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Strengthening Economic Opportunities For Family Hope Program Families: A Summary

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Introduction and Methodology

Background and Study 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.² 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 second largest conditional cash transfer program 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). As such, beneficiaries are not necessarily investing in productive assets and their consumption has not significantly increased (Cahyadi *et al.*, 2018) although research to establish deeper reasons for this outcome has 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 (McCord, 2018 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 recipients 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).

On the other hand, evidence also suggests that cash transfers alone are insufficient to systematically overcome the structural barriers to employment and sustainable livelihoods that the poor and vulnerable encounter (McCord and Slater, 2015). Addressing such barriers requires a closer look at the reasons for low productivity and poorly-remunerated employment among the poorest segments of Indonesia's population. In short, why do PKH beneficiaries experience challenges in attaining sustainable livelihoods and how can this be addressed?

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² In 2016, the Indonesian government added a top-up benefits for families PKH who have elderly family members and/or persons with disabilities in their families.

In response to this question, MAHKOTA commissioned SMERU Research Institute to conduct a detailed analysis of the livelihood landscape of PKH beneficiaries. The study explores:

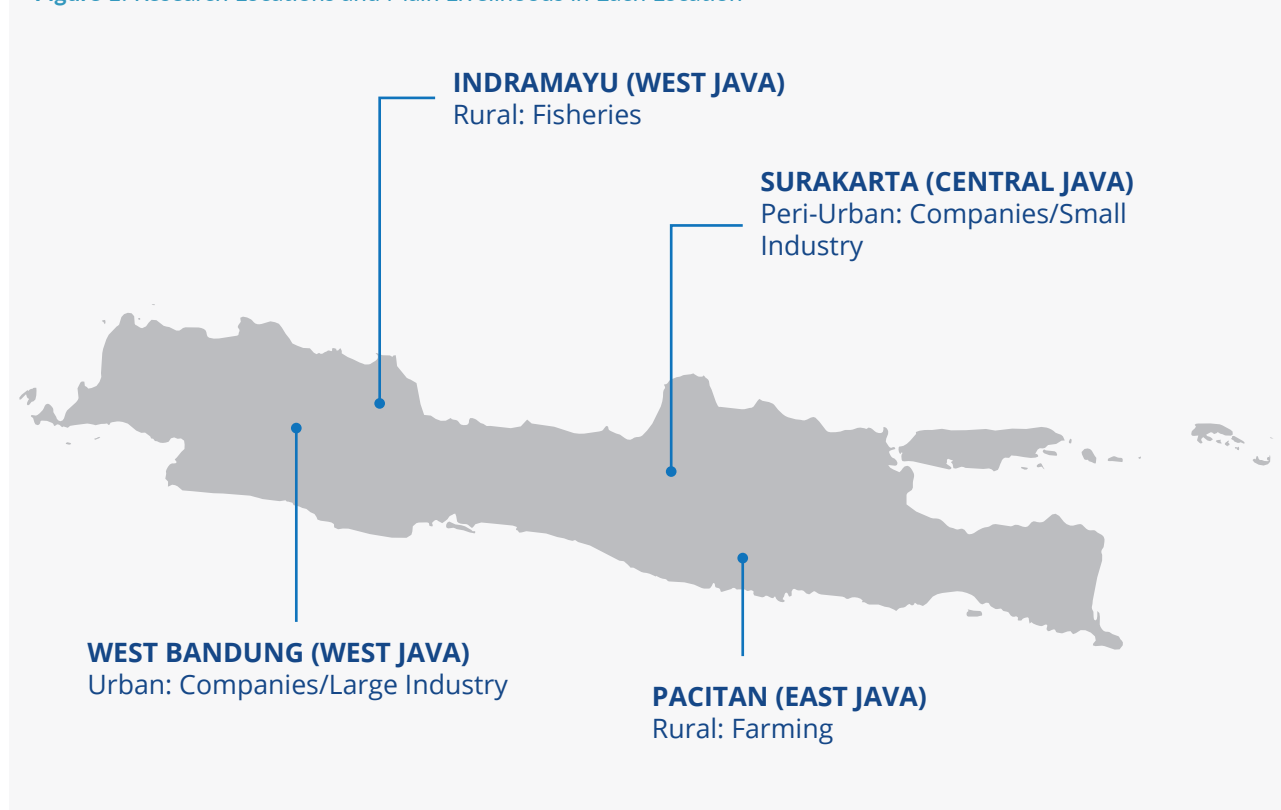
- The economic profiles and characteristics of working-age members within PKH families;
- The availability of government implemented livelihood interventions in the study areas and the extent to which PKH families use and benefit from these schemes;
- The economic aspirations of PKH families and the 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 the challenges to sustainable livelihoods among PKH families and increasing their household income in the long term.

Methodology

The research was conducted from February to June 2019 across four districts in Java: Surakarta, West Bandung, Pacitan and Indramayu. 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.

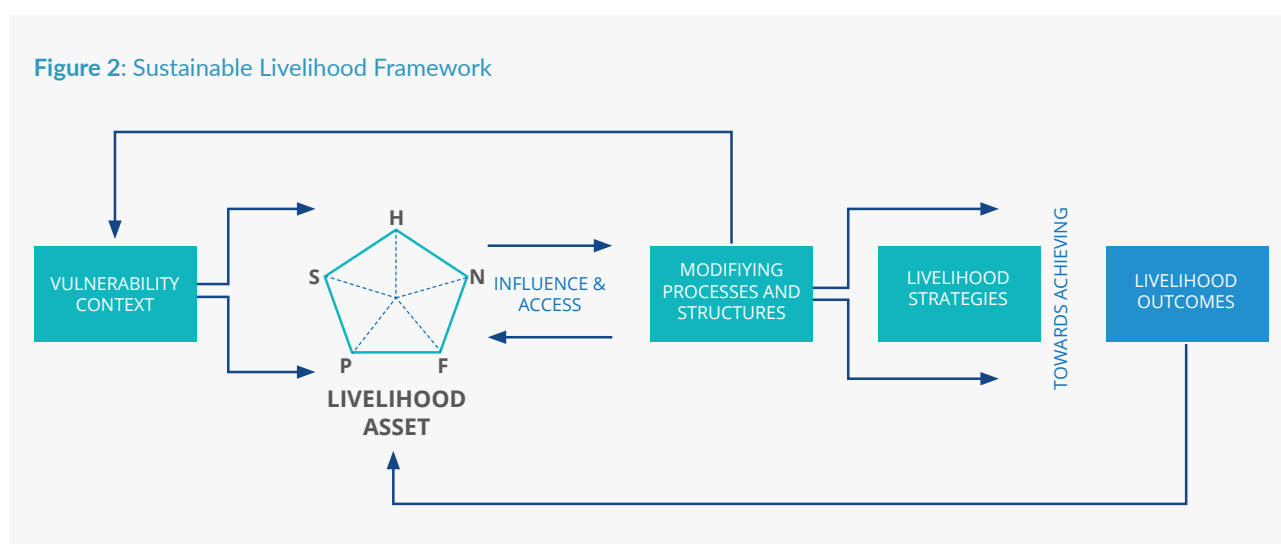
Figure 1: Research Locations and Main Livelihoods in Each Location



The in-depth qualitative and quantitative methods covered a total of 200 beneficiary families and 539 respondents, including all the working-age family members, local government officials and business owners or employers.

