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# **The Economic Crisis and Child Labour in Indonesia**

by

Chris Manning  
Australian National University

International Labour Office  
International Programme on the Elimination of Child Labour  
Geneva

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The author is Head of the Indonesia Project, Economics Division, Research School of Pacific and Asian Studies and APSEM, Australian National University.

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## **Abstract**

The paper reviews the impact of the financial and economic crisis on child workers in Indonesia. The economic crisis has imposed a tremendous burden on households. But aside from the very evident rise in numbers of street children, much of the cost of adjustment among children has been hidden from public scrutiny. While many children have been displaced from wage employment, many have found jobs in agriculture and the informal sector. The effects of the crisis have been superimposed, moreover, on a structure of child work that was already quite different from the stereotypes often associated with exploitation of young workers. It is the small and medium scale sector rather than in large-scale factories where the most abuse of child labour occurs. This is demonstrated in the case studies taken from the Bandung region in Indonesia. The paper discusses government responses to the crisis and policy initiatives which the government, international agencies and NGOs might consider to help protect and rehabilitate child workers, and ultimately to help eliminate more hazardous forms of child labour. The arguments are presented in the context of the pre-crisis situation of child workers, and the distinctly Indonesian pattern of child labour, which had emerged in the 1990s and underpins the response to the crisis.

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## 1. Introduction

The momentous economic reversal of 1997-1999 raised the spectre of massive job losses, displacement of children from school and a growing army of child workers forced into low paid employment for survival in Indonesia. The adjustment to the economic crisis (*krismon*)<sup>1</sup> has been less dramatic than anticipated, in part attesting to the strength of the 'peoples' economy and social networks, both within extended families and communities. Nevertheless, the *krismon* has imposed a tremendous burden on households. Aside from the very evident rise in numbers of street children, much of the cost of adjustment among children has been hidden from public scrutiny. The effects of the downturn have been superimposed, moreover, on a structure of child work that was already quite different from the stereotypes of bonded labour and transnational corporation exploitation of cheap child labour.

This paper reviews the impact of financial and economic crisis on child workers in Indonesia. It discusses government responses to the crisis and suggests some policy initiatives which the government, international agencies and NGOs might consider to help protect and rehabilitate child workers and ultimately to eliminate more hazardous forms of child labour. The discussion is set in the context of the pre-crisis situation of child workers and the distinctly Indonesian pattern of child labour, which had emerged in the 1990s and underpins the response to the crisis. Indeed, one challenge of the study is to try and distinguish short-term responses and policy options from longer-term concerns regarding child labour policy and action programmes.

An attempt has been made to view the issue of child labour, and the response to the crisis, in the context of existing labour market and economic realities. As many experts have suggested, it would be foolhardy to suggest that child labour, however defined, can be abolished overnight, especially at a time of economic crisis. It is also acknowledged that child labour is not the major issue which Indonesian families face as they try to grapple with a massive decline in per capita incomes. But, although not as widespread as in many other countries in Asia, employment that is harmful to the development and education of children is an important phenomenon in Indonesia and requires the attention of policy makers and community groups.

The paper opens with a brief discussion of the dimensions and impact of the economic crisis in Indonesia – by far the most severe in Asia in the late 1990s – and reviews prospects in the short- to medium-term future. This is followed by a quantitative survey of the impact of the crisis on child labour, based primarily on an analysis of national survey data. The fourth section examines the impact of the economic crisis on school enrolments and the implications for work among young people. Next, we take a qualitative approach and review some evidence for changes in child labour in one region of Indonesia: Bandung city and surrounding districts. The sixth section deals with policy responses to the economic crisis and also to the problem of child labour. The paper closes with a review of some of the lessons from the Indonesian experience. Several policy actions are discussed, which might be taken by the government together with international

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<sup>1</sup> The term *krismon* refers to the *krisis moneter* or financial crisis that hit Indonesia from August 1997. It is commonly used in Indonesia to describe both the monetary crisis and ensuing economic slump which followed in 1998/99.

agencies and NGOs, both in the short and longer term, to address problems raised by the problems of working children in Indonesia.

