

The Pursuit for Productivity

Rebuilding The Nation's Missing Multiplier



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Highlights

- **World-class hours, sub-par output.** Indonesian employees log roughly 2,020 work-hours/year, among the highest globally and well above OECD average, yet each hour produces only US \$14 of value.
- **Peers outrun us while working less.** A Malaysian worker generates about US \$26 per hour, meaning they can work half the hours to match Indonesia's annual output.
- **Global rivals are closing in.** Vietnam's output per hour has grown roughly twice as fast since 2011; failure to accelerate invites capital flight to nimbler neighbours.
- **The demographic clock is ticking.** Over 70 % of Indonesians are of working age, a window that begins to narrow after 2030; without faster productivity gains the "bonus" becomes a fiscal burden.
- **Growth rests on inputs, not efficiency.** GDP has hovered near 5 % for a decade but labour-productivity growth is closer to 2,5%, leaving Indonesia vulnerable to middle-income trap.
- **Logistics remain a 23 % tax on GDP.** Moving goods across the archipelago still costs 23–24 % of GDP, versus 13–15 % in Malaysia and Thailand, eroding firm competitiveness before exports leave port.
- **Innovation base is thin.** National R&D outlays sit around 0.3 % of GDP, the lowest in ASEAN and a fraction of Singapore's 2 %+ , limiting home-grown tech upgrades.
- **Reforms have yet to achieve system-level scale.** Fragmented micro-enterprise still dominate. Analysts suggest to triple the number of medium- and large-scale companies and non-farm capital per worker.
- **Productivity is missing from national DNA.** We value harmony, integrity, diversity and unity, but not productivity. It's absent from national principles, education mottos, public values, and institutional creeds.
- **Four levers can embed productivity into the nation's bloodstream: education, governance, industry & workforce, and culture & mindset.** It is a social engineering where each lever must be reprogrammed. A massive #ProductivIndonesia campaign must be introduced and enforced.

The Last Mile

For many of us in our 40s to 60s, this is the final round. Time is running out fast for us to witness the country we've long hoped for: a nation that works. An advanced economy. A just, dignified, and prosperous population. A system that delivers - where public services are fast and fair, where licenses take minutes, not months. Where classrooms ignite minds, not just fill time. Where health or security services quick in response. Where roads unlock growth, not gridlock. Where small farmers export, policies actually reach people, and government moves with the urgency of its citizens. A country where our abundant natural resources is not a curse but a GDP-per-capita elevator. For us, there is no time left for familiar nonsense: pungutan liar, inefficiency, uncertainty, layered bureaucracy, endless queues, street crimes, normalized corruptions, wasted budgets or delayed projects.

While nation's productivity matters to every cohort and its absence can frustrate all, but to us, it is the last chance. It is what determines whether our lifetime of effort matters and will ever see the country we've imagined come to life. It is the multiplier that connects individual effort to national progress. It multiplies the return on every minute we give, every rupiah we spend, every policy we pass. It is the one force that turns motion into momentum, effort into outcomes, and dreams into delivery. Without it, we remain trapped in a cycle of exertion with little advancement. No amount of effort, spending, or reform will deliver the results we need. When productivity is low, progress is slow, and frustration grows.

1. The Great Treadmill

Three Facts – One Crisis

Economic growth headlines can deceive. Indonesia’s GDP has reliably grown ~5% annually for years, a pace many nations envy. Yet this top-line number masks a stagnant truth: productivity has barely budged. In fact, while GDP grew 5%, labor productivity rose only around 2.5% per year. The difference means much of our growth came from throwing more labor and capital into the mix, not from becoming more efficient. It’s like running on a treadmill: expending energy but staying in place. GDP rises, but individual workers aren’t generating significantly more value than before. As Nobel economist Paul Krugman famously noted, “Productivity isn’t everything, but in the long run it is almost everything”. A country’s ability to improve living standards depends almost entirely on raising output per worker. If GDP is rising (such as due to recent commodity boom) while productivity flatlines, the wealth created is an illusion, a mere swelling of inputs without real efficiency gains.

