

# Minimum Wage non compliance in Indonesia



# **Minimum Wage non compliance**

***Monthly Wage Indicator Report - Indonesia***

***March 2011***

## About WageIndicator

This monthly WageIndicator report is based on the national dataset of WageIndicator - Indonesia.

The data for this Monthly report March 2011 is volunteered by workers who are interviewed throughout Indonesia by a professional interview bureau. This so called offline Salary Survey is more or less identical to the online Salary Survey at Gajimu.com; the Wage Indicator website in Indonesia. The offline Salary Survey is also identical in all countries where Wage Indicator is present. Respondents declare their gross and net income in their national currencies. Next to wages, the self-reporting online questionnaire asks about individual characteristics (e.g. male/female, age, level of education, living with a partner and children), a person's work environment (e.g. type of job, level of responsibility, wages) and other employment-related topics.

The independent non-profit Wage Indicator Foundation aims for transparency of the labour market by sharing and comparing data through its network of national websites and by have offline interviews. By the end of 2010 Wage Indicator has operations in 55 countries world wide. See for the full list [www.wageindicator.org](http://www.wageindicator.org) or at any national Wage Indicator website, the drop down menu at the bottom of the home page.

Wage Indicator Foundation was established in the Netherlands in 2003. It is based in Amsterdam. It has regional offices in Ahmedabad, Bratislava, Buenos Aires, Cape Town/Maputo and Minsk. Its headquarters and postal address are:

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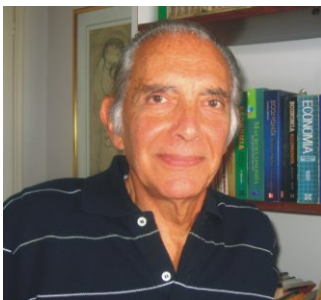
## Executive Summary

According to Salary Survey offline from Gajimu, one out of four Indonesian respondents doesn't cover his/her basic needs as a workers. In parallel, nearly 20 per cent of the respondents earn below the minimum wage. These are the main highlights of a seven-province study that included 947 Indonesian responses taken in November and December 2010. The vast majority of these underpaid workers have either low or medium educational level, work in elementary occupations and age between 20 and 40 years old. While in some provinces like Jakarta, Sumatera and Salawesi Utara and Papua Barat, the proportion of workers who earn less than the basic salary surpasses the average 20 per cent, in some others, this percentage ranges between 2.6 and 12.7 per cent.

### By:



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# **Minimum wage noncompliance**

## **Monthly Wage Indicator Report - Indonesia**

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#### **About the sample and results**

The results exhibited in this report come from the Gajimu's offline salary survey taken in November and December 2010 in seven different Indonesian provinces: Sumatera Utara (north Sumatera); Sumatera Selatan (South Sumatera); Jakarta; Jawa Tengah (Centre of Java); Jawa Timur (East Java); Papua Barat (West Papua) and Sulawesi Utara (North Sumatera). The survey conducted on many type occupations in labour market from teachers/lectures, trader, drivers, security, building construction workers, logistic, sales untill cleaning services. From 1000 respondents was interviewed, only 947 respondents declared their monthly wages last year. They were mostly middle-aged men who work in the trade, transport and hospitality industry. Jakarta and Sumatera Utara concentrate nearly 42 per cent of the observations.

Questions about income and work conditions, family organization, and overall life satisfaction were asked in the offline salary survey. The dataset gathered was then grouped by age, gender, region, educational level, industry and occupation. Needless to say is that the International Standard Classification of Education (ISCED) and the one-digit International Standard Classification of Occupations (ISCO), both ILO criteria, were selected to order the dataset by educational level and occupation, respectively. At the same time, the one-digit Statistical Classification of Economic Activities (NACE) was chosen to group the dataset by industry.

#### **National underpaid workers**

Nearly one out of five respondents earns less than the average Indonesian minimum wage. More precisely, 19.1 per cent of the respondents assert that they earn less than 976,025 rupiah, which is the average minimum wage for the 33 provinces.