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).

Figure 2: Sustainable Livelihood Framework

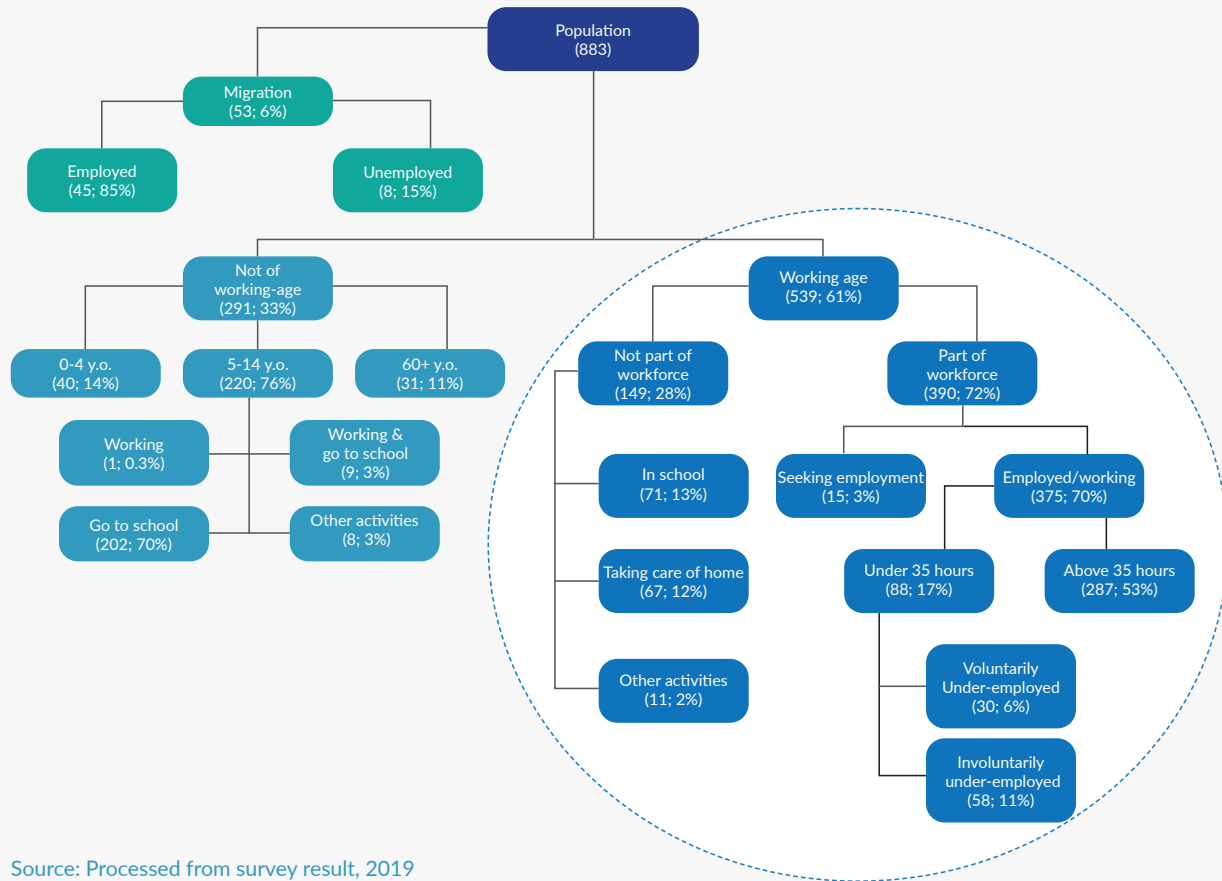


For instance, the level of **human capital**, such as skills, qualifications and education, strongly influences the livelihood opportunities that PKH family members can access, particularly in urban and peri-urban contexts. **Natural and physical capital**, such as fertile land and irrigation systems, 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 or 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. Mediating government structures and the quality of services also have an impact on the livelihood outcomes that PKH families can achieve.

Economic Profile of Working-Age Family Hope Program Family Members

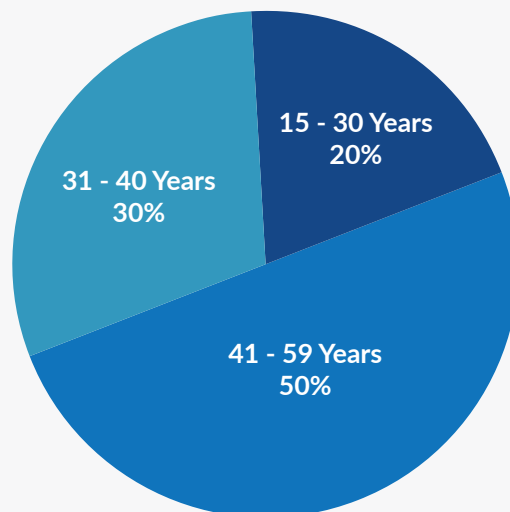
Out of the PKH family members interviewed, 61 per cent were of working age (15-59 years) and 72 per cent of these family members are actively working or seeking employment while 28 per cent are not working because they are still in school or have family care duties. The PKH families interviewed on average consisted of four family members with at least one young adult (between 15-30 years old) (see Figure 3). Approximately 49 per cent of the sample were women and 51 per cent were men. Their age breakdown is shown in Figure 4.

Figure 3: Sample Respondents, Grouped by Employment Status ³



Source: Processed from survey result, 2019

Figure 4: Age Breakdown of Employed PKH Family Members



Source: Processed from survey result, 2019

³ According to the national employment survey (Sakernas) carried out by the national bureau of statistics (BPS), 'working age' only considers those who are residing in the household. Migration statistics are therefore calculated separately.

