



Minding the Gap:
Conditional Cash Transfer and
Labour Market Trajectories in Indonesia

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List of Acronyms

| | |
|-----------|---|
| Askeskin | Asuransi Kesehatan Keluarga Miskin (Health Insurance for Poor Family) |
| BOS | Bantuan Operasional Sekolah (School Operational Assistance) |
| BSM | Bantuan Siswa Miskin (Assistance for Poor Students) |
| BPS | Badan Pusat Statistik (Central Bureau for Statistics) |
| CCT/CCTs | Conditional Cash Transfer |
| GDP | Gross Domestic Product |
| GoI | Government of Indonesia |
| Jamkesmas | Jaminan Kesehatan Masyarakat (Social Health Insurance) |
| JPS | Jaringan Pengaman Sosial (Social Safety Network) |
| KUR | Kredit Usaha Rakyat (Credit for Business) |
| MDGs | Millennium Development Goals |
| OPK | Operasi Pasar Khusus (Special Market Operation) |
| PKH | Program Keluarga Harapan (Hopeful Family Program) |
| PNPM | Program Nasional Pemberdayaan Masyarakat (National Program for Community Empowerment) |
| TNP2K | Tim Nasional Percepatan Penanggulangan Kemiskinan (National Team for the Acceleration of Poverty Reduction) |
| WB | World Bank |

Abstract

Conditional cash transfer programs have widespread notably in Latin America and other parts of the world, utilized it as a social policy tool to alleviate poverty. It works with cash disbursed to poor household contingent upon beneficiaries' conditionality in education and health. This paper locates itself of the potential for the poverty alleviation in Indonesia, known as *Program Keluarga Harapan* (PKH), in achieving the long term goal. One of the objectives of CCTs is to enhance educational aspects of the human capital accumulation that evolves to justify the goal to break the intergenerational poverty. The education attainment in Indonesia shows a positive outcome. Therefore this research sought to answer the questions of 'To what extent does the role of improvement in human capital accumulation in conditional cash transfers' beneficiaries into the existing labour market dynamics?' The result shows so far that even though the human capital formation attempted to be improved, the pre-existing structure in labor market dynamics is matter. The mismatch conjuncture of the education with employment might hinder the long term goal of this conditional cash transfer program. The findings suggest that labour market trajectories are crucial to meet the skill-demand side. In addition, the government needs to integrate PKH with other social programs to overcome the labor segmentation particularly after the household reach the 'exit' stage of this program.

Relevance to Development Studies

This paper draws from the current social policy of Conditional Cash Transfer. This paper contributes on attempts to understand the underlying of the simplistic idea behind the long term goal of the cash program of translating human capital to the employability in the labour market dynamics in order to break the intergenerational poverty.

Keywords

Conditional Cash Transfers, Education, Human Capital, Labour Market

Chapter 1

Introduction

To accelerate development, for most of developing countries and also developed countries, education is still seen as an alternative tool to liberate people from the shackles of poverty (Fields 1980; Tilak 2002; Raffo C. et. al. 2007). The right to undertake a basic education for all the citizen which should be supported by the Government of Indonesia (GoI) as stated in the Chapter XIII Article 31 of the 1945 Indonesian Constitution fourth amendment wherein it states in verse (1) 'Every citizen has the right to receive education,' verse (2) states 'Every citizen has the obligation to undertake basic education, and the government has the obligation to fund this' and verse (4) 'The state shall prioritize the budget for education to a minimum of 20 percent of the State Budget and of the Regional Budgets to fulfill the needs of implementation of national education.' (People Consultative Assembly Republic of Indonesia 2012)

Currently, some scholars hurl criticism of the education system that argue that the expansion of learning opportunities are likely to have led to unemployment of educated entrants than to increase the productive power in accordance with job requirements in labour market. The improvement in education attainment, which showed by the increasing number of people who hold a higher educational degree, does not necessarily mean to get a space in job vacancies. This questioned the validity of human capital which has an opposite assumption. Therefore, the readiness of labour market to accommodate the educated labour force need to be further examined.

Subsequent thereto, the awareness of the importance of education is also used as a means to eradicate poverty through several policies such as BOS, *Bantuan Operasional Sekolah* (School operational assistance), BSM or *Bantuan Siswa Miskin* (Assistance for Poor Students) and *Program Keluarga Harapan* or Hopeful Family Program (henceforth PKH). The latter also known as Conditional Cash Transfers (hereafter CCTs). CCTs programs have widely introduced notably in Latin America and other parts of the world as a social policy tool to alleviate poverty. It works with cash disbursed to poor households contingent upon beneficiaries' conditionality in education and health. This program is also as a kind of support to meet MDG goal to eradicate poverty as well as to improve education and health sectors.

Although this monetary transfers to the poor households often conditioned upon health and education components, but this paper shall be limited to discuss further the role of human capital accumulation in form of education in poverty reduction. The short term objectives of CCTs are to reduce the head count poverty and to mitigate the burden of consumption, as well as to break the vicious chain of intergenerational poverty in the long term. The latter, if succeed makes poverty alleviation sustainable. By investing capital in human to increase the productivity, it is expected to achieve the objectives of this cash transfers program.

The return of education in labour market can be seen from the absorption of entrants to labour market based on educational level. Criticisms mentioned above grounded on the data of employment in Indonesia which shows an interesting trend, based on labor force survey, the proportion of working force with the lowest educational level is higher than the proportion of unemployment. On the contrary, percentage of unemployment from university level and above is almost doubled than the working force. This numbers paint a bleak picture in employment sphere. The table below show the labor force condition in Indonesia based on level of education.

Table 1 Labour Force in Indonesia based on level of education 2008-2010

| Month /Year | Labour Force | < Primary School | Junior High School | Senior High School | Vocational School | Diploma | University | % |
|-------------|--------------|------------------|--------------------|--------------------|-------------------|---------|------------|-----|
| August 2008 | Working | 53,96 | 18,57 | 14,04 | 6,59 | 2,80 | 4,05 | 100 |
| | Unemployment | 28,18 | 21,01 | 25,58 | 15,00 | 3,86 | 6,37 | 100 |
| August 2009 | Working | 52,64 | 18,49 | 13,90 | 7,86 | 2,66 | 4,44 | 100 |
| | Unemployment | 24,21 | 19,76 | 27,58 | 15,70 | 4,92 | 7,83 | 100 |
| August 2010 | Working | 50,38 | 19,07 | 14,71 | 8,20 | 2,79 | 4,85 | 100 |
| | Unemployment | 25,97 | 19,97 | 25,83 | 14,37 | 5,33 | 8,54 | 100 |

Source: BPS-Central Bureau of Statistics

From economy point of view, educated unemployment could be economically as a burden for household, society and even the country. This could even lead to form a new poverty model, they are poor not because they do not know or own anything, but because they find the difficulties to enter labour market. Labour market is likely to be segregated by level of education. Based on Otsuka and Yamano (2006), young and educated workers from rural region in Asia tend to move out and look for a non-farm job. Moreover, human capital also plays an important role to the household income and poverty reduction. Dewina and Yamauchi (2010) use household survey panel data in Indonesia in 1995 and 2007, found that human capital is important in the dynamics of rural household income.

1.1 Research Question

The main research question of this paper is:

To what extent does the role of the improvement of human capital accumulation in conditional cash transfers' to beneficiaries translates into the existing labour market dynamics?

Sub questions:

- What's other policies related to education and employment
- How's the policy effect the labour dynamic

1.2 Research Focus and Limitation

Basic design as the pillars of CCTs are to '*assisting the very poorest*' and '*as a compensatory measures*' CCTs also aim to '*promoting human capital accumulation*' for the poor that has limited access to education and health services (Bastagli, 2007: 5). The design can be obtained by giving cash to poor people in some certain conditionalities in health and education services such as having a regular medical for pregnant and under-five ages children and comply attendance in school (Bradshaw 2008: 188; Grimes and Wängnerud, 2010:2).

This research focuses on the contradiction between human capital theory's assumptions of better employability that one could get from a higher level of education in the social policy for poverty reduction, in this case Conditional Cash Transfer in Indonesia, PKH. Fulfilling the education attendance is one of the requirements to receive the cash transfer. However, as seen in the table 1 above, the higher the education, it does not necessarily mean as an ease translation to labour market. Therefore, it needs to consider how the existing labour market dynamics structured and how it intertwined with the education.

CCT program appeals many policy makers because rather than provide supply side of public provisions, the program demands poor people to adhere certain conditions aforementioned. In addition, the idea underlying the CCT that it will '*strengthening of citizens and citizenship*' and encourage the local governments to improve the public services in their region in order to be chosen as one of the local beneficiaries (Grimes and Wängnerud, 2010). As noted in the general guidelines of PKH, that one conditions required to be selected as the beneficiaries region is that the education and health services available in that area to support the program, accordance with the conditions imposed to the beneficiaries which should be agreed by the head of the regency or mayor of that regions.

Nevertheless, this paper attempts to use the empirical case from the implementation of CCT and uses the human capital analysis and critiques as the basis of analysis to contribution of Schultz (1961) and Becker (1975). I intend to assess the assertion of the long term goal of CCT wherein by imposing certain conditionalities to poor people in order to interrupt the chain of intergenerational poverty through the improvement of human capital, when there is a segmented labour market that is pre-exist and shaped in society.

