



# IMPROVING THE VILLAGE CASH FOR WORK (PKT) POLICY



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## EXECUTIVE SUMMARY

The Village Cash for Work (PKT) policy, initiated in 2018 to overcome poverty, unemployment, and malnutrition in villages, has resulted in some problems. This has something to do with some provisions in the technical guidelines of PKT which (i) cause budget inefficiency, (ii) pose the risk of lowering the work output quality, and (iii) is not equipped with clear reference criteria to determine PKT beneficiaries. This policy brief recommends that (i) the government not set a minimum amount of 30% of the development budget sourced from Village Fund for labor wages; the government only needs to encourage villages to carry out development by involving more marginalized residents; (ii) PKT activities recruit only low-skilled workers, while positions of skilled workers are reserved for village residents having specific skills and experience; and (iii) the government, through the village facilitators, facilitate village governments' identifying and determining PKT beneficiaries through village deliberation meetings (*musdes*).

## Cash for Work Policy Scheme

In the attempt to lower the poverty, unemployment, and malnutrition rates in rural areas, in early 2018 the government implemented the Village Cash for Work (PKT) policy in the use of Village Fund (VF) for development activities. This policy is mandated by the Joint Decree (SKB) of Four Ministers<sup>1</sup> concerning the Harmonization and Strengthening of Policies to Accelerate the Implementation of Law No. 6/2014 (Village Law) issued in December 2017.

With the PKT policy, the government attempts to provide job opportunities for the marginalized so that they can participate in village development. The term 'marginalized' refers to poor families, unemployed and partially unemployed persons, and families with malnourished children under the age of five. Thus, they can gain additional income to live better.

<sup>1</sup> Minister for Finance, Minister for National Development Planning, Minister for Home Affairs, and Minister for Village, Development of Disadvantaged Regions, and Transmigration.

Through the 2018 Technical Guidelines for Village Fund Use for the Village Cash for Work Policy (PKT Technical Guidelines), the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (Kemendes PDTT) requires all VF beneficiaries<sup>2</sup> to implement PKT on conditions that, among others, villages:

1. allocate a minimum amount of 30% of the development budget sourced from VF for wages,
2. refocus the use of this VF portion on three to five development activities in accordance with Minister for Villages, Development of Disadvantaged Regions, and Transmigration Regulation No. 19/2017 on Village Fund Use Priorities, and
3. prioritize marginalized residents in the recruitment of workers from the village, including skilled workers, assistants to the skilled workers, and low-skilled workers.

The data and information in this policy brief were mainly obtained from the results of literature review and interviews with relevant respondents from ten villages in the sample *kabupaten* of the Village Governance and Community Empowerment Study. However, some of the data and information were acquired from respondents coming from other villages in the *kabupaten*.

## PKT Issues

The PKT policy, which prioritizes marginalized village residents, is consistent with the spirit of Village Law in improving village community’s welfare and reducing poverty.<sup>3</sup> However, during the implementation of the policy until May 2018,<sup>4</sup> some of its provisions have caused crucial issues.

### 1. Budget inefficiency

Villages are obliged to use a minimum amount of 30% of the VF-sourced development budget to pay wages. However, more often than not, the budget for wages never reaches the said proportion—only ranging from 15% to 25%.<sup>5</sup> Therefore, this provision is more likely to waste the budget amounting to 5%–15%. Complaints about this have been made by some informants in the field, such as the Village Community Empowerment (PMD) Agency of Kabupaten Batanghari and one village head in Kabupaten Wonogiri.

### 2. Work output quality

The open PKT worker recruitment system does not necessarily produce new recruits with the right expertise. Village governments should, of course, go as far as to select candidates and ensure that the recruits match what they need, particularly for positions of skilled workers and their assistants. If they hire the wrong workers, the work output quality will be at stake.

### 3. Beneficiary group data issue

The data on marginalized residents targeted to be PKT beneficiaries are not available in the villages. Village governments find it difficult to identify them in the absence of a clear reference regarding criteria to be PKT beneficiaries, including the criteria for unemployed and partially unemployed persons, as well as families with malnourished children under five years of age. In addition, in the absence of a clear reference, it is of the governments’ concern that the official list of poor residents to be PKT beneficiaries will create social jealousy. This will certainly decelerate PKT implementation in villages.

## Recommendations

1. **The government does not need to set a minimum amount of 30% of VF-sourced development budget for wages; it only needs to encourage villages to implement self-managed development by employing many marginalized residents.**

The PKT Technical Guidelines “force” villages to fulfill the provision that a minimum amount of 30% of VF-sourced development budget be used to pay low-skilled workers when the actual budget for wages has never been that much before. As a consequence, villages must “scheme” to make the 30-percent requirement look fulfilled and this instead causes budget inefficiency.

