



Transformations in Technology, Transformations in Work

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ON-DEMAND TRANSPORT WORKERS IN INDONESIA

Toward understanding the sharing economy in emerging markets

Victoria Fanggidae, Muto P. Sagala & Dwi Rahayu Ningrum, Perkumpulan Prakarsa

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INDONESIA



21,183

GDP per person
employed
(constant 1990 PPP \$)



22

Internet users
(per 100 people)



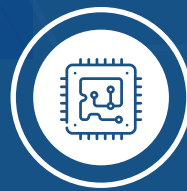
132

Mobile cellular
subscriptions
(per 100 people)



0.08

Research and development
expenditure
(% of GDP)



7

High-technology exports
(% of manufactured exports)

ON-DEMAND TRANSPORT WORKERS IN INDONESIA

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Overview

What constitutes the on-demand or the sharing economy?¹ There is no consensus around the meaning of these terms. Although people associate the word “sharing” with a purely social or communal goal, the monetization of assets and service provision is a key feature of the on-demand or sharing economy.¹

Proponents of the on-demand economy highlight the efficient, public utilization of privately held assets and skills, increased job creation and social interaction as the benefits of this model. Sundararajan distinguishes between the sharing economy and the on-demand economy with the former evolving into the latter, which is profit-based, and where individuals obtain economic gains by renting or capitalizing on their assets.² In his book on the “Uber economy,” he traces the

history of the on-demand economy and classifies it as a form of crowd-based capitalism. Bostman and Rogers emphasize the collaboration and efficiency dimensions of the sharing economy, which lead to a more environmentally sustainable economy.³

Critics of the on-demand economy highlight that it negatively impact the quality of employment and restructures the workforce in a way that exploits workers. In the United States, Hill views this model – especially in the context of on-demand transportation sharing services such as Uber – as creating a “freelance society”, which redesigns the workforce, reduces the quality of employment and changes dramatically “the ways [in which] we live and work”.⁴ The study also criticizes the sharing economy as hastening the ‘race to the bottom’

Proponents of the on-demand economy highlight an efficient, public utilization of privately held assets and skills, increased job creation and social interaction as the benefits of this model.

¹ The terms on-demand and sharing economies are used interchangeably in this paper.

for low-paid workers. Banning stresses that “an ever-evolving array of programs, platforms, and practices” is exploitative toward workers.⁵

The effects of the on-demand economy vary across countries and are different for developed and developing economies – though the global debate surrounding applications like Uber has largely focused on industrialized regions such as North America and Europe. In those contexts, on-demand transportation providers such as Uber may be expanding the share of the workforce that is part-time and self-employed, an undesirable outcome since these workers tend to enjoy fewer protections and receive fewer benefits than regular employees.⁶

In many developing countries, however, two factors complicate the narrative adopted in the Global North: high levels of informality and poor employment outcomes in the formal economy.^{ii,7} The first implies that those who take up work through on-demand companies may be transitioning from an entirely unorganized form of informal self-employment to a more formal, if not regular, work arrangement. In Indonesia, the informal economy accounts for 57.7 percent of employment.⁸ The second factor

means that workers in the Global South may find compelling reasons to give up a formal job in order to work in the on-demand economy; this stands in contrast to the way on-demand work is understood in developed countries – as a kind of last resort. The effects of the on-demand economy, therefore, need to be examined and understood differently in a developing country context.

This chapter draws on primary data from 205 *ojek* (motorcycle taxi) drivers in the Greater Jakarta Metropolitan Area,ⁱⁱⁱ collected in May and June 2016 Perkumpulan Prakarsa with support from the JustJobs Network. The data highlight that

The effects of the on-demand economy need to be examined and understood differently in a developing country context.

most of these workers have completed upper secondary schooling and work full-time. Prior to working in the on-demand economy, equal shares of these full-time

workers were engaged in the informal and formal economies. This reflects the fact that incentives exist for both informal and formal workers to take up jobs in the on-demand economy, and that on-demand employment is attracting relatively well-educated youth. The drivers perceived their current employment in the on-demand economy as an opportunity to monetize their assets and

ⁱⁱ Some scholars have shown that, in developing countries, the quality of jobs in the formal and informal economy is often not very different.

ⁱⁱⁱ The Greater Jakarta Metropolitan Area refers to Jabodetabek, which includes Jakarta, Bogor, Depok, Tangerang, and Bekasi.

earn a better income, and a majority felt that working through the on-demand firm was better than their previous job.

The authors of this chapter recommend that the potential of on-demand employment be harnessed, but that job quality in the on-demand economy be steadily improved as well. As the sector grows, on-demand firms should provide basic benefits for workers, including social protections and additional training beyond basic safety training. The authors also propose

revising income-sharing arrangements between the drivers and the firms, using the provincial minimum wage as a benchmark for the typical working hours and paying overtime for drivers working more than eight hours.

The chapter encouraged the formation of workers' associations and communities as they can help improve the drivers' bargaining position vis-à-vis on-demand firms and also help effectively link on-demand workers to government programs.

Objectives of the study

This study contributes to academic literature and public debate on the on-demand economy by describing its employment and welfare effects in a developing country. It draws on data from on-demand workers to understand how they perceive their economic outcomes. The study aims to answer the following questions: Who are the workers employed through these on-demand applications? Were they previously unemployed, informal or formal workers? How does the on-demand economy affect their income and well-being? How do workers compare working conditions in the on-demand economy to their previous jobs?

Given these broad questions, the study has three main objectives:

1. To profile the workers engaged in the on-demand economy in Indonesia, specifically those in the transportation sector in Jakarta.
2. To understand how the rise of the on-demand economy impacts workers' welfare, including their incomes and overall well-being.
3. To provide evidence-based policy recommendations to leverage the rising on-demand economy in Indonesia toward improving workers' welfare.

Data collection was done mainly through a survey of 205 taxi or *ojek* respondents, all of whom are working through online motorbike taxi-hailing applications, mainly GoJek and Grab Bike. The respondents were randomly selected with a snowballing technique,^{iv} from the five districts of Jakarta –Central Jakarta, South Jakarta, West Jakarta, East Jakarta and North Jakarta – and other towns in Greater Jakarta such as Bekasi and Tangerang.