<p>Fact 1: Growth is input-driven, not efficiency-driven</p>	<ul style="list-style-type: none"> • GDP grew about 5 percent per year since 2015 • Labor productivity rose only about 2.5 percent per year 	<p>Classical Solow-Swan models show that long-run per-capita income rises only through total-factor-productivity (TFP). When output expansion relies chiefly on factor accumulation, marginal returns diminish, capital deepening stalls, and the economy cannot sustain convergence toward the high-income status.</p>	<p>Crisis:</p> <p>These three facts together herald one crisis: a productivity crisis.</p> <p>The government envisions a “Golden Indonesia 2045,” but without a dramatic productivity turnaround, that vision is at risk. Stuck at 5% growth, Indonesia would remain a middle-income country when its 100th independence anniversary arrives.</p> <p>Officials openly recognize this threat: Indonesia’s economy has “stagnated over the past two decades.</p> <p>Without a decisive shift toward productivity-led development, Indonesia faces a classic middle-income-trap dynamic identified in World Bank and ADB cross-country panel studies: moderate growth slows, inequality widens, and macro-stability becomes vulnerable to external shocks.</p> <p>The so-called middle-income trap is no longer theoretical - it is visible on the horizon.</p>
<p>Fact 2: Productivity level badly trails peers</p>	<ul style="list-style-type: none"> • GDP per worker ≈ USD 9,000 • Malaysia ≈ USD 25,000, Singapore > USD 70,000 • Indonesia’s worker produces roughly one-third of a Malaysian worker’s output and one-fifth of a Singaporean worker’s 	<p>Endogenous growth theory predicts that technological catch-up requires closing the efficiency gap with leading economies. A wide productivity differential implies persistent unit-labor-cost disadvantages, limited value-added upgrading, and lower real wage potential. The gap also weakens Indonesia’s bargaining power in regional value chains, reinforcing peripheral status rather than core participation.</p>	
<p>Fact 3: Demographic dividend is at risk</p>	<ul style="list-style-type: none"> • More than 70 percent of Indonesians are working-age • Only 13.5 percent have tertiary education 	<p>Demographic-economic models indicate that a youth bulge is growth-promoting only when matched with human-capital formation and productive employment absorption. Absent rapid productivity upgrading, the dividend fades into a demographic burden, reflected in higher dependency ratios, structural unemployment, and fiscal pressure for social transfers as the cohort ages.</p>	

Running Hard, Getting Nowhere

Indonesians are working as hard as anyone. By some measures, Indonesia’s workers put in over 2,000 hours per year on average, among the highest working hours in the world and well above the OECD mean of ≈ 1 700 hours. Offices are busy, shops open early till late, and our smartphones ping at all hours with work messages. Yet for all this hustle, we often feel we’re not getting ahead. The reason: low output for each hour of work. An Indonesian worker produces on average only about \$13–15 of output per hour (in PPP terms). Compare that to a worker in Malaysia (\$26 per hour) and Singapore (\$74 per hour). Essentially, we’re sweating more but accomplishing less. This is the productivity paradox that we can see and feel.

The consequences hit home in paychecks and prices. Because productivity is low, businesses face higher unit costs – often resulting in lower wages for workers and pricier goods for consumers to maintain competitiveness. Many Indonesians remain in low-value tasks: small retail, basic farming, low-end services. They work long hours to make ends meet (“running hard”), but each hour’s work adds only a sliver to the economy (“getting nowhere”). Meanwhile, a worker in a high-tech factory in China or an automated warehouse in Singapore might generate in one hour what an Indonesian micro-entrepreneur produces in a full day. Our people are not lazy – they

More Relaxed with More Result

Malaysians can work half the hours of an Indonesian and still match annual output. Singaporeans can work one-fifth. Vietnam is catching up quickly.

The gap is not about hustle—it is about capital, technology, and skills deployed per worker.

are toiling earnestly. But the tools, skills, and environments they work in are often not empowering them to multiply their output. This treadmill of long hours and meager gains is unsustainable if we aspire to prosper.

Low hourly output cascades through the entire economy: wages stagnate because firms cannot afford higher pay when each worker generates only about US \$14 of value, forcing many households to survive on overtime rather than income growth; prices stay elevated because companies pass high unit costs on to consumers, eroding purchasing power; foreign investors benchmark Indonesia’s labour productivity against Malaysia and Vietnam and often take their factories elsewhere, thinning the pipeline of quality jobs; and long workweeks with limited gain trap millions in “survival labour,” leaving little time for reskilling or innovation, so the cycle of low productivity and limited prosperity repeats.

2. The Productivity Blackout

An Operating System We Forgot To Install

Why has this issue escaped the spotlight for so long? There has been a productivity blackout in our public discourse. We obsess over GDP, inflation, unemployment, but rarely is productivity growth front-page news or a political rallying cry. As a result, a critical driver of prosperity has lurked in the shadows. Few (outside of economists and think-tanks) talk about how a nation transforms every minute, rupiah, and energy into tangible progress. How it is important to pursue efficiency in classrooms, velocity in licensing, precision in public spending, tempo in project delivery, speed in people’s or goods transports, and fluency in digital workflows. They are treated as a technical concept, a *jargon* term, rather than a kitchen-table concern. This is dangerous, because what isn’t measured and discussed often isn’t improved.

Indeed, productivity is absent from the main course of our core doctrine. It is the missing thread we forgot to stitch into our national fabric. The following big arenas display what dominates and what remains missing when it comes to productivity.