Among the PKH families in the study, 26 per cent have at least one family member with a chronic disease and 13 per cent have at least one member with a moderate or severe disability. This indicates that many families bear the extra burden of caring for vulnerable household members. 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 percent) and disability (20 percent) among young people aged 15-30 years is alarming (Table 1).

Table 1: Prevalence of Chronic Disease and Disability Among Sample Families ⁴

Age group	Chronic disease		Disability (5 years+)	
	%	n	%	n
0-14/5-14	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
Total (individuals)	16.9	881	9.5	840
Total (families)	26.4	200	12.9	200

Source: Processed from survey result, 2019

Overall, male family members in our research sample have a higher workforce participation rate (84 percent) than their female counterparts (61 percent). This female participation rate is, however, still higher than the national average participation rate (around 52 percent) (World Bank, 2019). Women respondents typically attribute this to the challenges they face in finding employment with flexible working hours in the face of domestic care duties. This is particularly true for families that include children under five.

In Pacitan, due to the flexible nature of agricultural work, 50 per cent of women are working. However, in West Bandung women find it more difficult to secure flexible or part-time work in factories or companies and the percentage of women working falls to 34 per cent (see Table 2). Nevertheless, the types of paid work that women engage in varies more in West Bandung and includes, for example, domestic work, ironing, child care and selling prepared food.

⁴ The Susenas and Sakernas questionnaire utilise the Washington Consensus Group disability questions for individuals aged five years and over. Source: <http://www.washingtongroup-disability.com/wp-content/uploads/2016/12/Disability-Measurement-and-Monitoring-Using-the-WG-Disability-Questions-July-2018.pdf>

Table 2: Employed Family Members of Working-Age: Demographic Characteristics

Category		Region (%)				Total	
		Indramayu	West Bandung	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 years +	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 result, 2019

Reflecting the generally low education levels of the family members in our sample (Table 2), more than 60 per cent of those employed have primary education or lower, 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. As a result, few working-age PKH family members can secure high-skilled jobs. Urban populations have better access to schools, as reflected in the 30 per cent of respondents who had completed secondary school in Surakarta compared to 2.3 per cent in Pacitan and 4.2 per cent in Indramayu.

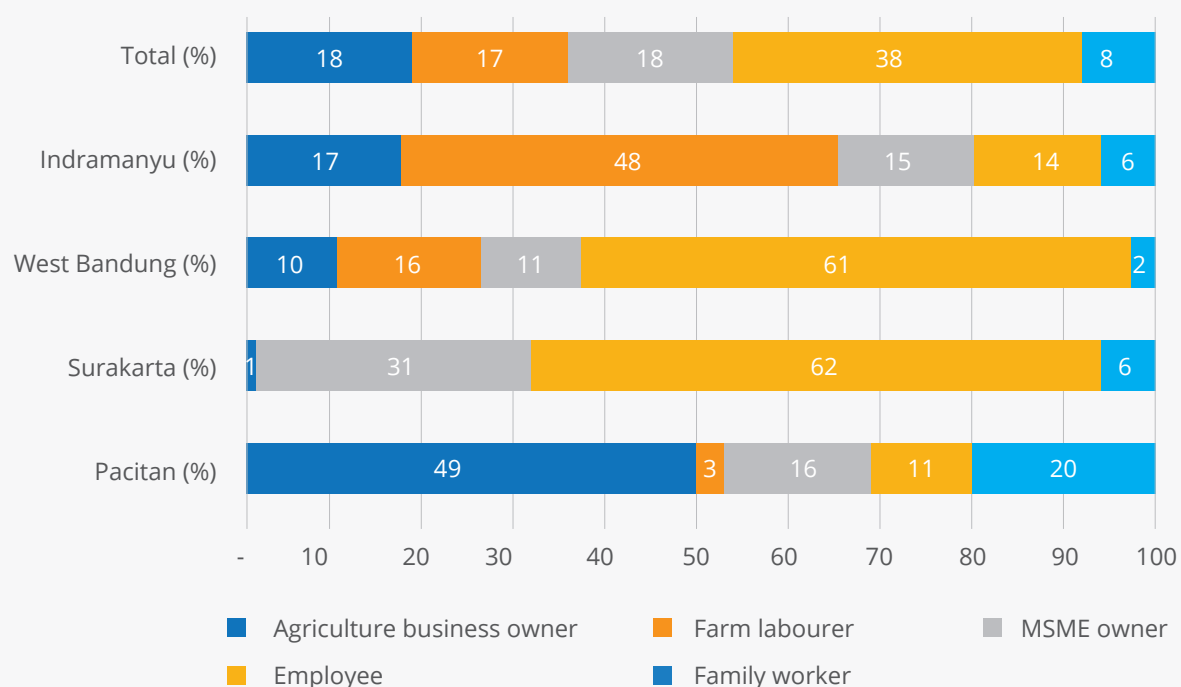
Family members who have education levels of junior secondary and higher are typically in the 15–30 years age cohort but only 20 per cent of them are part of the workforce. While about 13 per cent of this age group is still studying, most are finding it difficult to use their high school diplomas to secure more lucrative opportunities than their parents have had. However, in West Bandung the percentage of young people employed rises to 26 per cent largely due to the wider opportunities in urban areas.

This corresponds with the national data indicating that over 35 per cent of poor young people (aged 15–24) are not in education, employment or training (TNP2K, 2018). There is a gender element too as 7 per cent of girls and women aged 15–19 years have given birth and 49 per cent of women aged 20–24 years already have a child (TNP2K, 2018).

Livelihoods of Working-Age Family Hope Program Members

The livelihoods of PKH family members across the four study districts can be divided into four main categories: agricultural workers (including those operating their own farms and labourers on other people's farms); micro, small and medium size enterprise (MSME) owners; wage employees in the formal and informal sectors; and unpaid family workers (refer to Figure 5 for percentages of each category). Rural and urban areas have different dominant livelihood traits.

Figure 5: Proportion of PKH Family Members by Economic Activity



Source: Processed from survey result, 2019

Characteristics of Farmers and Farm Labourers

Approximately 36 per cent of respondents work in the agricultural sector with around half managing their own farms and the other half working as agricultural labourers. Most farm owners are men whereas most farm labourers are women. Women also frequently work as farm labourers on other people's farms given the seasonal and flexible nature of the work, although this makes them more susceptible to poor working conditions and insecure employment.