1.3 Methodology

While there were many scholars examined the effect of CCTs in education and health¹, this study captures the human capital pursuits. The methods utilize in this study consists of qualitative approach because this study analyze the human capital debate and the labor market trajectories. Even so, the quantitative method is also employed in this study such as the condition of labor market and the relation of education and employment will be analyzed further.

Given the existing dynamic in labour market, this study aims to elaborate the likelihood of Conditional Cash Transfer (CCT's) to be improved with the labour market prospect. Fieldwork was conducted in Medan Barat District, North Sumatera Province. The selection of this area is because it has a high incidence of poverty especially near the Deli river banks.

The author has tried to obtain the official data from the Ministry of Social Welfare office but it did not work. They said that since May 2012 the basis data has been integrated and it is only the TNP2K (National Team to accelerate poverty reduction) who entitled to give the beneficiaries' name lists. However, after being confirmed it is only the characteristic of the beneficiaries can be obtained not the name list. Therefore, data which has been employed in this paper based on the beneficiaries list from 2011 from Statistical Office of Medan City. Systematic random sampling is utilized in order to choose the beneficiaries. Nonetheless, there were two respondents out of 10 who do not want their name to be appears neither recorded.

Interviewing the key informants and also the beneficiaries of PKH are part of qualitative method that I use in this paper. Interviews with the key informants were done in the central office in Jakarta and Medan in order to elaborate more the implementation of PKH and to get the big picture of the up to date condition and difficulties regarding the implementation of the program. The key informants are the director of social welfare in Ministry of Social Welfare, the coordinator of west region for PKH, and the facilitator of management information system in Medan. Interviews with the beneficiaries were conducted to gather the information related to the labour condition and their educational background.

Data collected through interview with structured and unstructured components. There were 10 beneficiaries interviewed during the fieldwork. The interviews were done in Indonesian language and sometimes in Bataknese, in which some respondent found it easier to communicate in this local language. The beneficiaries were asking about the basic identity, PKH programs in general, the role of PKH in their economic sphere, educational attainment, employment, and the barriers that they found in enter the labour market as the continuation of the result of the long term goal of PKH to break the transmission of poverty from the current generation to the next generations.

¹ See further Fiszbein A, Schady N, at al. (2009) Conditional Cash Transfers: Reducing Present and Future Poverty, The World Bank, Washington DC

1.4 Ethical Considerations

The interviews with key informants were started with an introduction of me as a researcher and a government employee. The designation of being a government employee considered necessary as an attempt to obtain the beneficiaries list and assured the confidentiality of the cultivated data of not being used for individual neither for private or other institutions. On the contrary, introduced myself as a government employee, were avoided during the interview sessions with the beneficiaries. There are two reasons for this action. Firstly, the reason is to avoid biased answers from the beneficiaries toward certain questions. Based on my own experiences conducted several interviews to collect data for socio economic survey, there is a tendency of the prospective beneficiaries perform themselves poorer than they are, thus they hope the likelihood of being selected for the beneficiaries of social assistance and grants are bigger. This can be noticed by probing the answer or cross check the logic of the information retrieved. Secondly, located myself as a researcher for the beneficiaries has a benefit to reduce power relation and afford an opportunity for them to speak freely.

Before started the interviews, a consent permission to record the interview was being asked. Explaining the aim of the research also briefly stated in the initial stage of interview. In addition, the informants were also informed the right to stop or not being recorded whenever they want. By doing so, it creates a comfort and trustworthy environment to carry out the interview. However, several respondents refused to be recorded. Taking important notes was done to replace the record of the interviews. Risk of confidentiality problem might occur in this phase. Referring to this, Elliot (2005) posits that respecting the anonymity and privacy of the informants, as key ethical principle, were applied.

1.5 Structure of the Paper

This paper consists of five chapters. The introductory chapter is followed by theoretical framework that guides this research, mainly about the human capital theory and its critiques. In this second chapter I analyze the context and debate in human capital theory. In addition, the education perspectives concisely assessed through Marxian and Foucauldian viewpoints. Labour Market segmentation is also elaborated further. In chapter three, I provide an overview of educational system and labour market conditions in Indonesia. Debate of the cash transfers as a residual policy versus universalism is also discussed in this chapter. Conditional cash transfer or PKH as a social policy, I analyze the framework of social policy in Indonesia and explore in which conditional cash transfer or PKH located in the poverty alleviation strategy and discuss its features. In chapter four, in a succinct manner I explore the labour market and education nexus in Indonesia. Furthermore, the goal of the program of translating human capital accumulation in the labour market trajectories is also examined in this chapter. The mismatch of the education and employment needs to be linked by link and match both in the labour market. I argue that the simplistic human capital accumulation as the basis of long term goal of CCTs to translate into a better employability has to be considered. Labour dynamics structure is already designed under a segmented market which might hinder the

beneficiaries to immerse into it. Moreover, it is important to design a holistic and integrate social policy to alleviate poverty in order to sustain the poverty reduction. In chapter five, I give the summary of the findings and policy implications, research gaps and methodology.

Chapter 2

Theoretical Framework

As for theoretical framework, human capital approach is employed in this paper. However, the critiques towards this theory put up front. Education as the form of human capital accumulation also elaborated further.

2.1 Human Capital Theory

It is widely believe that the higher human capital of an entrant has, the higher the possibilities to enter the labour market. In relation to education return, human capital accumulated through education, training and work experience, and how it is used and rewarded. In this view, human capital tends to increase the education of employment in the longer term.

Human capital theory introduced by Schultz (1961) and widely elaborated by Becker (1975), an American Nobel Laureate economist, in his seminal work 'Human capital: A theoretical and empirical analysis to special reference to education'. It is developed based on the awareness of the contribution to economic growth not only from physical capital but also the human capital itself that needs to be promoted extensively. The development of human capital from skillful and creative to a 'high-tech' also contribute in the expansion of this theory which 'value the people' based on their abilities, knowledge² and competences (Keeley, 2007)

Theory which used as the theoretical framework for the development of education and policies is human capital theory. Conditional cash transfers also adopt this theory which assume higher education translate as the higher income and the opportunity to enter labour market. This theory based on the work of Schultz (1961) and Sakamora and Powers (1995), Psacharopoulos and Woodhall (1997). The assumption of human capital is the importance to increase the capacity of population. The human capital theorists posit that education increase the productivity. In addition, by improving the productivity of labour hence increase the investment in population. The supporters of human capital find that to accumulate human capital is seen more important.

According to Babalola (2003) cited in Olaniyan, D.A and T. Okemakinde (2008: 479-480):

There are three arguments underlying human capital theory:

- i. The previous generation should give the education that they have generated and pass it to the new generation
- ii. The usage of existing products to the new generation
- iii. Encouraged the new generation to thrive a new ideas, products , processes and methodologies in the process of development

² See further in Peter Schwartz, Eamonn Kelly and Nicole Boyer, "The Emerging Global Knowledge Economy" in *The Future of the Global Economy – Towards a Long Boom?*, OECD, 1999.

Human capital theory assumes that there is a linear translation of more education to enhance productivity individually (Mincer, 1974; Becker, 1975). In addition, some studies indicate that the investment in education has a positive correlation with economic growth and development (Olaniyan and Okemakinde, 2008). However, if we meticulously examine the link of education and labour market does not show the same result. Despite the return of education to increase productivity, it can reflect a better investment for the labour (Psacharopoulos, 1994). Furthermore, human capital supporters argue that the improvement of education increase the earnings of the educated persons. Thus, to reduce the gap of inequality in income focus of education achievement needs to be given to poor people.

Psacharopoulos and Woodhall (1997:102) highlight that ‘Human resources constitute the ultimate basis of wealth of nations. Capital and natural resources are passive factors of production, human beings are the active agencies who accumulate capital, exploit natural resources, build social, economic and political organization, and carry forward national development.’

The development of a country depends on the investment in the physical and human capital accumulation. With the physical investment can enhance the economic performance and infrastructure. Whereas, with the improvement in human capital extends the productivity of labour. Considering the former can be measured by economic performances and the development of infrastructure, human capital accumulation to enhance the human skillful and abilities recently has been widely researched. In other words, by translating human capital into education hence it will improve the opportunities of generate higher income thus enhance the welfare.

The notion of human capital theory, as an conventional wisdom, focuses on the development of how ‘human capital is accumulated, through education, training and work experience, and how it is used and rewarded’(Fine, 1998:57). Human capital is defined by the OECD as ‘the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being’. (Keeley, 2007: 29). Some studies have related the higher levels of human capital to increase the employment growth (Bloch and Smith, 1977; Simon, 1998). For instance, four Asian tigers (Hongkong, Singapore and Taiwan and South Korea) have gained high economic growth and development as the result of investment in education³ (Morris, 1996). In addition, Fields (2004) findings complement such successful achievement in economy was supported by the improvement in labour market conditions. Furthermore, in most countries, human capital is seen as a rational reason for a large portion of education in government expenditure (Fagerlind and Saha, 1997; Olaniyan and Okemakinde, 2008).