While initially the study planned to survey the taxi drivers of online apps like Uber, it was only able to survey *ojek* from companies such as GoJek and Grab Bike. When approached, Uber drivers

refused to give their consent to the research, citing that responding would be against the company's policy. The management of the other companies approached by the researchers such as GoJek and Grab Bike did not give their consent to be interviewed for the study either. The study focuses on on-demand transportation services because they are the largest component of the on-demand economy in Indonesia, far larger than other services such as on-demand food, courier or cleaning. GoJek for instance, the largest on-demand company in Indonesia, has operations in food delivery, payments, and other on-demand services, but its transport service is by far the largest.⁹

The on-demand economy in Indonesia

The rise of the on-demand economy in Indonesia has spurred a new conversation among policymakers and the broader public. Existing debates in developed countries like the United States and among global institutions often do not take into account the experience of emerging economies. This is despite the fact that they generally offer higher growth prospects for the on-demand economy than highly industrialized countries. For instance, an assessment of the

growth potential of different markets found that the Asia-Pacific region is a more promising market for the on-demand economy than countries in North America or Europe, due to a greater receptiveness among consumers to sharing their own goods and renting items from others.¹⁰

Policymakers, consumers and traditional car or motorbike taxi drivers hold mixed views about on-demand services such as GoJek or Uber. GoJek

^{iv} The snowballing technique is a method of sampling that involves identifying a small pool of respondents who are then used to refer researchers to other respondents. See Atkinson and Flint (2001).

launched in 2010 as a call-based taxi service. It has since expanded not just to Greater Jakarta, but also to other urban centers in Indonesia, including Bandung, Surabaya and Denpasar. It has a fleet of about 200,000 motorcycle and car taxi drivers.¹¹ It must be noted however, that as with other on-demand applications, these drivers are not regular employees but rather “work partners” – i.e. independent contractors.¹²

Initially, the Minister of Transportation sought to ban GoJek in 2015. However, the President of Indonesia cancelled the proposed ban. The debate has been framed in terms of balancing legality versus innovation, job creation and consumer need.¹³ Uber, the globally operating ride-sharing company, was launched in Jakarta in mid-2014. In 2016, Uber continues service in Jakarta, despite the governor’s opposition to private drivers and car owners working as taxi drivers without obtaining the necessary business permits and without paying taxes.¹⁴

At the same time, most consumers feel positively about this on-demand taxi option, as it is cheaper than a regular taxi and is perceived to be more

reliable.¹⁵ Moreover, the proliferation of on-demand transport options is seen by many in government, and by the broader public, as a mechanism for addressing the enormous, unmet demand for public transit. Greater Jakarta sees 20.7 million passenger trips daily,¹⁶ but only about 350,000 trips take place on its bus rapid transit (BRT) system¹⁷ and another 700,000 on its commuter rail network,¹⁸ due to the limited capacity and coverage of these transit systems.

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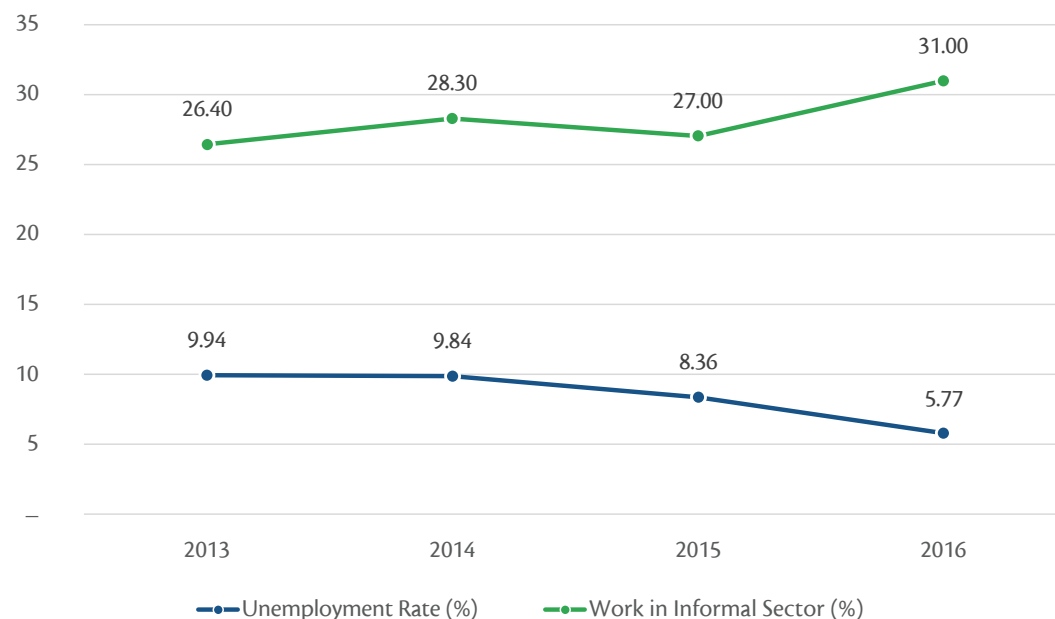
From the perspective of a policymaker or regulator, the important considerations in overseeing the on-demand economy are taxation, transportation policy, employment, and worker and consumer rights. Most of Indonesia’s informal firms are very small, pay low wages, are relatively unproductive, and serve only local markets.¹⁹ In this context, firms such as Uber or GoJek provide workers with an alternative to existing low wages and underemployment in the informal economy.

The informal economy is responsible for the majority of total employment. Currently, Indonesia’s workforce stands at 122.4 million, of which 7.6 million persons remain unemployed.

The unemployment rate has increased slightly, from 5.94 percent in 2014 to 6.18 percent in 2015.²⁰ In 2014, those who have completed higher secondary education made up 27 percent of the unemployed population.²¹ The informal economy accounts for 57.7 percent of employment, and nearly a third of workers in the formal economy are unpaid family workers, indicating that a large proportion of those jobs may be low quality.²²

Although unemployment in DKI Jakarta (*Daerah Khusus Ibukota Jakarta*, or the Special Capital Region of Jakarta) has declined in the last year, from 8.3 percent in February 2015 to 5.77 a year later, the share of informal employment has increased from 27 to 31 percent between 2015 and 2016 alone (see **Figure 1**).^v Informal work is often associated with low quality jobs, poor working conditions, a lack of health insurance or other benefits, and lower pay than formal

Figure 1
Unemployment and informal work in DKI Jakarta, 2013-2016



Source: BPS DKI Jakarta, 2016.

^v This is the official DKI Jakarta Province data only, excluding non-register citizens and greater Jakarta satellites' citizens e.g. the areas that are administratively under the provinces of Banten and West Java.

work. The high unemployment and informal employment rates, coupled with the fact that 8 in 10 households in DKI Jakarta own motor

vehicles,²³ have created an environment that is conducive for online transportation platform companies like Uber or GoJek to operate.

Main findings from primary data

Who are the on-demand workers in Jakarta?