More than half of the family members working in the agricultural sector, whether as owners, managers or labourers, are in the 41–59 years age group while a third are in the 31–40 years age group. **Those under 40 are typically farm labourers on a seasonal basis and they supplement their income with part-time work as construction workers or as food peddlers. Those over 40 are less likely to take on other income-generating activities.**

Farms are typically managed using minimal capital and simple tools – for instance, only 13 per cent use a tractor (rented from a neighbour) and most fishermen go out for their daily catch on non-motorised boats with simple fishing rods and nets. The lack of productive tools results in low productivity and limited yield. Most farmers use cultivation techniques passed down through generations and lack exposure to 'modern' farming methods and this also contributes to their low profitability.

Limited access to natural resources – particularly water and land – also contributes to low productivity and profitability among PKH farmers (see Table 3). In Pacitan, 86 per cent of farms are rainfed and only 6 per cent benefit from irrigation systems. No one uses groundwater as they cannot afford to rent water pumps, limiting harvests to once a year instead of a potential three times a year with irrigation systems. Although West Bandung benefits from dam irrigation, large-scale textile industries in the area often contaminate the water rendering it unusable.

Table 3: Profile of Farming Businesses Operated by PKH Family Members

Indicator		Indramayu (N=16)	West Bandung (N=9)	Pacitan (N=43)	Surakarta (N=1)
Female (%)		6.3	round to 55.6	Round to 44.2	0
Age Group					
	15–30 years old	6.3	0	0	0
	31–40 years old	18.8	44.4	37.2	0
	41–59 years old	75	55.6	62.8	100
Subsectors					
	Rice and secondary crops	6.3	77.8	67.4	0
	Horticulture	0	11.1	11.6	0
	Fishing	93.8	0	0	0
	Animal husbandry	0	11.1	16.3	100
Irrigation systems*					
	Rainwater harvesting	0	75	86.1	NA
	Semi-technical irrigation	100	25	8.3	NA
	Technical irrigation (ground water)	0	0	5.6	NA

Indicator	Indramayu (N=16)	West Bandung (N=9)	Pacitan (N=43)	Surakarta (N=1)
Type of fishing boats**				
Onboard motorboats	6.7	NA	NA	NA
Outboard motorboats	40	NA	NA	NA
Without boats	53.3	NA	NA	NA
Own boat	20	NA	NA	NA
Marketing orientation				
Sell entire product	81.3	22.2	51.2	0
Sell portions of the product	12.5	44.4	23.3	100
Entirely self-consumed	6.3	33.3	25.6	0
Marketing method				
Sell at the market	6.7	0	3.2	0
Through broker	93.3	83.3	87.1	0
Sell to customers within the neighbourhood	0	16.7	9.7	100

Source: Processed from survey result, 2019

Note:

* Surakarta is an suburban, hence the existence of this subsector is limited

** Only Indramayu is a regency with coastal areas and fisheries commodities

Over 80 per cent of respondent families own an average of 2,773 square metres of land and the remaining 20 per cent use shared land with an area of less than 800 square metres. Those with shared land have typically inherited it, meaning that for every generation the plot shrinks further. Land topography and quality exacerbate the challenges. Agricultural land in Pacitan consists of hillsides, making the area susceptible to landslides. This results in frequent crop failure and leaves just enough farmable land to meet consumption needs. Fishermen face environmental vulnerabilities whereby heavy winds and large waves are increasingly forcing them to take on work as labourers or construction workers for much lower remuneration.

A dearth in financial, human and social capital further undermines PKH family agri-business owners. Even though farmers need better access to land and productive tools, **only 37 per cent have ever had loans and only 10 per cent of the loans were from financial institutions.** This reflects the situation of PKH families in the poorest decile of the population with limited borrowing and repayment capacity. Most formal financial institutions require collateral that these families are unable to provide and lending programs like *Kredit Usaha Rakyat* (KUR) require evidence of business feasibility – a requirement that most farmers cannot meet. While banking requirements are a drawback, most farm owners also lack the confidence to take out a loan for fear of being unable to repay it. Most respondents are open to borrowing money from Sharia banks as they are considered to be ‘pro-poor’ with flexible repayment schemes.

Only 18 per cent of PKH farm owners belong to farming cooperatives that provide important marketing channels and critical information on relevant government programs, such as subsidised seeds, fertilisers and training. Most farm owners interviewed consider farming collectives to be for better-off farmers and they are excluded because they do not have enough land to meet membership requirements. As a result, most PKH farm owners purchase seeds and fertilisers at market prices. **Over 88 per cent of farmers in Pacitan rely on the services of middlemen since they have limited knowledge of where to sell their produce.** Fishing collectives are easier to join and they usually introduce members to brokers who lend money to fishermen during the off-season when the waves are too high for fishing. In exchange the fishermen commit to selling their catch to the broker (often at below market rates).

Characteristics of Micro, Small and Medium Enterprise Owners

According to a recent World Bank report, Indonesia is experiencing structural transformation, with work opportunities shifting away from rural areas and into urban enclaves (World Bank, 2019). Approximately 18 per cent of respondents run their own enterprises and they are mostly (85 per cent) in the 31–59 years age bracket. **Approximately 42 per cent of business owners are women who tend to run businesses to supplement their husbands' income.** Micro, small and medium enterprise owners aged 31–59 years generally have primary school education and below, while those aged 15–30 years are mostly junior secondary school graduates.

Almost 80 per cent of small entrepreneurs run food stalls or trade in goods (such as old clothes or spare parts). This is because supplies are easy to obtain and most of these shops can be managed from home or close to home, enabling women to still take care of domestic chores (see Table 4). The other 20 per cent of entrepreneurs either provide services, such as motorcycle transport, laundry, tailoring and construction services, or produce handicrafts and other specialised products. These entrepreneurs require specific skillsets that they typically gained from previous employers or learned from their parents.

Table 4: Demographic Characteristics of Small and Medium Enterprise Owners

Business subsector	Age category			Total (n=69)	Sex		Total (n=69)
	15–30	31–40	41–59		Male	Female	
Processing food/crafts	1.4	2.9	5.8	10.1	2.9	7.2	10.1
Trade goods and food stalls	13	23.2	43.5	79.7	49.3	30.4	79.7
Services	0	7.2	2.9	10.1	5.8	4.3	10.1
Total	14.5	33.3	52.2	100	58	42	100

Source: Processed from survey result, 2019

Although small business owners have higher earning potential than agricultural workers, most PKH family members engaged in this activity run into bottlenecks in the business cycle:

