capital is limited. Although 93 per cent of respondents who work as employees are aware of loan providers, only 26 per cent have taken out a loan.** Most of these loans (69 per cent) were from informal financial institutions with less restrictive requirements. In some cases, respondents borrowed from formal “non-bank” institutions<sup>18</sup> offering collateral-free loans that can reach down-market to poor borrowers more effectively than formal financial institutions. In other cases, respondents borrowed from loan sharks (*bank plecit*, *bank emok*) that are more predatory in nature.<sup>19</sup>

Most PKH respondents **cannot afford the travel to economic centres to look for jobs.**

## Infrastructure

**Distance from home to the economic activity or to its support locations also determines accessibility.** Respondents working at home are located the farthest from the city centre, formal financial institutions, and markets, compared to other workplaces (**Table 15**). Conversely, respondents working in companies and government/NGOs are usually located close to these places. Although this may differ depending on the characteristics of the area (the research village in Pacitan is far from the city centre), generally being closer to centres of economic activity would increase job opportunities and improve access to such opportunities.

**Table 15:** Average Distance from Home to the Nearest Centre of Economic Activity: Respondents Employed as Workers in the Industrial, Trade, and Services Sector (by Type of Workplace)

Type of Workplace	Average distance from home (kms)		
	To city centre	To nearest financial institution	To nearest market
Government/NGOs	5.8	5.3	3.5
Companies	9	2.8	2.8
Personal businesses	11.3	3.8	3.1
Home	16.8	9.5	9.4
<b>Average</b>	<b>11</b>	<b>4.2</b>	<b>3.6</b>

Source: Processed from survey result 2019.

<sup>18</sup> In Indramayu and West Bandung, there are formal non-bank institutions that provide collateral-free loans, such as the village-based activity implementation unit (unit pengelola kegiatan: UPK) that administers funds from the now-defunct national village self-reliant community empowerment program (Program Nasional Pemberdayaan Masyarakat Mandiri Perdesaan: National Program for Community Empowerment in Rural Areas).

<sup>19</sup> *Bank plecit* and *bank emok* are local terms for usurers.

### Social Capital

**Social capital can determine access to employment since information about job opportunities is lacking in all the research areas.** Even in West Bandung and Surakarta where more job opportunities are available, people need personal connections to obtain information. In Indramayu and Pacitan districts, in addition to minimal information, job opportunities are also limited and people, therefore, need information about employment opportunities in other areas.

**Given the lack of qualifications among the PKH family members in our study, they generally have to rely on informal or personal connections to find and secure employment.** Among the employed workers in our study, 89 per cent got their jobs through personal connections, 7 per cent applied directly to the employer, 3.5 per cent through job fairs and the other 0.7 per cent through placement agencies (Table 16).

**Most family members who work have a connection with their employers (63 per cent).** In Pacitan, for example, respondents rely on their neighbours to get jobs as construction or domestic workers outside the area since they may have experience working away from home or may get them access to a job. In West Bandung district, one interviewee managed to become a supervisor by replacing his relative who previously had the position even though he does not have the required education level.

**Table 16:** Percentage of Workers in the Industrial, Trade and Services Sector in the Study, by Employment-Seeking Process

Type of workplace	Method used to seek employment				Total (n=142)
	Job fair (n=5)	Workers placement agency (n=1)	Applying directly to employer (n=10)	Through social connections (n=126)	
Government/ NGOs	0.7	0.7	0.7	2.8	4.9
Companies	1.4	0	3.5	22.6	27.5
Personal businesses	1.4	0	2.1	54.2	57.7
Home	0	0	0.7	9.2	9.9
<b>Total</b>	<b>3.5</b>	<b>0.7</b>	<b>7</b>	<b>88.8</b>	<b>100</b>

Source: Processed from survey result 2019.

**On the other hand, this dependence on contacts means that any of our respondents who do not have the right connections are at a disadvantage in looking for work.** Consequently, they may resort to bribing 'insiders' for the opportunity to work, creating an informal connection between themselves and the person providing employment through a materialistic transaction.

**This process becomes more complicated when there are middlemen or brokers involved (locally known as *calo*).** This practice is prevalent for those seeking work at factories or in large-scale companies in West Bandung district, and akin to 'headhunters', they can serve an important role in connecting employees to potential jobs, particularly where access to information is weak. Aside from this, there are also factory insiders who can be bribed in return for employment in the factory. The bribe can be as much as Rp 2 million. This is regarded as an alternative means of accessing employment in a factory, especially for those with no personal connections and without the required qualifications.

*"Here, there are many 15 year olds who are already married. Even in this day and age. What else can we do, we can't get work anyway, it's very difficult. You can't get work in a factory without bribing someone or knowing someone inside, even though you have a high school diploma"*

(beneficiary family member, West Bandung).

**The essential social capital components in securing work appear to be networks and connectedness and these are either vertical (with employers) or horizontal (with other jobseekers).** Most respondents develop their social connections by participating in social activities (78 per cent). This echoes Granovetter's argument (1973) that connectedness is a vital factor for people to access information of all kinds, including what job opportunities are available. The role of social capital in accessing employment suggests that social capital is regarded as a compensation for the lack of human or financial capital.

**89 per cent of wage workers** within PKH families obtained their jobs through personal connections, brokers, or middlemen.

## 2.3 Profile of Unemployed Members of the PKH Beneficiary Families

**This section examines the situation of the 164 family members in our study who are of working age (15–59 years) but are unemployed or not part of the workforce.** Of the 539 respondents who are of working age, 3 per cent population are unemployed (seeking employment) and 28 per cent are outside the labour force (not seeking employment)<sup>20</sup>. These figures are lower than the national average, where 4 per cent of PKH beneficiaries are unemployed while 32 per cent are outside the labour force (Susenas 2018). Since these two groups will potentially participate in the labour market and actively contribute to the economy in the future or during economic crises, their characteristics and livelihood capital need to be analysed.<sup>21</sup>

### Unemployment Profile

**Of all the family members in our study, only 15 were unemployed in the sense that they were not working but were seeking employment at the time of the survey (Table 17).** They were mostly single young men in the 15–23 years age bracket who had completed junior secondary school and had no disabilities. Most young people who have just finished formal schooling tend to be unemployed because they are searching for the right opportunity.

<sup>20</sup> Beneficiary family members who are not part of the labour force are those aged 15–49 who are not looking for work, not employed and not engaged in supporting activities to generate income.

<sup>21</sup> Kusumawardhani *et al.*, 2016:63

**Many school leavers do various part-time jobs while they are waiting to get a job that interests them.**

In line with this finding, one young woman in the survey had completed a three-year diploma program in Surakarta and had been unemployed for almost six months. She was seeking employment by answering advertisements and asking her friends for information about jobs. Two of the respondents had attended job fairs. One 18-year-old girl who went to a vocational school in West Bandung attended a job fair organized by the government, private companies, and a university. Another 16-year-old boy who had completed junior secondary school (ninth grade) in Pacitan had accessed an online job fair.

**Table 17: Demographic Characteristics of Unemployed Family Members in the Study**

Category		Activity one week prior			
		Unemployed	In school	Taking care of the home	Other reasons
<b>Sex (%)</b>	Female	26.7	52.1	94	27.3
	Male	73.3	47.9	6	72.7
<b>Age group (%)</b>	15–18	46.7	95.8	10.4	18.2
	19–23	26.7	4.2	13.4	18.2
	24–30	13.3	0	11.9	18.2
	31–59	13.3	0	64.2	45.5
<b>Education (15+) (%)</b>	Primary school graduate or lower	6.7	23.9	67.2	72.7
	Junior secondary school	66.7	74.6	25.4	27.3
	Senior secondary school	20	1.4	7.5	0
	University	6.7	0	0	0
<b>Marital status (%)</b>	Single	93.3	100	9	54.5
	Married	6.7	0	88.1	36.4
	Divorced	0	0	3	9.1
<b>Disability (%)</b>	Yes	0	2.8	7.5	72.7
<b>Sample (n)</b>		<b>15</b>	<b>71</b>	<b>67</b>	<b>11</b>

Source: Processed from survey data 2019.

Note: Totals equal to slightly less than 100% because of rounding.

**Generally, young people with higher formal education tend to be more discriminating in choosing employment.** Many of the jobs available do not appeal to them for many reasons, including:

- the job is too far from home;
- the workplace is in a remote area;
- they have no means of transport to get to work;
- the type of work is considered too risky;
- the work requires hard physical labour at a disproportionately low wage; and
- the working hours are not flexible enough.

**In summary, they tend to choose not to work rather than take a job that does not interest them.** One participant stated, for example, that he wanted to work in a company in his hometown at a wage above the local statutory minimum wage, however all the jobs available in the city offer the minimum wage. Jobs with higher pay are available in the neighbouring district 30 minutes away by motorcycle but he chose to wait for the right job to come up and be unemployed in the meantime.

**The unemployed family members in our study generally have the qualifications needed to fill job vacancies in the formal sector, in companies or large-scale industries.** Formal sector work usually has minimum and maximum age requirements to ensure that applicants have the physical strength for the job. Companies often prefer women applicants as they consider them more disciplined and more suited to monotonous work than men. Other preferences include single people with no children as employers are reluctant to give their employees time off to tend to family matters, highlighting that this is a gendered issue which impacts women more than men. With the implementation of such qualifications and preferences, work at factories in West Bandung is usually accessed more by young women. The FGD in Surakarta showed, however, that most young women are not keen on working in a factory even if they meet the requirements the company sets. In addition to the issue of salary and working hours, they felt they would not get senior enough positions which is why they preferred to find work elsewhere or remain unemployed until a better job came up.

**Conversely, family members in our study who were older and had only primary school education and limited skill sets were unable to access work in the formal sector.**

**Those within the 15-30 age bracket are employable but searching for the right opportunity, illustrating that higher education levels are accompanied by higher professional aspirations.**

## Not Part of the Labour Force

Of those who are not part of the labour force in the survey sample, 13 per cent are still in school, 12 per cent take care of the home, and 2 per cent are not working due to “other reasons”.

Of those who are still studying, the net enrolment rate (APM)<sup>22</sup> and gross enrolment rate (APK)<sup>23</sup> for primary school is high, partly because the government provides free education up to sixth grade in public schools (Table 18). The APM for senior secondary school is 56 per cent, with an APK of 81 per cent. At university level the APM is 4 per cent and the APK is 6 per cent. The low APM for senior secondary school and university levels is probably because once students are over 15 years and therefore of working age, they often opt to work rather than pursue higher education.

**Table 18: Net and Gross Education Enrolment Rates of Survey Sample (%)**

Category		Area				Total
		Indramayu	West Bandung	Surakarta	Pacitan	%
Primary school and below (7–12 years old)	APM	86.6	97.1	91.4	92.3	92.1
	APK	103.3	108.6	94.3	94.9	100
Junior secondary school/equivalent (13–15 years old)	APM	55.5	75	65	84.6	67.5
	APK	70.4	85	95	92.3	83.8
Senior secondary school/equivalent (16–18 years old)	APM	61.9	54.2	58.8	47.2	55.7
	APK	100	66.7	94.1	64.7	81
University (19–24 years old)	APM	0	0	18.8	0	4.2
	APK	0	0	25	0	5.6

Source: Processed from survey data 2019.

Note: APM (*Angka Partisipasi Murni*) = net enrolment rate; APK (*Angka Partisipasi Kasar*) = gross enrolment rate.

Most of the family members in our study who take care of the household are married women and 75 per cent have completed junior secondary school or equivalent level education. Nearly two-thirds of the women (64 per cent) fall into the 31–59 years age group.

<sup>22</sup> Net enrolment rate (APM) indicates how many school-aged students are in age-appropriate classes at school or in other words go to school at the right time ([www.sirusa.BPS.go.id](http://www.sirusa.BPS.go.id)).

$$\text{Sample calculation for primary school net enrolment rate} = \frac{\text{Total of elementary student age 7-12 y.o.}}{\text{Total population age 7-12 y.o.}} \times 100 \text{ per cent}$$

<sup>23</sup> Gross enrolment rate (APK) indicates the rate of school participation, regardless of students' ages. A gross enrolment rate higher than 100 per cent suggests that some students are under or over the appropriate age for the class.

$$\text{Sample calculation of primary school gross enrolment rate} = \frac{\text{Total of elementary students}}{\text{Total population age 7-12 y.o.}} \times 100 \text{ per cent}$$

**Of the 63 women who stay at home, 49 said they needed to take care of the home, but four others cited family reasons, namely: the husband did not allow them to work or they needed to take care of a disabled child.** In the FGDs, the main reason for staying at home that most married women with a child under five years cited was that their husbands or families did not allow them to work. Once the youngest child reached five years of age, however, the husbands usually allow their wives to work. In any event, their job opportunities are limited to work that can be done from home or at least near home and has flexible working hours.