Most of the taxi drivers in the sample are men between 18 to 57 years of age. Their educational attainment ranges from primary school to university, but they are generally far more educated than the average Indonesian worker (see **Figures 2a** and **2b**).^{vi} More than two-thirds of the respondents have completed their higher secondary education, or senior high school. As **Figure 2a** highlights, 15 percent are junior high school graduates and 10 percent are university graduates. Though the survey found that 6 percent of the drivers had only primary school education, the platforms stipulate a minimum educational requirement of lower secondary school completion.

Higher secondary school graduates form the majority of respondents across all age groups, but

make up the highest share in the 25-30 years age cohort; about 83 percent of respondents from this age group have completed higher secondary school. Nearly three quarters of respondents said that they are originally from Jakarta. The remaining one-fourth were migrants born outside Jakarta. Most of the respondents have been working as online *ojeks* between 7 months to a year (see **Figure 3**). Since companies such as Grab Bike require their drivers to have a Greater Jakarta ID Card (KTP), it is unsurprising that those with this card form the majority of drivers.

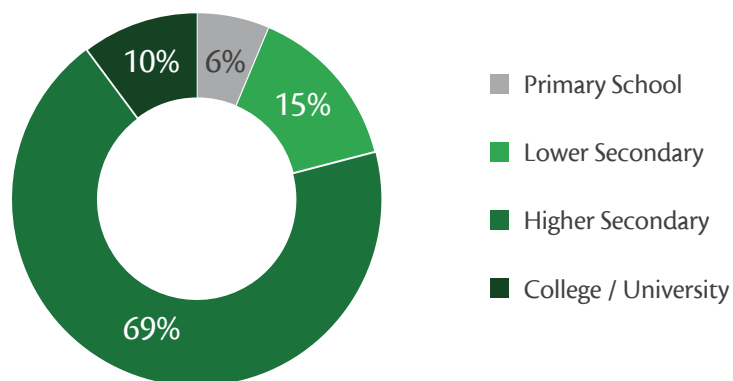
Previous jobs and reasons for leaving

Before working as online *ojeks*, about 51 percent of respondents worked in the formal economy and the remaining 49 percent were engaged in the informal economy. Most of the respondents (82.4 percent) said that they chose to work as

^{vi} Primary school corresponds to Sekolah Dasar (SD); junior high school corresponds to Sekolah Menengah Pertama (SMP); higher secondary education or senior high school corresponds to Sekolah Menengah Atas (SMA); and university corresponds to Sarjana-1 (S1).

Figure 2a

Highest level of educational attainment among respondents



Source: Authors' calculations.

online *ojeks* voluntarily. The rest said that their circumstances, such as being unemployed or job dissatisfaction, compelled them to become online *ojeks*.

When asked about the reason for leaving their previous employment, the largest share of respondents cited the prospect of a higher income, 33 percent cited increased time flexibility, and 12 percent cited dissatisfaction at their former workplace as the main reason for leaving. Only 11.7 percent of respondents mentioned that they were previously unemployed.

Higher future income and increased time flexibility are the main reasons cited by both

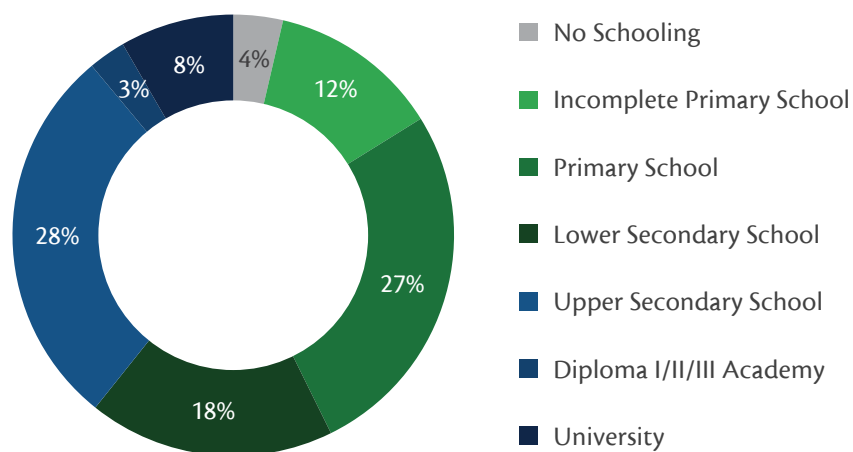
previously formal and informal workers, for leaving their previous jobs.

Capital and running costs

All of the respondents use their own motorbikes on the job, serving as their start-up capital. Technology-based, on-demand transport aggregators such as GoJek and Grab Bike also require equipment such as smartphones and some money for initial smartphone balance. The official information from online platform companies mentions that smartphones can be provided to the workers, but they need to be purchased in installments (see **Table 1**). On average, the respondents spend in the range of US\$ 38 to 76 for fuel, less than US\$ 38 for

Figure 2b

Highest level of educational attainment, Indonesian workforce (2016)



Source: Statistical Yearbook of Indonesia 2016.

maintenance costs, and less than US\$ 38 on phone credits each month.^{vii}

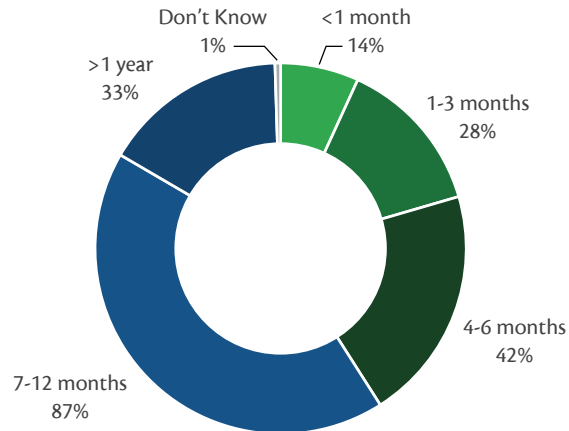
While owning one's own motorcycle may seem like a high barrier, automobile companies have made motorcycles highly accessible through extremely low down-payments. With only IDR 500,000 (US\$ 38), consumers can walk away with a new entry-level motorcycle whose total cost is US\$ 1250, thanks to creative ways that distributors have found to skirt official regulations that require a minimum down-payment of 20 percent.

Though the companies' official policies mandate a rather extensive list of necessary identification documents, interviews and survey results show that the implementation of these rules is not strict. For example, Grab Bike ostensibly requires that all its drivers hold an identification card from the Greater Jakarta region. But in reality, some of its drivers were found to hold identification cards from outside the Jakarta metro area or from other parts of the country.

^{vii} Using the current exchange rate on August 31, which is about IDR 13,200 per US\$ 1.