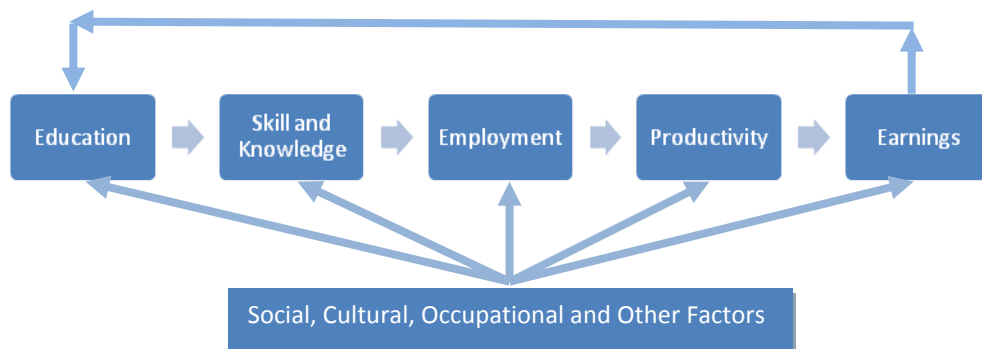
Psacharopoulos (1985: 225) asserts that ‘the rate of return in education determines crucial because it is treated as investment which decline accordance to

³ Even though the development improve in these four countries, there’s a significant different features that create such achievement which vary among countries (‘the role of the state, sources of educational funding, the role of technical education and of the school curriculum’.)

its expansion'. Moreover, education denotes link to labour market and the 'elasticity of substitution between different types of labour' (Blaug 1967). As Arrow (1973) argues that 'education as a filter' and a complement to the human capital theory act to screen the competitive quality of entrants to enter labour market. As Barro and Lee (1993) by their finding, which use data set across countries from 1960 and 2000 with 5-years interval, assert that the data set from education attainment still explain the best of human capital stock.

In the human capital framework, linear translation of education and income can be shown in the figure 1 below:

Figure 1 Relationship between education and earnings in the human capital



Source: Tilak (2002:192)

2.2 Human Capital Critiques

Since the emergence in early 1960s human capital theory is still controversial among scholars. Even though the time that the students spend in education determine crucial to improve human capital accumulation. Nevertheless, education is not always as effective as it might be. Limitation face by education either in infrastructure and quality of the teachers might hinder the improvement educational attainment, as in a big picture 'human capital is about more than just education' (Keeley, 2007)

The concept of human capital is also criticized which the human capital considers as a fluid tool in the sense of intangible form of ability and skill. For instance, the differences wages amongst employees might be based on gender or experiences. The balance of educated people in development also needs to be considered. As in, for the shortcoming of educated people might cause the restriction in the growth rate. Accordingly, the surplus of educated people in a development process might also limit the development growth because of the skilful unemployment. Along the same vein, Bronchi (2003) studied about the effectiveness education in Portugal found that 'education outcomes do not match the costs'. In which, 'the primary and secondary education is costly while private return to tertiary education are high' (ibid.:24).

As Bowles and Gintis (1976) the American sociologists have underscored that the human capital theorists assumes that labour have a tendency as a capitalist. This argument based on the assumption that the more skillful the labour the more profitable they are, which not always be the case. Blaug (1976) in the same line highlights that if education can contribute to attain develop-

ment so does other sectors. This dissension based on the Mincer (1974) and Becker (1975) notion of human capital which argues that education have a positive impact on the income hence also economic growth.

Human capital is criticized basically based on the claim that education does not necessarily result an improvement in human capital as aforementioned, but rather it is the labour can perform their ability and skill to the future employers in order to generate more earnings. This term is known as the 'signaling theory'⁴ which introduced by Michael Spence, the winner of Nobel Memorial Prize in Economy Science, in 1973 with his publication 'Job Market Signaling'. In his view, abilities of human can be seen as a signal for the employers to hire them in the labour market with a higher income than the average. Another critique to this theory is the segmented labour market hence it is difficult for the new entrants to enter the labour market based on their educational background.

Credentialism is also seen as an important prestige factor for an educated labour. Graduated from particular university might create a different perspectives to a prospective employer compare to other applicants that aspire the same position. But then, a question will emerge whether the employees are being paid higher because they are academically credential such as graduated from certain university than because they can contribute a higher productivity. This different point of view leads to a further discussion about segmentation in labour market. The segmented labour market differentiates based on several characteristics such as specific skill or gender.

2.3 Education Discourse through Different Lenses

Education plays a fundamental role in human life betterment. Being literate indeed makes a difference nowadays. It is also perceived as a mainstream belief that schooling is a place where people can increase their potential in knowledge, skills and abilities.

There are vast numbers of literature which discuss about the role of education in development wherein majority of them relates to economic growth. Most of the scholars claim that education has a positive contribution to provide people with the skills and knowledge that they need hence it will enhance the economic growth (For instance Fagerlind and Saha 1997) Therefore, in this mainstream view, the more people spend their schooling time the more likely they are prepared enough to utilize themselves to be ready to enter the labour market.

However, not only the school enrolment per se that need considerable attention, the quality of the school itself is crucial. Combining household survey data of school and primary school quality in Honduras, Bedi and Edwards (2002) shows that there are strong positive effects of quality of school and return to education.

⁴ Spence works with Stiglitz to achieve the Economy Science Nobel.

Different standpoints of education role create the different perspective in the framework of human capital theory. On one hand, the mainstream proponents support the argument that education leads to improvement of human capital. On the other hand, the critical supporter such as Marxian treats education as a source of reproduction of inequality. Moreover, the segregation in school which is under government management raises a problem. However, the Foucauldian critical view of education use an interesting perspectives and coined the term of 'governmentality' which contributes well in order to shed a light on the relation with disciplinary power relation within the educational system.

As for the conventional point of view, in order to alleviate poverty poor households are encouraged to increase human capital through education. This view based mainly on Mincer (1974) and Becker (1975) that argue the increasing of human capital through education hence increase the economic growth. Therefore, the development of a country needs to focus on the school enrolment. It can be seen from the current policy which many programs directed to enforce people to attain a higher level of education. For instance, in the Government of Indonesia allocate the budget for education around 20 per cent from the total government expenditure. Program 9-years of compulsory education throughout the country with no exception also carry out to enhance the school attendance. The current policy, as discussed in this paper, is PKH which firmly make a certain percentage of school attendance rules to be followed to be eligible as the beneficiaries.

This conventional wisdom aforementioned as the logic of the proponents of CCTs seems to legitimise the compliance over poor households. Such conditions raise the perspectives of the reason poor people stay poor because they are lazy and lack of will power thus 'just give the money to the poor' (Hanlon et. al 2010).

Educational view in the Marxist perspectives portray education creates inequality in class and power thus, perpetuates the inequality of power relation dynamics in education. Marxian theorists focus on the capitalist industrial which depicted as not an atrocious and unjust. Therefore, the capitalist maintain the injustice in capitalist sphere through the entrenchment of their agency in education system.

Bowles and Gintis (1976) similarly emphasize the influence of the capitalist to keep the inequality preserved. Their critiques in the economy context intertwine with education system in USA which they argue with construct a term 'correspondent theory'. This theory deciphers how the capitalist in economy maintain the correspondent to prepare the students through educational system of join the capitalist system. Hence, later it will prolong the benefit of being a capitalist comes at the cost of labour class.

They argue that this correspondent works in the 'hidden curriculum' of the school. This curriculum contains the rules to shape the student so they will follow the system from the capitalist. Moreover, 'reward and punishment' is applied to perpetuate the order. Students will be given rewards if they obey the regulation. In contrary, punishment will be enforced as the consequences of not being submissive. In turn, the system will recur by itself. This leads the fol-

lowing discussion about the fundamental concept of Foucauldian in 'governmentality'.

The notion of 'governmentality' by Foucault aspires by the idea that power rather than created in a top down ways, it appears among society, which created by certain institutions for their benefit. The power spread among people and influence them to act as the interest of the creator and then the power contested among society. Institutions here may refer to school, hospital and other institutions.

Foucault also introduces the term of 'epistemological power' of school, where the power exercised in two ways of transferring the knowledge from one person to other people. For instance, the teacher transfers their knowledge in an epistemological manner. Thus the students will be fragmented and organized in the way of the government wants. The mentality to govern the population is applied in the society wherein they become the 'subject'. In the context of debate and critique to Foucauldian in education, Christopher Norris exerts that "hard to comprehend how the subject could achieve any degree of autonomy, given the extent to which, on Foucault's own submission, this freedom is necessarily shaped or constrained by existing structures of regulative control".