**This is noteworthy, particularly given that most have access to the various forms of livelihood capital.** For instance, 58 per cent are already involved in economic or social activities or groups, such as prayer groups and rotating savings and credit groups (*arisan*), while 88 per cent know about loan providers near them and 23 per cent have had loans to cover day-to-day consumption needs, tuition fees, health care expenses and other needs (**Table 19**). A handful have taken loans from non-banking institutions, using their national identity card to guarantee their loan and paying in weekly or monthly instalments. Others prefer to borrow from informal sources so they do not need to guarantee the loan and can flexibly repay.

**Among the family members in our study who are not seeking employment for 'other reasons' (73 per cent), one-half of them are under 30 years old, most have a primary school education or below (73 per cent) and over one-half of them (55 per cent) are single.** Based on the FGDs, some young family members are still being supported by their parents and may lack the motivation to find work, however, others have a disability, including mental issues and difficulty in communicating.

**Table 19:** Demographic Characteristics of Family Members in the Study who are Not Part of the Labour Force

Indicators of livelihood capital	Unemployed (n = 15)	In school (n = 71)	Taking care of the home (n = 67)	Other reasons (n = 11)
Human capital				
Literate (%)	100	100	88.1	54.6
Finished senior secondary school as highest education (%)	20	1.4 <sup>24</sup>	7.5	0
Have participated in a certification training (%)	0	5.6	28.4	54.6
Have a disability (%)	0	2.8	1.5	9.1
Suffer chronic disease (%)	20	7	28.4	54.6

<sup>24</sup> This figure refers to those who have completed secondary school and continued to university

Indicators of livelihood capital	Unemployed (n = 15)	In school (n = 71)	Taking care of the home (n = 67)	Other reasons (n = 11)
<b>Social capital</b>				
Involved in economic social activities/group (%)	93.3	66.2	58.2	54.6
<b>Financial capital</b>				
Aware of loan providers (%)	66.7	73.8	87.7	16.7
Access loans (%)	0	2.9	22.7	0
Took out loan from a formal financial institution (%)	0	0	7.5	0
<b>Natural capital</b>				
A member of the family manages land (%)	53.3	36.6	32.8	54.6
Total area of land managed by family <2ha (%)	100	100	100	100
Largest plot of land is self-owned (%)	25	26.9	36.4	16.7
<b>Physical capital</b>				
Average distance from home to the nearest market (in kms)	3.7	4.1	4.5	5.3
Average distance from home to district capital (in kms)	15	13.7	16.3	16.3
Average distance from home to loan providing financial institution (in kms)	4.4	4.9	4.8	6.3
Road traversable by motorcycle all year round (%)	100	95.8	88.1	100

Source: Processed from survey data 2019.



## CHAPTER 3.

# COMPLEMENTARY LIVELIHOOD PROGRAMS

**This chapter describes the livelihood development programs at district, municipal, and village levels, and how PKH families have experienced these programs.** These interventions are divided into four main target groups: (i) farm owners and managers; (ii) MSME operators; (iii) employees; and (iv) PKH beneficiaries.

**Most programs encountered in this study were run by government and aimed at the community at large engaged within these specific sectors.** We did not come across many livelihood development programs that target poor communities. None of the programs integrated program beneficiaries with PKH program targets, except for those that MoSA runs specifically for PKH beneficiaries (refer to Section 3.4). The most common livelihood interventions offered are training courses and grants or in-kind assistance for production tools.

**Consequently, only a small proportion of PKH family members (22 respondents) benefited from livelihood development programs in the past year.**

### 3.1 Complementary Livelihood Interventions for Farm Owners and Managers

**Livelihood development programs for those engaged in the agricultural sector are summarized in Table 20, however, there may be other district-level programs outside of the research areas.**<sup>25</sup> In Indramayu, for example, training and certification are offered for fishery workers but the research village was not part of these programs.

**The agriculture, maritime and fisheries offices run government-led livelihood development programs for the agriculture sector in the research areas.** These offices coordinate with the subdistrict and village governments that disseminate information to the community, including to PKH family members, on the programs and the criteria for participation.

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<sup>25</sup> Information about livelihood programs for business owners and agricultural workers at the district level was obtained from the district agriculture and marine and fisheries offices in accordance with the regional typologies (Pacitan and Indramayu). At the village and sub-district levels, we obtained information from all respondents (see Chapter 1).

Most of the programs taking place in the research areas are intended for farm owners/managers rather than farm workers, and several respondents participated in *gogorancah*<sup>26</sup> rice cultivation training which was open to the general public. This was not due to their status as PKH beneficiaries, but because they met the other participation requirements.

The programs to develop food crops, horticulture, and livestock farming are found mainly in the research villages within Pacitan, while programs for fisheries are more prominent in the Indramayu research villages. In the urban area of Surakarta, we found a program that focuses on small plots of land for growing household-scale horticultural crops. No agricultural programs were found in the industrial research areas of West Bandung.

**Table 20:** Description of Agricultural Livelihood Interventions

Program	Description	Participation requirements/costs	Implementing agency and level
Farmer training	<ul style="list-style-type: none"> <li>Classroom training (combined with practical exercises) on cultivation techniques for rice, horticulture, fisheries, animal husbandry, and fertiliser production.</li> <li>Agriculture, fisheries, and livestock extension workers from the respective local offices lead the training courses.</li> <li>Experienced business owners participate as resource persons.</li> </ul>	<ul style="list-style-type: none"> <li>Free of charge.</li> <li>Participants are typically farm owners or managers.</li> <li>Occasionally open to agricultural labourers (like rice planting).</li> </ul>	<ul style="list-style-type: none"> <li>District program by agricultural agency and fisheries agency.</li> <li>Implemented at district, subdistrict &amp; village levels.</li> </ul>

<sup>26</sup> *Gogorancah* rice is planted in rain-fed rice fields when the paddy fields are still dry but after the rain. The rice fields are inundated.

Program	Description	Participation requirements/costs	Implementing agency and level
Farming production inputs (via the PKKPM Program) <sup>27</sup>	<ul style="list-style-type: none"> <li>Provision of seeds, seedlings, fertilisers, farming equipment, post-harvest processing tools, and agricultural waste.</li> <li>Provided to farm owners as individuals or groups.</li> </ul>	<ul style="list-style-type: none"> <li>Usually required to be a part of a fishermen's or farmers' collective.</li> </ul>	<ul style="list-style-type: none"> <li>National program by Ministry of Villages.</li> <li>Implemented at provincial, district and subdistrict levels.</li> </ul>

Source: Processed from qualitative data, 2019.

## PKH Participants' Experience of Complementary Livelihood Programs for Agriculture

### Respondents assessed the usefulness of agricultural livelihood interventions on several factors:

- The ease for PKH family members to meet the requirements for participation
- Compatibility of the training with the participants' current occupation;
- Participants' ability to apply knowledge from the training to their daily farming activities in terms of the natural resources available and other livelihood capital they have;
- The availability of post-training follow-up action, for example, mentoring and monitoring to ensure participants apply the new knowledge effectively; and
- The provision of complimentary business tools, capital support, and other facilities post-training.

<sup>27</sup> PKKPM: *Peningkatan Kesejahteraan Keluarga Melalui Pemberdayaan Masyarakat* (Community Empowerment Program for Improving Family Welfare); eligibility is based on those considered poor as per the Unified Database

**Table 21: Impact of Livelihood Development Programs for the Agricultural Sector<sup>28</sup>**

Location	Program	Score
Indramayu	Training on gogorancah rice planting	4
	Training on shrimp farming	1
	Battery and lamp assistance for <i>bagan</i> * fishermen	4
	Tractor assistance	2
	Fishing net and boat engine assistance	2
	Shrimp seed assistance	2
West Bandung	N/A	
Surakarta	Training on vegetable growing	4
	Training on using vegetable/fruit waste to produce liquid fertiliser	1
Pacitan	Training on caring for dairy cows and waste management	2
	Training on fruit growing	2
	Tractor assistance under the PKKPM program	4
	Corn seeds, rice, and fertiliser assistance	4
	Milling equipment assistance	3
	Juvenile goats assistance	2
	Animal feed mill assistance	2
	Training on processing fertiliser using livestock manure	1
Assistance with fertiliser processing equipment for livestock manure	0	

Source: Subdistrict FGD 2019.

Note: 0 = no impact; 1= very low impact; 2= low impact; 3= big impact; 4= very big impact. \* traditional fishing gear

**The training on cultivating *gogorancah* rice in Indramayu was considered successful because it was congruent with the PKH family members' livelihoods.** The course was open to farm owners, land managers, and farm workers. The advantages of the *gogorancah* cultivation system are that it reduces crop planting and maintenance labour and saves time (Balingtan 2016) which suits small-scale farmers like those in this study. The respondents who work as farm labourers also increase their skills, making it easier for them to find work compared to other untrained farm labourers.

<sup>28</sup> The 'impact' of interventions was assessed through FGDs and reflect the respondents' perceptions of usefulness and applicability in terms of strengthening their income-generating opportunities.

**Training on vegetable growing in Surakarta was also considered beneficial because the course was open to anyone interested and catered for people with small plots of land in urban areas.** The produce is grown for the family to reduce household expenses although some of the produce is also sold in limited quantities.

**Conversely, the training on shrimp farming was of little impact for the study respondents.** The participants had to be shrimp farm owners or managers but few PKH family members in our study own land or have access to the capital to establish a shrimp farm (although some work as shrimp farm labourers). Furthermore, the training did not offer any follow up although the trainees needed guidance in applying what they had learned.

**The training on fruit growing in Pacitan was also of limited use although several family members in the research village work as farmers and some already grow fruit trees.** The course provided useful knowledge for the farmers but did not distribute quality fruit seeds or offer financial assistance despite the farmers' limited access to these inputs. Respondents came to a similar conclusion regarding the training on fertilisers in Pacitan. Although the organisers distributed fertiliser processing tools to support the training, they did not give adequate information on using and marketing the fertiliser. As a result, the training added to the knowledge of the participants, but this knowledge did not strengthen their livelihood.

**A frequent requirement that PKH family members find difficult to meet is their participation in farming or fishing collectives (see section 2.1 of this report) due to several reasons:**

- They do not own the land or boats they use, a common condition for joining a group;
- They prefer to work individually rather than collectively;
- They want to avoid the risk of conflicts that can occur in groups; and
- They do not know how to join a collective.

**The form of assistance must also be appropriate for the farmers' contextual needs if they are to benefit from the intervention.** For example, the tractor assistance provided under the PKKPM program in Pacitan apparently had a major impact while the same assistance in a research village in Indramayu was deemed to have had little impact.

**Under the conditions for the PKKPM program, complementary interventions should support the local economy and be dictated by the needs of the participants.** The program participants (including PKH family members) requested tractor assistance based on their needs as landowners and managers. Of all the research areas, PKH family members in Pacitan own the most land on average and they can use the tractors provided in their day-to-day farming activities. On the other hand, the PKH family members in Indramayu mostly work as farm labourers or fishermen and did not benefit from the tractors in the same way. The limited budget for the assistance program also affected the quantity of production facilities it could deliver—meaning that not everyone in need could benefit.

**Lastly, information about the intervention tends to be disseminated unevenly and does not reach the entire community because it is largely delivered by word of mouth and the posters or leaflets are only available at the village offices.** People living some distance from the offices or in remote villages, like many PKH family members, are unlikely to hear about the programs or see the announcements. Furthermore, the program organizers have no effective plan to get information out to remote villages.

**To participate in agricultural trainings and other livelihood support programs, farmers often must be a part of farmers’ collectives.**

Given their limited land, capital, and social networks, most poor farmers are unable to meet this requirement.