- **Most business owners do not have business licences and so cannot extend their reach to larger commercial markets.** Of the 69 small business owners interviewed, only five have a home industry business permit (*Produk Industri Rumah Tangga*: PIRT) obtained through local programs offering help with the permit application process. As with most livelihood development programs, dissemination of information was inadequate and most PKH families had not heard about such programs.
- **Many business owners have tried to sell their products to intermediary buyers but they are generally unable to meet packaging, hygiene and other basic consumer standards.** This is mainly because they lack the tools, capital and production knowledge to be competitive in their selected markets. For example, a business owner who produces cassava chips explained that without an oil absorbing machine she could not keep her chips for more than week – thus limiting access to markets any distance away. Another PKH entrepreneur lamented that her simple sewing machine could not do the sophisticated stitching that buyers demand, making her uncompetitive in a saturated market.
- **Most PKH entrepreneurs have basic education levels and do not have the bookkeeping skills to track the performance of their businesses.** Only 12 per cent of PKH entrepreneurs keep written accounting records and most say they assess profitability by whether they can meet their basic needs. Many also admitted that their children often consume their stock and they do not take this into account.
- **PKH entrepreneurs who engage in specialised services have acquired their skills informally and lack formal qualifications in their respective areas.** They find it difficult to compete with certified service providers and often take on additional work as parking attendants or domestic workers or do other menial work to supplement their income.

Table 5: Participation of PKH Family Members in Certified Training Courses

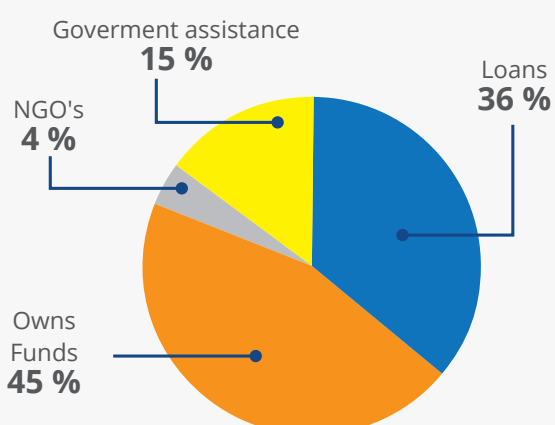
Business subsector	Participation in certified training (%)
Processing	0
Trading goods and food stalls	4.3
Services	1.4
Total	5.7

Source: Processed from survey result, 2019

As a result, most PKH entrepreneurs run their shops from their homes and sell to neighbours and family members. Only 20 per cent of respondents said they sell at the local market in addition to selling at home. In addition, 32 per cent of respondents who live far from economic centres find marketing their goods difficult due to inadequate infrastructure and road access.

Just as with agri-business owners, financial capital constraints continue to curtail business opportunities for PKH families. However, the PKH business operators are more likely to take risks than the farmers and approximately 36 per cent have borrowed funds predominantly from informal moneylenders because they are generally unable to meet loan requirements from commercial banks. Most just use their own limited capital and a small proportion receive grants from government programs (15 per cent) and non-governmental programs (4 per cent) (see Figure 6). Small business owners are more socially engaged than the farmers because they understand the importance of networks in expanding their consumer base. One beneficiary volunteered to become a community group administrator to meet more people and expand her garment business but these horizontal social relationships have not increased her access to capital, marketing channels or raw materials.

Figure 6: Predominant Source of Financing for PKH Enterprise Owners



Source: Processed from survey result, 2019

The local government of Surakarta has been promoting tourism and this has created opportunities for PKH business owners to produce local handicrafts, operate food stalls and offer services like laundry, ironing and massage. Interviews with successful PKH entrepreneurs suggested that bamboo weaving, bird cages, small furniture items and processing cassava chips and shrimp paste are lucrative options, provided that they are sold near tourist centres. These activities cater well to women in search of flexible work that requires either low-skills (such as, operating motorcycle taxis or running laundry services) or medium to high skills (such as sewing and repairing electronic goods).

Characteristics of Employees in the Trade and Services Sectors

Nationally, the share of employment in the agriculture sector is declining and employment in trade, restaurants, hotels and personal services is increasing (World Bank, 2019). However, the quality of jobs is still low, with 40 per cent of employees working without contracts and growth in the labour market still driven by low-skilled labour (World Bank, 2019).

The non-agricultural employment sector in the study districts is invariably dominated by men (65 per cent) although the age distribution of workers in this sector is fairly consistent (see Table 6). Women have domestic care duties and require more flexible work arrangements than formal employment can offer.

Table 6: Percentage of Sample Family Members Working in the Industrial, Trade and Services Sector, by Age Group and Highest Education

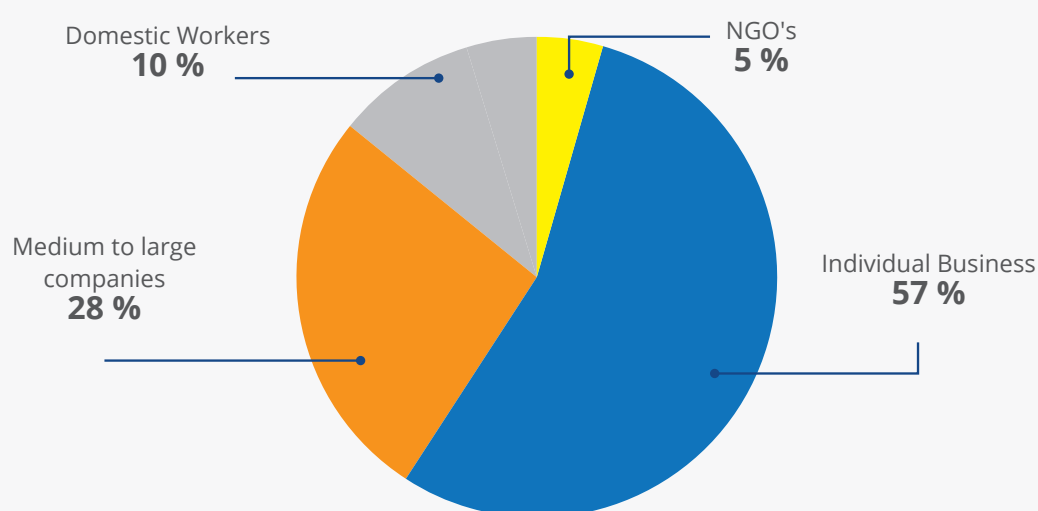
Age group	Highest education (%)				Total (n=142)
	Primary school and below (n=54)	Junior secondary school (n=50)	Senior secondary school (n=36)	University (n=2)	
15–30 years old	2.8	11.3	14.1	1.4	29.6
31–40 years old	13.4	14.8	5.6	0	33.8
41–59 years old	21.8	9.2	5.6	0	36.6
Total	38	35.2	25.4	1.4	100

Source: Processed from survey result, 2019

Education levels among the non-agricultural employees in the study districts is generally higher than in the other sectors, with 27 per cent of respondents having senior secondary school level education and above.