Regarding Foucauldian term of the 'judicial power within the school', relates the importance of education and power dynamics in the teaching and learning connection. By supplementing this pedagogical relation of power it is expected to increase the number of trained teacher for the students. As Foucault decipher that education as a 'blocks of capacity-communication-power' thus it shows that kind of institution, in certain manner, support and link to each other nuanced in a constant way. Self-discipline appears as the outcome of the perpetuation of the system. Government does not have to supervise their citizen but the society multiplicity control among themselves. Government in this case is seen as a benevolent institution since they do not have to exercise power over the society. Education system different with other institutions is that education accentuates the 'communication' rather than 'capacity and power' where the teaching process takes place. (Foucault, 1982:218-219)

In order to 'cross the border' of the education, Giroux (1992) suggest the critical pedagogy applied in the educational system. He argues that because of the presence of politics in educational system, education needs a transformation and reformulated. His works influenced by Freire's 'pedagogy of the oppressed' in educational structures. The transformation can be done with the participation of the educator to help the students construct a critical way of learning. As Giroux (1992) posits:

[...] this means that educators need to develop a critical pedagogy in which the knowledge, habits and skills of critical citizenship, not simply good citizenship, are taught and practised. This means providing students with the opportunity to develop a critical capacity to challenge and transform the existing social and political forms, rather than simply to adapt them. It also means providing students with the skills they will need to locate themselves in history, find their own voices, and provide the convictions and compassions necessary for exercising civic courage, taking risks, and furthering the habits, customs, and social relations that are essential to democratic public forms. (Giroux 1992: 74)

This perspective helps to understand the critical pedagogy that evolve in school in which students subjectivity play a role in the contradictory notion.

2.4 From Labour Market Segmentation to Marxist Approach

Labour market segmentation theory widely emerged in early 1960s. Initially, it was first introduced in 1880s by Alfred Marshall, the British Economist, with the term 'non-competing' group. In this view, there is a separation line between occupations based on specialization. It is emerged from the 'division of labor' as Smith's term. For instance, being a doctor or a teacher has different market segmentation. In other words, there is no crossing capability in the labour market since certain occupation has their target. In this way they can maximize their ability based on their skill background. Other restriction is based on spatial geography, employees who live in a particular area tend to find job that enable them to reduce travel cost and allocate their time effectively.

In a brief manner, Reich (1984: 63) as cited in Fine (1998) gives a definition of segmentation as follow:

Constructed explicitly as an alternative to traditional competitive labour market theories, segmentation analysis posits the existence of bounded submarkets distinguished both by industry (an oligopolistic core and competitive periphery, or primary and secondary sectors) and by occupation within the core or primary submarket. The labour segments markets behave differently and mobility between them is somewhat but not totally circumscribed. (Fine 1998: 146)

The segmented labour market based on the assumption that the difference of human capital and different circumstances created in the labour market environment. There are two types of segmented market for labour that is commonly used, the primary internal sector and secondary sector or internal and external labour markets. As for the primary sector have certain characteristics with a better working conditions, high wage and high skill requirements. Whereas, for the secondary external sector provides the contrary characteristics from the primary such as a low-skilled job, low pay and poor reward and impoverished working conditions. (ibid: 129)

The notion of segmented labour market however is now seen as a historical tradition in labour market. Shifting from the segmented labour market to Marxist has a different point of view. 'The basic assumption from Marxist stand point is that the 'ownership of capital is 'monopolised' by the capitalist class and labour can only gain access to a livelihood through the sale of the capacity to work, through entering labour market' which argue by Fine is a fallacy (ibid: 175).

Furthermore, in Marxian perspective, labour market particularly employment force will get the benefit if unemployment exists. By having a stock of employment, as what Marxian says 'reserved army of labour', will keep the wages in a safe level. If for instance full employment occurs, the employment can ask to increase the wages which might make the employer in a difficult position since the employers has a limited choices.

The structure of labour market is a complex notion thus it is not only seen as a simple segmentation. Fine (1998:176) exerts this:

[...] labour market structures are differentiated from one another by the complex interaction of the underlying process and structures that have been previously identified (causally of the highest priority and 'marooning') [...] Different labour market segments are not only separated from one another but are structured differently from one another.

In the case of PKH, this view suits the current condition of labour market which should not be assumed in a simplistic manner. The complexity in labour market should also be considered in making the policy related to employment.

Chapter 3

An Overview of the Social Policy

Social policies that will be applied in this paper are related with education as a form of human capital accumulation. The overview of education system and also pre-existing conditions of education and labour market before the implementation of PKH are presented in this chapter. To examine the juncture of education and employment, the labour situation and social policy associated with it will also be examined.

3.1 Education System and Policy in Indonesia

Education system in Indonesia since the colonial time has passed through several important milestones. During the Dutch colonial period, it was difficult for Indonesian to enter any schools. Only after the development of Dutch Ethical Policy limited number of Indonesian population from privileged class can go to school. At this time, educational system in the formal education was introduced in limited region, particularly in Java Island.

The right of education is not only for Indonesian citizen but also currently is treated as part of human rights. The present law which applied in educational system in Indonesia is Law No. 20/2003. Education in Indonesia is divided into two types, formal education and informal education system. For formal education, there are three stages which are primary, secondary and tertiary phases. It is mandatory for Indonesian citizen to have nine years of schooling, which are in primary and secondary stages.

The Ministry of National Education (MONE) and the Ministry of Religious Affair (MORA) are responsible for the education schooling in Indonesia. These ministries coordinate with the ministry of manpower and transmigration in order to make a link and match between the educational attainments with the availability of job opportunities in labour market.

In Soeharto's regime, there were a major progress has been made in order to increase the number of literate youth population. He passed a law in 1973 to construct a massive number of new primary schools. This program, called In-pres or President's Instruction, has been successful to decrease illiteracy rates nationally. The outcome of this program was studied by Duflo (2001). He argues that educational enrolment increase from 0.25 to 0.40 years of education, between 1974 and 1978. Other consequence of this program was the increasing of income from 3 to 4.5 per cent. In addition, the findings also shown that the improvement in physical capital did not reciprocal with the betterment of human capital.

In 1994, one of the major changes in education system in Indonesia was the implementation of National Compulsory Basic Education Program (*Wajib Belajar Pendidikan Dasar*). This program requires 9-year compulsory of education which consists of 6-year primary school and 3-year junior school. There was a significant increase of student enrolment rates thereafter. However, the

economic crisis that struck Indonesia in 1997 which results substantial changes in education policies. For instance, to mitigate the impact of the crisis in education, Government of Indonesia (GoI) carried out the scholarship for poor people and block grant programs.

Related with the decentralizing of decentralisation in educational system, it does not cost a lot in the term of educational budget. This program is funded from the national budget, so it is not a burden for the local government. This research has employed a non-impact of CCTs as many scholars have done in their studies. It has taken one step forward to see the possible improvement in the long objectives of PKH program in translating human capital accumulation into labour market.

Education is one of a key development agenda for Government of Indonesia. Beside it is mandated in the Indonesian constitution, this importance can be seen from the share of education in government spending and GDP. Expenditure for education takes nearly 20 per cent of total government spending and around 1 per cent from the public expenditure on education. This bulge proportion besides being written in the Indonesian Constitutional also has shown the seriousness of the government to pay a crucial attention for education.

Educational Law No. 20/2003 mandates the decentralization in education. Therefore, the education management was shared in the regional and national level. The focus of the development will be in the developing and monitoring education development system. In addition, early childhood education also highlight as an important level of education for the students. This known as *Pendidikan Anak Usia Dini* or Early Child Education.

Nonetheless, there are several problems that have always been a key challenge for education system in Indonesia. The segmentation and quality of the infrastructures as well as teaching method produce a contradictory with the expectation for the improvement of human capital. Not to mention the inequality of the infrastructure is noticeable especially between the region in the western and eastern part of Indonesia. The centre of development is focused on the western part, especially in Java Island.

3.2 Employment in Indonesia

Labour force in Indonesia or the population aged 15 years above increases year by year in line with population growth. In 2004, the number of labour force is 94 million while in August 2012 went up become 118 million people with the average of growth 2 per cent per year. Condition of labour market in Indonesia is also influenced by socio economic and politics condition. For example, Asian financial crisis shook in Indonesia, there are huge number of labour sent home. Nonetheless, there is a gradual progress of unemployment reduction throughout this year.

Indonesia recorded as the highest country in the Asia Pacific region in youth unemployment rate. According to Bappenas, the open unemployment

rate for youth (15-29 years old) reached 19.9 per cent. This figure is higher than the neighbourhood countries such as Philippine (16.2 per cent) and Sri Lanka (17.9 per cent). (presidentpost webpage)

Based on ministry of manpower and transmigration, the position of in the labour market of North Sumatera compare to national indexes is still below the national level. In other words, it is indeed need an improvement. However, if we compare it with other parts of Indonesia North Sumatera province is still seen more developed. The provincial development employment index of North Sumatera based on the calculation of ministry of manpower and transmigration in 2011 is 54.19. This index is higher than the average in national level which is 49. This index comprises of 28 indicators that measures the performance of labour related in provincial level. These indicators are including workforce planning, population and workforce, employment, training and job competencies.⁵

3.3 Debate on Conditional Cash Transfer

One of the main issues in social policy and poverty alleviation scheme is whether targeting or universal strategies are more effective and efficient. Targeting proponents argue that its cost-effectiveness is better than universalism. However, there are some evidences suggesting that the latter is more effective in the leakages than what it is assured. The suggestion of direct the social policy towards a universalism as Mkandawire states:

One remarkable feature of the debate on universalism and targeting is the disjuncture between an unrelenting argumentation for targeting, and a stubborn slew of empirical evidence suggesting that targeting is not effective in addressing issues of poverty (as broadly understood) Mkandawire (2005:16).