### 3.2 Complementary Interventions for MSME Owners

**Complementary interventions for those engaged in MSMEs are summarised in Table 22.** While the research identified several livelihood development programs for MSME owners, it should be noted that programs offering business consultation, business licensing, and product marketing assistance have not been operating in the research areas over the three years to 2019.

**Table 22:** Description of Complementary Interventions for MSME Owners

Program	Description	Participation requirements/costs	Relevant ministries/agencies
Vocational training	<ul style="list-style-type: none"> <li>• Training on processing food and non-food products, based on the raw materials available in each location.</li> <li>• Objective is to teach participants how to process raw materials into finished goods (sold to consumers) or semi-finished goods (sold to intermediary buyers).</li> <li>• Some courses include sessions on packaging and marketing products.</li> <li>• Private sector actors are occasionally invited as speakers</li> </ul>	<ul style="list-style-type: none"> <li>• Participation is free of charge.</li> <li>• Participant must pay their own transport and accommodation to participate.</li> </ul>	<ul style="list-style-type: none"> <li>• National (Ministry of Cooperatives and SMEs).</li> <li>• Implemented at district and subdistrict levels.</li> </ul>

Program	Description	Participation requirements/costs	Relevant ministries/agencies
Dissemination events	<ul style="list-style-type: none"> <li>• Events to provide MSME owners information on what business they should choose, how they can access capital and bookkeeping skills.</li> <li>• Facilitators are from the regional development agency.</li> <li>• Participants are also able to apply for a loan during the event.</li> </ul>	<ul style="list-style-type: none"> <li>• Available to all MSME operators (no verification required).</li> <li>• Participants must pay travel and accommodation to participate.</li> </ul>	<ul style="list-style-type: none"> <li>• District (implemented by various local agencies) and occasionally offered online.<sup>29</sup></li> </ul>
Grants, loans, and production inputs	<ul style="list-style-type: none"> <li>• Grants or loans provided are to start a new business or expand an existing business.</li> <li>• Provision of equipment such as milling machines to produce shrimp pasta, baking inputs and other production equipment.</li> </ul>	<ul style="list-style-type: none"> <li>• Must prove business viability through accounting records.</li> </ul>	<ul style="list-style-type: none"> <li>• National (Ministry of Cooperatives and SMEs).</li> <li>• The provincial and district-level Office of Cooperatives and SMEs also offer production inputs through their own programs.</li> <li>• Distributed at district and subdistrict levels</li> <li>• Non-government actors such as companies and NGOs also implement similar interventions.</li> </ul>

Generally, the interventions described in Table 22 are run by the various local offices, including the agency for SMEs and cooperatives; trade and industry; maritime and fisheries; or agriculture (except for Surakarta, where civil society organizations run many of these programs). The interventions are generally tailored to the existing resources and types of businesses prevalent in the area. In Indramayu, West Bandung, and Pacitan where the agriculture sector is growing, programs relate to agricultural product processing. In Surakarta, the research area is near a landfill and programs tend to relate to waste recycling.

<sup>29</sup> No online dissemination events were offered in the research areas.

As with agricultural interventions, the relevant offices running the programs for MSME owners coordinate with the subdistrict and village governments that help disseminate information about the programs to the community, including to the PKH family members. While there are no participation requirements or direct costs, several factors contribute to the fact that only 12 out of the 69 MSME owners in the study benefited from these services.

## PKH Participants' Experiences of MSME Complementary Interventions

Participants' assessment of the usefulness of complementary interventions for MSME owners can be found in Table 23. The assessment considered factors such as: (i) the ease of participation; (ii) support across all business cycles; (iii) competency of the trainers; (iv) the response to the business needs of PKH family members; and (v) the ability to apply their newfound knowledge to their business activities.

**Table 23:** Impact of Livelihood Development Programs for MSME Businesses

Location	Variety of programs	Score
Indramayu	Training on salted fish and shrimp paste processing, including product packaging and marketing	4
	Dissemination of information on venture capital	3
	Dissemination of information on businesses that are trending and online sales	1
West Bandung	Training on farming produce processing, including product packaging and marketing	3
	Soft loan from PEKKA program	3
	UPPKS* program	3
	Micro credit (KUR)	1
Surakarta	Training on cooking, baking and packaging	4
	Training on recycling waste into handicrafts	4
	Training on processed foods made from tofu	3
	Assistance in the form of capital for MSMEs	1
Pacitan	Assistance in the form of baking equipment	2

Source: Subdistrict FGD 2019.

Note: Assessment is based on subdistrict FGDs: 0 = no impact; 1= very low impact; 2= low impact; 3= big impact; 4= very big impact.

\*Income-generating activities to create prosperous families program (Usaha Peningkatan Pendapatan Keluarga Sejahtera: UPPKS).

**Vocational trainings offered on processing salted fish and shrimp paste in Indramayu, for example, had a positive impact and anyone interested was eligible to participate.** The raw materials were available in the surrounding environment and easily obtained. The training increased the knowledge and skills of participants who already ran salted fish and shrimp paste processing businesses, helping them to improve the quality of their products. The course included sessions on packaging and marketing. Similar training was conducted in Surakarta on baking and cooking as well as on recycling. The training was successful because the products concerned were marketable locally and did not require expensive equipment to produce.

**In terms of dissemination events, Indramayu was the only research area that had held such an event, although the PKH family members concerned said it had a positive impact on their businesses.** On the other hand, information disseminated through online channels had limited impact. Although the presenters from the Office of Cooperatives and SMEs were competent, the participants (including PKH family members) were not well targeted as they were mature adults who had been running their businesses conventionally and they did not all use smart phones or have access to the internet. Furthermore, the younger PKH family members in Indramayu who have online businesses were not invited to the event.

**While access to capital is important for PKH family members, not all financial assistance schemes have positively impacted on respondents.** For example, the local government in West Bandung offered microcredit services to MSME operators who had established businesses and the ability to repay the loan. In fact, many of the businesses run by the poor, including family members of PKH beneficiaries, operate small-scale businesses with limited bookkeeping, making it difficult to prove financial viability. Many respondents are also worried about their inability to pay the instalments on time. A similar scheme in Surakarta also had little impact since the financial assistance is capped at Rp 260,000 which did not meet respondents' business needs.

**On the other hand, soft loans provided by programs such as PEKKA and UPPKS had a big impact in West Bandung.** Through these programs, poor beneficiaries manage to access business loans and learn how to save money, manage their businesses, and establish support groups so members can provide each other with enterprise support and advice. This highlights that poor MSME owners, such as those within PKH families, are in much greater need of financial management and enterprise skills as compared to financial assistance.

**Once again, information tends to be disseminated unevenly and does not reach the entire community because it is largely delivered by word of mouth and the posters or leaflets are only available at the village offices.** In addition, the training is held at the district level and PKH family members find it difficult to attend due to transport, financial, and other constraints.

*“Even if the location is far, I still want to participate (in the training) ...but there should be a place to stay as I don't have a vehicle to take me places and then there's the cost. Even if I'm willing, if there isn't any transport or money (for food and lodging) ... motorcycle taxi ride to the main road will cost me Rp 15,000 per trip. To go back home will cost me another Rp 15,000.”*

*(female respondent, 56 years old).*

**Local stakeholders have tried innovative ways to expand these services.** In Indramayu, for example, the local industry, cooperatives and MSMEs offices collaborated with the subdistrict government to delegate the authority to issue micro and small business permits to 31 subdistricts in Indramayu. In Pacitan, PKH facilitators have been liaising with MSME cooperative centres for integrated services (PLUT) at the district level to organise assistance for PKH families (**Box 1**).

**Box 1.**

**Micro, Small and Medium Enterprise Cooperatives Centre For Integrated Services (Plut-Kumkm)**

The Ministry of Cooperatives and SMEs established the PLUT-KUMKM in 2014. Nationwide there are 73 centres located in 32 provinces and 45 districts or municipalities. East Java has six centres and one is located in Pacitan district. PLUT-KUMKM consultants are trained in the following business skills (Pacitan has 5 consultants, each specializing in few of these technical areas):

- Business feasibility and proposal development
- Bookkeeping, profitability and loss
- Marketing, branding, packaging (including through online channels)
- Financing and business expansion

The centre in Pacitan district covers MSMEs from 12 subdistricts and their offices are open to all business owners. The consultants disseminate information up to the subdistrict level and distribute leaflets and broadcast information on the radio. The Pacitan office functions under budget constraints and, therefore, cannot visit every MSME in the district. PKH could potentially work with these centres to provide business support to PKH family members engaged in MSMEs. The Ministry of Social Affairs and the Ministry of Cooperatives and SMEs have an memorandum of understanding in place, enabling the extension PLUT services to social protection beneficiaries.

**Poor entrepreneurs, such as those within PKH families, need a combination of business skills development in combination with financial assistance. According to PKH entrepreneurs, loans without the capacity building is of limited value.**

### 3.3 Programs to Help PKH Family Members Join the Labour Market

**While there are programs to help people access the labour market in all research areas, there are fewer compared to the complementary interventions that are available for farm owners and MSME operators and they are not aimed specifically at poor communities.** As with the other schemes described in this chapter, PKH family members had little knowledge and prior participation in these labour market schemes.

**Most labour market interventions are typically operated through the Local Employment Offices, although the Office of Cooperatives and SMEs in West Bandung, the education office in Surakarta and a joint government/NGO collaboration were also involved in supporting these schemes.** The labour market interventions present in the research areas are summarized in **Table 24**.

**Table 24:** Description of Labour Market Interventions

Program	Description	Participation requirements/costs	Relevant ministries/agencies
Competency-based vocational training	<ul style="list-style-type: none"> <li>Offers certified training, internships and employment opportunities in the formal sector.</li> <li>Participants receive a competency certificate once the training has been completed.</li> <li>In addition, participants receive short courses (over a few days) in welding, cooling, car and computer repairs, and other services. Some offer certificates, but they do not hold as much weight as the competency-based courses</li> </ul>	<ul style="list-style-type: none"> <li>Free of charge.</li> <li>Provides meals and daily transport allowances.</li> <li>No participation requirements.</li> </ul>	<ul style="list-style-type: none"> <li>National (Ministry of Manpower) competency-based training implemented at district level by public vocational centres (<i>Balai Latihan Kerja</i>: BLK).</li> <li>Short courses implemented at district level by local offices (Employment Office, Industry Office, and Office of Cooperatives)</li> </ul>

Program	Description	Participation requirements/costs	Relevant ministries/agencies
Skills development centres	<ul style="list-style-type: none"> <li>• Similar to BLK</li> <li>• Offers classroom skills training in welding, cooling, and other vocational skills.</li> </ul>	<ul style="list-style-type: none"> <li>• Free of charge.</li> <li>• No participation requirements.</li> <li>• No transport allowances offered.</li> </ul>	<ul style="list-style-type: none"> <li>• National (Ministry of Manpower).</li> <li>• Implemented at district level by the Manpower Agency and BLK, in collaboration with the private sector and education centres.</li> </ul>
Job fairs	<ul style="list-style-type: none"> <li>• Objective is to connect formal companies with qualified candidates seeking employment.</li> </ul>	<ul style="list-style-type: none"> <li>• Open to the general public.</li> <li>• No participation requirements.</li> <li>• No transport or allowances offered.</li> </ul>	<ul style="list-style-type: none"> <li>• National (Ministry of Manpower).</li> <li>• Implemented at the district level by the Manpower Agency, in collaboration with private companies who have signed Memorandums of Understanding (MoUs) with these agencies.</li> </ul>
Scholarships for senior secondary school equivalency program	<ul style="list-style-type: none"> <li>• Equivalency education and certificates for those who did not complete formal education.</li> <li>• Packages A, B and C<sup>30</sup> are available in all the research areas</li> </ul>	<ul style="list-style-type: none"> <li>• Open to the public, but participants required to pay for the service (unsubsidised).</li> <li>• Scholarships offered for the poor.</li> </ul>	<ul style="list-style-type: none"> <li>• Equivalency education is a national program (Ministry of Education)</li> <li>• Scholarship programs are implemented by districts (Education Office).</li> </ul>

Source: Subdistrict FGD 2019.

<sup>30</sup> Package A provides elementary school equivalence, Package B junior high school equivalence, and Package C high school equivalence.