Figure 3

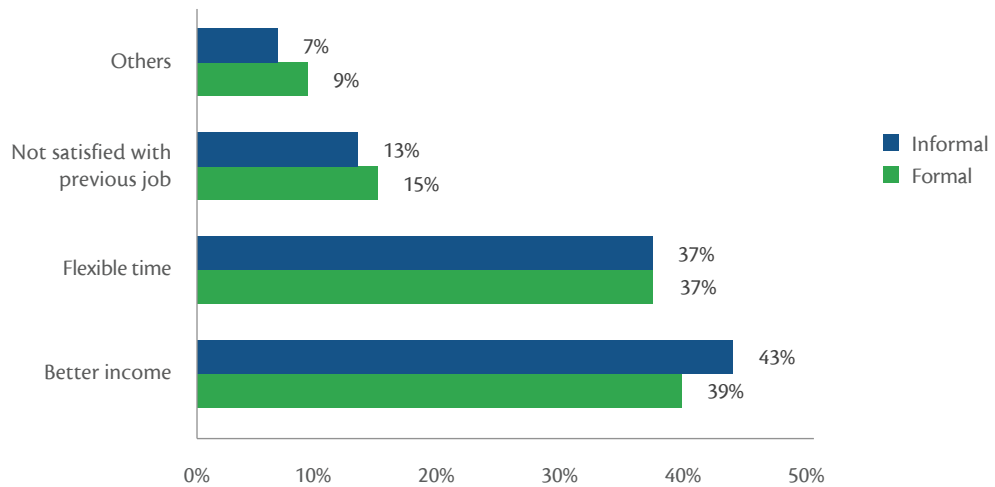
Length of tenure with on-demand firm among respondents (number of respondents)



Source: Authors' calculations.

Figure 4

Reason for leaving previous jobs, formerly informal and formal workers



Source: Authors' calculations.

Table 1

Criteria and capital required to become an online *ojek*

	GoJek	Grab Bike
Criteria to be a driver	<p>Papers and documents:</p> <ul style="list-style-type: none"> • Photocopy of ID card, household card, driving license, and motorbike registration evidence. • Residential letter if ID card address is different than current address. • Motorbike original ownership paper, latest diploma, household card, birth certificate, and marriage certificate <p>Education and skills:</p> <ul style="list-style-type: none"> • Minimum education: Junior high school <p>Age:</p> <ul style="list-style-type: none"> • Maximum age: 55 years of age 	<p>Papers and documents:</p> <ul style="list-style-type: none"> • Original ID card and driving license and the photocopies (must be citizens of Jabodetabek^{viii} metropolitan area) • Original police check document and its photocopy must be presented Grab staff. • Leaving (one of these original documents) as guarantee: household card, diploma, original motorbike ownership, marriage certificate. <p>Education and skills:</p> <ul style="list-style-type: none"> • Minimum education: Junior high school • Able to drive passengers and know the roads in Jabodetabek area well (optional) <p>Age:</p> <ul style="list-style-type: none"> • Maximum age: 50 years of age (those >50 years of age should bring health document from physician).
Worker's required startup capital	<ul style="list-style-type: none"> • Motorbike (in good condition) • Smartphone purchased by driver from company, paid in installments 	<ul style="list-style-type: none"> • Motorbike (in good condition) • Smartphone purchased by driver from company, paid in installments • Motorbike's standard equipment • Money: IDR 100,000 (US\$7.57) to be used for initial smart phone balance
Capital provided by apps	<ul style="list-style-type: none"> • Hair cap, mask, gloves • Jacket and helmet are lent by company 	<ul style="list-style-type: none"> • Jacket and helmet are lent by company

Source: Companies' websites and interviews.

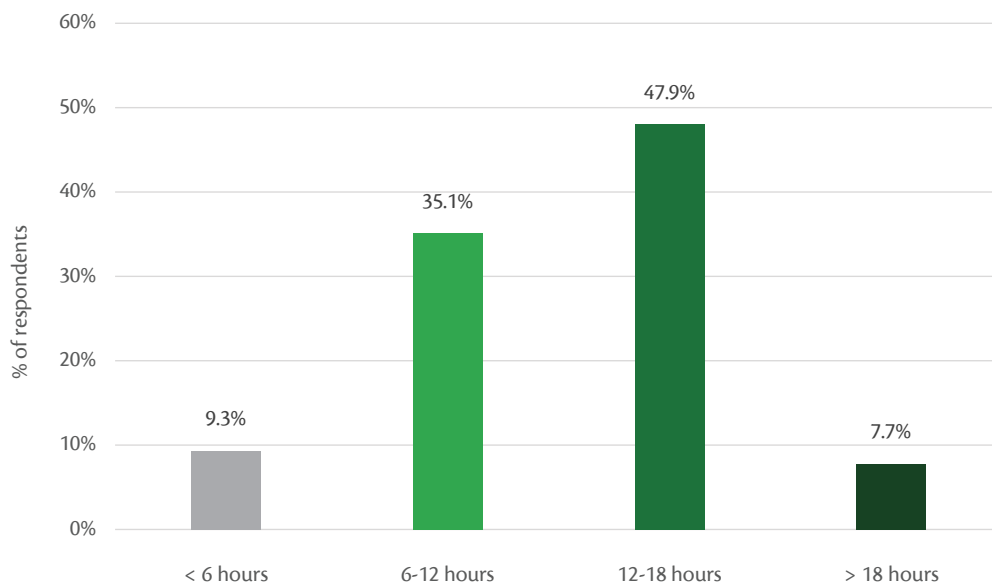
^{viii} The Greater Jakarta Metropolitan region refers to Jabodetabek, which includes Jakarta, Bogor, Depok, Tangerang, and Bekasi.

Nevertheless, it is still necessary to consider the companies' requirements from the perspective of inclusion. The extent to which these firms create barriers to entry for prospective drivers also determines the extent to which employment in the on-demand economy can serve as income support for poor and marginalized workers. The requirement of a lower secondary school education has indeed kept the share of workers with less education very low (see **Figure 2a**). The

requirement of identification documents may function the same way.

While the companies require that the driver produce a birth certificate, the National Socio-economic Survey (SUSENAS) found that only 52 percent of Jakarta residents were able to produce their birth certificates. Another 42 percent claimed to have one but could not produce it, while 5 percent did not have a birth certificate.

Figure 5
Number of hours per day spent working (% of respondents)



Source: Authors' calculations.

Nationally, 23.7 percent of Indonesians do not have a birth certificate.²⁴ These workers would be disqualified from online *ojek* driving. The age requirements also exclude older workers for whom the flexibility and part-time possibilities of on-demand work may be ideal.