More than half of these workers are employees in individual businesses (with less than 10 employees), around a quarter work for medium to large companies and the rest work as domestic workers in people's homes or in government or non-governmental institutions (see Figure 7). Respondents working for government or for medium to large corporations have higher education levels since these jobs demand secondary school level education or higher.

Figure 7: Employment Sectors for PKH Employees, by Percentage



Source: Processed from survey result, 2019

Respondents seeking wage employment encounter four key barriers:

- Inadequate information about job opportunities available, particularly among those with limited social networks;
- Limited wage employment opportunities for non-agricultural work, particularly in rural areas – as a result, they are forced to look for opportunities outside their own districts, thereby investing significant resources into the job-seeking process;
- Domestic care responsibilities, particularly in households with elderly members or young children – this typically affects women who want part-time work arrangements although men who seek seasonal labour are also impacted by the lack of flexible work;
- Working without having written or oral contracts in place (69 per cent) subjugates workers to a high level of job insecurity.

Employability and accessibility are the two issues that potential employees must consider. In terms of employability, the quality of human capital – particularly their level of education – is the main form of capital required to gain employment. **Although young workers have higher education levels, only around 14 per cent of respondents in the 15–30 age cohort have completed senior secondary education. As a result, most of them cannot secure formal employment in large companies or government institutions.**

In addition, 89 per cent of respondents have never participated in certification courses or vocational training – another critical avenue to obtaining wage employment. Most respondents (75 per cent) do not know where such training is offered and those who do cannot afford the direct and indirect costs of attending such courses.

In terms of accessibility, the job-seeking process is constrained by limited financial capital. Respondents living in Pacitan need to look for non-agricultural work in Surabaya, for example, incurring transport and accommodation costs they cannot readily afford. **Approximately 26 per cent of those working in the employment sector took loans from informal financial institutions and moneylenders to meet such costs.** Many are unable to meet repayment schedules and absorb the high interest rates (particularly if their job-hunt proved unsuccessful) driving them further into poverty.

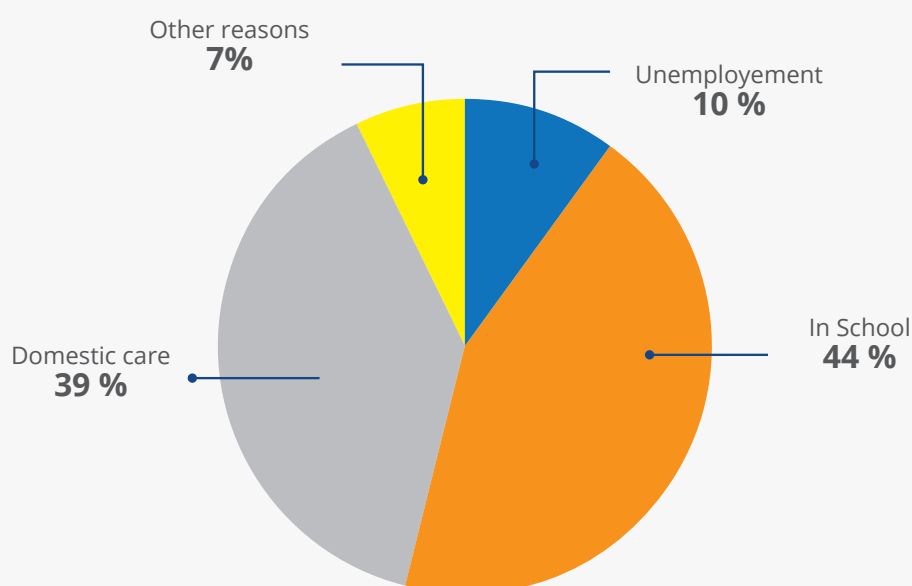
Given that the dissemination of available job opportunities through formal channels is inadequate, people depend on informal social capital to gain access. Out of the respondents working as wage employees, 89 per cent said they got their jobs through personal connections, 7 per cent applied directly to the employer, 3.5 per cent were placed through job fairs and 0.7 per cent used a job placement agency. In Pacitan, for example, anyone seeking seasonal work as a construction worker outside the area relies on support from neighbours who have migrated to the city. In West Bandung, several people obtained jobs in nearby factories through referrals from their relatives.

Given the role that social capital plays in securing employment, people with weak social networks (or inadequate education levels) may resort to employing brokers to access opportunities. The study shows this is widespread in West Bandung, for instance, with respondents reporting broker fees or internal bribes can be as high as IDR2 million.

Characteristics of Those Who Are Not Working

Out of the sample, 164 family members of working age are currently not working because they are unemployed (actively seeking work), still studying, taking care of the home or for 'other reasons' (see Figure 8).

Figure 8: Reasons Why Respondents Were Not Working One Week Prior to the Survey



Source: Processed from survey result, 2019

Those who are unemployed (but actively seeking work) tend to be men aged 15–23 years who have recently completed junior secondary school but are still searching for the ‘right’ opportunity. They generally feel that the available jobs are too far away, they are put off by physical labour, they want flexible working hours or they prefer to work for themselves. **This cohort of educated youth have strong income-earning potential but given the mismatch in preferences, their ability to transform the household economy is underused. Paradoxically, most employers reported difficulty in filling medium to high-skilled positions that local job-seekers do not apply for.**

Among those who are not working due to domestic care duties, 94 per cent are women. Most of the men are actively seeking work, as compared to only 26 per cent of the women. This suggests the need for affordable and accessible childcare services to enable women to engage in the labour force should they choose to.

Disability is another reason for people not actively seeking employment. However, most people above the age of 15 are not working because they are still in school, indicating their potential to strengthen the household economy in the future.

ACCESS TO GOVERNMENT LIVELIHOOD SUPPORT SERVICES

Although local and national governments offer a plethora of vocational training schemes and other interventions to address the barriers, only 16 per cent of the respondents had ever received support through such interventions. Even the few who had participated reported that the schemes had minimal impact on their economic wellbeing. The main government-affiliated livelihood interventions include: agricultural skills training; provision of seeds or fertilisers; food processing training; business support services for small business owners; vocational skills training; and job fairs to link individuals to wage employment.

Agricultural Skills Training and Provision of Seeds or Fertilisers

Technical and vocational education and training for farmers and fishermen are typically implemented through a combination of national and district level schemes implemented by the local agricultural office or the maritime and fisheries office. These offices coordinate with sub-district and village governments to disseminate information and invite participation.