## Experiences of PKH Members with Labour Market Interventions

**Of all the research areas, Surakarta has exhibited the greatest initiative to implement local labour market schemes to enable people to enter the formal sector job market.** For instance, Surakarta is the only district that has developed a three-in-one facility that integrates training, certification, and placement and has signed agreements with hundreds of private companies to recruit interns and new hires at the regional minimum wage.

**In terms of competency-based vocational training, family members between the ages of 15-29 who have attended secondary school have the greatest potential to benefit from these schemes and enter the formal labour market.** While they can be of value, few PKH participants have taken part. Only a few respondents in Pacitan had attended the BLK courses and a few have participated in the non-BLK short courses in West Bandung. PKH family members usually find out about these courses through the village apparatus, local cadres, or friends. The more socially active they are, the more likely they are to hear about it and participate. Skills development centres (SDCs) are in West Bandung and Surakarta but the PKH family members in this study did not know about them. Given their overlapping mandate with BLK, the district of Surakarta is planning to integrate both schemes whereby SDC is designed as entry level vocational skills training and BLK are for those who are seeking advanced skills.

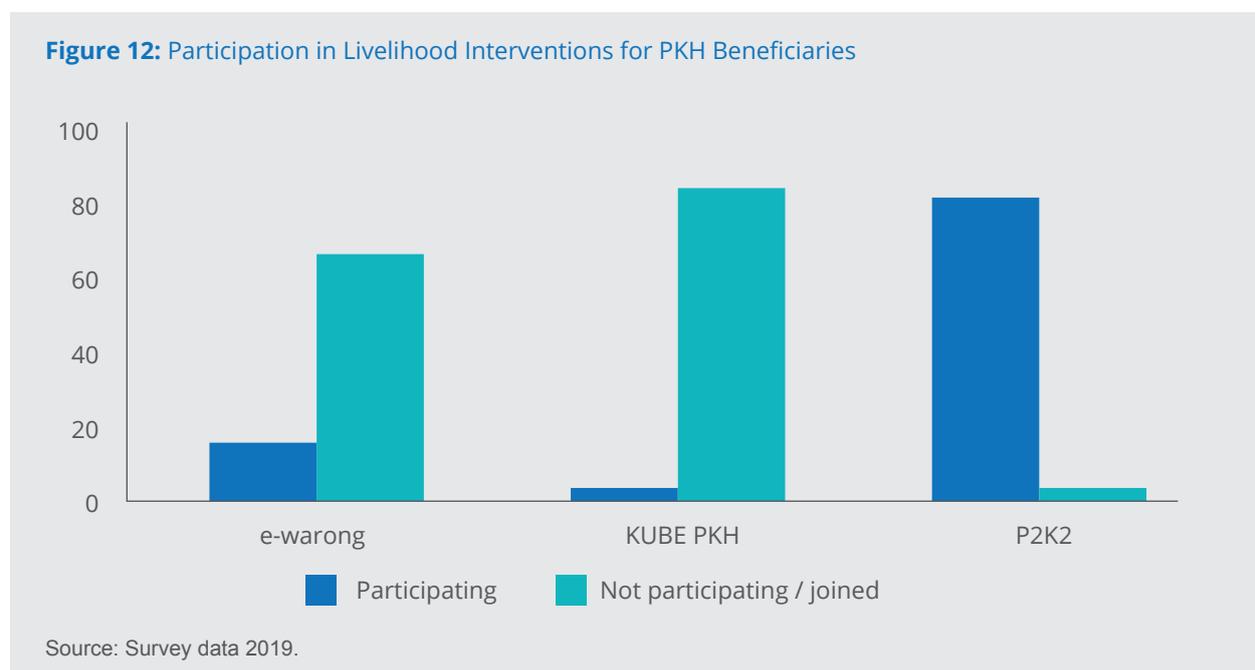
**Job fairs are appropriate for PKH family members who have completed senior secondary school but are still unemployed (or want to change jobs).** PKH family members who work for government or civil society organizations are more familiar with job fairs than those working elsewhere, while those working at home are not aware of the fairs at all. Furthermore, only a handful of PKH family members take advantage of either government or online job fairs to find employment because respondents were not convinced that the job fairs would actually result in jobs and, therefore, do not consider them worth the costs of travelling to the district centre.

**Surakarta's Education Office is the only one that offers scholarships for poorer people to enroll for the senior secondary school equivalency program.** One PKH family member in the study had benefitted from the scholarship, but most had not heard about it even though PKH family members are an appropriate target for this intervention (particularly those over 17 years of age who did not complete senior secondary school).

**Most respondents did not benefit from vocational training and employment support services, largely because information about these interventions does not reach PKH families.**

### 3.4 Livelihood Development Programs Designed for PKH Beneficiaries

In addition to the interventions described previously, MoSA also runs the livelihood development programs that target PKH family members across all research areas. These programs include Family Development Sessions (FDS)<sup>31</sup>; joint business groups for PKH members (*Kelompok Usaha Bersama PKH*: KUBE PKH); and the electronic community-based kiosks (e-Warong KUBE PKH). Of these three programs, the family development sessions (Figure 12) have the highest participation rate since these sessions take place in all the research areas, while the electronic community-based kiosks program only runs in Surakarta. The joint business groups are present in two of the research areas, although none were actively running at the time the research was conducted.<sup>32</sup>



#### Family Development Sessions (FDS)

The FDS are a structured learning process designed to help PKH family members develop a deeper understanding and improved behaviour towards health, education, and financial management (PKH 2017). The FDS was introduced in 2015 and consists of four modules: (i) health and nutrition; (ii) childcare and education; (iii) family economy; and (iv) child protection. They are held once a month with PKH facilitators using interactive and participatory methods, with each session lasting between two and two and a half hours (PKH 2016b). Almost all the PKH families in this research (97 per cent) had participated in the FDS (Figure 12).

The financial management module includes topics like managing family household expenses, savings, business planning, and how to run effective enterprises. According to PKH facilitators in Indramayu and West Bandung, the financial management module was offered in 2015 and 2018 respectively, and they plan to repeat these modules in 2019 as a refresher for existing beneficiaries and for new PKH families who have not covered the material.

<sup>31</sup> Known by the Indonesian acronym P2K2 (*Pertemuan peningkatan kemampuan keluarga*).

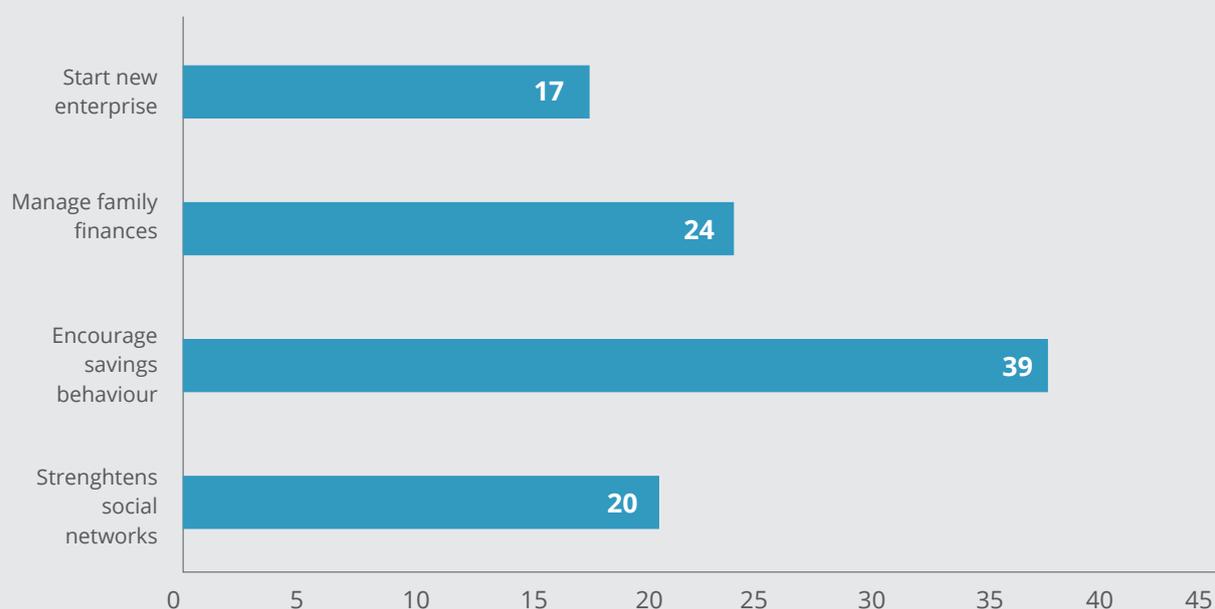
<sup>32</sup> The number of KUBE PKH in each research village in Indramayu and West Bandung was 1–13 groups (or around 10–130 people per village). The survey was, however, only conducted with 50 recipient families per district and the selection was made randomly. The level of participation in KUBE PKH could, therefore, be greater than the 1 per cent cited here.

**Overall, most respondents (63 per cent) felt that the financial management module within the FDS was very useful. Respondents felt the sessions:**

- Encouraged them to save (39 per cent);
- Helped them to manage the family finances (24 per cent);
- Advised them on how to start a new business (17 per cent); and
- Provided a source of social capital for pkh families that gave them information on job opportunities and new customers for their businesses (20 per cent) (**Figure 13**).

**Nevertheless, 37 per cent of PKH families said that the FDS did not bring any benefit to their economic activities, most commonly because facilitators do not provide information on employment opportunities as part of the session.**

**Figure 13:** Benefits of the FDS in Supporting the Economic Activities of Participants (by Type of Activity)



Source: Survey data 2019.

**Most respondents felt that the Family Development Sessions were useful in promoting savings, managing family finances, and motivating individuals to start an enterprise.**

## Joint Business Groups for PKH (KUBE PKH)

**The joint business groups program, referred to as KUBE PKH, is one of the MoSA programs that aims to empower poor groups by providing seed capital for enterprise development (MoSA 2017).** The program offers a means of increasing productive economic efforts, promoting self-development and sharing experiences between members. KUBE PKH is expected to motivate the poor to: (i) become economically and socially advanced; (ii) increase interaction and cooperation in groups; (iii) strengthen the entrepreneurial culture; and (iv) establish socioeconomic partnerships with market actors (PKH 2016a). Groups consist of 10 members, and the seed capital can be used either for individual enterprises (managed through the group) or a group enterprise. The group receives Rp 20 million in seed capital and the investment is guided by a KUBE PKH facilitator who supports the group for one year—at which point the business is expected to be sustainable.

KUBE PKH was a re-design of the traditional KUBE program and sought to improve the inefficiencies in KUBE<sup>33</sup> (TNP2K, 2015b). KUBE PKH was redesigned, for instance, to include monthly meetings with facilitators to develop members' business management skills and systematic indicators to monitor progress (ibid), although there is no evidence to determine if these reforms have been implemented (see **Box 2**).

Similar to KUBE, KUBE PKH is based on the philosophical basis and values of 'from, by, and for the community' and needs to represent continuous, long-term cooperation (PKH 2016a). Although KUBE PKH funds were distributed to four groups in West Bandung, 20 groups in Indramayu and three groups in Surakarta between 2016 and 2017, only a small number of respondents had been part of these groups and none of the groups was still operating during the research period. By the time this study was conducted, the program had become dormant due to the following reasons:

- The facilitator chose the enterprises without involving the group members. The enterprise choices did not always match beneficiary interests, abilities or environmental conditions, resulting in a lack of ownership over the business venture.
- Facilitators were only available during the first year of the program and did not monitor activities after the assistance had been disbursed. The implication is that activities ceased shortly after the capital was disbursed.
- The funds were not always utilized towards enterprise purposes

In West Bandung, for example, the facilitator decided that participants should raise lambs as their enterprise and thus selected beneficiaries with prior experience in this activity. Although the number of lambs increased from 10 to 17, the group participants did not feel the intervention had much impact. They expressed the view that this business was not appropriate for their areas (since they had limited grazing land) and consequently the lambs were not well cared for. According to a beneficiary, "we did not agree with the business, the facilitator did not stick to the KUBE principles so we, in turn, did not support the program." Interviews also suggest that KUBE PKH facilitators lacked enterprise experience and failed in improving members' capacity to manage their enterprises.