Working hours

More of the respondents reported working full-time as compared to part-time. The share of full-time workers – defined as individuals for whom working as an *ojek* is their only job – was 64 percent. The remainder (36 percent) reported working part-time or having jobs in addition to being an online *ojek*. As **Figure 5** shows, the majority of the respondents (47.9 percent) work on average between 12 to 18 hours each day. Just over a third of all respondents work between 6 and 12 hours per day, and 9.3 percent work under 6 hours per day. There is also a small percentage (7.7 percent) who work over 18 hours per day. The companies do not provide any kind of overtime compensation. Moreover, this raises concerns about overworking and fatigue. Not only does this sort of schedule place tremendous strain on the driver, but fatigue when driving can be dangerous from a safety standpoint.

The majority of the respondents (41.5 percent) spent about an equal amount of time waiting for and driving passengers to their destinations.

However, 23.4 percent of all drivers said they spent more time waiting for passengers than driving them.

Income and hours worked

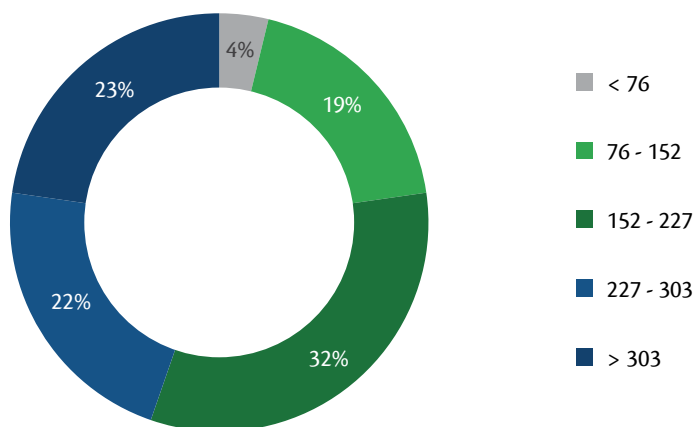
Drivers most commonly earn between US\$ 152 and 227 per month; about 3 in 10 place their average monthly net income in this range. Another 23 percent earn between US\$ 76 and 152 per month, and an almost equal share earn between US\$ 227 and 303 per month (see **Figure 6a**). This demonstrates that at least 55 percent of online *ojek* drivers are earning below the Jakarta minimum wage of US\$ 235 per month. However, about 82 percent of respondents said the online *ojek* position offered them a higher income than their previous job. The cost-of-living in Jakarta, according to survey and calculations by Jakarta's tripartite wage committee, stands at roughly US\$ 215.²⁵ Those who drive part-time are most likely to earn in the range of US\$ 76 to 152 per month.

Almost 9 percent of the respondents said that they are concerned this job will not provide them with a sufficient income to make ends meet. Over a quarter, 26.3 percent, stated that they often worry about their income and living requirements.

Across all income groups, except for those who earn less than US\$ 76 per month, there are respondents who work 12-18 hours or even 18-

Figure 6a

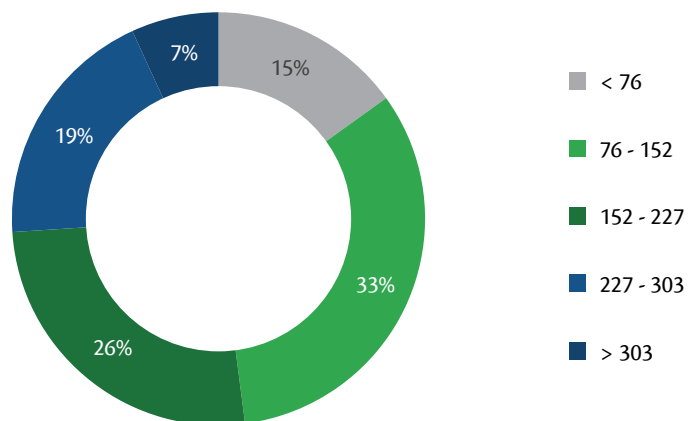
Full-time workers, average monthly net income range (US\$)



Source: Authors' calculations.

Figure 6b

Part-time workers, average monthly net income range (US\$)



Source: Authors' calculations.

24 hours daily. This indicates that respondents working longer hours does not always result in a higher income.

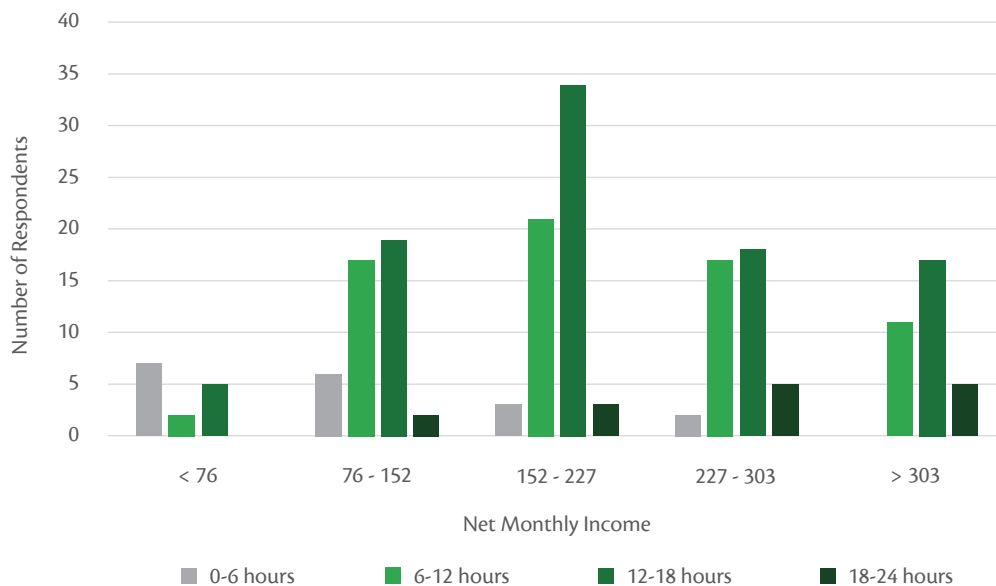
Benefits beyond income

Over half of respondents (56 percent) cited receiving social protection in some form. The types of benefits workers are receiving include health insurance, occupational/pension insurance, and accident insurance. Of these, the most common by far is health insurance.