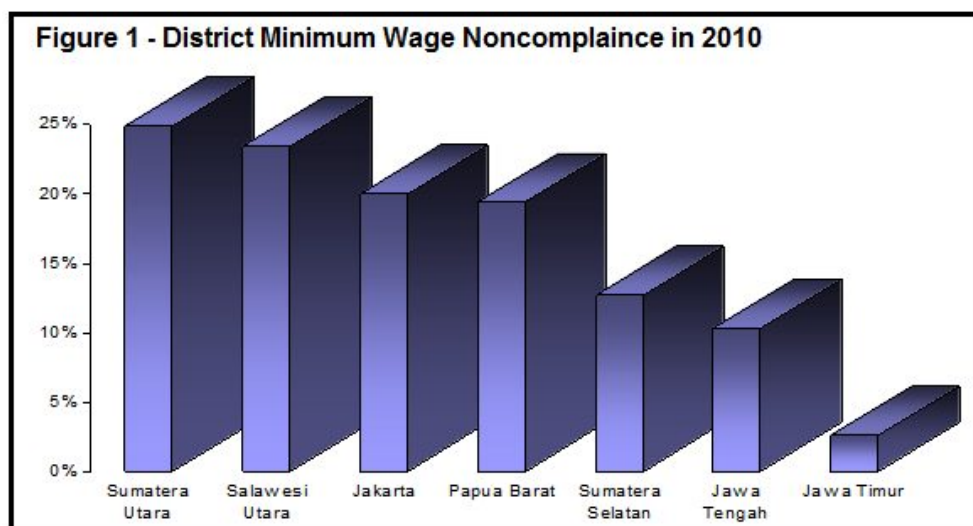
Around 60 per cent of the underpaid workers are men. Half of these male labourers work in trade, transport and hospitality industries, whereas the underpaid women concentrate mainly in the commercial services.

Six out of ten male workers who paid under minimum wage have age between 20 and 40 years old and work in elementary occupations and as plant and machine operators and assemblers. In parallel, 73.5 of the female labors who earn less than the minimum wage locate in the same range of age and work in elementary occupations as well as in professional positions.

Regarding the education level of the underpaid workers, 92 per cent of the male ones and 78 per cent of the women have either a low or a medium school degree.

## Regional minimum wage non-compliance

It is also found that the minimum wage noncompliance in the surveyed regions widely ranges from 2.6 to 24.9 per cent (Figure 1). While only one out of fifty Jawa Timur's respondents receive earnings below the 630,000 rupiah district minimum level, nearly a quarter of the Sumatera Utara respondents claim to earn less than 965,000 rupiah, which is the provincial legal bottom income.



Indonesian capital district Jakarta gathers a significant amount of respondents that earn below the province minimum wage. Exactly a fifth of them receive less than 1,118,009 rupiah. Sulawesi Utara appears as the second district with the largest minimum wage noncompliance.

According to last year sample, 23.4 per cent of the respondents receive salaries below the legal minimum income. Underneath Jakarta, Papua Barat exhibits the fourth biggest percentage of income noncompliance among the respondents: 19.4 per cent of them earn less than 1,210,000 rupiah, which is the province minimum salary.

Finally, Sumatera Selatan and Jawa Tengah complete the seven district study. In those regions, 12.7 and 10.3 per cent of the respondents reveal that they earn below their respective legal bottom salary that ruled in 2010.

If the non-compliance is analyzed both regionally and per occupation (table 3), it is found that the elementary occupations exhibit the highest percentages no matter the region taken into consideration. Their levels of non-compliance range from 38.50 to 59.5 per cent of the respondents. By contrast, technical and associate professionals minimum wage non-compliance is comparatively small as five out of the seven studied regions present perfect compliance and Sumatera Utara exhibit only an 8.30 per cent of underpaid respondents. The productivity gap between both occupations may be the reason in which their respective non-compliance proportions lay.