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<sup>33</sup> Kelompok Usaha Bersama (KUBE) is a socio-economic empowerment program implemented by MoSA since 1983 to encourage group-based microenterprises. KUBE offers capital grants of Rp 20,000,000 to groups of 7-10 people, paid as a one-time transfer once a group business proposal was established. Profits were typically reinvested into the business but could also be shared among participants. Previous evaluations of KUBE showed that the program was not strengthening members' incomes because the capital amount was insufficient, was not improving their business management skills, and there were no systems to track business progress (TNP2K, 2015b).

**Box 2:****2015 A SUMMARY OF KUBE PKH 2015 EVALUATION FINDINGS**

In 2019 KUBE PKH reached 110,000 beneficiaries with plans to further expand the program in 2020. A 2015 evaluation of KUBE PKH highlighted that the program reached 14,740 members in 2015, of which the majority were women with primary school education and no previous business experience. While they claimed that the program helped them to sign their own name and improve their social capital within the group, the program did not uniformly improve their enterprise management skills. The 2015 evaluation highlights that having strong 'agents of change' to mentor the beneficiaries (e.g. facilitators with enterprise experience and entrepreneurial local leaders) is critical to program success, although this was sporadically implemented across locations (TNP2K, 2015a).

Recommendations to improve KUBE PKH included regular monthly meetings with experienced facilitators to develop beneficiaries' bookkeeping skills, increase their access to markets, and monitor their business progress through systematic indicators and robust monitoring tools. Recommendations also included linking with other stakeholders to build members' financial literacy and MSME development; strengthening the enterprise capacity of KUBE PKH facilitators; and utilizing e-learning tablets so that facilitators can provide standardized business skills training to beneficiaries (TNP2K, 2015b). In the absence of a follow-up evaluation, it is unknown the extent to which these recommendations were implemented.

## The Electronic Community-based Kiosk Program

**KUBE PKH established the electronic community-based kiosks program, referred to as e-Warong KUBE PKH.** The kiosks are operated by PKH beneficiaries and the purpose is to: (i) disburse cash and/or staple foods to social protection beneficiaries; (ii) sell and market goods produced by the KUBE PKH groups; and (iii) provide an income-generating opportunity for the kiosk operator and KUBE PKH groups. These kiosks are operated by a group of 10 PKH beneficiaries on a rotating basis so that several beneficiaries can generate an income from the intervention.<sup>34</sup> These kiosks can only be established in locations that: (i) have good electricity and internet connection; (ii) have an ability to service 500–1,000 PKH families; (iii) are approved by KUBE board members; and (iv) have an ability to disburse social assistance benefits (MoSA 2017).

**The e-Warong KUBE PKH platforms are only found in Surakarta which is why only 19 per cent of the PKH families in the study said they had participated in the program (Figure 12).** The platform in Surakarta started in 2016 but the first platform in the research area was established in 2017 and another in 2018. One subdistrict has one kiosk and the other subdistrict three kiosks which sell varied goods that include food staples and household goods (for example, soap and toiletries).

<sup>34</sup> There are no special requirements to become an e-Warong KUBE PKH operator (Mawardi et al. 2017). Furthermore, the operators decide among themselves how often the profits are to be shared.

**The Surakarta mayor and the Office of Social Affairs strongly support e-Warong KUBE PKH<sup>35</sup> by funding four out of 50 kiosks in the area from their local budget.** The Office of Social Affairs also established affirmative policies whereby 65 per cent of social assistance benefits are distributed through these PKH beneficiary-operated kiosks and just 35 per cent of benefits are distributed through other kiosks operated by commercial banking agents.

**In addition, PKH facilitators also encourage PKH families to shop at e-Warong KUBE PKH when they go to receive their social assistance benefits.** The facilitators recommend that every PKH family spends at least Rp 10,000 per month through the kiosks and, as such, the e-Warong KUBE PKH operators ensure that they maintain positive relations with their fellow PKH beneficiaries. The higher the number of transactions, the greater the profit share among the e-Warong KUBE PKH operators.

**The study respondents claimed that they do not object to spending Rp 10,000 per month through e-Warong KUBE PKH as they understand the advantages and are keen to help their fellow PKH beneficiaries.**

*"If it's only that much [Rp 10,000 per month] it is not a burden. There is always something to buy in a month like children's snacks, tissues, eggs and so on. The difference is, we must shop there [e-Warong KUBE PKH] but I only go there once a month. What matters is my bookkeeping has already recorded me spending Rp 10,000 there. For daily needs, I will just shop at nearby kiosks or I might as well go to the market"*  
(woman, 51 years old, Surakarta, 2019).

**According to interviews with the Office of Social Affairs in Surakarta, e-Warong KUBE PKH requires further operational revisions at the national level if it is to be a sustainable and profitable intervention.** For instance, a mapping of e-Warong bank agents and e-Warong KUBE PKH agents would be useful so that both sets of operators are geographically spread out and not in direct competition with each other. Secondly, given that there are no prerequisites or qualifications required to become an e-Warong KUBE PKH operator, not all operators have the skills to run their kiosks successfully. This also contributes to their difficulty in competing against other established kiosks in the area and maximizing their profit. As such, e-Warong KUBE PKH operators require additional enterprise skills training. Furthermore, a screening process may help to identify agents who have previous pre-existing business skills and experience in managing an enterprise.

**Not all e-Warong KUBE PKH operators are natural entrepreneurs. Pre-screening to identify PKH beneficiaries with pre-existing business skills and providing them enterprise management training could help ensure that the intervention operates more sustainably.**

<sup>35</sup> Based on Minister of Social Affairs Regulation No. 25/2016, e-Warong KUBE PKH is a business facility established and managed by KUBE Jasa as a means of disbursing social assistance in the form of staple food and/or electronic, business needs, as well as marketing the products of KUBE members.

## CHAPTER 4.

# CONCLUSIONS AND POLICY RECOMMENDATIONS

### 4.1 Conclusions

**This report has attempted to highlight the labour challenges that conditional cash transfer beneficiaries in Indonesia experience and present a case for strengthened complementary interventions to address some of these challenges.** The previous three chapters have provided detailed descriptions of: (i) the economic profiles of PKH working-age family members; (ii) the livelihood constraints that farmers/fishermen, small entrepreneurs, and wage employees within these families face; and (iii) their experiences with government programs that are designed to address these constraints.

**Nearly one-half of PKH family members (40 per cent at the national level and 48 per cent of the study sample) are in the workforce, meaning they are either involved in economic activities or they are looking for work.** Although the unemployment rates are relatively low (4 per cent nationally and 3 per cent for the study sample), about one-fifth of the workforce is underemployed.

**Most of the unemployed are young people who have just graduated from senior secondary school and are looking for work, while most of the underemployed have junior secondary school education and above.** In addition, around 13 per cent of working-age family members are still in school and will need employment soon. One-half of the unemployed are women who have attained junior secondary school or higher. Their primary focus is caring for the home, but with the potential to enter the workforce as mid-to-highly skilled labourers should they choose to.

**Those who are employed are experiencing a deficit in sustainable livelihoods, although this “deficit” takes on different shapes depending on the context.** While agriculture is the main source of livelihood for more than 50 per cent of the respondents, PKH farmers typically utilise skills acquired from previous generations, thereby limiting their productivity. The majority also have primary school education or less, and lack the high-quality social networks, financial resources, and physical capital (land and tools) to earn a decent wage from their agricultural activities. Nevertheless, most are commercially oriented and 62 per cent of farmers aspire to improve their incomes.

**More than one-third of PKH family members are small business owners or work as employees for others.**

PKH business owners experience a range of bottlenecks across the business cycle, including: (i) the inability to access business permits; (ii) lack of tools to produce high-quality commodities; (iii) a dearth in capital and financing sources; and (iv) limited market access. PKH family members who are employed typically do not have contracts with their employers, leaving them vulnerable to termination and other risks.

**Working-age members within PKH families lack the human, financial, social, physical and natural capital resources required to capture lucrative livelihood opportunities.**

For instance, most employed PKH family members have a primary level education or lower, although this is changing. PKH family members between the ages of 15-30 years are increasingly attaining junior and senior secondary school levels, indicating an increasing stock of human capital within these households.

**Although most respondents are aware of how to access loans, most are unable to meet lenders' requirements or are averse to taking credit.**

The lack of financial capital prevents: (i) farmers from investing in productive tools; (ii) SME operators from expanding their enterprises; and (iii) potential employees from effectively engaging in the job-seeking process.

**Although most respondents live relatively close to economic centres, the poor quality of roads and limited transportation options negatively impact their ability to access markets and employment services.**

A small percentage of enterprise owners in urban areas have begun to use the Internet for online marketing, although not many have smartphones.

**In the absence of other sources of capital, social relationships are critical for forging access to livelihood opportunities.**

The majority of PKH entrepreneurs and employees rely on their personal connections to market their products, find jobs, or access informal loans, however, PKH working-age members lack relationships with influential persons or groups. PKH farmers and fishermen, for instance, are unable to access fishermen's and farmers' collectives and, therefore, miss out on benefits such as subsidized fertilizers and other inputs, access to government support schemes, and lucrative marketing channels. As a result, most rely on brokers to forge access to lucrative opportunities (for example, seasonal labour opportunities, formal employment, loans, and markets) although at the expense of squeezed profits and high broker fees.

**National and local government run various livelihood development programs, such as vocational and skills training; capital grants and farmer inputs; business consultation services for enterprise owners; job fairs and other employment services, however, few respondents have accessed these programs in the past.**

Most government schemes have participation requirements (for example, land ownership or being a part of a farmers' collective) that PKH families are unable to meet. Information about these schemes is also unevenly distributed and typically does not reach PKH families living far away from district centres. MoSA operates a couple of programs designed specifically for PKH family members, although their impact has been limited.

**Local governments have adopted innovative mechanisms to bridge some of these gaps.**

For instance, the district government of Surakarta has signed agreements with hundreds of employers to offer vocational training services and employ training participants at the regional minimum wage. Potential also exists for greater synergies at the national level. For instance, MoSA and the Ministry of Cooperatives and SMEs have signed an MoU so that more extensive business services can be offered to PKH families, although this agreement has not yet been implemented within the study districts.

## 4.2 Recommendations

**The purpose of this report is to explain the labour strategies that social protection beneficiaries utilise so that government and development partners can think critically about how to more effectively link these two domains.** This chapter provides practical suggestions for strengthening micro-enterprise opportunities and enabling access to formal employment. The former is intended to address the common business cycle bottlenecks that PKH farm owners and MSME operators experience. Given that not everyone has the capacity nor interest to become entrepreneurs, the latter describes alternative pathways for those who have the skills and qualifications to pursue both high-skilled and low-skilled jobs. This is particularly relevant for those within the 15-30 age group who have highschool degrees and the potential to transform their household economy through lucrative jobs. Strategies to address livelihood constraints among social protection beneficiaries require coordination mechanisms between implementing agencies at the local level as well as inter-ministerial collaboration at the policy level.

### Strengthening Micro-Enterprise Opportunities

- **Facilitate PKH farmers to produce commodities with greater earning potential and market demand.** Most PKH farmers currently have limited productivity and only produce enough yield for consumption and minimal income. Farmers in rural areas have the potential to cultivate high-value secondary crops (such as maize) that require less land and irrigation, have limited suppliers in the market and are in strong local demand. Producing chicken and quail eggs in Pacitan and cultivating catfish in Indramayu are examples of other high-value commodities that could significantly increase incomes in rural and coastal areas. Linkages with successful farming entrepreneurs could motivate farmers and support them with technical knowledge and inputs needed. For instance, PKH poultry farmers in Pacitan explained that they learned the trade from successful entrepreneurs in their village who also supply chicken feed and purchase their eggs.
- **Foster stronger market linkages between PKH families and local buyers.** PKH entrepreneurs' limited social networks hinder their ability to forge relationships with market actors. Local buyers are looking to purchase high-quality commodities and are willing to engage directly with PKH entrepreneurs and cut-out exploitative middlemen. Local government agencies could facilitate MoUs between market actors and PKH entrepreneurs. This would enable buyers to communicate their purchasing requirements to PKH entrepreneurs and these entrepreneurs would be more likely to produce goods to buyers' preferences. Such linkages could enable poor farmers to maximise efficiencies and incomes, but the terms must be agreeable to both parties. For example, PKH entrepreneurs need cash immediately to finance their next round of production which may pose a challenge for some buyers.
- **Facilitate MSME operators to obtain home industry business permits.** This would enable poor food processing entrepreneurs (of which most are women) to significantly increase their customer base and confidently run their enterprises without fear of regulatory authorities. The intervention would require collaboration between the Ministry of Social Affairs and the Ministry of Manpower (both at the national and local levels) to achieve several objectives: ensure that the process of obtaining permits is simplified for poor entrepreneurs; the process is socialised, particularly to PKH beneficiary families; and that the permit application services are available at the village level so that they are easily accessible.