<p>1 National Values and Civic Ethos</p>	<p><i>What Dominates:</i> Unity, religiosity, harmony, gotong royong, musyawarah mufakat, kekeluargaan are embedded in civic discourse and cultural rituals.</p>	<p><i>What’s Missing:</i> Productivity is not framed as a shared moral aspiration. It is rarely taught as a civic virtue or tied to national pride. It is absent (or buried in sub-narratives) from the language of <i>Pancasila</i>, religious sermons, and civic education. The idea that speed, innovation, or efficiency is a form of service to others is absent from everyday ethics.</p>
<p>2 National and subnational Politics</p>	<p><i>What Dominates:</i> Elections revolve around identity, populist promises, and subsidies. Politicians speak in terms of dreams and redistribution.</p>	<p><i>What’s Missing:</i> No campaign calls for a more productive citizenry or state. There is no shared productivity pact. Output per worker is invisible in national political imagination. Lack of debates in parliament over productivity.</p>
<p>3 Fiscal and Regulatory Governance</p>	<p><i>What Dominates:</i> Disbursement speed, compliance, project count dominate the logic of budgets and regulation.</p>	<p><i>What’s Missing:</i> Very few ask what each regulation or spending line achieves per unit of input. Productivity impact assessments are rarely demanded nor designed.</p>
<p>4 Subnational Development and Public Service Delivery</p>	<p><i>What Dominates:</i> Physical buildouts, coverage ratios, and bureaucratic activity are the metrics of local success.</p>	<p><i>What’s Missing:</i> Local leaders are rarely held to account for output-per-rupiah, turnaround time, or productivity gains in services. Musrenbang rarely asks: “Will this make us work smarter?”</p>
<p>5 Corporate Culture and Organisational Values</p>	<p><i>What Dominates:</i> Companies pursue growth, revenue, and ESG optics. Culture focuses on hustle, compliance, and hierarchy.</p>	<p><i>What’s Missing:</i> Few public institutions or private entities institutionalize productivity as identity or in their organizational value declarations. Labor and capital efficiency is often buried in internal reports—not celebrated as a cultural driver.</p>
<p>6 Education and Human Capital Strategy</p>	<p><i>What Dominates:</i> Access, attendance, exam scores, and graduate counts dominate the educational lens.</p>	<p><i>What’s Missing:</i> Productivity is absent from learning models. Schools are not challenged to raise output per teaching hour, and learning-to-impact ratios are rarely tracked.</p>
<p>7 Culture, Religion, and Media</p>	<p><i>What Dominates:</i> Tradition, morality, and entertainment shape public attention and identity.</p>	<p><i>What’s Missing:</i> Time stewardship, personal efficiency, and skill mastery are not framed as ethical imperatives. Productivity is missing from sermons, dramas, and influencer discourse. The algorithms of our social media platform are not engineered towards people’s productivity.</p>

This cultural silence reveals a nationwide blind spot in how productivity is internalized across values, systems, and daily behaviors. The result is a lack of accountability for productivity performance. Governments celebrate job creation or new infrastructure (inputs and outputs) but seldom ask: did these translate into people producing more value per hour? In companies, managers might track sales and profits, but fewer systematically track output per employee or process efficiency.

This blackout is ending only as the costs become clear: stuck in the middle-income trap, unable to reach high-income status due to low performance across the board. The following indicators reflect some of those consequences.

Metric	Theme	Indonesia	Top Peers
Overall Low Performance	Government Effectiveness Index (<i>higher better</i>) (World Bank, 2023)	0.58	ASEAN avg ≈ 0.70
	E-Gov Development Index (<i>higher better</i>) (UN E-Government Knowledgebase, 2024)	0.79 (Rank 64/193)	Malaysia (0.81), Thailand (0.83)
	Corruption Perception (Transparency International, 2023)	Rank 115/180	Malaysia (57), Vietnam (83), Thailand (108)
Unattractive Investment Climate	Regulatory Quality Index (<i>higher better</i>) (World Bank, 2023)	60.9 %	Malaysia (73.1%), Thailand (57%)
	Business Ready Index - Operational Efficiency (World Bank, 2024)	Rank 31/50	Vietnam (10)
Wasted Capital & Inefficient Projects	ICOR (Capital Efficiency) (<i>lower better</i>) (Bappenas, 2025)	6.47	Philippines (3.91), Malaysia (5.19), Vietnam (5.29)
	Total Factor Productivity (TFP) (Bappenas, 2025)	Declining (≈1)	Lack behind China, Malaysia, and Japan.