These benefits are largely obtained through a new national health insurance program (BPJS Kesehatan), launched in 2014, and Occupational insurance (BPJS Ketenagakerjaan) in 2015, through which the government of Indonesia aims to provide universal health coverage and occupational insurance regardless of a worker’s status. Before 2014 and 2015, only civil servants, police and military groups were registered with such schemes, while only citizens categorized as poor received free health insurance. Now, not

Figure 7

Number of respondents, by average monthly income and hours worked daily



Source: Authors’ calculations.

only the poor but also non-salaried citizens and informal economy workers are encouraged to sign up for state health and occupational insurance. The National Law on Social Security obliges companies to share the cost of premiums for their employees, while those who are non-salaried can register themselves and make individual contributions. Some of the respondents who have BPJS insurance received help from the on-demand firm to register, but they still pay the insurance premiums out of pocket due to their status as a

“work partner” rather than an employee. In other cases, the drivers arranged their own registration through BPJS Occupational directly. The BPJS itself classifies online *ojek* drivers as informal workers.²⁶

However, interviews with *ojeks*, and data on how long they have been working as *ojeks*, highlight that those who have more recently become drivers are less likely to be covered by BPJS health and occupational insurance. Most of those who reported having health insurance are those who

Table 2

Example of benefits received from companies^{ix}

	GoJek	Grab Bike
Benefits obtained by drivers	<ul style="list-style-type: none"> • Sharing of profits: 80% for driver, and 20% for the firm (GoJek). • Bonuses are point-based, a combination of the distance and number of passengers driven by drivers in a given day. • Driver/ GoJekers receive phone credits of Rp. 250,000 (100,000 deposits, 100,000 mobile phone account, Rp 50,000 internet package). • Accident insurance for driver and passenger • Facilitation (but not financial support) in Registering for Government-Provided health insurance^x • Lost goods insurance 	<ul style="list-style-type: none"> • Sharing of profits: 90% for drivers and 10% for Grab. • Bonuses for certain time period within a day for drivers with most passengers. • Prizes for drivers with high rating, e.g. motorbike and Hajj pilgrimage paid by company. • Accident insurance for driver and passenger • CIPS registered the ‘members’ for Occupational BPJS. • Maintenance cost for motorbike Rp 50K/month

Source: Official website of GoJek and Grab Bike, and respondent interviews.

^{ix} This is not an exhaustive list of benefits.

^x The company, in some cases, assisted *ojek* drivers to register with BPJS – however this is not a ‘benefit’ per se, although on its website (www.gojek.com), GoJek for instance states that “GO-JEK drivers say that their incomes increased after joining as our partner. They also received health and accident insurance as well as access to more customers through our application.

have worked as online *ojeks* for more than 6 months.

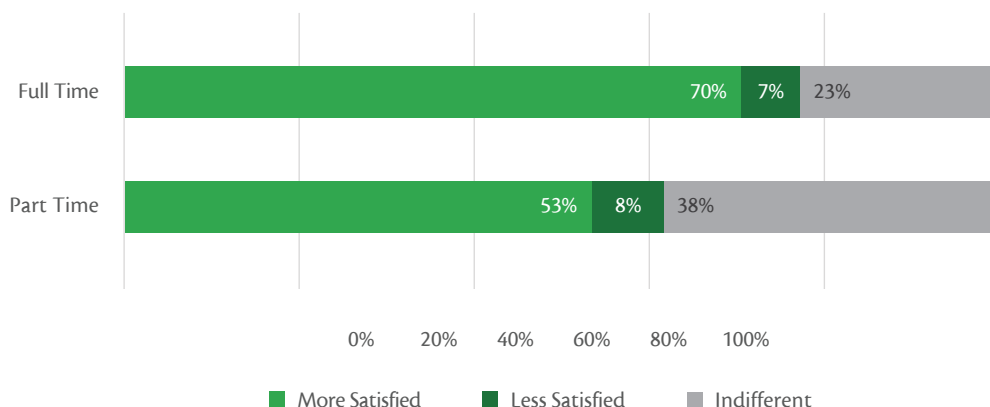
Nascent forms of worker organization

To increase their bargaining power and exchange information on benefits such as insurance, drivers for the company Grab Bike said they formed an informal community or association of drivers named CIPS (*Central Information Point Social*). This association works to increase the number of drivers that register for BPJS Health and negotiates with the company on issues related to legal status and income.

These nascent forms of worker organizations have found unique and creative ways to communicate. They form large digital communities on chat applications like WhatsApp or social media sites, and they use these platforms to disseminate information and even elect leadership. On 3 October 2016, following an announcement from GoJek of a new performance system which would threaten drivers with dismissal if they refused or canceled too many passenger requests, hundreds of workers organized a protest to demand the new system be abandoned. The management acquiesced, illustrating the power of these union-like associations that have formed.²⁷

Figure 8

Job satisfaction compared to previous employment, full-time vs part-time drivers



Source: Authors' calculations.

Job satisfaction over time

In terms of job satisfaction, almost two thirds of the respondents said that they were more satisfied with their work in their current position relative to their previous employment. Only seven percent of respondents said that they are less satisfied now than they were in their former job. The remainder, about 28 percent, cited no difference in job satisfaction.

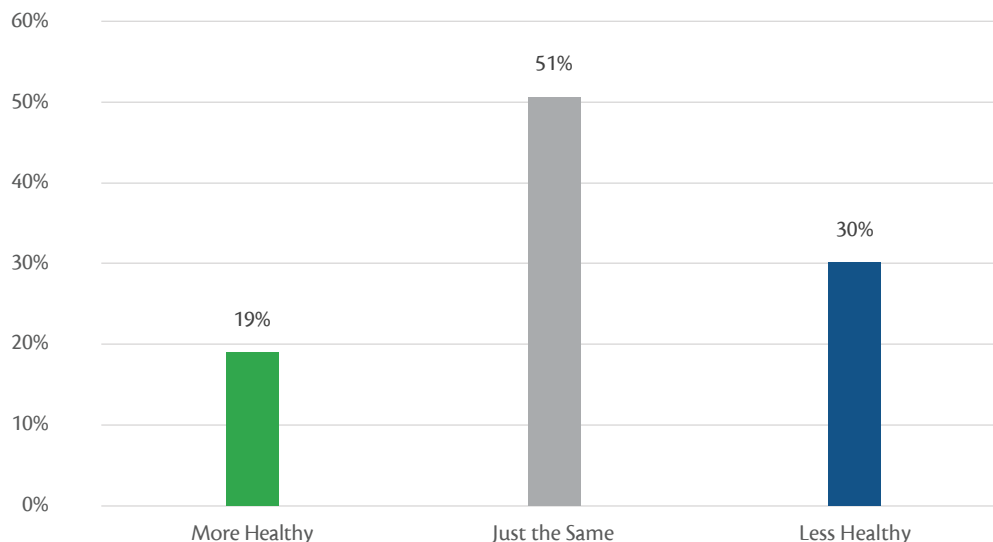
The share of drivers satisfied with their jobs increased with drivers' tenure with the current

employer, to a certain extent. Respondents working full-time were more likely to be satisfied with their current job than those working part-time (see **Figure 8**).