Besides he also points out that the targeting policy strategies also might create a 'perverse incentives' in which creates the possibility of two errors, under-coverage (some of the poor household are not covered) and leakage (non-poor households are included in the programs). If the errors of the program are high the potential to achieve the goal for such policies might fail. Other point is that the cost of corruption to administer this cash program possible to occur. As Dutrey (2007:8) spells out that "at least 20 percent of the budget of an average targeted program disappears". Special attention has been given to the cost-effectiveness since the targeting proponents argue it as the favour of the programs' feature. Along the same vein, Coady et. al. (2004) also indicates that contribution of corruption and theft is bigger than the expenditure to administrative cost.

Despite claims from the targeting proponent that support the idea that cash transfers as the important strategy in alleviating poverty such as Hanlon, et. al., (2010), targeting is not a "one-fits-all" solution. As Ghosh (2011) noted that the general tendency in the global development industry at present is to see cash transfers as the singular basket into which most policy eggs can be usefully dropped. Likewise, van de Walle (1995:35) stressed that 'the fact that a

⁵For further information:

http://pusatptk.depnakertrans.go.id/view_publicasi_berita.php?id=7

program is well targeted does not ensure that it is a cost-effective way reduce poverty since the extra costs incurred by targeting and the political-economy responses may actually worsen the final distribution of living standards when compared to untargeted programs'. Furthermore, Weiss's (2005) results from poverty targeting in Asia finds a significant correlation between low institutional capacity, and high leakage and exclusion of the poor. The targeted policy and the 'political within the apolitical' in MDGs agenda particularly in the poverty reduction target needs to shift towards a 'genuine universalism' according to Fischer (2011). The real challenge in MDGs as Fischer argues is 're-engaging with development debates about how to create genuinely redistributive structures and institutions at national and global levels' (ibid: 23).

The implication of the simplification of eligibility of beneficiaries based on per capita consumption that reflected in poverty line has also debatable. As findings by Ellis (2008) in Sub-Saharan Africa using consumption differences between deciles by term "we are all poor here" with the very small differences which separating poor people in the lower deciles. This implication raise question of the performance of cash transfers to 'avoid socially alterations in the income distribution positioning of beneficiaries' (ibid: 7). Conditionality that imposed to the beneficiaries also raised debate. 'Conditionality also offends the Rights-not-Charity Principle by turning a benefit into something close to charity, in that it allows an encroachment of discretionary power by the state. In practice, rather arbitrary conditions (often written in astonishing detail) determine whether or not a person receives aid and whether or not they are punished for not doing something' (Standing, 2011:32). Several studies result from some African countries showed that the conditionality not necessary for the improvement of poor people. The poor people without conditionality would spend their cash apart from food to education or health. (Devereux in Poverty Insight IDS, 2009).

Other critiques in term of the agency of the beneficiaries, Sen (1995:11) argues that the beneficiaries in targeting in poverty reduction policy does not treated as the 'active agent' who can freely exercise their agency, utilize their bundle of functioning and decide things, rather than treat them as the 'passive receiver'. In the same line, Fischer (2011) posits that:

The principle that people should be recognized as key actors in their own development, rather than passive recipients of commodities and services, can also be attributed as a rationale for using conditionalities in cash transfers, for labour market activation policies, or for other means of restricting welfare more generally, if welfare is deemed to render people as 'passive recipients', as has been typical in right-wing political attacks against universalism over the past decades. (Fischer 2011: 21)

The perverse of conditional cash transfer also lie in the provisioning services in education and health. Based on the interviews with the beneficiaries the majority of them said that there is segmentation among the social structure, in which children from poor households likely to go to the public school rather than private one. Treatment for the poor household is also sometimes unpleasant because of their economic limitation. This tends to force them to send their children to a public school. In the following case shows the stratification was shaped entrench to the education service that can be accessed by the poor.

According to interview with one of the PKH beneficiaries Kasiani (2012) had an experience with her child that she put her daughter in a private school even though she has to pay certain amount of money, because she wants her daughter could receive the better educational learning and facilities. However, there was a time that she could not pay the school fee, which as a pre condition to follow the exam. The school firmly did not allow her daughter to take the test unless she paid the fee. “It’s lucky that one of my neighbours wanted to lend her money from me. Even though I’m shy and I have to wait either the cash transfer or my salary to pay my debt, because their economic condition is more or less same like me. Since that incident I moved my child from that school to a public one”

3.4 Poverty Reduction Strategies in Indonesia

Under Soeharto regime⁶, called ‘new order’ era, Indonesia enjoyed a prompt economic growth. An important milestone in the poverty reduction strategy took place when the Asian crisis in mid-1997 gripped Indonesia and challenged the strength of economy. In fact, the foundation of private banking sector was fragile and the banks had enormous debt from international donor which cause the economic crisis worsen and lead to crisis of trust to the government. Prior to the crisis, poverty reduction was not explicitly included in the long term planning agenda of the government. During those periods, poverty reduction was seen can be achieved through rapid growth of economy and industrialization strategy. The aftermath crisis occurred in mid-1997 has changed social policy platform and poverty alleviation in Indonesia significantly.

As the reaction to mitigate the impact of the crisis, Government of Indonesia (henceforth GoI) implemented JPS (*Jaringan Pengaman Sosial*) or Social Safety Nets through several programs. This program was addressed directly to the poor households. For instance, to strengthen the food security of households, especially poor households GoI carried out RASKIN (*Beras Miskin*) or Rice for the poor. This program was originally called the Special Market Operation (OPK), and then converted into RASKIN in 2002, this program is no longer functioned as emergency programs (social safety net) but rather as part of a social protection program. Another grants implemented by GoI through education channel which called BOS (*Bantuan Operasional Sekolah*) or Operational School Grant. This block grant is given to subsidize the school depend on the number of the students enroll. Likewise, in health sector, a program called Askeskin (*Asuransi Kesehatan Masyarakat Miskin*) or Insurance for the poor covered 8,3 million in 2005 and increase to 15 million by 2006.⁷ In 2010 up to recently, the name of this health program changed into Jamkesmas (*Jaminan Kesehatan Masyarakat*) or Insurance for Health.

⁶ Soeharto is a second President of Indonesia. During his reign period is known as the ‘new order’ (orde baru), which ended until May 1998 when the coup d’etat of university student ousted him from the presidency.

⁷ Based on World Bank Report July 2008

The idea of implementing cash transfer program initially initiated in 2005. At that time, Government of Indonesia increased the fuel price by reducing the subsidy. The increasing of the oil price indeed added more burden to the household consumption. Because the price rise of oil followed by the rise of goods and services. In order to mitigate the impact particularly to the poorest of the poor, cash transfer program was devised called BLT (*Bantuan Langsung Tunai*) or Unconditional Cash Transfer. No conditions applied in order to receive the fund. Decision to implement this was taken because limited time. Central Bureau of Statistics collected the data of beneficiaries by using a proxy-means test. Each recipient received Rp 100,000 (\$8) per month disbursed quarterly through local post offices. Nonetheless, there are some critiques in the implementation of this program such as exclusion and inclusion error. This errors might lead to jealousy and social conflict.⁸

Nonetheless, PKH is not the only one social policy program to alleviate poverty. There are other policies and from different entry point needs to be counted. GoI considers that program to alleviate poverty should be formulated in a holistic manner and synergized. In 2009, the government launched President Regulation no. 13 about coordination on poverty alleviation strategy. This regulation then renewed with President Regulation no. 15 in 2010. Along with the regulation, GoI also established *Tim Nasional Percepatan Penanggulangan Kemiskinan* (TNP2K) or National Team for Acceleration of Poverty Reduction. This team coordinates and integrates programs and policies in alleviating poverty at the national and regional levels.

Poverty alleviation program is divided into three clusters, which are:

1. Cluster I. Program based on social assistance. The objectives are to fulfill basic needs of poor household. Programs included on this cluster are: *Raskin* (Rice for the poor), BSM (*Bantuan Siswa Miskin*) or Scholarship for poor student, PKH (Conditional Cash Transfer) and Health Insurance for the poor.
2. Cluster II. Program based on community empowerment. It aims to enhance the participation of poor people by allowing them to involve on the development. Program in this cluster is *Program Nasional Pemberdayaan Masyarakat* (PNPM).
3. Cluster III. Poverty alleviation based on the empowerment of micro and small enterprises. The objective of this cluster is targeted to individuals or groups who viewed are escape from the poverty trap and can meet the daily necessities. Moreover, the beneficiaries are not anymore in Cluster I or Cluster II. Programs in this cluster included *Kredit Usaha Rakyat* (KUR) or Loans for People, which integrated with government and private banks for the disbursement.