It's Not That We've Done Nothing

Indonesia's history is dotted with productivity initiatives. From Soeharto's 1968 decree that birthed the National Productivity Council and provincial Balai Produktivitas, through the Ministry of Manpower's Directorate-General of Vocational Training and Productivity Development and its BLK centers, to 1990s projects that linked efficiency with ecology like Environmental Management Development Indonesia backed by JICA, the archipelago has repeatedly mobilised for efficiency. Today that lineage expands to BAPPENAS and its APO-assisted master plan, a revitalised Lembaga Produktivitas Nasional (PR 1/2023), Kartu Prakerja, apprenticeship programs, certification agencies (PCAP, LSP Produktivitas Nasional, BNSP), the Making Indonesia 4.0 Task Force, BRIN's innovation hubs, KPPU's competition policing, KADIN's business drives, and SOEs adopting AKHLAK values.

Period & Context	Institutional Change or Reform	Intended Productivity Channel	Observed or Expected Outcomes	Remaining Gaps or Risks
Late 20th century (Soeharto, Repelita I–VI)	<ul style="list-style-type: none"> Centralized ministries and state-led industrialisation. National Productivity Council and provincial centres formalised after Presidential Instruction No. 15/1968. Green Revolution agencies for rice self-sufficiency. 	Rapid factor mobilisation plus early gains in agricultural and basic manufacturing total-factor productivity.	<ul style="list-style-type: none"> Rice yields rose; manufacturing TFP grew two to three percent annually in textiles and light industry. Crisis of 1997 revealed fragility: monopolies, weak competition, low innovation. 	Centralised patronage deterred long-run efficiency; misallocation persisted; few incentives for continuous upgrading.
Early Reformasi 2000s	<ul style="list-style-type: none"> Independent central bank, Anti-Corruption Commission, competition regulator (KPPU), sector regulators. Large-scale decentralisation transferring many functions to provinces and districts. 	Rule-of-law and market signals expected to improve firm efficiency; local governments tasked to tailor development.	<ul style="list-style-type: none"> Macroeconomic stability regained; FDI returned; but regulatory fragmentation emerged. Logistics cost remained 23–24 percent of GDP due to permit overlaps and incomplete infrastructure. 	Divergent local bylaws, capacity gaps, and rent-seeking undermined scale economies; SOE efficiency largely untouched.
2010s to 2020	<ul style="list-style-type: none"> Push for digital one-stop services (OSS), e-procurement, and performance-based budgeting. Infrastructure drive via Presidential "Nawacita" priorities. 	Shorten project lead times; lower transport and transaction costs; spur private investment.	<ul style="list-style-type: none"> Port dwell time fell; road density improved; partial rise in firm productivity, yet still lagging Malaysia by a factor of two. 	Regulatory stock still thick; labour law rigidities remained; human-capital quality static.

2020 Omnibus Law Era	<ul style="list-style-type: none"> Law No. 11 Year 2020 on Job Creation amends seventy-nine statutes Simplifies land acquisition, licensing, and labour rules; mandates risk-based online permits 	Cut administrative latency; attract FDI into high-value sectors; formalise SMEs.	<ul style="list-style-type: none"> 4.3 percent rise in realised FDI in first full year despite pandemic; early evidence of permit issuance time falling from weeks to days on OSS. 	Judicial reviews and provincial compliance uneven; labour upskilling provisions must match faster hiring rules to avoid low-skill lock-in.
2024 onward	<ul style="list-style-type: none"> BAPPENAS–APO collaboration on National Productivity Master Plan (RIPN) Presidential Regulation No. 1 Year 2023 revitalises Lembaga Produktivitas Nasional Aspirations for OECD accession and net-zero roadmap. 	Whole-of-government KPIs for output per worker; cross-ministry scorecards; alignment with global productivity standards.	<ul style="list-style-type: none"> Draft RIPN targets doubling labour productivity by 2035; pilot provinces preparing productivity action plans; early inter-ministerial dashboard testing. 	SOE reform pace mixed; R&D spending stuck near 0.3 percent of GDP; need stronger university-industry links and continuous regulatory pruning to prevent reform fatigue.

Evidence draws on Bappenas, APO, World Bank logistics cost diagnostics, McKinsey productivity studies, and Omnibus Law progress reports;

Despite the initiatives, the scoreboard still shows us playing catch-up. Each institution nudges the needle, yet labour productivity still lags Malaysia's by more than half and Vietnam is catching up. The formula that fuses these disparate efforts into compounding efficiency gains has yet to be cracked. It is an urgent deficit before the demographic dividend fades and the 2045 vision slips beyond reach.