Perception of health conditions

As **Figure 9** shows, about half of the respondents claim that their health condition is about the same as it was prior to working for the on-demand transportation company. However, workers were more likely to claim that their health condition has deteriorated since taking up on-demand

Figure 9
Drivers' perception of their health conditions since beginning on-demand work (% of respondents)



Source: Authors' calculations.

work than they were to perceive an improvement. About 30 percent of respondents said that they are less healthy now than before working as an *ojek*, whereas 19 percent said their health condition has improved after starting their current position. There could be several reasons behind the perceived deterioration in health. Often, online *ojeks* work longer hours, leading to increased fatigue. Another possibility is that their new status as drivers may

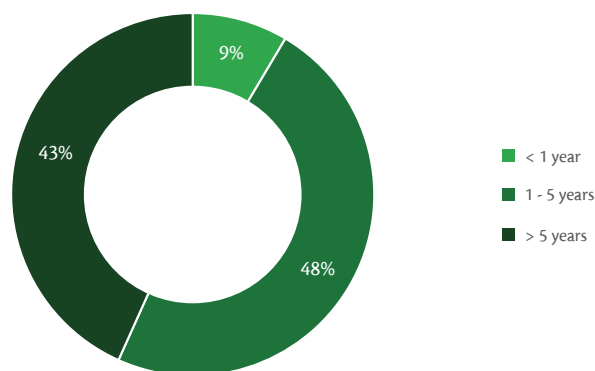
have led to a loss of insurance benefits or more variable income that does not allow them to pay for unanticipated medical expenses.

Receiving health insurance seems to have some impact on drivers' perception of their health status. While almost half of respondents who received health insurance after beginning on-demand work said their health condition had not changed, 35 percent said it had improved.

Receiving health insurance seems to have some impact on drivers' perception of their health status. While almost half of respondents who received health insurance after beginning on-demand work said their health condition had not changed, 35 percent said it had improved,

Figure 10

Years expected to keep working as online *ojek* in the future (% of respondents)



Source: Authors' calculations.

significantly higher than the 19 percent among all respondents who say the same.

Workers' leisure and social capital

In their current positions as on-demand workers, 84 percent of the respondents said that they still have time to engage in social, cultural and religious activities. Interestingly, the share of part-time workers who have enough time to participate in leisure activities (about 82 percent) is slightly lower than the share of full-timers who do (about 86 percent). This perhaps points to the fact that those who have no work obligations beyond online *ojek* driving have greater flexibility to structure their schedules around other activities and obligations. Almost six out of ten respondents said they felt that they gained respect from their family for their jobs, an important consideration given that increased social capital is correlated with greater psychological well-being.²⁸

Future plans

Most of the respondents stated that they did not want to continue working as online *ojek* drivers in

the long term. They would rather look for better paying jobs. Among the respondents who said they wanted better paying jobs in the future, 68.75 percent feel more satisfied working as online *ojek* compared to their previous jobs.

However, only 9 percent said they planned to quit working on the online *ojek* platform in less than a year. Almost half planned to keep their current occupation for 1-5 years, and 43 percent said they planned to remain *ojek* drivers for more than 5 years, suggesting that they have not been exposed to better opportunities or are not optimistic about finding a higher paying job (see **Figure 10**).

The majority of the respondents (84 percent) wanted to remain as private, independent workers not linked to any one employer. About 8 percent of respondents reported wanting to work as employees in private companies in the future and another eight percent expressed a hope to work as government employees.

Competition between on-demand firms and erosion of workers' incomes

Intense competition between different on-demand providers has led to a reduction in fares for on-demand transportation services, and thus an erosion of income for drivers. GoJek, the first online *ojek* application provider in Indonesia, initially provided generous bonuses for its drivers. A GoJek driver stated that initially he could earn an average of US\$ 1,136 per month – about five times the minimum wage of US\$ 235 in DKI Jakarta. However, more recently, the monthly amount that this respondent could

earn has been reduced to less than half of the initial amount, largely because bonus amounts have been reduced, now that the platform has enough drivers to satisfy passenger demand. Some respondents complained about “*oprekan*,” an illicit online *ojek* platform that offers a similar service to the traditional applications but at a lower rate. Unregistered, unofficial on-demand applications, they said, were driving down the price of motorbike rides and lowering the income of *ojek* drivers.

Customers' ratings and violating regulations

Ratings of drivers by previous customers are available on the on-demand technology platforms for other ride-share users. These ratings also shape demand. The respondents, aware of the importance of these ratings for customers, often feel compelled to follow their will, even if it means violating traffic regulations such as trespassing traffic lights, driving against traffic or speeding. Not only do these violations break traffic rules, they are also not compliant with company policy.

For example, according to one respondent, if drivers do not follow the customers' instructions, they might be given a low rating, which indirectly decreases their potential to earn bonuses.^{xi,29} In addition to affecting bonuses, sustained low ratings for a driver may lead to suspension from the company. The bonus systems differ across companies but most are based on the number of passengers driven and the distance covered.

^{xi} According to GoJek, “at the end of the order, you can give ratings to your drivers. We take customer service very seriously at GO-JEK in order to improve our service, so please rate honestly and accordingly.” The details on how exactly the customer rating affects bonuses are not quite clear, but it may cause the suspension of drivers if they consistently receive a low rating.

Beating Jakarta's traffic with an *ojek*: Competing ground for online business platforms

The rapid penetration of information and communication technologies (ICT) is one of the central drivers of the growing on-demand economy: the spread of Internet use, increase in Internet speed and increasing portability of gadgets such as tablet PCs and smartphones. Now, in Indonesia, tablet PCs and smartphones are no longer perceived as luxury goods and Internet access has improved significantly in terms of speed and coverage.

The increase in smartphone ownership has enabled nearly everyone to get involved in the on-demand economy, in roles ranging from a seller to a consumer. Sites such as *Toko Bagus* in 2005 and *Buka Lapak* in 2010, the local pioneers of online retail, marked the run-up to the emergence of an on-demand economy in Indonesia. In the transportation sector in particular, the soaring ownership of motor vehicles nationally acted as a catalyst for the development. Between 2004 and 2014, the ownership of motorbikes quadrupled, from 23 million to 92 million, largely fed by the rapid expansion of affordable credit.³⁰

GoJek is a pioneering on-demand transport provider. Started as a call-based *ojek* service in 2010, GoJek gained momentum in 2014, when smartphone prices had dropped. On its web page, GoJek states that "GO-JEK is a techno-based social enterprise that aims to improve workers' welfare in various informal sectors in Indonesia."³¹ The specific mention of informal economy implies that the company sees its business model as an intervention to raise well being and living standards for those in the informal economy.