**Table 1 – Official monthly province minimum wage vs. Median monthly wage per occupation**

Region	Official Monthly minimum wage (in rupiah)	Median monthly wage per occupation (in ruppih)						
		Professi-onals	Technicals and associate profess-ionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occup-ations
Sumatera Utara	965,000	1,350,000	2,750,000	1,550,000	1,200,000	1,320,000	1,675,000	880,000
Salawesi Utara	990,000	1,500,000	3,700,000	1,190,000	1,500,000	1,440,000	2,500,000	1,000,000
Jakarta	1,118,009	2,500,000	2,370,000	1,700,000	1,900,000	1,430,000	2,200,000	1,100,000
Papua Barat	1,210,000	1,250,000	n/a*	1,400,000	1,500,000	1,400,000	1,650,000	1,350,000
Sumatera Selatan	927,000	1,850,000	2,450,000	1,150,000	1,900,000	n/a*	1,520,000	1,490,000
Jawa Tengah	660,000	2,000,000	2,500,000	1,482,500	2,000,000	1,100,000	1,500,000	810,000
Jawa Timur	630,000	1,500,000	3,750,000	1,231,000	1,275,000	n/a*	1,800,000	1,300,000

Source: Manpower Ministerial and Gajimu's survey

\* Non-available data

1 The median is a measure of local tendency that is described as the numeric value separating the higher half of a sample, a population, or a probability distribution, from the lower half. The median of a finite list of numbers can be found by arranging all the observations from lowest value to highest value and picking the middle one. If there is an even number of observations, then there is no single middle value. Its representativeness is higher than the mean's when the sample is significantly heterogeneous. The average (arithmetic mean) loses representativeness when there are excessively high (low) values in the sample, whereas the median remains unaffected.



**Table 2 – Official Monthly Province Minimum Wage vs. Range of Monthly Wages per Occupation**

Region	Official monthly minimum wage (in rupiah)	Range of monthly wages per occupation (in rupiah)						
		Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Sumatera Utara	965,000	258,000 – 8,116,250	400,000 – 8,000,000	1,000,000 – 3,940,000	440,000 – 19,360,000	880,000 - 2,800,000	300,000 - 12,000,000	40,000 - 3,800,000
Salawesi Utara	990,000	280,000 – 51,960,000	1,000,000 – 46,000,000	800,000 – 3,300,000	80,000 – 17,600,000	1,080,000 - 1,800,000	700,000 - 20,000,000	300,000 - 3,000,000
Jakarta	1,118,009	1,100,000 – 5,000,000	1,260,000 – 3,500,000	750,000 – 2,500,000	700,000 – 11,000,000	1,100,000 – 2,200,000	550,000 - 5,500,000	250,000 - 4,500,000
Papua Barat	1,210,000	550,000 – 3,000,000	n/a*	1,200,000 – 2,400,000	1,200,000 – 2,400,000	1,260,000 – 1,540,000	800,000 - 6,000,000	900,000 - 2,600,000
Sumatera Selatan	927,000	600,000 – 13,600,000	1,500,000 – 10,000,000	800,000 – 2,500,000	700,000 – 7,700,000	n/a*	660,000 - 33,000,000	1,000,000 - 2,800,000
Jawa Tengah	660,000	645,000 – 16,500,000	1,360,000 – 6,000,000	900,000 – 4,330,000	779,375 – 15,400,000	800,000 – 1,210,000	726,000 - 10,560,000	128,000 - 3,000,000
Jawa Timur	630,000	300,000 – 5,000,000	1,000,000 – 5,800,000	800,000 – 5,200,000	650,000 – 23,100,000	n/a*	660,000 - 6,000,000	572,000 - 3,500,000

Source: Manpower Ministerial and Gajimu's survey

\* Non-available data

**Table 3 – Percentage of workers who earn below the regional minimum wage per occupation**

Region	Official monthly minimum wage (in rupiah)	% of workers who earn below the regional minimum wage per occupation (in rupiah)						
		Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Sumatera Utara	965,000	25.00%	8.30%	0.00%	17.60%	30.00%	20.00%	52.40%
Salawesi Utara	990,000	31.80%	0.00%	9.10%	27.60%	0.00%	13.00%	47.60%
Jakarta	1,118,009	2.80%	0.00%	4.80%	21.20%	10.00%	6.80%	59.50%
Papua Barat	1,210,000	41.20%	n/a*	25.00%	11.10%	n/a*	16.70%	38.50%
Sumatera Selatan	927,000	8.00%	0.00%	17.60%	17.60%	n/a*	4.20%	42.90%
Jawa Tengah	660,000	4.00%	0.00%	12.50%	0.00%	n/a*	0.00%	42.90%
Jawa Timur	630,000	7.40%	0.00%	0.00%	0.00%	n/a*	0.00%	5.30%