3. The New Arms Race

Productivity is the New Sovereignty

Just as military strength or natural resources defined sovereignty in the past, today a nation's clout hinges on the efficiency and ingenuity of its workforce. Countries that can produce more value with the same resources invariably accumulate wealth, advance technologically, and wield greater influence. Nations are competing on who can compound growth faster through productivity gains. Those that succeed enjoy rising incomes, fiscal strength, and the means to shape global rules. Those that lag become dependent, stuck as markets for others' goods and providers of cheap labor or raw materials.

We see this globally. Over the past few decades, countries like China transformed their global standing by turbocharging productivity across the board. Through reform and industrialization, China's labor productivity grew around 6–8% annually for years, a blistering pace that made it the world's factory and now a technology contender. Small nations, too, punch above their weight through productivity: Singapore, with no hinterland or resources, became an economic powerhouse by maximizing the output of every worker through skills and tech. Productivity has thus become akin to a national defense mechanism: it safeguards economic sovereignty. A productive economy can better withstand shocks, finance its needs, and project soft power by exporting competitive goods and services. In contrast, an unproductive economy, no matter how large, remains vulnerable that is reliant on others for high-tech inputs, borrowing to fund development, and constantly at risk of its youth seeking opportunities abroad.

It Should Never Be a Side Project

Indonesia must recognize that raising productivity is not a technocratic side-project; it is core to our national resilience and dignity. When we elevate output per worker, we increase wages without stoking inflation, which means ordinary families feel the gains. We also reduce reliance on volatile commodity cycles, because value-added industries can flourish.

In essence, productivity growth is the most sustainable way to boost GDP and improve living standards in tandem. It gives a nation the means to shape its destiny. As countries around us aggressively invest in upskilling workers and upgrading industries, we face a stark choice: join the productivity race or risk ceding our economic sovereignty in the long run.

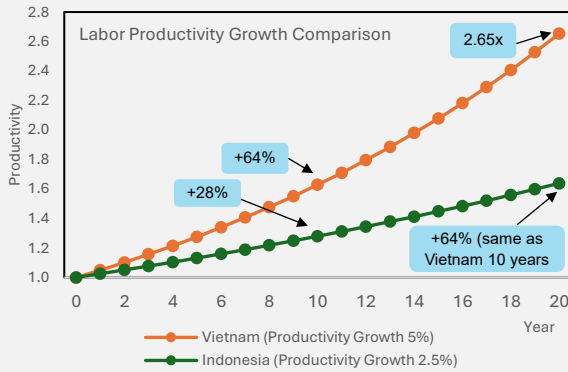
Country	GDP per capita (current US\$, 2024)	GDP per hour worked (PPP US\$, 2023)	Labor Productivity Growth (2010-2020)	TFP Growth (latest decade)
Indonesia	~\$5,000	\$13.5	~3% per year (slowing to ~2% recently)	≈ 0% (stagnant, some periods negative)
Malaysia	~\$12,500	(est. \$25–30, PPP)	~2–3% per year	Positive (benefiting from industrial upgrade)
Thailand	~\$7,800	\$14.7	~3% per year (last decade)	Low positive (some TFP gains)
Vietnam	~\$4,000 (2024)	(est. \$8–9, PPP)	64% total (2010-2020) (~5%/yr)	Positive (significant TFP gains)
China	~\$13,700 (2024)	\$15.4	~6-7% per year (2010s, very rapid)	Strong positive (tech catch-up, though slowing recently)
United States	~\$80,000 (2024)	~\$72 (PPP)	~1% per year (recent)	Moderate positive (post-GFC slowdown)
Singapore	~\$80,000 (2024)	~\$77 (PPP)	~2% per year	Positive (continual upgrading)

Sources: IMF, World Bank, APO, McKinsey, and national statistics. (growth rates approximate trends.)

When Nations Compound

A generation ago, Indonesia's productivity was ahead of Vietnam's and not far from China's. Now China has slightly surpassed us and Vietnam is rapidly closing in. Vietnam could realistically converge with, or even surpass, Indonesia in the coming decade. Compounding is the engine of convergence: poorer countries that grow productivity faster catch up to richer ones. Indonesia itself enjoyed this in the Suharto era when manufacturing-led productivity growth outpaced some of our neighbors. But in recent times, we've lost that edge.

The Power of Compounding



We've lived this reality in Asia. Seemingly small differences in annual productivity growth create massive gaps over time.

A difference of just a couple percentage points may sound trivial year to year, but over a decade it's transformative. In 10 years, Vietnam managed to increase output per hour by 64% which essentially doubling productivity in roughly 15 years at that pace. Indonesia, growing at half that rate, might only raise productivity ~28% in a decade – barely a one-quarter improvement.

Over 20 years, the gap widens dramatically: a country growing at 5% will roughly triple its productivity, while one at 2.5% might not even double. Nations compound, and those with higher productivity growth race ahead exponentially.