With its drivers completing more than 600,000 rides per day and a founder from Harvard Business School, GoJek is hailed as a kind of national icon as a successful start-up enterprise. Sequoia Capital, a prominent U.S.-based venture capital firm specializing in funding start-ups around the globe, began investing in GoJek in January 2011. In the last quarter of 2015, NSI Ventures, a Singapore-based venture capital firm also injected more funds into GoJek.

Grab, its closest competitor, originated in Malaysia. Almost identical with GoJek, Grab Indonesia also puts improving welfare of its partners as its third mission: "Improve the life quality of our partners: We believe that a progressive business does not just profit one party but also brings benefits to others, by improving the welfare of those who are involved in this business, such as passengers, drivers, government and broader public."³²

GoJek market capitalization is forecasted at around US\$ 100 million. The online *ojek* market is getting further crowded with more competitors. Uber, the San Francisco-based giant, entered the *ojek* business with its Uber Moto in 2016. Smaller players include TeknoJek, BlueJek, TopJek and AdaJek.

It remains to be seen how market competition will affect revenue sharing models and the welfare of workers. Some interviews conducted for this project suggest that benefits have been reduced as more drivers have joined the service.

Summary of key findings

Workers from both the formal and informal economy perceive on-demand work as an opportunity to grow their incomes and increase the flexibility of their working hours.

Those who are working as online *ojek* drivers are equally likely to have come from informal and formal economy employment. The reasons most commonly cited for opting into on-demand work were increased income and increased flexibility. This points to the poor quality of opportunities, even in the formal economy; 40 percent of those who left a formal economy job for on-demand driving said their primary motivation was higher income. The fact that half of the online *ojek* drivers came from the informal economy also points to the potential for on-demand applications to give workers a “more formal” – though not regular – employment opportunity than might be otherwise available to them.

Nearly 80 percent of online motorbike or ojek drivers in Greater Jakarta have completed higher secondary or tertiary education.

Online *ojek* driving requires only basic numeracy and literacy skills and the ability to operate a motorcycle and obey traffic laws. Given that 62

percent of the Indonesian workforce has only a lower secondary school degree or less education, online *ojek* driving could be an employment strategy for these workers. But currently, more educated workers are taking up this form of work. The fact that on-demand motorbike taxi drivers have, on average, more education than the typical Indonesian worker, points to (1) a lack of productive and meaningful employment opportunities for educated workers in the country, (2) mismatch between the skills obtained

in formal education and those required by employers, or (3) both.

Workers from both the formal and informal economy perceive on-demand work as an opportunity to grow their incomes and increase the flexibility of their working hours.

Despite the fact that 55 percent of full-time online ojek drivers earn less than the Jakarta minimum wage, 82 percent claim that their

income has gone up since switching to on-demand driving. Workers are also more satisfied with the on-demand work than with their previous informal or formal employment. Two-thirds of online *ojek* drivers say their current employment is better than their previous employment. This apparent contradiction highlights the difficulty of finding an employment opportunity that pays the Jakarta minimum wage, which rose 15 percent in January 2016.³³

Intense competition among on-demand transport providers is eroding drivers' income.

Interviews with online *ojek* drivers made it evident that on-demand firms initially lured workers to the platform with lucrative bonuses, but over time reduced those bonuses once the platform contained enough drivers to satisfy demand. Moreover, intense competition among on-demand transport firms is driving down fares for passengers, which has further negative impacts on drivers' incomes. These trends point to the need for a regulatory framework which can ensure a living wage for full-time drivers on the platform.

New forms of worker organization are emerging in the on-demand economy of Indonesia.

The on-demand economy is spurring its own forms of worker associations. These virtual communities are enabled by the same digital technology that created the on-demand economy itself. They hold the potential to empower on-demand workers, but this will depend in part on the policy environment and willingness of governments to recognize them as legitimate voices. They also

The on-demand economy is spurring its own forms of worker associations. These virtual communities are enabled by the same digital technology that created the on-demand economy itself.

represent an opportunity that the on-demand economy provides, particularly in developing countries with high levels of informality. Workers that before the on-demand revolution may have never developed any kind of collective power – e.g. informal *ojek* drivers unattached to any larger firm – now view themselves as connected through a common “employer” on whom they can make demands. One might argue that this is one step toward formalization.

Health conditions and long working hours are main areas of concern pertaining to on-demand jobs.

About 56 percent of respondents work more than 12 hours per day, far above the 8 hours per day as spelled out by labor laws. However, these laws are usually applicable only in the formal sector. Since the on-demand workers are officially not formal employees, it is unclear whether the restriction on regular working hours would be applicable to them. About 30 percent of respondents said their health condition deteriorated after becoming an on-demand worker. This may be linked to the long working hours.

Recommendations

1. **On-demand companies represent an opportunity for a country like Indonesia, which has recently introduced a national health and employment insurance program, to link large pools of informal workers to government benefits.**

Government should work directly with companies like GoJek and Grab Bike to register all the drivers on their platforms for social protection schemes, and mandate that these companies pay the individual contribution fee for all those working full time on the platform. For part-time workers on the platform, the companies could pay a pro-rated amount toward the individual contribution. The proposals that have been made in developed countries for portable, pro-rated, universal benefits³⁴ may in fact be more practical in a country like Indonesia, where the social protection system is still nascent enough to accommodate new and emerging employment relationships, such as those in the on-demand economy.

2. **On-demand companies should consider revising their requirements in order**

- to open up the opportunity of on-demand work to a larger pool of workers.**

Currently, 43 percent of Indonesian workers are ineligible to become GoJek and Grab Bike drivers on the basis of their educational attainment, despite the minimal skills the job requires, and more are excluded on the basis of their age. A basic numeracy and literacy test would be a better gauge of a worker's readiness for online *ojek* driving, rather than the current requirement of nine years of formal schooling. Moreover, companies can provide simple training modules in occupational health and safety, motorbike maintenance and customer service in order to equip drivers with the necessary skills.

3. **On-demand companies should revise the framework that governs drivers' income such that it takes into account the minimum wages in the province.**

If the companies are allowed to operate as legally registered, formal entities, they should be held to a standard of ensuring minimum wage for full-time workers. If all companies are required to ensure payment

of minimum wages, then the intense competition currently driving down workers' incomes will be mitigated as well.

4. **The government should formally endorse on-demand economy workers' right to form a community or association of drivers.**

This will not only help drivers negotiate with on-demand companies, but will also lead to empowerment with respect to linking workers with social security schemes such as BPJS health and occupational insurance.

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