⁸ See further “*Kajian Cepat Pelaksanaan Subsidi Langsung Tunai Tahun 2005 di Indonesia: Studi Kasus di Lima Kabupaten/Kota*” (A Quick Review implementation of Subsidies Cash 2005 in Indonesia: Case Studies in Five District /City (Hastuti et. al, SMERU Research Institute 2006)

The poverty reduction policy that has been formulated by the government aforementioned provides the further inspiration of implementing the program that related to the poverty reduction in a short and long term. PKH as one of the policy program in the basis cluster is addressed to reduce the burden of the poor during the crisis. Focusing on poverty reduction with the policies contributed in the development plan either in a short term or long term. In this sense, the strong will from the government is needed to enhance the acceleration of the current policies.

The social spending for social assistance program takes less than 2 percent of GDP. Among this figure, RASKIN (*Beras Miskin*) has 53 percent from the total, Jamkesmas (*Jaminan Kesehatan Masyarakat*) 18 percent, BSM (*Bantuan Siswa Miskin*) 14 percent and PKH has only 4 percent of the share.

Government shows their strong will by the plan on implementing the Social Security National System which based on the Law no. 40 in 2004. This system is planning to be implemented in 2014. Therefore, it is expected that health system in Indonesia will be universal which means that every citizen can access the health services for free in the health services in their region. This also assumes that the holistic approach in order to mitigate the effect of poverty to other aspects of development.

3.5 Features of Program Keluarga Harapan

The following are the features that characterize PKH in the implementation.

3.5.1 Coverage and Design

Since the pilot project in 2007, GoI decided to expand the coverage of PKH. Until 2010 the number of the beneficiaries and the fund are almost doubled than the initial year. Based on data from ministry social welfare in *Program Keluarga Harapan* webpage, in 2007 this program covered 7 provinces (337 districts) as the pilot project. Currently, in 2012 PKH has covered all 33 provinces throughout Indonesia with 1,909 districts of beneficiaries. It is expected that by the end of this program (2014) the coverage will reach 3,342 districts out of 6,694 districts. It means that nearly half of districts in Indonesia will carry out this program.

The foremost plan of PKH has been formulated for the coverage including the funding, which started in 2007 to at least until 2015. For instance, the coverage for 2007 was planned for half million beneficiaries with funding 1 trillion. Yet, the condition on the actual implementation can only conducted half of the planning. Based on the general guidelines of PKH 2009, this happens because the number of targeted household that eligible to be the beneficiaries of this program did not meet the planned quota. Moreover, the limited budget of the government spending constraints the expansion of this program.

The design of the program takes into account the gender perspectives, wherein women and children are the priority of this program. It can be seen

from the conditionalities imposed on health and education which addressed for lactating women and children. In addition, women in the household are the one who can withdraw the money from the appointed local post offices. Below is the brief summary of government spending on PKH.

Table 2 Summary of PKH Expenditure 2007-2010

| | 2007 | 2008 | 2009 | 2010 |
|---|-----------|-----------|-----------|-----------|
| Total PKH (Nominal, Rp Billion) | 605 | 946 | 1,068 | 1,123 |
| Analytical Series | | | | |
| Total PKH (Constant 2009 prices, Rp billion) | 775 | 1,025 | 1,068 | 1,040 |
| Total PKH (US\$, Rp million) | 66 | 97 | 103 | 115 |
| Share of Total Social Ministry spending (%) | 21.9 | 29.5 | 32.8 | 30.1 |
| Share of central government social safety net | 4.3 | 2.9 | 3.9 | 4.3 |
| Share of total central government spending (%) | 0.1 | 0.1 | 0.2 | 0.3 |
| Target number of beneficiary households | 387,887 | 405,955 | 675,636 | 778,000 |
| Average annual benefit per beneficiary household (Rp) | 1,286,982 | 1,992,995 | 1,360,745 | 1,149,127 |

Source: WB Report 2012

3.5.2 Targeting

The selection process of PKH beneficiaries was done by Statistical Office of Indonesia with technical help from the World Bank. There are three stages in the selection process which are to determine the targeted chronically poor households based on socio economic survey 2000-2005 and village potential 2005 survey; geographical targeting to select the districts; and to select the recipients in the household level.

CCTs have a different approach from the traditional one. Prior to the implementation of CCT, social policy interventions focus on supply side strategy. Investments are made through the infrastructure of schools and health services provision. Hereafter, demand side approaches implemented in CCTs promote the usage of the services provided. Nevertheless, inadequate health and poor quality of education services might hinder the success of CCT implementation in many poor regions.

3.5.3 Beneficiaries' Eligibility and Selection Process

Eligibility of the households based on certain criteria. Basically the prospective beneficiaries are from the poorest of the poor or in the lowest percentile of poor households. Furthermore, 'there are 4 (four) classification that has to be met at least one point, which are having a child aged 6-15; having a child under 18 years old who has not completed primary and elementary schools;

have a child age 0-6 years old; or have a pregnant/ lactating women' (PKH General Guidelines 2008: 31-32)

3.5.4 Conditionalities and Rules

In order to be selected in this program, there are several indicators need to be met by the households in health and education sectors as shown in Table 3.

Table 3 Compliance of Health and Education

| Sector | Indicators | |
|------------------|-------------------|---|
| Health | 1. | Four prenatal care visit during pregnancy |
| | 2. | Taking iron tablets during pregnancy |
| | 3. | Delivery assisted by trained professional |
| | 4. | Two postnatal care visit |
| | 5. | Complete childhood immunization (BCG, DPT, polio, measles, and hepatitis B) |
| | 6. | Ensuring monthly weight increases for infants |
| | 7. | Regular weighing for under-fives |
| | 8. | Taking vitamin A twice a year for under-fives |
| Education | 1. | Primary school enrollment (7-12 years old) |
| | 2. | Regular primary school attendance >85% |
| | 3. | Junior secondary school enrollment (13-15 years old) |
| | 4. | Regular secondary school attendance >85% |

Source: PKH General Guidelines 2008 pp. 30-33

3.5.5 Cash Transfer Amount

The cash transfer is disbursed varies among the beneficiaries, the range between Rp 600,000 up to Rp 2,200,000. The amount of money that received by the recipient depends on their conditions.

Table 4 Amount of PKH Transfer per Year

| | |
|-------------------------------------|-----------|
| Fixed Cash Transfer of PKH | 200,000 |
| Cash Tansfer per household with | |
| a. Child age less than 6 years | 800,000 |
| b. Pregnant or lactating mother | 800,000 |
| c. Children of primary-school age | 400,000 |
| d. Children of secondary-school age | 200,000 |
| Minimum transfer per household | 600,000 |
| Maximum transfer per household | 2,200,000 |

Source: PKH General Guideline 2008

Conditionality is the unique features of conditional cash transfers including PKH. As long as eligibility persists the beneficiaries will receive the transfer. Even though he will think again how to get the money. However, if the recipient households do not meet the commitments, as stated above, certain reactions will follow such as the deduction of the cash transfers. This varies within range from Rp 50,000 up to Rp 150,000. If the beneficiaries do not fulfil the requirement for four months in a row, the transfers will be stopped for the next period (one period is three months). This provision is valid to every member of the households that also become the reason of the selection of the households as the beneficiaries.

3.5.6 Duration and Exit

PKH program is planned to run until 2014. There are two logic reasons for this. First reason is to meet the MDGs goal for poverty reduction, which planned will be achieved by 2015. Second, reason is because of the presidential election will be held in 2014, thus it is not known yet whether the new government also support this program or not. It needs a consensus from all the parties and the related institutions to support this program.

For the exit phase, the beneficiaries are benefit of 6 years to join this program. During the period, recertification will be applied. Based on my personal interview with one of the officer in social welfare ministry this recertification did not carry out in the third year implementation. Even though based on the master plan, this recertification should have been done during the first three years of implementation. Because the pilot project was held in 2007 the first group are expected to exit in 2013. However, as the beneficiaries argue that the period that is given to them is not enough to pull themselves out of poverty trap. In order for them to escape from the poverty trap, they need to engage in the labour market thus it will increase their earnings.

In term of duration, the beneficiaries of PKH have six years opportunity to receive the fund. After I asked whether they know about the features of the program that there is an exit phase after 6 years, most of the beneficiaries I interviewed do not know about this. However, this period apparently is not enough yet for achieving long term goal of PKH to break the intergenerational poverty. As for the beneficiaries who still have children under-five years, she will be re-evaluate in the program and have to 'exit'.

Discussed further about this, the officer from social ministry said it is according to the commitment of the government for the sustainability of this program. However, since the implementation of the program, some scholars showed a good indication of the implementation and of the impact evaluations of this program.⁹ Another thing that also needs to be prepared is how to keep the sustainability of this program after 2015 associated with the presence of

⁹ See further Bappenas (2009) Final evaluation report on Social Security Program: *Program Keluarga Harapan*; World Bank (2010) PKH Final Impact Evaluation Report of Indonesia's Household Conditional Cash Transfer Program; SMERU (2011) Qualitative Impact Study for PNPM Generasi and PKH on the Provision and the Utilization of Maternal and Child Health Services and Basic Education Services in the Provinces of West Java and East Nusa Tenggara.

universal social policy about National Social Safety Net No. 40/2004 and Law about social welfare no. 11/2009.