Over 30 years, a 3% vs 1% productivity growth difference is the gulf between a middle-income and a high-income nation. South Korea is a case in point: in the 1960s its productivity and income were lower than Indonesia's; relentless compounding of 7%+ productivity growth for decades vaulted Korea into the high-income club, while Indonesia remained middle-income. Each percentage point of productivity growth we fail to achieve is a massive missed multiplier for the future.

4. What's Holding Us Back

Indeed, several of Indonesia's enduring constraints are structural in nature: features of our demographic and geographic endowment. A large and dispersed population, coupled with an archipelagic geography, introduces inherent complexity in service delivery, infrastructure development, and market integration. The consequence of these structural burdens is clear: business-as-usual growth will not suffice. Even national leaders have recognized this reality. Finance Minister Sri Mulyani has cautioned that Indonesia's consistent 5% annual GDP growth is "not enough" to achieve high-income status. The Ministry of National Development Planning has noted that two decades of suboptimal growth have left the country falling short of its 2045 aspirations. While these constraints influence productivity outcomes, they should not dictate them. The critical variable is how policy, institutions, and firms respond. In this context, structural disadvantages must be counterbalanced by systemic strengths. The following section examines Indonesia's competitiveness levers that can be actively shaped to overcome these constraints and drive productivity at scale.

1.

Skills and Human Capital Gap

- Education access has improved, but the skills-job mismatch remains severe.
- Employers cite lack of practical skills, critical thinking, and technical expertise.
- Vocational training is rare: <1% of labor force trained vs ~10% in Vietnam.
- Universities are underperforming in R&D and industry collaboration.
- Worker health and childhood stunting affect long-term productivity.
- Occupational health and safety remain weak, especially in informal sectors.

2.

Infrastructure & Logistics Bottlenecks

- Physical connectivity remains weak across archipelago despite recent investments.
- High logistics costs (20%+ of GDP) erode efficiency vs 13–15% in neighbors.
- Poor infrastructure forces firms to hold inventory, delay deliveries, and lose output.
- Digital infrastructure lags in quality and rural access, limiting digital economy uptake.
- Slow internet and weak broadband limit adoption of cloud tools and platforms.

3.

Technology & Innovation Deficit

- Many firms, especially SMEs, underinvest in modern tools and systems.
- Awareness and technical capacity to adopt tech are limited.
- Automation is scarce: 5 robots per 10k workers vs global average of 162.
- R&D spending is low; innovation is not well-integrated across sectors.
- Precision farming, lean manufacturing, and best practices are underused.
- Innovation is concentrated in digital startups, not spread across the economy

4.

Drag of Informality and Small Scale

- 97% of workforce is in MSMEs, most of them informal and small-scale.
- Informal firms lack access to capital, markets, training, and legal protections.
- Small size prevents productivity through specialization and economies of scale.
- Regulatory burdens discourage growth beyond informal status.
- Formal sector concentration in resource-heavy or protected industries reduces dynamism.
- Productivity churn (high-performers growing, low-performers exiting) is weak.

5.

Policy and Institutional Constraints

- Progress exists (e.g., Omnibus Law), but bureaucracy still stifles operations.
- Time lost on permits, customs, and red tape reduces business efficiency.
- Corruption distorts resource allocation and slows down execution.
- Energy subsidies, protectionism, and rigid labor laws have unintended effects on productivity.
- Over-regulation discourages firms from growing beyond thresholds.
- Limited competition in certain sectors reduces pressure to be productive.

6.

Infrastructure & Logistics Bottlenecks

- Management quality in many firms lags global benchmarks.
- Professional management practices (goal-setting, monitoring, incentives) are underused.
- Workplace hierarchy and cultural norms can stifle innovation and feedback loops.
- Weak workplace discipline (lateness, absenteeism) drags output.
- Some firms excel under international exposure but change has not scaled.

7.

Sector-Specific Productivity Gaps

- Agriculture: low productivity due to small landholdings and manual labor.
- Manufacturing: lags in automation, lean practices, and skilled workforce.
- Services: dominated by informal, low-productivity jobs in retail and hospitality.
- Modern services are efficient (fintech, telco) but employ fewer workers.
- Bridging gaps across sectors will require digitalisation, training, and business model upgrades.

This web of interrelated issues might sound like a daunting list (and a big challenge) but the interconnectedness of these factors also means we can get virtuous cycles going. Improve one factor, and it can positively impact others. For instance, formalizing businesses can make them more likely to invest in training and tech. Improving education makes it easier to adopt new processes. Streamlining regulations can encourage firm growth and competition, which in turn forces efficiency.