However, information about the interventions and the requirements for participation is largely delivered by word of mouth and through posters displayed in the village offices. Most PKH families have limited social networks and little engagement with the village office so they do not receive this information. Project officers also fail to spread the word effectively. Furthermore, participants need to travel to the district centre where the training is offered, making the interventions largely out of reach for PKH families.

The quality and usefulness of the training varied widely and some training courses offered were not relevant to the livelihood context. A training course on tuna processing was offered in Pacitan, for example, although the tuna industry is not active in this rural, inland district. However, the few PKH respondents who attended training on kitchen gardens in Surakarta appreciated the course because it inspired them to reduce household costs by growing their own produce. A shrimp farming course in Indramayu required participants to have their own shrimp farms, making it inaccessible to respondents working as labourers on other people's shrimp farms.

In addition to training, some local government interventions provided seeds, subsidised fertiliser and farm tools, for example. However, this assistance was only 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 made the following suggestions:

- **Open up participation by lifting any requirements for group membership or capital ownership.** For example, PKH members coveted a tractor assistance scheme in Pacitan but they needed to belong to a farmers' group that could submit a proposal to the agriculture office to access the tractor scheme. Respondents explained that they could not fulfil land and boat ownership prerequisites to join such groups and most preferred to work alone to avoid group conflicts.
- **Complement the training by providing seeds or capital, for example, so that PKH families can apply their new-found skills;**
- **Offer training on cultivation techniques that are relevant to the local area.** For instance, PKH families considered the training on growing *gogoranch* rice in Indramayu beneficial because it complemented their primary activity as rice farmers and it was open to anyone who wanted to participate.

Food Processing Training and Business Support Services for Micro, Small and Medium Enterprise Owners

The micro, small and medium enterprises and cooperatives district office runs interventions for business owners that include: 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. While district offices in all the research areas offered vocational training, only Surakarta offered the other business services (although not in the last three years).

Poor dissemination of information to PKH families remains the biggest challenge and contributes to only 17 per cent of PKH respondents accessing these services. Respondents also claim that the training offered is incomplete and has not helped them to better manage their existing businesses. For example, PKH families in Indramayu had training on processing salted fish and shrimp paste since the raw materials are available locally. However, the training did not include: how to package these goods to attract customers; how to access larger markets or form linkages with intermediary buyers; or the basics of bookkeeping and other aspects of business management.

District governments have tried to address these gaps and provide better support services for small business owners. For example, local authorities in Indramayu worked with 31 sub-districts to issue business licences for small business owners and local district authorities in Surakarta offered innovative training on recycling plastic waste into consumer goods (like cups and plates). In Pacitan, PKH facilitators are linking up with MSME integrated business services centres (PLUT) to extend their services to PKH families. PKH could potentially work with these centres to provide business support to PKH family members engaged in MSMEs, particularly given that an agreement is already in place between the Ministry of Social Affairs and the Ministry of Cooperatives and SMEs.

In terms of capital assistance to business owners, limited grant and loan schemes are on offer for PKH families who want to expand their enterprises. Micro-credit (KUR) is available to PKH families in West Bandung but a prerequisite for applying is having an existing and viable business as well as proof of collateral. Given that most businesses that PKH families manage are nascent, small-scale and lack profit analysis, proving their viability to lending authorities is difficult. 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 could be unable to repay.** On the other hand, soft loans offered through non-governmental organisations are seen as useful, **particularly because the loan comes with coaching on managing finances and operating a business.** Only PKH respondents in West Bandung have accessed these loans.

Interventions to Link Individuals to Wage Employment

National and local level interventions to connect individuals to wage-employment exist across all four study districts and are led by the local employment offices, although they are not as prevalent as other initiatives. These interventions include training offered through the public vocational skills training centres (BLK), competency-based training and job fairs.

Three of the four research districts have vocational skills training centres (the exception is West Bandung) that, in principle, provide vocational training, competency certificates from the Indonesian Professional Certification Authority (BNSP) and on-the-job training within chosen sectors. Services should be free and include subsistence and transport allowances, allowing people from remote areas with modest means to participate. Only the vocational skills training centre scheme in Surakarta offers a 'three in one' service of training, certification and placement services.

In addition, local employment offices also provide other competency-based vocational training for those who are already engaged in specific sectors but want to update their skills to remain competitive. West Bandung and Indramayu offer such courses in welding, cooling services, motorcycle and car repairs, and computers. These courses do not offer competency certificates or placement services and tend to have fewer participants.

Generally, PKH family members were unaware of the public vocational skills training centres and the competency-based training offered. Those who had participated said that the trainers lacked industry experience and the services had not helped them to secure employment.

Job fairs were also organised in Surakarta and Pacitan in collaboration with employers in the area who signed memorandums of understanding with the employment office. Job fairs are regular events for the general public but PKH families seldom attend. Information about job fairs is not widely distributed to sub-districts and villages but respondents also felt that the costs of attending outweighed the benefits (given no guarantee of employment).

COMPLEMENTARY LIVELIHOOD INTERVENTIONS DESIGNED FOR PKH FAMILIES

In addition to the mainstream livelihood interventions discussed in the previous section, a few complementary programs are designed specifically for PKH families to boost their productive capacity. 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. These interventions are exclusively for direct PKH beneficiaries and are not extended to other working age members in the PKH households.

While the family development sessions are provided across all study areas, KUBE PKH was only available in West Bandung and Indramayu while e-Warong KUBE PKH was only offered in Surakarta. **Almost all the respondents participated in the family development financial coaching sessions, approximately 20 per cent participated in e-Warong KUBE PKH (only in Surakarta) and less than 1 per cent participated in KUBE PKH.**

Family Development Sessions

The family development sessions are structured modules delivered monthly by PKH facilitators to individual beneficiaries in group settings. The sessions include modules on: **health and nutrition; child care and education; and financial management and improving the household economy**. According to the Ministry of Social Affairs, the sessions are designed to educate PKH beneficiaries on the importance of achieving specific outcomes in each of these module areas and to help them recognise and address the constraints they encounter (MoSA, 2017).

The financial management and economic coaching module includes specific sections on **savings, business planning and marketing**. The sessions began in West Bandung in 2015 and in Surakarta in 2018 while PKH facilitators in Indramayu and Pacitan were planning to start delivering this module in 2019. Nevertheless, **63 per cent of respondents said the sessions were useful in supporting their economic activities, particularly in strengthening their social networks, encouraging saving, managing household expenses and motivating them to kickstart an enterprise**.