One of the methods the villages use to meet this requirement is to shift back from the use of machinery to human labor. As a result, the development costs swell. This happened in the retention basin construction project in one village in Banyumas and agricultural business road opening in Merangin. In these two development projects, the budget allocated to pay workers increased 2–4 folds (Figure 1).

In addition to causing budget inefficiency, this method also leads to longer project completion time.<sup>6</sup> An example is

<sup>2</sup> In reality, in this SKB of Four Ministers, PKT was implemented only in 1,000 villages from 100 *kabupaten* (districts) by taking into consideration the high poverty, unemployment, and stunting rates, and the poor condition of basic infrastructure.

<sup>3</sup> Article 78 section (1) of Law No. 6/2014.

<sup>4</sup> The PKT policy began to be disseminated at the *kabupaten* level at the end of March 2018 with the issuance of the Letter of Ministry of Villages, Development of Disadvantaged Regions, and Transmigration concerning the Acceleration of the 2018 Village Fund Use for Village Cash for Work Policy dated 22 March 2018 to governors and *bupati/walikota* (heads of *kabupaten/kota*) throughout Indonesia.

<sup>5</sup> Results of a case study related to 42 types of development program in A Case Study on the Benefits of Village Spending (SMERU, forthcoming).

<sup>6</sup> On the other hand, villages should meet the project completion target before December 2018.

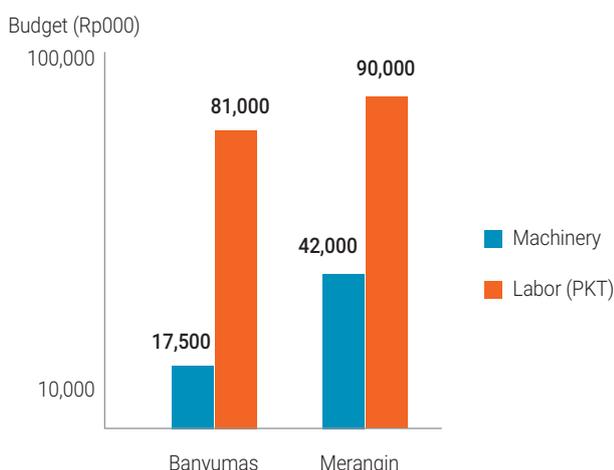


Figure 1. Financial cost comparison between constructions using machinery and labor (PKT scheme) in a village in Banyumas (basin retention construction) and Merangin (agricultural business road opening)

what happened in one village in Wonogiri, where a new road construction employed many local villagers, while—according to plan—the project should have been done by an excavator. Judging from the difficult terrain, the villagers were worried that they would fail to achieve the work quality target. Therefore, they ceased construction and asked the village government to use the excavator to continue the project. As a result, the village government had to recalculate the project cost and, hence, time was wasted.

Another method villages use is to refocus the use of VF on priority development activities. In one village in Banyumas, refocusing VF usage on four, from previously seven, development activities had led to an increase in average wage budget by 6% (Table 1). The budget to pay workers in one of the activities, i.e., soccer pitch construction, even increased significantly from 30% to 59%, with relatively unchanged work volume.

Table 1. Percentage of Wages for VF-Sourced Development Activities in the Budget Plans of a Sample Village in Kabupaten Banyumas before and after PKT

NO	ACTIVITIES	WAGE PERCENTAGE BEFORE PKT	WAGE PERCENTAGE AFTER PKT
1	Construction of an art studio-phase II	24.48	24.48
2	Construction of an embankment along Bambang Irawan Street	24.39	Not implemented
3	Construction of milestones and street lighting	23	Not implemented
4	Acquisition of a plot of land for clean water facility construction	0	Not implemented
5	Construction of a Vocational Training Center building	24	24
6	Procurement of an information box equipped with a neon lamp	7	7
7	Construction of a soccer pitch	30	58.72
	<b>Average wage percentage</b>	<b>23.78</b>	<b>30.26</b>

Source: Revised Village Budget Plan of a village in Kabupaten Banyumas.

<sup>7</sup> Around 60% of development in villages is still dominated by infrastructure constructions. This implies that village governments lack ideas in development planning, while villagers actually also need empowerment programs. For further information, read 'Report on Village Law Case Study: Tracing the Benefits of Village Spending' (The SMERU Research Institute, forthcoming).

<sup>8</sup> Village-owned enterprise.

<sup>9</sup> Village Community Empowerment Cadre.