5. The National Productivity Agenda

Reprogramming the Nation

Turning Indonesia into a productivity powerhouse requires nothing less than a national reprogramming. We need to shift the mindset from top to bottom in government, business, and society so that efficiency and innovation become part of our DNA. This is both a policy challenge and a cultural one. On the policy side, it means a coordinated agenda that cuts across sectors and ministries, aligning everyone toward the common goal of raising productivity. On the cultural side, it means changing attitudes: instilling pride in working smarter, not just harder; valuing expertise and experimentation; shedding the acceptance of inefficiency as "normal". The journey from jargon to obsession begins by clearly identifying the key levers of change and then pulling them hard.

Indonesia has examples to learn from. Malaysia launched a comprehensive Productivity Blueprint in 2017 to drive multi-sector improvements. Singapore famously had its Productivity Movement in the 1980s led from the Prime Minister's Office. We can adapt ideas from them and others, but our agenda must be home-grown to address Indonesia's unique context (e.g., our geographic spread, our informal sector). Reprogramming the nation means making productivity enhancement a core lens for all decision-making. For instance, when drafting any new regulation, we ask: will this increase or decrease productivity for firms? When budgeting for programs, we prioritize those with higher productivity returns (like early childhood nutrition or vocational training) over those with populist appeal but low impact.

The Four Levers of Change: Education, Governance, Industry & Workforce, Culture & Mindset

To convert its demographic energy into sustainable prosperity, the nation must pull four grand levers at once. Education must forge adaptable problem-solvers. Governance must reward outcomes, not paperwork. Industry must graduate from a sea of micro shops to a fleet of technically potent, medium and large firms that drive economies of scale. Culture must treat every idle moment as a forfeited future. Together these levers form a flywheel; push any one in isolation and the wheel wobbles, but force them forward in concert and Indonesia will generate the compounding momentum that separates middle-income aspirations from high-income reality.

<p style="text-align: center;">Education <i>Schools that Produce Value, Not Just Graduates</i></p> <p>Education should be the bedrock of productivity. Move the focus from time spent in classrooms to capabilities that solve real problems. Prioritise numeracy, digital fluency, and critical thinking, measured by what graduates can create, not the diplomas they collect. Teacher rewards, curricula, and assessments must all revolve around demonstrated learner mastery.</p>	<p style="text-align: center;">Governance <i>A State that is All-In for Productivity</i></p> <p>Replace rule-driven ritual with relentless outcome delivery. Every regulation, budget line, and civil-service KPI must point to faster, cheaper, better public services. Digital workflows, transparent data, and performance contracts turn ministries from gatekeepers into catalysts that multiply citizen and business productivity. Create a governance that is very sensitive towards matters of productivity.</p>
<p style="text-align: center;">Industry & Workforce <i>Firms that Scale and Innovate</i></p> <p>Shift from labour absorption to value at scale. McKinsey shows Indonesia must triple medium- and large-size firms and lift their employment share from 25 % to 50 % of non-farm jobs to reach high-income status. Enable scaling via easier credit, R&D incentives, open competition, and focused upskilling. This unlocks capital deepening thus letting output rise faster than head-count.</p>	<p style="text-align: center;">Culture & Mindset <i>Making Productivity a National Obsession</i></p> <p>Productivity as a social movement transforms norms from passive time-keeping to purposeful contribution. Idleness is treated as lost national potential; every hour is an investment in shared prosperity. Success is redefined by tangible impact—outputs, outcomes, improvements—so citizens, firms, and officials take ownership of continuous productivity gains.</p>

6. From Vision to Velocity

#ProduktivIndonesia

Injecting productivity as the missing multiplier into the core of the nation's fabric requires conversion from plans into action, and action into national habit. Productivity will not rise through fragmented programs or isolated success stories. It must be driven by a unified system that aligns targets, compels delivery, rewards progress, and embeds purpose. This final section introduces five actions: **Moonshot** → **Mandate** → **Mission** → **March**; that are designed to hardwire productivity into the nation's rhythm. Together, they form a single architecture to move Indonesia from policy to performance, and from movement to momentum.

Moonshot	<i>Double Productivity by 2035</i>	
	Lever	Example of Ten-Year Moonshot Metric
Indonesia sets a single, audacious North Star: double labour productivity within ten years and lift total-factor productivity by at least one-half. The target is simple, measurable, and terrifying enough to concentrate every ministry and marketplace mind.	Education	<ul style="list-style-type: none"> 100% of teachers trained in competency-based methods. Achieve ASEAN top-three average in PISA scores; Cut the share of 15-year-olds below basic PISA proficiency from 70 % to 25 %.
	Governance	<ul style="list-style-type: none"> All public services benchmarked on service-time guarantees; 90% of permits processed within nationally set thresholds;
	Industry & Workforce	<ul style="list-style-type: none"> Triple the number of medium- and large-scale firms; Raise non-farm capital per worker 2x; Increase the share of mid- and large-sized firms in non-farm employment from 27% to 50%; Double the share of firms investing in automation, AI, and process innovation.
	Culture & Mindset	<ul style="list-style-type: none"> Embed "one continuous-improvement act a day" into 50 % of workplaces through suggestion schemes and digital tools; Make "daily productivity rituals" a national standard and measurable via productivity-tracking tools adopted by 10 million workers, students, and civil servants.