Source: Manpower Ministerial and Gajimu's survey

\* Non-available data

Now, if the wage analysis deepens by gender, region and occupation, the general belief that men receive higher wages than women is confirmed but there are some significant exceptions. Although male professionals and elementary workers earn considerably more than their female colleagues, women obtain higher salaries in the service and sales occupations. In six out of the seven studied regions, men earn on average up to three times what women do in the professional occupations. Similarly, male elementary workers are monetarily rewarded with a more generous salary in five regions. Only in Jawa Timur, female elementary workers are better paid than men. On the contrary, six regions reward women's performance in service and sales with wages that are between 13 and 73 per cent higher than those of their male colleagues. In this case, Jawa Timur is the only region where men receive higher sums in this type of occupation. Gender gap in the clerical support occupation varies according to the region: in Sulawesi Utara, Jakarta and Papua Barat female clerks are better paid whereas the opposite scenario can be seen in Sumatera Utara and Jawa Timur. The unavailability of data doesn't allow this wage gap analysis in the technical, craft, operating and assembling occupations. The last striking point that comes out of the tables is that the median female wage in the elementary occupation is below the legal minimum in five out of the seven analysed regions (see Table 6). Again, Jawa Timur appears as the exception with an average wage which is 3.5 times the district minimum.

<b>Table 4 – Official monthly province minimum wage vs. Median monthly male wages per occupation</b>								
<b>Region</b>	<b>Official monthly minimum wage (in rupiah)</b>	<b>Median monthly male wages per occupation (in rupiah)</b>						
		<b>Professionals</b>	<b>Technicals and associate professionals</b>	<b>Clerical support workers</b>	<b>Service and sales workers</b>	<b>Craft and related trades workers</b>	<b>Plant and machine operators, and assemblers</b>	<b>Elementary occupations</b>
Sumatera Utara	965,000	1,697,125	2,750,000	1,740,625	1,100,000	1,560,000	1,675,000	1,100,000
Salawesi Utara	990,000	2,700,000	3,850,000	1,100,000	1,200,000	1,440,000	2,500,000	1,320,000
Jakarta	1,118,009	3,000,000	2,370,000	1,700,000	1,400,000	1,430,000	2,200,000	1,310,000
Papua Barat	1,210,000	1,750,000	n/a*	1,275,000	1,391,500	1,400,000	1,650,000	1,425,000
Sumatera Selatan	927,000	3,700,000	2,450,000	1,150,000	1,360,000	n/a*	1,520,000	1,490,000
Jawa Tengah	660,000	2,000,000	3,160,000	1,430,000	1,773,500	1,100,000	1,500,000	880,000
Jawa Timur	630,000	1,700,000	4,750,000	1,480,000	1,300,000	n/a*	1,800,000	1,380,000

Source: Manpower Ministerial and Gajimu's survey

\* Non-available data

**Table 5 – Official Monthly Province Minimum Wage VS. Range of monthly male wages per occupation**

Region	Official monthly minimum wage (in rupiah)	Range of monthly male wages per occupation (in rupiah)						
		Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Sumatera Utara	965,000	324,000 – 8,116,250	400,000 – 8,000,000	1,000,000 – 3,940,000	440,000 – 15,400,000	880,000 – 2,800,000	300,000 – 12,000,000	40,000 – 3,800,000
Salawesi Utara	990,000	400,000 – 7,000,000	1,000,000 – 46,000,000	800,000 – 3,300,000	80,000 – 16,500,000	1,080,000 – 1,800,000	700,000 – 20,000,000	660,000 – 3,000,000
Jakarta	1,118,009	2,000,000 – 3,700,000	1,260,000 – 3,300,000	750,000 – 2,500,000	700,000 – 11,000,000	1,100,000 – 2,200,000	550,000 – 5,500,000	500,000 – 4,500,000
Papua Barat	1,210,000	800,000 – 3,000,000	n/a*	1,200,000 – 2,400,000	1,200,000 – 1,700,000	1,260,000 – 1,540,000	800,000 – 6,000,000	960,000 – 2,600,000
Sumatera Selatan	927,000	1,200,000 – 13,600,000	1,500,000 – 10,000,000	800,000 – 2,500,000	900,000 – 5,060,000	n/a*	660,000 – 33,000,000	1,000,000 – 2,800,000
Jawa Tengah	660,000	800,000 – 16,500,000	1,360,000 – 6,000,000	900,000 – 3,000,000	779,375 – 8,800,000	800,000 – 1,210,000	726,000 – 10,560,000	128,000 – 3,000,000
Jawa Timur	630,000	300,000 – 5,000,000	3,500,000 – 5,800,000	900,000 – 5,200,000	650,000 – 23,100,000	n/a*	660,000 – 6,000,000	572,000 – 3,000,000