Based on the interview with the Director of Social Security in Ministry of Social Welfare, the transition strategy plan that is prepared for the beneficiaries that consider can 'escape from the poverty', which in this PKH program included in cluster I for the chronically poor. The socio economy changes of the PKH beneficiaries based on 14 criteria that make them eligible as the beneficiaries. In other words, if the recipients of PKH in the coming years are not included anymore based on those criteria, then the households can be moved in the cluster 2 of the transition plan, which is community empowerment program. This community program targeted to the poor household. In the last phase of this strategy is cluster 3, which addressed for the household in a near/non poor.

Talking about the future plan, if this program is still be running, beyond the 6 years of exit strategy of PKH several plans has been formulated. One of the trial plan is PKH plus, for instance, which consists of PKH *Prestasi* (for stunting people), PKH Koperasi (Cooperation among the PKH beneficiaries) and PPA-PKH (to reduce child labour in the beneficiaries households). Another action plans that has been prepared such as the changes in the conditionality. In the current deduction rule, if the households do not fulfil the requirement, Rp 50,000 up to Rp 150,000 will be deducted from the cash transfer. However, this scheme is injustice for the household that receive small amount of the cash. Therefore, the deduction for the attendance in school which less than 85 % will be only 10 % of the cash received by the households. For the households that the main breadwinner in the family works in the informal sector will also eligible for Askeskos or social health insurance.

Chapter 4

Bridging the Gap: Education and Employment

4.1.1 The role of Improved Education

The improvement of education sector in Indonesia has been evolved significantly during the last decade. The enrollment of students in school indicates a good sign and the illiteracy rate decrease gradually. The indicators can be seen in this table below.

Table 5 Indicator of Education of Indonesia (Selected Year)

| Indicator | 1995 | 2000 | 2005 | 2008 | 2009 | 2010 | 2011 ^{***)} |
|---|-------|--------|-------|-------|-------|-------|----------------------|
| Participation in Formal Education | | | | | | | |
| School enrollment 7-12 | 93.94 | 95.50 | 97.14 | 97.83 | 97.95 | 97.97 | 97.49 |
| School enrollment 13-15 | 73.20 | 79.58 | 84.02 | 84.41 | 85.43 | 86.11 | 87.58 |
| School enrollment 16-18 | 44.65 | 51.17 | 53.86 | 54.70 | 55.05 | 55.83 | 57.57 |
| School enrollment 19-24 | 11.53 | 12.31 | 12.23 | 12.43 | 12.66 | 13.67 | 13.91 |
| Net Enrollment Primary School | 91.45 | 92.284 | 93.25 | 93.99 | 94.37 | 94.72 | 90.95 |
| Net Enrollment Junior High School | 50.96 | 60.27 | 65.37 | 66.98 | 67.40 | 67.62 | 67.98 |
| Net Enrollment Secondary High School | 32.60 | 39.33 | 43.50 | 44.75 | 45.06 | 45.48 | 47.81 |
| Net Enrollment) University | 7.15 | 7.95 | 8.71 | 10.07 | 10.30 | 11.01 | 11.99 |
| Educational Attainment Population 15 Years and Older | | | | | | | |
| Not/Has not been to school | 14.47 | 11.00 | 8.85 | 8.24 | 7.50 | 7.28 | 6.41 |
| Not completed primary school | 23.04 | 18.04 | 15.23 | 14.98 | 14.86 | 12.74 | 14.69 |
| Primary School | 31.71 | 32.33 | 32.07 | 29.08 | 29.31 | 29.72 | 28.72 |
| Junior High School | 14.17 | 17.54 | 19.48 | 20.23 | 19.85 | 20.57 | 20.74 |
| Secondary High School | 16.61 | 21.09 | 24.37 | 27.46 | 28.49 | 29.69 | 29.44 |
| Illiteracy | | | | | | | |
| Illiteracy 10 years + | 13.74 | 10.08 | 8.09 | 6.95 | 6.59 | 6.34 | 6.44 |
| Illiteracy 15 years + | 15.95 | 11.42 | 9.09 | 7.81 | 7.42 | 7.09 | 7.19 |
| Illiteracy 15-44 years | 7.45 | 4.50 | 3.09 | 1.95 | 1.80 | 1.71 | 2.30 |
| Illiteracy 45 years + | 37.80 | 28.54 | 22.83 | 19.59 | 18.68 | 18.25 | 17.89 |

Source: BPS webpage

There are some interesting figures from the table above. Overall the education attainment has improved. Nonetheless, the net enrollment from the lowest educational level has a significant difference. For example, even though

the GoI has implemented the 9-year compulsory education for primary and junior high school students but the net enrollment for junior high school is still low compare to the net enrollment for primary school. For educational attainment population above 15 years old, it can be seen from the proportion of the students that the attainment is higher in primary school and secondary school.

Furthermore, there is not enough evidence to conclude that the implementation of PKH has a significant role for the improvement of the enrollment rate. The pilot project of PKH started in 2007, before this year the educational attainment was high enough, keep in mind that there are also other programs that run in the same time.

All the participants that I interviewed are women. This was because they are the one who are entitled to receive the money from the local post office. This is one of the conditionalities given to the household as for the gender empowerment. From all the participants, only one beneficiary who did not finish the primary school level (see in appendix). Regarding her age, Tuminah one of the participant, already in her middle-aged. It is make sense that she only could finish until the fourth grade in primary school. The reason she did not continue her school was because of the cost constraint. Then she decided to start working and helped her parents.

Other participant, despite their age, four of them only completed the school attainment until primary school. The same reason of poverty as described by Tuminah arose from them. According to the interviews that I conducted with the beneficiaries, they see the education as a way for them to escape from the poverty.

Talking about conditionality imposed in the program, for them it does not really affect them. Whether with the conditionalities or not, they will keep sending their children to go to school as long as their financial condition allows them to do so. As for them sending their children to school is a must-do and it's their responsibility to maximize the potential of their children.

4.1.2 Mismatch Trajectories of Education and Employment

Indonesia as the fourth largest populous country in the world, with the total population based on Population Census 2010 is 237,556,363. After the Asian financial crisis struck Indonesia, the unemployment rate increased steeply. Unemployment rate in Indonesia has been decreased gradually. Based on national labour survey, on August 2011 there are 117.4 million working people or about 49.33 percent from the total population. From this figures there are 39.33 percent employment on agriculture sector and the 23.40 percent working on trade sector. Labours with education degree below primary school still dominates with approximately 49.40 percent, diploma degree only 2.89 percent and for bachelor amounted 5.15 percent.

By pursuing higher education it is expected that the students may enter the labour market, which is not always be the case. The growth of population and highly competitive jobs influences the absorption of employment. The demo-

graphic structure in Indonesia which shapes the majority of young population and also the demand for a higher quality job based on their schooling level completion could makes the labour market become more competitive for them. As Kingdon and Theopold (as cited in in Schaik B van (2009:17) posits ‘Simply provisioning schools is not enough. In developing countries, demand for schools can depend (positively) on economic returns to education in local labour markets’.

The type of informal sector usually linked with dichotomy formal-informal. Informal economy according to ILO (2002)

Informal economy consists of marginalized economic units and workers who have these characteristics: experience severe deficit in terms of decent employment, deficit in labour standard, deficit in productivity and quality of work, deficit in social protection and deficit in terms of organization and voice representative. Reducing the informal economy’s deficit will promote a move toward recognized, protected and therefore, formal activities within the economic mainstream and regulatory framework

Data from Sakernas of Central Bureau of Statistics showed that in 1998, the majority labour force works in informal sector (65.40 percent), whereas the remaining 34.60 works in formal sector. Up to recently, this condition has not changed that much. In February 2012 there are 42.1 million (37.29 percent) labour force works in formal sector whilst 70.7 million people (62.71 percent) works in informal sector.¹⁰ Sector informal often treated as the last resort of poor people.

Interpreting inequality of a country can be seen from the Gini coefficient. It shows the measurement of frequency distribution in income of population of a country. Income associated with the wages generated which related with the job creation. Therefore, the high economic growth and development are connected with the increased of availability of vacancies in the labour market which in turn absorb the labour force. Maximized the productivity of labour force contributes to improvement of wages and the welfare. In other words, the high creation of job in labour market can be the factor that reducing poverty.

United Nations recognizes this linkage between labour markets and poverty alleviation the target “Achieve *Decent Employment* for Women, Men, and Young People” under the first goal “Eradicate extreme *poverty* and hunger”¹¹ (emphasized in italics) Decent term itself derives from ILO concept which is the main goal of ILO: “to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity”¹² The report from ILO shows that Indonesia included as one

¹⁰ Based on BPS, employment status divided into 2 categories:

- a. Formal workers (employer assisted by permanent worker and employee)
- b. Informal workers (own-account workers, employer assisted by temporary worker, freelance in agriculture, freelance in non agriculture and unpaid worker)

¹¹ <http://www.un.org/millenniumgoals/poverty.shtml>

¹² <http://www.ilo.org/public/english/standards/relm/ilc/ilc87/rep-i.htm>

of the country which has increasing employment rate without compromising the quality of the job.