Family Hope Program Joint Business Groups (KUBE PKH)

The PKH joint business groups program (KUBE PKH) is a group enterprise scheme whereby ten PKH beneficiaries come together to operate a collective enterprise or manage individual enterprises administered through the group. The group receives a grant of IDR20 million (approximately AUD2,000) to use as start-up capital for enterprise development. The group is managed by a facilitator who provides regular support on forming the group, establishing an enterprise, bookkeeping, marketing channels, and so on. Facilitators accompany a KUBE PKH group for approximately one year, at which point the groups are considered to be self-sustaining. The program aims to boost the incomes of participating members but also acts as a forum for sharing experiences and strengthening the entrepreneurial spirit among PKH members (MoSA, 2017).

KUBE PKH funds were distributed to four groups in West Bandung, 20 groups in Indramayu and three groups in Surakarta. However, only a small number of respondents had been part of these groups and none of the groups was still operating during the research period. These respondents offered a number of reasons why the groups had such limited lifelines and impact in their areas:

- The choice of enterprises were largely determined by the facilitators rather than the beneficiaries;
- The facilitators often selected the group members that should work together and beneficiaries seldom had the opportunity to organise themselves;
- Facilitators supported the groups for a year up to the point of grant disbursement but did no further monitoring to see if the businesses were effective or if the groups were sustainable.

One example the respondents in West Bandung cited was a goat breeding business. The facilitator thought a goat breeding enterprise had strong potential in the local area and selected group members with relevant experience, advising them to invest their capital in buying goats. Although they acquired more goats at first, in the long-run the goats were not well cared for and were sold prematurely or consumed. According to one PKH respondent:

'The principle of KUBE PKH is "from, by and for the community" but we had no say in the business that we were expected to run. So we did not want to continue it.'

Joint Business Groups for Electronic Community-Based Kiosks and Mobile Banking Agents

Joint business groups for electronic community-based kiosks and mobile banking agents (e-Warong KUBE PKH) provide a one-stop shop: a grocery store that sells staple food items; a disbursement point for non-cash food assistance (BPNT) and PKH funds, as well as a window for selling goods produced by the joint business group enterprises. To set up an e-Warong, the location must have the following: a reliable internet connection and electricity supply; 500 to 1,000 social assistance beneficiaries that will use the service; and space provided (or approved) for the shop by the KUBE members in the area. In addition, the PKH beneficiary operating the e-Warong must be a mobile agent and disburse social assistance funds to beneficiaries in the area.

The study found e-Warongs only in Surakarta which explains why only 19 per cent of all respondents had participated in this scheme. The e-Warong initiative was considered good practice in Surakarta, largely due to the strong support that the local government provided to the scheme. The local government financed some of the e-Warong kiosks using local resources (APBD). The social affairs office is also establishing affirmative policies whereby 65 per cent of the non-cash food assistance will be distributed through these platforms, leaving just 35 per cent to be distributed through commercial bank agents. In addition, PKH facilitators in the area strongly encouraged all PKH families to spend at least IDR10,000 per month in an e-Warong KUBE PKH shop. According to one PKH facilitator:

'PKH beneficiaries need to support one another – if they are asked to spend a minimum amount at the PKH e-Warongs, these shops will have regular income that they can count on. Otherwise they cannot compete with other more established warungs.'

STRENGTHENING ECONOMIC OPPORTUNITIES FOR FAMILY HOPE PROGRAM FAMILIES: THE WAY FORWARD

Working-age members within PKH families are experiencing a decent work deficit, although this 'deficit' takes on different shapes depending on the context. For instance, more than 50 per cent of respondents' main livelihood is in agriculture, yet PKH farmers lack high-quality social networks, financial resources, natural resources and physical capital (land and tools) to earn a decent wage from their agricultural activities. Human agency also plays a critical role. PKH youth have stronger human capital but often lack the will to pursue economic opportunities that fall short of their aspirations. Existing complementary interventions also fall short in addressing these deficits and are unable to offer sustainable livelihood opportunities to the poorest segment of the population.

Practical suggestions for strengthening micro-enterprise opportunities and enabling access to formal employment are described below. 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 the potential to transform the household economy with the right opportunity.

Strengthening Micro-Enterprise Opportunities

- **Facilitate PKH farmers to produce goods with greater market demand.** Currently most farmers are commercially oriented and 62 per cent of farmers aspire to improve their income. Farmers in rural areas have the potential to cultivate high-value secondary crops, like maize, that require less land and irrigation, have limited suppliers in the market and 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.
- **Foster stronger market linkages between PKH families and local buyers.** PKH farmers have limited social networks and this makes it difficult to forge relationships with market actors. As a result, PKH farmers and fishermen are unable to sell directly to buyers in the area and often engage middlemen under exploitative terms. Buyers are willing to engage directly with PKH farmers and fishermen and cut out intermediary brokers but this requires agreements between both parties. Memorandums of understanding between PKH farmers (facilitated through local government agencies) and private sector buyers could enable poor farmers to maximise efficiencies and incomes.
- **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 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.

- **Transform KUBE PKH into a productive inclusion program for PKH families with strong enterprise potential and interest.** 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 the Ministry of Social Affairs modifies the internationally recognised Graduation model to the Indonesian context, enabling PKH members with entrepreneurial capacity to establish sustainable livelihoods.⁵ Given that a central tenet of Graduation programs is hands-on enterprise coaching, PLUT facilitators be leveraged as PKH enterprise facilitators as a way of reducing program costs and maximising efficiencies. Successful implementation would require collaboration between the Ministry of Social Affairs and the Ministry of SMEs and Cooperatives, particularly in leveraging the skills and expertise of PLUT facilitators at a sub-national level.

Enabling Formal Sector 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.
- **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 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 needs to ensure that social protection beneficiaries have access to the program. The subsidy scheme offers technical training and certification to give first-time graduates new skills or improve and upgrade their current skills. It also offers support while they are looking for employment. A memorandum of understanding between the Ministry of Social Affairs and the Ministry of Manpower would help ensure that the poorest segments of the population benefit from this new policy initiative.
- **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. The study also shows that many women within PKH families are encouraged to stay home until their children reach school age, at which point it may be difficult to re-engage in the employment sector (particularly for high-skilled and educated female workers). 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.
- **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.

⁵ The Graduation approach is a comprehensive, time-bound and sequenced set of interventions that aim to graduate people from ultra-poverty and into sustainable livelihoods. While evaluations of the approach have been highly promising, the original Graduation programs implemented through donor organizations and NGOs were expensive and implemented on small-scale. Governments, particularly in Latin America, have since simplified the approach and made it more cost-effective and scalable. See: <https://www.poverty-action.org/program-area/social-protection/ultra-poor>

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