Source: Manpower Ministerial and Gajimu's survey

\* Non-available data

**Table 6 – Official monthly province minimum wage vs. Median monthly female wages per occupation**

Region	Official monthly minimum wage (in rupiah)	Median monthly female wages per occupation (in rupiah)						
		Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Sumatera Utara	965,000	1,000,000	2,750,000	1,300,000	1,400,000	n/a*	n/a*	600,000
Salawesi Utara	990,000	1,400,000	n/a*	1,345,000	3,500,000	n/a*	n/a*	500,000
Jakarta	1,118,009	2,500,000	2,625,000	1,800,000	4,400,000	n/a*	n/a*	425,000
Papua Barat	1,210,000	900,000	n/a*	1,500,000	1,600,000	n/a*	n/a*	910,000
Sumatera Selatan	927,000	1,200,000	n/a*	1,150,000	2,200,000	n/a*	n/a*	n/a*
Jawa Tengah	660,000	2,000,000	n/a*	1,697,000	6,600,000	n/a*	n/a*	475,000
Jawa Timur	630,000	1,500,000	1,575,000	1,015,500	1,187,500	n/a*	n/a*	2,200,000

Source: Manpower Ministerial and Gajimu's survey

\* Non-available data

## Education and underpaid workers

The relation between income, the level of education and the occupations will be studied in this section. It will also be considered the percentage of workers who earn below the average national minimum wage according to their educational skills and their professions.

As it can be expected, the most rewarded ones have a university degree (high level of education) and work in productive occupations (see table 4). High educated technical and associate professionals earn 2.5 and 4.4 times what low educated craft and trade related workers do. The gap reaches a wider level if those who have elementary occupations and basic education are considered.

While the influence of the level of education in income is particularly important in the technical and associate professions, it seems to be practically irrelevant for the plant and machine operators as their average wage only increases 2.8 per cent after finishing high school (medium degree) and doesn't vary if workers get a university degree.

Table 8 – Average wage per occupation and level of education (in rupiah)							
Average wage per occupation and level of education (in rupiah)	Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Low	n/a*	1,780,000	1,145,000	2,100,000	1,360,000	1,750,000	770,000
Medium	1,450,000	2,040,000	1,360,000	1,400,000	1,430,000	1,800,000	1,200,000
High	2,000,000	3,400,000	1,950,000	2,100,000	n/a*	1,800,000	n/a*

Source: Gajimu's survey

\* Non-available data

In parallel, the underpaid workers percentage decreases as the level of education grows, particularly in the clerical and elementary occupations, as it can be seen in table 9.

Table 9 – Percentage of workers who earn below the average national minimum wage per occupation and level of education							
% of workers who earn below the National MW per occupation and level of education	Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Low	n/a*	8.30%	25.00%	22.50%	11.10%	14.90%	66.70%
Medium	37.50%	0.00%	9.50%	14.70%	16.70%	10.50%	29.50%
High	14.30%	0.00%	5.30%	9.10%	n/a*	0.00%	n/a*

Source: Gajimu's survey

\* Non-available data

## The evolution of wages according to the occupation

Regardless the level of qualification, wages evolve in every occupation as years pass. Table 10 shows that earnings reach their maximum level in some occupations -when workers age between 30 and 50 years- and then decrease, drawing an inverted-U Kusnets curve. In these cases, it is considered that workers' performance rises at the first part of their working career but descends at the final stage. The table also shows that wages draw a monotonous growth in other occupations, where work experience contributes considerably to the productivity's expansion.