- **Make complementary interventions for PKH families available to all working-age members within the household.** Existing PKH livelihood interventions only target PKH beneficiaries, although they may not be the most suitable entry point. The study has highlighted that many women are burdened with additional care duties, and other household members may be in a better position to manage an enterprise. Most unemployed PKH working-age members fall within the 15-30 age bracket and nearly one-half have obtained high school degrees, perhaps signaling stronger literacy and numeracy skills than their parents. They may also potentially be more open to utilizing technology (smartphones) for business purposes and exhibit greater risk-taking behaviour than the previous generation. If the objective is to increase household income through lucrative livelihood opportunities, there is a need to cast the net wider to all working-age members within the family.
- **Reform KUBE PKH into a productive inclusion pilot for PKH families with strong enterprise potential and interest (see Annex 4 for a detailed description).** KUBE PKH is the primary livelihood intervention available to PKH families, although the participation, impact, and sustainability of this program is limited. It is recommended that MoSA further reforms KUBE PKH into a productive inclusion program targeted to entrepreneurial individuals within PKH families (see Annex 4). This model has been implemented in over 30 countries with significant economic impacts, and has been linked with national conditional cash transfer programs in Colombia, Paraguay, Ethiopia, and the Philippines (Fundacion Capital, 2018).

As part of the scheme, a screening process should first identify potential PKH entrepreneurs with enterprise potential. This is not necessarily the PKH beneficiary, as the study shows that this may pose a burden to women who have to shoulder additional responsibilities. Furthermore, the youth may be better targets for enterprise schemes given their literacy, numeracy, openness to new opportunities and the use of technology (IZA World of Labour, 2018). These potential entrepreneurs would receive additional cash for enterprise investment, linkages with private sector buyers, and regular “business coaching” sessions from an enterprise facilitator for two years. These facilitators could further link profitable businesses to microfinance services in the third year to help them expand.

**To reduce costs and maximise efficiencies, PLUT facilitators could be leveraged as enterprise facilitators.** PLUT facilitators have the capacity to provide specialised mentoring across various stages of the business cycle, and can also train KUBE PKH facilitators to become more effective enterprise coaches. This “capital and coaching” intervention would address the main challenges that confront PKH entrepreneurs, including insufficient capital; limited business and bookkeeping skills; and a lack of market linkage experience. Successful implementation would require collaboration between MoSA and the Ministry of Cooperatives and SMEs, particularly in leveraging the skills and expertise of PLUT facilitators at a subnational level. **See Annex 4** for further details on the PKH productive inclusion pilot.

## Enabling Formal Sector Employment

- **Facilitate greater female labour force participation through childcare centres.** Only 30 per cent of women within PKH families are engaged in wage employment due to their need for flexible working arrangements which most employers do not offer. The study also shows that many women within PKH families are encouraged to stay home until their children are of school-age, at which point it may be difficult to re-engage with the employment sector (particularly for highly skilled and educated female workers). According to a recent ODI report (2019), “realizing women’s economic empowerment means prioritizing childcare as a part of the public infrastructure,” and as such, countries like India, Mexico, and South Africa are implementing early childhood centres (typically for children from six months to six years) to foster human development, enable mothers to return to work, and reduce the likelihood of older siblings being taken out of school to care for younger siblings. Although the details of this recommendation go beyond the remit of this study, there is a strong, localized need to implement childcare services so that vulnerable women, such as PKH beneficiaries, can participate in the labour force should they choose.
- **Map the training, certification and placement needs of PKH families in coordination with the Office of Manpower.** The Office of Manpower in Surakarta has already started developing a database of training and employer placement needs for those who are currently unemployed. The data collection is done by villages, with the intention of providing localised job-seeking services that responds to people’s requirements. Should such initiatives exist, PKH enterprise facilitators or assigned PLUT facilitators could play a role in mapping this information for PKH families and feeding it into the system
- **Set up inter-ministerial coordination mechanisms so that social protection beneficiaries can apply for pre-employment cards.** As the government launches the pre-employment card program (*Kartu Prakerja*), it is critical that social protection beneficiaries are able to access the program. The subsidy scheme offers technical training and certification to give first-time graduates new skills or improve and upgrade their current skills, as well as support while they are looking for employment. An MoU between MoSA and the Ministry of Manpower would help ensure that the poorest segments of the population benefit from this new policy initiative.
- **As is the practice in Surakarta, local government agencies can assess the growing subsectors in their area and identify skills that are in high demand from employers.** They can then offer training in these skills and services (in collaboration with the private sector to ensure quality) with no prerequisites for participants. By establishing agreements with potential employers, local governments can help trainees secure formal jobs that are paid according to regional minimum wage standards. Finally, the Office of Social Affairs can coordinate with the Office of Cooperatives and SMEs to leverage PLUT facilitators to disseminate information about these opportunities to PKH families. Such mechanisms, however, require inter-ministerial collaboration at the national level and cross-agency coordination at the local level.
- **PKH facilitators can play a role in ensuring that PKH families are informed of employment services in the area.** They can play a critical role in disseminating information on job fairs and other employment related services to PKH families, and encourage them to participate. In Bandung Barat there is a strong demand for both high-skilled labor from larger textile factories and low-skilled labor among small textile companies. Although job fairs regularly occur, PKH families are rarely notified. MoUs between the Office of Manpower and Office of Social Affairs at the local level would help ensure that PKH program staff are regularly updated on employment services offered in the area, and could help to subsidize costs for PKH families to avail these services.



# APPENDICES

## APPENDIX 1:

# PROCESS FOR SELECTING THE RESEARCH LOCATIONS

The process of determining the study locations was done through the following four phases:

- i. Phase One: MAHKOTA determined five indicators, with each indicator weighted differently.** The indicators consisted of: (i) the number of poor people (10 per cent); (ii) the percentage of poor people (10 per cent); (iii) the percentage of poor households being beneficiaries of the Rice for the Poor (*Rastra*) program (10 per cent); (iv) the percentage of poor households in related economic sectors (50 per cent); and (v) economic growth (20 per cent). The data used in this research was provided by Susenas 2017 and the report on 2017 Gross Regional Domestic Product by BPS. Based on the weighting results, 10 districts/cities with the highest scores were chosen from each type of area: agricultural areas; non-agricultural areas; and industrial areas (viewed from the percentage of open unemployment and non-workforce).
- ii. Phase Two: For the 30 districts/cities chosen through the MAHKOTA process, SMERU provided additional information.** This included: (i) the labour force from Sakernas 2017; (ii) the percentage of PKH beneficiary families according to Susenas 2018; and (iii) the number of medium- to large-scale industries mentioned in the BPS industrial survey (the years of publication vary from province to province). SMERU then chose four districts/cities that they considered the most compatible with the typologies set as MAHKOTA's targets.
- iii. Phase Three: SMERU used data from the UDB, details of PKH beneficiary families, the presence of KUBE PKH in the areas, and the e-Warong KUBE PKH provided by MoSA to analyse the different types of areas and the communities' sources of income at subdistrict to village level.** This phase produced one candidate sample subdistrict from each district/city and four village/community candidates that were decided according to the largest proportion of people working in the main sector or the type of dominant income source in each area. A team of quantitative researchers completed this phase before heading out to the field.
- iv. Phase Four: During the early stages of data collection in the field, the SMERU qualitative research team interviewed District Office of Social Affairs staff and PKH implementers at the district/city level.** The purpose of these interviews was to confirm the suitability of the sample village/community candidates in the phase three quantitative analysis results with the real conditions in the field. The SMERU qualitative research team then determined two village/community samples from each subdistrict sample.

**Table A1:** Rationale for Research Locations Selected

Province	District/city	Subdistrict	Village/ community	Rationale
West Java	Indramayu	Cantigi	I1, I2	<ul style="list-style-type: none"> <li>• Indramayu is a rural area located on the northern coast of Java.</li> <li>• Indramayu is renowned as a main producer of rice and fish. It is also known for its inherent poverty, female migrant workers, and child marriages.</li> <li>• According to Susenas 2018, there are 51,410 (9.71%) PKH beneficiaries in Indramayu. With 345 of the PKH beneficiaries in village I1 and 167 beneficiaries in village I2.</li> <li>• According to Sakernas 2017, 5.7% of the total workforce are in the fishing sector which ranks the fourth largest on the island of Java. In village I1, 10.98% of the workforce are in the fishing sector while 21.14% of the workforce are in fish farming.</li> <li>• KUBE PKH program is being implemented in villages I1 and I2.</li> </ul>
West Java	West Bandung	Batujajar	B1, B2	<ul style="list-style-type: none"> <li>• According to BPS, in 2014 there were 179 mid- and large-scale industries in the area-</li> <li>• According to Susenas 2018, there were 49,433 (10.7%) PKH beneficiaries in West Java. In village B1, there are 429 PKH beneficiaries, while village B2 has 427 PKH beneficiaries.</li> <li>• According to Sakernas 2017, 16.6% of the workforce work in the manufacturing industry and the unemployment rate is 9.33%. In Village B1, 22.3% of the workforce are in the manufacturing industry, while village B2 has 27.4%.</li> <li>• KUBE PKH is implemented in village B1.</li> </ul>

Province	District/city	Subdistrict	Village/ community	Rationale
Central Java	Surakarta	Jebres	S1, S2	<ul style="list-style-type: none"> <li>• Poor people working in non-agricultural sectors are categorised into subsectors of the industry supply chain and informal micro businesses.</li> <li>• Representatives of Bank Indonesia (from the offices in Semarang and Solo) actively promote the development of small- and medium-scale businesses.</li> <li>• According to Susenas 2018, there are 10,116 (6.7%) PKH beneficiaries in Surakarta. There are 126 PKH beneficiaries in village S1 and 1,172 beneficiaries in village S2.</li> <li>• According to Sakernas 2017, 68.1% of the workforce work in the informal sector. A total of 21.56% of workers work in the manufacturing industry in village S1 and 32.44% in village S2.</li> <li>• There are e-Warongs KUBE PKH both in village S1 (since 2017) and village S2 (since 2018).</li> </ul>
East Java	Pacitan	Tegalombo	P1, P2	<ul style="list-style-type: none"> <li>• In general, Pacitan is a rural area with both coastline and highland areas.</li> <li>• Pacitan's agricultural produce includes rice, crops, horticulture, and livestock. Java's southern corridor passes through this district, connecting it with Surakarta in Central Java and Ponorogo in East Java.</li> <li>• According to Susenas 2018, there are 17,385 (10.5%) PKH beneficiaries in Pacitan, with 542 PKH beneficiaries in village P1 and 522 beneficiaries in village P2.</li> <li>• According to Sakernas 2017, the workforce participation level is 79.48%. Of that, 56.2% work in the agricultural sector. In village P1, 67.96% of workers work in vegetable farming whereas in village P2 the percentage reaches 44.09%.</li> <li>• Of all districts in Java, Pacitan ranks fifth in terms of the number of workers in the vegetable growing subsector (Sakernas 2015).</li> </ul>

Source: Quantitative data analysis 2019.

## APPENDIX 2:

# OVERVIEW OF DISTRICT/CITY AND VILLAGE/COMMUNITY STUDY TARGETS

### Indramayu District

Indramayu district is located on Java's northern coastline and consists of 31 subdistrict and 317 villages (BPS Indramayu district 2018a). According to Susenas 2018, the population of Indramayu was 1,715,43, 40.65 per cent of whom were adults (31-59 years of age). Of the adults, some 41.37 per cent were women. Most adults (70.39 per cent) have only completed a primary school level of education or do not hold a school diploma.