In Batanghari villages, refocusing VF usage on several development activities resulted in the removal of some empowerment activities when the *kabupaten* government was actively promoting these activities to be implemented. Training programs were removed and the funds were used for infrastructure development (particularly road constructions) which could easily take on workers.<sup>7</sup> For the compulsory training programs, such as BUMDes<sup>8</sup> and KPMD<sup>9</sup> training programs, the number of participants was reduced so that they would need smaller amounts of operational funds.

Villages in Ngada and Merangin met the wage budget percentage requirement by reducing the work volume, adding unnecessary activities, or increasing wage per person-day. These clearly show that budget inefficiency has a high chance of happening.

The aforementioned facts are the reason why the government, in this case Kemendes PDTT, ought not to set a minimum amount of 30% of VF-sourced development budget for wages. It just needs to emphasize that existing self-managed development activities shall involve as many marginalized village residents as possible. This way, villages will be free to carry out development activities as needed and they can eventually begin to show an affirmative attitude.

## 2. PKT provision ought to be applied only for the position of low-skilled workers. Positions of skilled workers and their assistants should be prioritized for villagers who have the required expertise/experience, be it marginalized residents or not.

The invitation for marginalized village residents to apply for all PKT worker positions shows the government's goodwill to affirm their involvement in development. However, this provision actually has the potential of causing output quality issues. The poor members of the community who apply for



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these positions may not have the required ability, particularly for positions of skilled workers and their assistants. Recruiting the wrong workers may negatively affect the work output quality.

So far, village governments are indeed reluctant to take the risk of employing the poor with no ability in carpentry, masonry, etc. For example, the government of a village in Wonogiri preferred outsourcing the BUMDes building construction project to their experienced village residents. The same happened in Merangin and Batanghari; even for concrete road constructions, the village governments were only willing to employ experienced workers and they, in general, are not marginalized residents.

Thus, Kemendes PDTT needs to reconsider the recruitment provisions in the PKT policy. The open recruitment ought to be applied for the position of low-skilled workers. As for the positions of skilled workers, the recruitment should remain within the authority of village governments without having to deny the opportunity for marginalized residents to be considered if they meet the qualifications. This way, the workers selection process can be accelerated and the work quality can be maintained.

If such policy is intended to be a means for improving marginalized residents' skills at the same time, village governments need to complement it with a capacity building program in carpentry, masonry, etc. Their participation in development activities can be treated as "on-the-job training". With that, there is a sense of security that they are equipped with the skills they need for a better life in the future.

3. The government, through the village facilitators, facilitates village governments' efforts to identify and determine PKT beneficiaries through village deliberation meetings (*musdes*).

PKT policy is one of the government's efforts to provide job opportunities for marginalized village residents. However, the absence of data on marginalized residents at the village level needed to determine PKT beneficiaries hinders the implementation of workers recruitment and development programs. As a result, the completion of development programs is delayed, while the village is still required to meet its development targets before the fiscal year ends.

Such delays occur because it is not an easy matter to determine the marginalized residents in the village to be PKT beneficiaries.<sup>10</sup> **Firstly**, village governments do not traditionally identify and keep data on their residents by welfare group. They view their residents' welfare status as something not too significantly different from one person to another. **Secondly**, village governments find it hard to identify targeted residents due to the absence of a clear reference on the criteria for PKT beneficiaries, particularly for the data on unemployed and underemployed residents, as well as families with malnourished children under five. Even officials such as *dusun* (hamlet), RT, and RW heads who are relatively closer to and should have known their residents better still find it hard to list them. **Thirdly**, village governments are inclined not to distinguish the poor and nonpoor residents when implementing development programs. They do that to prevent jealousy between villagers.

The most reasonably possible attempt to deal with the lack of data is to optimize the function of village deliberation meetings to determine the criteria for and to agree on the PKT beneficiaries who will be employed. In addition to making it easier to determine the PKT beneficiaries, village governments can also minimize the potential for conflict among villagers since the decision is made based on a joint consideration with the villagers.

Village facilitators play an important role in this case. They need to help the village in organizing the village deliberation meetings and encouraging the village government to periodically update the generated data on marginalized residents. This would be helpful in raising the village's awareness of the importance of data availability as the basis for affirmative village development. ■

<sup>10</sup> The PKT Technical Guidelines state that the data on unemployed residents and malnourished children under five are collected by the village government and village facilitators at the RT (neighborhood unit) and RW (a unit of administration consisting of several RT) levels. Those data are compiled up to the village level. (p. 11).

The findings, views, and interpretations published in this policy brief are those of the author and should not be attributed to any of the agencies providing financial support to The SMERU Research Institute.