Table 10 – Average wage per occupation and age group (in rupiah)							
Average wage per occupation and age group (in rupiah)	Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Under 20	n/a*	1,260,000	1,230,000	n/a*	n/a*	n/a*	500,000
20-30	1,100,000	2,500,000	1,300,000	1,300,000	1,305,000	1,500,000	990,000
30-50	2,000,000	3,000,000	1,522,000	1,730,000	1,430,000	1,835,000	1,100,000
Older than 50	2,000,000	1,687,500	1,950,000	1,500,000	1,500,000	1,700,000	880,000

Source: Gajimu's survey

\* Non-available data

Table 11 – Variations of average wage per occupation and age group							
Variations of the average wage per occupation and age group	Professionals	Technical and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Under 20	n/a*	100.00	100.00	n/a*	n/a*	n/a*	100.00
20-30	100.00	198.41	105.69	100.00	100.00	100.00	198.00
30-50	181.82	238.10	123.74	133.08	109.58	122.33	220.00
Older than 50	181.82	133.93	158.54	115.38	114.94	113.33	176.00

Source: Gajimu's survey

\* Non-available data

From the evidence collected, it is not clear whether age reduces or expands the minimum wage non-compliance proportion. As years pass, the percentage of workers who earn below the average national minimum wage falls in the professional, technical and clerical occupations, whereas it increases in the service, sales and elementary occupations (see table 11). In the case of the assemblers, operators and craft and related trade workers, the non-compliance percentage reaches the highest level at the age range 20-30, and then decreases and rises at the following stages (table 12).

**Table 12 – Percentage of workers who earn below the average national minimum wage per occupation and age group**

% of workers who earn below the National MW per occupation and age group	Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations
Under 20	n/a*	0.00%	16.70%	n/a*	n/a*	n/a*	66.70%
20-30	38.70%	0.00%	10.60%	8.30%	25.00%	17.40%	48.80%
30-50	14.70%	2.00%	8.60%	17.00%	7.10%	9.40%	42.10%
Older than 50	5.90%	0.00%	0.00%	29.40%	11.10%	15.40%	57.10%

Source: Gajimu's survey

\* Non-available data

## The evolution of wages according to the region

Similar to the previous case, the average wage rises until the age group 30-50 years and then descends in Sulawesi Utara, Sumatera Selatan and Jawa Timur, drawing again an inverted-U Kusnets curve. On the contrary, the standard income earned in Sumatera Utara, Jakarta, Papua Barat and Jawa Tengah is continuously increasing, which denotes the assigned importance to work experience in those provinces (see Table 13).

**Table 13 – Average wage per region and age group (in rupiah)**

Average wage per region and age group	Sumatera Utara	Salawesi Utara	Jakarta	Papua Barat	Sumatera Selatan	Jawa Tengah	Jawa Timur
Under 20	1,100,000	n/a*	1,260,000	n/a*	1,150,000	n/a*	n/a*
20-30	1,095,000	1,300,000	1,350,000	1,325,000	1,150,000	1,380,000	1,265,000
30-50	1,500,000	1,800,000	2,000,000	1,500,000	1,760,000	1,840,000	1,650,000
Older than 50	1,840,000	1,490,000	2,200,000	1,600,000	1,500,000	1,900,000	1,537,500

Source: Gajimu's survey

\* Non-available data

**Table 14 – Variations of average wage per region and age group**

Average wage per region and age group	Sumatera Utara	Salawesi Utara	Jakarta	Papua Barat	Sumatera Selatan	Jawa Tengah	Jawa Timur
Under 20	100,00	n/a*	100,00	n/a*	100,00	n/a*	n/a*
20-30	99,55	100,00	107,14	100,00	100,00	100,00	100,00
30-50	136,36	138,46	158,73	113,21	153,04	133,33	130,43
Older than 50	167,27	114,62	174,60	120,75	130,43	137,68	121,54

Source: Gajimu's survey

\* Non-available data

In most of the studied provinces, the minimum wage non-compliance reduces monotonically as workers' age rises. Only Sulawesi Utara presents an increasing non-compliance percentage and Sumatera Utara reaches a steady 24-25 per cent proportion (see table 15).