Indramayu is known as West Java's rice supplier and even one of Indonesia's main rice suppliers.<sup>36</sup> Rice production in Indramayu may reach approximately 1.7 million tons of dried unhulled rice harvest. Only 0.5 a million tons of this rice is for local consumption and the rest is for national food consumption. Rice production is supported by Indramayu having the largest area of paddy fields amongst all districts within West Java (Balittanah 2018). Paddy fields make up as much as 56 per cent of Indramayu's 209,942 hectares (BPS 2018a). Indramayu also produces various sea and fish products, such as: fresh, smoked, and salted fish and squid, salt, seaweed, shrimp paste, fish and prawn crackers. Indramayu also provides 40 per cent of all fish consumed in West Java. There are up to 40,665 fishing households, consisting of 6,067 owners and 34,598 workers (BPS Indramayu district 2018a). Indramayu is also the largest provider of Indonesian migrant workers in Indonesia.<sup>37</sup> The total number of migrant workers from Indramayu reached 17,658 in 2017 and 22,144 in 2018 (BNP2TKI 2019).

The Indramayu research location is in the subdistrict of Cantigi. People in Cantigi mostly work as farmers, farm hands, fishermen, traders, and private sector workers (BPS Indramayu district 2018b). Some also work as migrant workers across Indonesia and also abroad. The potential for developing sea and fish products is from sea fishing, brackish water fish farming, and processed fish products. Most Cantigi fishermen still use traditional fishing tools (BPS Indramayu district 2018a). Study village I1 is the largest and most populated village in Cantigi subdistrict. In both study villages I1 and I2, the most dominant livelihood sources are farming and fishing. Trading agricultural and fishing products is commonly done through the intermediary traders congregated around the villages and surrounding areas. The study villages have several kiosks, grocery shops, and vendors selling food and drink but they do not have their own markets so people go to the market in another village in the subdistrict. The only forms of public transport in the villages are motorcycle taxis and rental cars for travelling to Jakarta and its surroundings so people in the communities use private vehicles (cars and motorcycles).

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<sup>36</sup> On the national level, the province of West Java is the second largest rice producer after East Java.

<sup>37</sup> According to Law No. 18/2017 on Protecting Indonesian Migrant Workers, an Indonesian migrant worker is defined as any Indonesian citizen who has, will, or is currently working and being paid outside Indonesia.

## West Bandung District

West Bandung district in West Java province was formed when it was separated from Bandung district in 2007. It has the competitive advantage of being the centre of industry within the Bandung metropolitan area and is accessible by freeway, as well as both conventional and express trains. The economy includes a mixture of agriculture and industry and most people are in the agricultural sector with the industrial and trade sectors following in that order. Nevertheless, in 2016, the agricultural sector contributed less (13 per cent) to the gross regional domestic product than the industrial sector (40 per cent) and the trade sector (14 per cent). Industrial sector activities are concentrated within three subdistricts in the centre of West Bandung: Padalarang, Batujajar, and Ngamprah.

West Bandung's topography and physical conditions make it generally less suitable for developing economic activities on a large scale. It is filled with basins and hills, prone to avalanches and vulnerable to volcanic activity from the Lembang Fault. Batujajar subdistrict has the largest relatively flat area which still has a 0-8 per cent incline across its 4,899 hectares.

Village B1 is the largest village in Batujajar subdistrict covering 7.8 square kilometres or 16 per cent of the total area of the subdistrict. Land usage in village B1 is made up of paddy fields that cover the largest area, followed by residential areas and industry in the form of factories. The delineation of the village includes the waters of the Saguling reservoir that divides it into two areas differing in sizes. The smaller area has adequate road access and is the location of several factories. Village B1 has a population of 11,287 with equal numbers of males and females. People in the area below 30 years of age usually will complete or have completed senior secondary school whereas those over 35 years of age are more likely to have completed primary school or junior secondary school levels. The most common source of livelihood for the village community is work as farm or industrial labourers, and traders.

Village B2 covers 5.72 square kilometres and is made up of flat land and small hills mostly used for residential areas and paddy fields. The village population is 12,010 composed of 5,791 males and 6,219 females. The area's dependency rate is 48, which means that every 100 productive people support 48 non-productive people (those aged below 15 and over 65). The most common livelihoods in the village are working as farm hands, traders (fruits and processed foods), and as casual labourers.

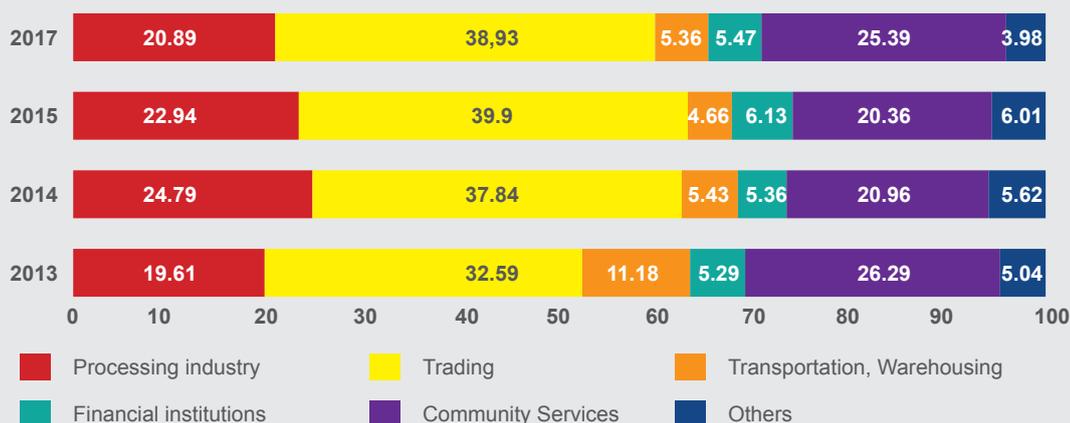
## Surakarta

The city of Surakarta is divided into five subdistricts and the subdistrict that we targeted in this study is located 3.5 kilometres from the city centre. It is the second largest subdistrict in Surakarta city, making up 28 per cent of the city's total size. The ideal road conditions and access to public transport provide easy movement for the population (including PKH recipient families) in the two communities that we selected as targets in the subdistrict. PKH has been implemented in Surakarta since 2015 and the e-Warong program since 2016. Surakarta is the only study area implementing the e-Warong program.

Three business sectors absorb most of the workforce: trade (38.93 per cent in 2017); social services (25.39 per cent); and the processing industry (20.89 per cent) (Table A2). Several factors are behind this: (i) the Surakarta administration urges its residents to start their own businesses (such as trading or becoming arts manufacturers) rather than work for other employers; (ii) Surakarta has become a destination for tourist and business functions (meetings, incentive trips, conventions, and exhibitions); (iii) people can gather, eat out, and

shop until late at night–favourite pastimes; and (iv) the preservation of industrial centres as one of the main livelihoods for the populace. To encourage business activities, the Surakarta administration has taken several steps, such as: (i) revitalizing the markets (renovating old and constructing new markets); (ii) providing shelters for street vendors; (iii) offering numerous training programs on creative businesses; and (iv) promoting space for SMEs and medium-sized industries.

**Figure A2: Proportion of Workers According to Employment Sector: Surakarta**



Source: Compiled from Sakernas 2013, 2014, 2015 and 2017.

According to data from Susenas 2018, more than one-half of adult residents in Surakarta have junior secondary school level diplomas and most people in the 16–30 age group completed senior secondary school level (71.1 per cent). More than one-half of its population (72.5 per cent) are categorised as being in the productive age range (15–64 years). The open unemployment rate for Surakarta is under the national average rate of 5.5 per cent, especially in 2017 when the open unemployment rate was 4.5 per cent for women and 4.4 per cent for men (Sakernas 2017). On the other hand, the unemployment rate for 16–30 years old in 2017 reached 53.24 per cent. Some characteristics of workers in Surakarta in 2017 were that 66.6 per cent were adults aged 31–59 years, with 66.7 per cent having a junior secondary school education and 68.1 per cent working in the informal sector (Sakernas 2017). One dominant type of work in the informal sector is street vending and 45.8 per cent of street vendors sell food and drinks (BPS Surakarta 2018: 246).

Village S1 covers 37.3 hectares and is divided into 10 community units and 35 neighbourhood units. This village is close to the centre of town and the Jebres train station and is 1.4 kilometres from the subdistrict office. It has three traditional markets and several large-scale shops. This village also has a low-cost apartment building. In general, the topography of village S1 is relatively flat, with all residential roads in good condition and public transport within reach. The population of 4,891 includes 1,612 households and 165 PKH recipient families. The education level of most of the population is secondary school and most earn their living as entrepreneurs or traders, although many households live under the poverty line.

Village S2 covers 532.9 hectares and is divided into 39 community units and 191 neighbourhood units. This village is located on the outskirts of Karanganyar district. Village S2 is 3 kilometres from the subdistrict office. It has two traditional markets and two supermarkets as well as several industrial centres, a plastic factory, and the Surakarta landfill. Some areas are flat, but the village also has many hills. Residential roads are in good condition and public transport is easy to access. The population is 51,291, made up of 15,855 households that include 1,172 PKH recipient families. Most of the population has a secondary school level education. The main occupations in the village include entrepreneurs, civil servants/armed forces/police, and traders. Families living under the poverty line are also entrepreneurs (traders or arts manufacturers) and factory workers.

## Pacitan District

Pacitan is a district in East Java with a mountainous and hilly topography. Flat land covers just 4 per cent of Pacitan<sup>38</sup> indicating that developing its agricultural sector would not be easy. According to 2017 data from Susenas, however, the agricultural sector remains the dominant sector in this district, followed by trade. According to the regional medium-term development plan (RPJMD) for 2016–2021, the Pacitan district administration plans to focus on the three sectors of tourism, agriculture, and the maritime industry, in order of priority.

Pacitan is prone to avalanches and floods. According to the Indonesian National Disaster Management Agency (*Badan Nasional Penanggulangan Bencana*: BNPB), over the 2016–2019 period there have been 21 avalanches and another eight floods from a total of 36 natural disasters.<sup>39</sup> Avalanches occur most often, followed by floods (BNPB 2019). This further influences the daily livelihoods of people in Pacitan, especially in the areas most at risk, such as the subdistricts of Tegalombo and Punung (Pacitan district RPJMD 2016-2021).

According to Susenas 2018, up to 67.19 per cent of the total population in Pacitan are in the productive age group (15–64 years) and most of the younger adults have junior secondary school (42.95 per cent) and senior secondary school (42.83 per cent) diplomas. Meanwhile, most adults and senior citizens have primary school diplomas or below. Of all the adults aged 31–59 years, 56.27 per cent have primary school or lower levels of education. Among senior members of the population, this increases to 93.46 per cent with primary or lower level education.

A more detailed review of the characteristics of the working-age population, based upon Sakernas (2017) data shows that 57.13 per cent of workers have a primary school and lower education level. Pacitan's workforce commonly work in the agriculture and plantation sector (56.21 per cent). Considering the status of the workforce, a significant percentage have their own businesses (39.83 per cent), with unpaid family workers reaching 30.71 per cent.

Village P1 covers 2,212 hectares consisting of 28.3 per cent paddy fields, 62.7 per cent dry land and the remaining 9 per cent plantations, public facilities, and forests. The most common livelihood sources in the village are farming and small-scale animal husbandry. These jobs are done simultaneously as the farmer takes care of the crops and the animals. The closest centre of economic activity is the large market in Gemaharjo village in Tegalombo subdistrict, about seven kilometres from village P1. The centre of Tegalombo is about 18 kilometres away.

<sup>38</sup> Flat land is categorised according to the slope being 0-5 per cent (Pacitan district GMTDP 2016-2021).

<sup>39</sup> Number of accumulated events during the timespan.

Village P2 is located in the hills of Pacitan and, according to the 2017 village profile, it covers 1,585 hectares made up of 4.8 per cent paddy fields, 58.4 per cent dry land and 28.5 per cent plantations, with the remaining 8.3 per cent used for public facilities. The main sources of income in village P2 are similar to village P1: farming and small-scale animal husbandry. The qualitative research results show that people from village P2 are more likely to migrate to other cities or districts like Ponorogo or Surabaya compared to those in village P1. The market, as the centre of economic activity, is located about 12 kilometers away in Tulakan subdistrict, further than the market is from village P1 in Gemaharjo.