The segmented labour market also can be shown in the job vacancy where they put certain categories based on the level of education. According to the respondent, they faced several difficulties regarding the entrance to the labour market. Yet, it has been the challenges for them to find a job that fit them in the field that they like. I argue that the condition of labour market and policies that is implies are the main reason for the mismatching of education and employment structure. The main reason to problematize social inequality is the role of school as an instrument to achieve the education to tampering with mindset.

The beneficiaries predominantly work near to their house unlike their husband. Being asked about the difficulties and factor that hinder them from entering the formal job, for the beneficiaries who finish the secondary level of education explained that even though she completed a secondary level of education she still finds that is not enough to enter the labour market particularly formal job. As Nova Syafitri, one of the beneficiaries who has secondary school attainment, said that she decided as the housewife because she tried so many times to look for a formal job. However, it turned out quite difficult. As the optional later, if she does not get a job, she will join her friend to work as a washerwoman.

The other two beneficiaries, who have secondary school attainment, faced the similar problems. Working as a dishwasher and washerwoman they remarked as the choices that they have among the limited options that available for them. In the following sub section will be discussed of matching the education and employment.

4.1.3 Link and Match: Education and Employment

School and labour market linkage currently has pointed by scholars in order to see their focal point. This connection of –investing in education today for the more productive job tomorrow- is a slogan for human capital proponents. However, the certainty of this pameo is questionable. In order to gain the goal of this goal, it requires conducive socioeconomic circumstances and strong political will, in which can promote the translation of education into a higher productivity hence higher income. Without meeting this CCT goal in long term might have constraint for the next generation even though this cash transfer program required the beneficiaries to follow certain conditionalities.

Employment in Indonesia still dominated by agricultural sector, even though the biggest value added is shared by industrial sector. Employment in Indonesia consists of agriculture and non-agriculture workers. Based on the sectoral overview, the employment in Indonesia dominates agricultural sector.

The labour market still has a tendency of accepting employees based on their level of education. Over the last decade, even though the poverty rate is still high in certain parts of Indonesia, but the overall achievement in poverty alleviation shows a positive signs. Despite the achievement in poverty reduction, the inequality does not show the same trend. There is a tendency of the

gap between rich people and poor getting wider. Not only between the eastern part and western part of Indonesia the development is not distributed evenly. Unlike in the eastern part of Indonesia, the development in western part is faster this can be shown by the growing economy and infrastructure.

How the linkage of the education and employment then will be employed is the crucial question. As suggested by the director of social security, PKH is an orchestra not only a single organ. Therefore, it needs the support from other institutions such as ministry of education, ministry of health, ministry of labour and transmigration and institutions that related to this program.

As for the beneficiaries, being asked about the way to break the intergenerational poverty, having a good education follow a good job (generate much income) is seen to be promising. However, mismatch of education and employment is inevitable, unless government carry out the policy to encourage the industries to provide proper job for the entrants. Moreover, from the demand side, the entrants should be well prepared for the labour market to avoid the mismatch. This mismatch became a major issue in the paradox of education and employment world. Solutions regarding this issues had surfaced a few years ago which is 'link and match' between education and employment availability. This term was echoed by the former education minister.

4.1.4 Concluding Remarks

The linkage between human capital accumulation with labour market trajectories and poverty alleviation has been elaborated. Then, the economic and labour market condition is also has been outlined in this chapter. From the economic dimension, the big portion of education expenditure will be futile if the labor force is not accommodated according to their education and skill capacities. The presence of the educated unemployment indicates the inefficiency in the budget disbursed. From the social dimension, the educated unemployment is hazardous. The situation in long term might create negative effects for the next generation. The importance of education might also deteriorate.

From the analysis above, given the long term goal of PKH to break the chain of intergenerational poverty, high level of segmentation in formal and informal job and also the educational return challenge the labour market trajectories to be improved. The demand of high skilled labour particularly above the secondary school has hindered the absorption of labour force for a 'decent' job. Along with the condition, the decreasing requirement for low-skilled has become a bottleneck problem in the labour market.

The rising of educated unemployment as human capital theorists argue in order to achieve the long term goal of PKH would likely not because of one sole reason but because of several reasons. The causes behind the mismatch of new entrants enter the labour market might arise from the mismatch of capacity of the new entrants in the supply side with the available space for the entrants in the demand side. The mismatch may be type of the job, speciality needed, or geographically. Furthermore, the more educated a person, the greater hopes on the type of job that they wish for. Working in a big company sounds promising for the most educated unemployment. Only a few of the

educated unemployment open their own business as not all have a high risk taking as entrepreneurs. In the formal sector only limited numbers can be accommodated. This raises the pressure from the bulk of employment to the formal sector which are relatively small number. In turn, it will make the utilization of the educated unemployment is not maximal. The inefficient function of labour market might also become the reason. The information of job vacancies is not well obtained yet. Therefore, there are some labour that work different from their background. This likely to affects the productivity of labour.

Chapter 5

Conclusion

The expansion of CCT's much-lauded program has spread worldwide, particularly in the developing countries. This program has raised the question of the strategies in order to meet the goal. For the short term goal is utterly can be predicted, as the cash transfer will have the direct impact on the households' consumption. However for the long term effect is still questionable.

Prolonged criticism against the educational outcome revolves around the educated unemployment does not match the need of the labour market or vice versa. Nonetheless, this research has been brought out the question whether the improvement of human capital in this case education can be translated in the existing labour market dynamics. The figures of educational attainment paint a bleak picture which show that there is an improvement but still the educated unemployment do not fit into the labour market. Given the existing labour market the mismatch between the education and employment bottleneck needs to be solved. Yet, PKH is not a panacea that will make a link of this mismatch. Positioning PKH in a broader social protection program in Indonesia is important, even though how big are the influence of this program was not measured. It needs to be addressed that every educational level has the possibility to enter the labour market.

This research presented a field work in Medan Barat District, North Sumatera Province in Indonesia. It appears that the beneficiaries find difficulties enter the labour market, particularly the formal labour market. For the method limitation and for the future research it needs to take into account the condition of the children in the beneficiaries household and also more beneficiaries should be utilized in order to get a broader context.

As Lomeli (2008: 486) deciphers that "From the point of view of public policy, in the long-term it is not possible to separate actions in favor of the capacities of poor households from employment policy. In the absence of meaningful job creation, the future social effectiveness of CCT programs will be limited." The link and match of education and employment also need to be hand in hand with other institutions and social policy programs.

The human capital assumption employed in the cash transfers program then seems to be simplistic the idea of by having a higher education will then have a higher income which obtained from having a good job. The existing labour market shows that the higher the education is not necessarily mean that the entrants will get the job as s/he wish for. The government should then control the policy in labour market. Enforcing the industries, for instance, with the sensible policy will in turn open a wide opportunity for the industries to manage the sustainable of the industry hence will likely to absorb labour.

In terms of breaking the chain of poverty passing to the next generation, it is crucial to provide a better insight of what characteristics of the labour market needs from the demand side and also what the skill that can be contributed

to a specific job. For the strategy in the short term the requirement to meet the basic needs of the poorer of the poor. In addition, the engagement in labour market in order to generate earnings should be considered. The policy scheme could have sufficiently utilized to maximize of addressing the goal of PKH. As the target of the PKH program are those who are in a chronically poor with the certain conditionalities imposed in it. Women in the household responsible for the cash transfer as well as to ensure that the member of the family has to follow the compliance otherwise deduction of the cash transfer will be applied to the households.

Some scholars suggest the argument that the cash transfer program success to break the intergenerational poverty in long term (Lomeli 2008; Levy 2006). In the PKH program, 6 years of receiving the cash transfer seems like not long enough to make sure that the long term of this program will be executed. Therefore, the universalism of social protection program needs to be considered, which also discussed also in this paper.

The study finds that the labour market trajectories are crucial to meet the demand from the educational level. Based on the work of Bowles and Gintis (1976), the capitalists have a hidden agenda in the education curriculum to maintain the benefit for them. Nonetheless, reformulated the education system to link it with the notion and needs of the markets need to be done.

Furthermore, the holistic policy design in order to sustainably alleviate poverty is crucial. Since, program in social security link one another and synergy can be created. For the PKH program, not only the social assistance program needs to look up to but also the educational and health provisioning. In addition, mismatch labour market trajectory with education should be matched.

Appendices

Appendix 1

Lists of the beneficiaries interviewed on July and August 2012

| No | Name | Age | Employment | Educational Level |
|----|-------------------|-----|--------------------------------|-------------------|
| 1 | Kasiani | 44 | Washerwoman | Primary |
| 2 | Yatik | 30 | Housewife | Primary |
| 3 | Anonymous | 42 | Peddler | Primary |
| 4 | Saripah | 37 | Washerwoman | Secondary |
| 5 | Rukiyah Siregar | 45 | Dishwasher in a school canteen | Secondary |
| 6 | Tuminah | 51 | Peddler | - |
| 7 | Rosmulyati Manalu | 43 | Scavengers | Primary |
| 8 | Rosayani | 31 | Washerwoman | Junior |
| 9 | Nova Syafitri | 30 | Housewife | Secondary |
| 10 | Anonymous | 44 | Scavengers | Junior |

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