**Table 15 – Percentage of workers who earn below the average national minimum wage per region and age group**

% of workers who earn below the district MW per region and age group	Sumatera Utara	Salawesi Utara	Jakarta	Papua Barat	Sumatera Selatan	Jawa Tengah	Jawa Timur
Under 20	36.40%	n/a*	40.00%	n/a*	33.33%	n/a*	n/a*
20-30	24.00%	17.90%	35.70%	38.90%	17.20%	9.10%	5.60%
30-50	24.10%	23.40%	15.10%	29.30%	11.10%	9.00%	2.40%
Older than 50	25.00%	27.80%	10.50%	8.30%	0.00%	7.70%	0.00%

Source: Gajimu's survey

\* Non-available data

## Proper requirement of living and inflation

Created in 2006, the proper requirement of living -better known as the Kebutuhan Hidup Layak (KHL)- indicates the minimum income that a worker has to earn in order to meet the basic needs, which include food, clothing, education, etc. It is used for measuring the minimum requirement of living for single worker statue and as a basis for determining the legal minimum wage. Since its creation, the KHL has always been above the minimum wage and has increased 67.57 per cent up to 1,046,183 ruppih, while the average minimum wage has risen 62,08 per cent, reaching the level of 910,728 ruppih (see table 16). Therefore, not only the bottom earnings don't cover the basic needs, but also it has grown at a slower pace than its benchmark.

**Table 16 - Evolution of KHL, Consumer price index and Average Minimum wage**

Year	Proper requirement of living or KHL (in rupiah)	Consumer Price Index (CPI)	Average Minimum Wage (in ruppih)	Ratio Minimum Wage per Proper Requirement of Living
2006	648.836	371.15	602.151	92,80%
2007	748.935	394.93	671.836	89,71%
2008	855.604	435.32	747.244	87,34%
2009	987.757	454.42	841.316	85,17%
2010	1.046.183	477.75	910.728	87,05%

Source: National Statistic and Manpower Ministerial

According to Gajimu's survey, one out of four respondents earns less than the proper requirement of living. This means that a quarter of the respondents cannot meet their basic needs.

In spite of these workers' crucial problems, employers complain that the minimum wage has risen significantly more than inflation. During the 2006-2010 period, the Consumer Price Index increased 28.73 per cent, nearly 32,5 points less than the legal bottom salary (Table 17). Although the rate of minimum wage increase more than rate of CPI but actually the minimum wage still under 100% of proper requirement of living (KHL) (see Table 16). So, the workers who paid minimum wage did not covered the basic need of living. Thus, a difference increasing rate between CPI and minimum wage is because The CPI is measured using abroad indicators, while the minimum wage is measure in limited and specific indicators.

Meanwhile, a recent study by the Asian Development Bank concludes that "minimum wage legislation has played a role in reducing wage inequality in Indonesia". They conclude that "minimum wages are a significant determinant of increases in monthly wages for the population below the minimum wage line in the formal sector, but not the informal sector".

**Table 17 – Variations of KHL, Consumer price index and Average Minimum wage (Base: 2006 = 100)**

Year	Proper requirement of living or KHL (in rupiah)	Consumer Price Index (CPI)	Average Minimum Wage (in ruppih)
2006	<b>100</b>	100	100
2007	<b>111,57</b>	106.41	<b>115,43</b>
2008	<b>124,10</b>	117.30	<b>131,87</b>
2009	<b>139,72</b>	122.44	<b>152,24</b>
2010	<b>151,25</b>	128.73	<b>161,24</b>

Source: National Statistic and Manpower Ministerial

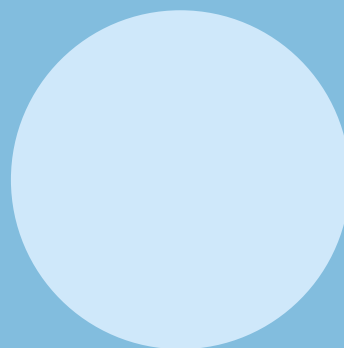
1 Natalie Chun and Niny Khor. Minimum Wages and Changing Wage Inequality in Indonesia. ADB Economics Working Paper Series No. 196



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