Mandate	<i>Hard-Wiring Accountability</i>	
	Lever	Example
There should be productivity champions, role models, supervisors, coach, resource persons, or the likes. The State therefore issues a Productivity Mandate with the force of law and the clarity of role and authority.	Education	<ul style="list-style-type: none"> Regency-Level Productivity Inspectorates: semi-autonomous units embedded in local education offices, empowered to sanction schools with persistent learning stagnation and reward rapid improvers. Industry-Education Syndicates: regional employer coalitions co-governing vocational school budgets and allowed to redirect curriculum based on real-time labor market needs.
	Governance	<ul style="list-style-type: none"> Public Service Velocity Councils: multi-stakeholder panels (citizens, civil society, data scientists) that set "velocity targets" for government services, and can trigger pay-for-performance schemes or freeze new hiring in laggard agencies. Digital Redesign Units (DRUs): appointed tech squads embedded in ministries, with executive power to scrap, simplify, or redesign processes that fail productivity stress tests.

- Industry & Workforce**
 - Regional Productivity Chambers:** provincial-level boards made up of high-performing SMEs and large firms, granted authority to co-decide on distribution of industrial policy funds and grants based on firm-level productivity trajectories.
 - Workforce Scaling Judges:** independent task forces that verify whether a firm is scaling impactfully (automation, training, market access), and greenlight their access to tax incentives and fast-track business permits
- Culture & Mindset**
 - Productivity Ritual Designers:** creative community leaders certified to install workplace and neighborhood-level rituals that shape time-discipline, output culture, and micro-innovation habits.
 - Kecamatan-Level Time Courts:** peer-juried sessions reviewing public complaints on habitual lateness or waste by local institutions—decisions are posted publicly and carry symbolic penalties or rewards.

Mission

Programmes That Move the Needle

The mandate directs power; the mission supplies the mechanism. Each lever receives a flagship mission designed for scale and speed.

Lever	Flagship Mission	Scale Target
Education	National Mastery Accelerator: intensive teacher retraining plus AI-enabled assessment to identify and close learning gaps in real time.	Reach 200,000 teachers and 15 million students within five years.
Governance	Prod-Gov 24/7: end-to-end digital workflows for 100 core citizen and business services, backed by single sign-on and national data ledger.	95% of permits delivered in < 48 hours by 2028.
Industry & Workforce	Scale-Up Indonesia: blended finance, tech-voucher, and export-coaching package for firms graduating from micro to medium.	Create 30,000 new medium firms and upgrade 5,000 to large by 2030.
Culture & Mindset	#OneHourForward: nationwide challenge inviting every worker, student, and civil servant to reclaim one unproductive hour daily and document the impact.	Ten million verified “hours forward” logged in the first year.

March

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The nation should march together in cadence. This march sets a relentless drumbeat of review, innovation, result, and celebration.

Activity Example
<ul style="list-style-type: none"> Quarterly Dashboard Victory Loops Youth Movement Media Conditioning
<ul style="list-style-type: none"> Productivity Congress National Campaign Institutional Branding Productivity Competition
<ul style="list-style-type: none"> Innovation Crowdsourcing Symbols & Rituals Everyday Nudges Leaderboard

This Decade Decides Everything

The 2020s will determine whether Indonesia rises to become a prosperous, advanced economy or remains stuck in the middle. Our demographic dividend is peaking, global supply chains are shifting, and technology is redrawing the map of competitiveness. If we fail to act now, we risk being locked out of the high-productivity future.

Other nations aren't waiting. Vietnam is scaling up skills and tech. China is climbing fast into advanced value chains. Even resource-rich economies are racing to diversify. Complacency today is a cost we will carry for generations.

The good news: Indonesia has the fundamentals, the political will, and a generation ready for change. What we lack is not capability but coordination, urgency, and a national compass centered on productivity. This decade is the launchpad. With bold moves, we can unlock growth and transform our trajectory by 2045.

The task is simple but monumental: make productivity the benchmark for every policy, every budget, every business decision, and every individual. Ask one question: *does this make us more productive?* If yes, accelerate. If not, reallocate.

This is not just an economic reform. It is a national awakening. Our true wealth lies not in our resources, but in our ability to turn time, talent, and tools into outcomes that matter. Let history record that Indonesia chose not to drift—but to run forward. Faster, together, and for #ProductivIndonesia.

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