## APPENDIX 3:

# SAMPLE PKH RECIPIENT FAMILY SELECTION PROCEDURE

### **The steps carried out in selecting sample PKH recipient families were as follows:**

The list of PKH recipient families were organized according to their addresses and then given a registration number. The researcher then calculated the distance between each number according to the total proportion of 25 samples per village, against the total of PKH recipient families within the village. The researcher then applied the random number function in Microsoft Excel to determine the number of the first PKH recipient family sample. The implications of this method are that the chosen PKH recipient families will be spread across almost every hamlet and village within the area. In each subdistrict, two villages were chosen—each containing 25 PKH recipient family samples, for a total of 50 PKH recipient families per district/city.

The researcher then met representatives from the PKH subdistrict office or the recipient families group leader to validate the list of 25 PKH recipient families chosen from each village/community sample. The validation process was a means of certifying that: (i) the name of the PKH recipient family was in accordance with the name registered; (ii) the family was still receiving PKH assistance; (iii) they still lived in the village at the stated address; and (iv) to confirm there were working-age family members. During the data collection process, enumerators returned to validate the compatibility of the recipient family for the study. If the sample recipient family did not meet the requirements, then it was replaced by another recipient family from the list of sample recipient families prepared by the researcher.

The enumerator's revalidation criteria were as follows:

1. Sample recipient family is still receiving PKH and qualified to receive it. The principles used to determine whether a recipient family is active:
  - Did the recipient family accept your meeting invitation during your last search? Does the recipient family have family members, based on their family identification card, who are the deciding factor behind the family becoming a recipient family (for example, a family member is pregnant, is in school up to senior secondary level, or is a senior citizen).
  - Does the recipient family have an invitation to attend the FDS (P2K2)?
2. The recipient family sample must be able to provide a family identification card listing family members eligible to receive PKH.
3. The recipient family sample must have at least one family member of working age (15–59) and have a working status registered on the family identification card.

4. Meet all minimum requirements on whether the family is capable of being interviewed, more specifically, is there a family member within the working-age group who may be interviewed directly or via telephone. The list of priorities are as follows:
  - 100 per cent of the whole family are of working age and may be interviewed directly or via telephone;
  - 50 per cent of the family must be of working age and may be interviewed directly or via telephone, however, the remaining 50 per cent may be represented by the family present for the interview. Family members acting as representatives must be at least 21 years of age, be on the same family identification card, live in the same house, understand the family situation, and be able to answer on day-to-day activities during the previous week, the type of work, whether there were any other activities during the past three months, and other questions about the family members being represented.
  - If these two categories were not being met, then the possibility of changing the recipient family sample had to be considered.

## APPENDIX 4:

# DETAILS OF A PRODUCTIVE INCLUSION PILOT

Governments are increasingly linking productive inclusion to national CCT programs. Although evidence is limited given their nascence, a recent impact evaluation of government implemented productive inclusion schemes in Paraguay and Colombia demonstrate a 24% annual increase and 84% daily increase in the number of hours worked; an increase in household income of approximately \$20 USD a month; a 10% increase in monthly savings, as well as a significant reduction in food insecurity. Both these programs also highlight a significant increase in economic aspiration and happiness among participants<sup>40</sup>.

As CCT-linked productive inclusion programs evolve and grow in scale, a few important lessons have emerged for interested governments to consider:

**Seed capital is more cost-effective and administratively simpler to implement as compared to in-kind asset transfers.** Process evaluations of in-kind asset transfers (such as livestock or petty trade) demonstrate that this modality is administratively expensive, leads to market saturation (everyone engaging in the same enterprise with limited marketing outlets) or constrained market supply (not enough productive assets to provide to everyone). It also restricts participants' freedom of choice<sup>41</sup>. Seed capital gives participants the flexibility and autonomy to choose the enterprise that best suits their individual context<sup>42</sup>.

**Individual support is more effective than group-based support.** Collective enterprise models rely on the assumptions that all participants have a similar vision; can invest an equal amount of resources (time and capital); and will work collaboratively to reach shared outcomes. As evidenced by KUBE PKH, group enterprises typically fail due to a difference in vision over time; participants putting unequal amounts of effort into the enterprise; and a lack of collective bookkeeping and business management. Entrepreneurs prefer to work independently, although evidence shows that groups of entrepreneurs producing the same thing often choose to work together to minimize costs and maximize profits<sup>43</sup>.

**E-learning tools are an effective way to ensure that enterprise facilitators are delivering standardized and high-quality training to participants.** As government schemes scale to potentially reach hundreds of thousands of beneficiaries, recruiting and training qualified enterprise facilitators poses a significant challenge to quality implementation. With the support of Fundación Capital, an organization that partners with governments to implement large-scale productive inclusion schemes, governments are increasingly utilizing tablets equipped with modules on business management, financial education, and peer-to-peer learning. This approach has shown to decrease costs, improve operational efficiency, and allow for participants to learn at their own time, with spillover effects to others within their household.

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<sup>40</sup> Fundacion Capital, 2019

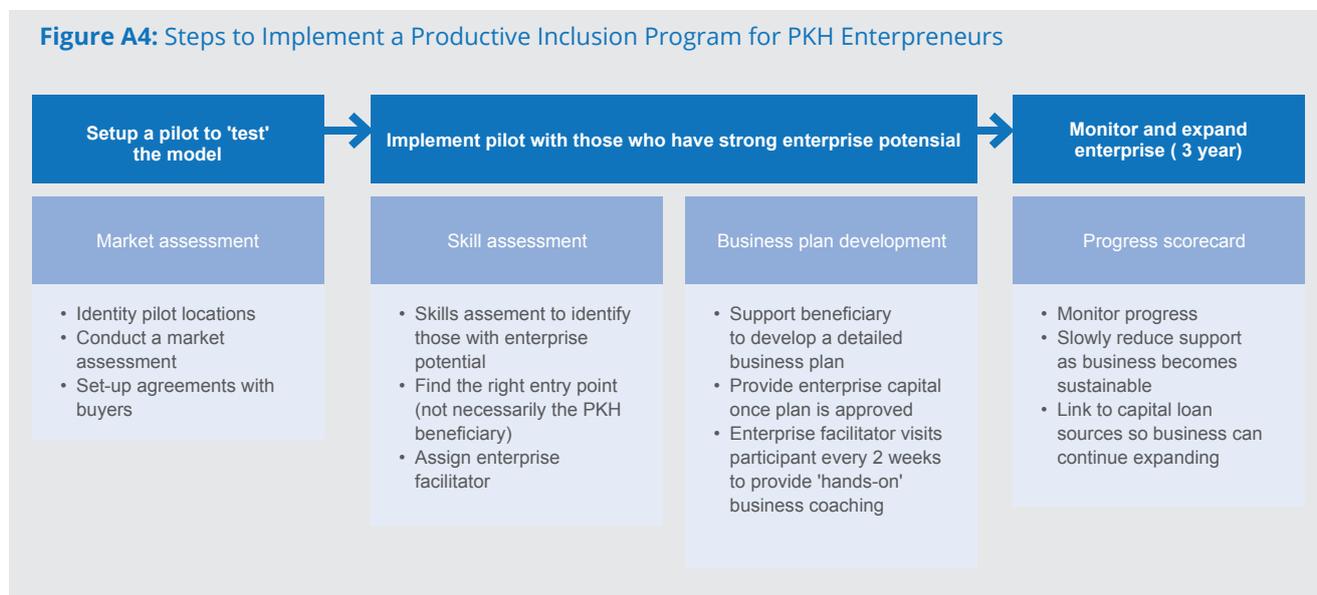
<sup>41</sup> Huda, 2015; Huda and Sengupta, 2014

<sup>42</sup> Governments in Latin America transfer between \$350- \$500 USD to individual bank accounts for them to invest in the enterprise of their choice.

<sup>43</sup> Rincon, 2018

These global lessons can be contextualised to the Indonesian context to inform the building blocks for a PKH productive inclusion scheme. Key elements of a pilot are briefly outlined here (see Figure A4):

**Figure A4: Steps to Implement a Productive Inclusion Program for PKH Entrepreneurs**



- *Setup a pilot to test the model and conduct a market assessment:*

Rural, coastal and urban/peri-urban contexts require specifically designed interventions to suit their contexts. A productive inclusion pilot for PKH families can be tested in a few different locations, although a market assessment in each location should inform the design. For example, FGDs with government, NGO and market actors can inform which partners to engage. Forming a small committee of government and market actors is useful for reviewing and approving business plans and advising the program on an ongoing basis.

- *Skills assessment - identify the entry-point within the family who has with the greatest capacity and willingness to productively engage*

Although existing PKH complementary interventions are designed for the PKH beneficiary, she may not have the desire nor skills to take on this role, especially if she lacks literacy or numeracy skills and is burdened with other domestic care responsibilities. Since PKH family members are endowed with different skills, capacities and aspirations, the family themselves are in the best position to identify who within the household is the most suitable to manage an enterprise. The PKH facilitator can assist this process by conducting a simple assessment as part of the FDS financial management module.

Similarly, not all households may wish to participate in the scheme. Many families are directing all of their resources into caring for the chronically ill or persons with disabilities and may not wish to engage. Participation in such schemes is based on agency and families' deciding to opt-in.

- *An enterprise facilitator should be assigned to the selected individual, with the remit to build his or her enterprise capacity*

PKH facilitators are recruited to administer the FDS sessions and enable families to achieve health and education outcomes. While financial management messaging is a part of their remit, linking the families to improved economic opportunities remain outside their scope. Economic inclusion requires specific skillsets in enterprise management. Finding and retaining qualified enterprise facilitators often poses a major challenge for implementing governments.

Leveraging PLUT consultants to play the role of PKH enterprise facilitators could resolve this challenge. The advantage of such an approach is that PLUT consultants have a remit to establish SMEs among the poor and are trained to do so<sup>44</sup>. Supplementing this existing skillset with the use of tablets and e-learning tools could focus their efforts to ensure that the content is applicable for PKH beneficiaries. Given that an MoU already exists at the national level between the Ministry of Social Affairs and the Ministry of SMEs and Cooperatives, an optimal strategy would be for the Ministry of Social Affairs to provide a financial incentive to PLUT facilitators to compensate them for the additional effort in supporting PKH families.

- *Enterprise facilitators should support participants to create a business plan for their enterprise*

Lessons learnt from other countries highlight that the process of formulating business plans enables participants to think through “the nuts and bolts’ of their enterprise (where to source inputs, how to reach their intended markets, anticipated profit, and how to expand the enterprise over time)<sup>45</sup>. Evaluations of programs in Paraguay and Colombia show that participants find the business plan process empowering, as it increases their knowledge and self-confidence about their enterprise choice. According to the enterprise facilitators, it also helps ensure that the beneficiary utilises the funds effectively.

Once the business plan has been approved by a small committee of local actors, seed capital to kickstart an enterprise should be transferred to the beneficiary (set at an upper limit, to be dictated by the business plan and the needs of that particular enterprise).

- *The productive inclusion pilot should run for 24 months – 36 months of hands on coaching support, and the last 12 months to ensure business sustainability.*

Most productive inclusion schemes operate for 24 months, although impact evaluations show that over 50% of businesses fail once support is withdrawn<sup>46</sup>. An additional 12 months for monitoring enterprise progress and linking successful enterprises to “starter’ microfinance schemes such as Pembiayaan Ultra Mikro (UMI). In Haiti and in Bangladesh, linkages to appropriate microfinance services have been critical to ensuring that businesses have sustained capital and the ability to survive in the face of economic shocks.

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<sup>44</sup> PLUT facilitators are trained by the Office of SMEs and Cooperatives across 8 areas, including management, marketing, processing, obtaining licenses and permits, linkages with financial service providers, etc. The training curriculum was developed by KOMPAK and has been mainstreamed within the Ministry of SMEs and Cooperatives through online courses.

<sup>45</sup> Rincon, 2019

<sup>46</sup> Huda and Simanowitz (2012)

A productive inclusion pilot in urban and rural contexts needs to adopt different approaches. Enterprise facilitators in rural contexts should encourage farmers to produce for the market (focusing on high value crops and commodities) and establish agreements with local buyers. As such, opportunities may arise for farmers to collectively purchase inputs from the buyer (to reduce unit costs), invest in tractors and other tools to improve productivity, and collectively sell their commodities in order to meet buyer requirements. In urban areas where SMEs are already flourishing, such a program could help address bottlenecks in licencing, processing, and marketing and operate more effectively

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