## **2. The economic crisis, labour markets and the social impact**

### **2.1 The economic crisis**

The context of economic crisis in Indonesia was the extraordinary, and largely unexpected, turnaround in economic performance starting in the last quarter of 1997 and extending through most of 1998. Although the economy had recovered stability by late 1998, there remained severe doubts regarding the capacity to return to a high economic growth path in the short to medium term. This meant labour markets would continue to experience considerable strain, with consequent adverse effects for social and family welfare, and for children. Innovative policies will be urgently needed to cushion the effects of macro-economic stagnation on families and children in the foreseeable future

#### *Magnitude, causes and consequences of financial collapse*

Indonesia suffered a much more dramatic decline in economic performance than any other country in Asia. This was partly triggered by a ‘contagion’ effect emanating from the collapse of the baht. But Indonesia faced more deep-seated economic and political problems than other countries in the region. On top of a poorly supervised banking sector and mounting short-term (and unhedged) private debt common in all other countries, was the problem of increasingly unpopular concentration of political and economic power in the hands of the first family. The Soeharto government backtracked economic reforms agreed upon with the IMF which were inimical to its interests in late 1997 and early 1998 (Soesastro and Basri, 1998). As a result, international and domestic investors lost confidence in the government’s capacity to respond to an urgent need for changes in economic policy. This pushed the economy into a downward spiral, and for the first time in 30 years began to threaten the political control of the President. Subsequent political unrest and the downfall of the Soeharto government contributed to an even steeper decline. The transition to a new government and political system, moreover, meant that the Indonesian economy remained much more vulnerable than other crisis countries – Thailand, Korea and Malaysia – to swings in investor confidence as political reform unfolded in 1999.

The *krismon* hit Indonesia one month after Thailand in mid 1997. The rupiah was floated and began to slide in August 1997. Increasing economic uncertainty through to the end of 1997 was followed by a year of economic instability and decline, unparalleled in three decades and more much more severe than in any other East Asian country. The economic collapse – a 14% fall in total GDP in 1998 – and instability was triggered by the dramatic fall in the value of the rupiah and massive capital flight in the first quarter of 1998 (Soesastro and Basri, 1998). As political unrest increased, culminating in the downfall of Soeharto in May 1988, the entire modern sector of the economy was paralysed by the collapse of the rupiah. Indonesia had lost economic stability, so prized by the Soeharto government (box 1).

**Box 1: From financial to economic crisis in 1998**

In the first three quarters of 1998 money markets and investors totally lost confidence in Indonesia and commercial banking operations virtually came to a halt as did many modern private sector activities. Inflation soared, hovering around 5-10% per month January-August 1998. Consumer prices rose by an annual rate of just under 80% for 1998, after an extended period of more than a decade when the CPI rarely exceeded 10% annually (and never exceeded 5% on a monthly basis). Food prices alone increased by over 90% in the first eight months of 1998, including a more than doubling of the price of rice in many regions. As the government tried to tighten money supply and prevent capital flight, and later as capital available to the private sector virtually dried up, interest rates rose accordingly, exceeding 50% by the time Soeharto stepped down in May 1998.

The economy regained a modicum of stability late in the same year and in the first quarter of 1999. Inflation fell significantly, registering an average rate of less than 2% October 1998 - March 1999. Interest rates dropped from a peak of close of 70% and the exchange rate improved in value to around Rp.8000-9000/\$US, around double its lowest value in the crisis months of mid 1998. However, there was little prospect of renewed aggregate economic growth in the first half of the year and the most optimistic forecast, in the 1999-2000 budget, was for zero growth for the budget year.

Like other East Asian economies, Indonesia has only just begun to face the daunting twin challenges of dealing with massive private sector debt and restructuring the poorly regulated, modern financial and banking systems (including a significant number of bank closures and mergers).<sup>2</sup> However the problems of bank restructuring, debt rescheduling and rekindling investor confidence, the three key obstacles to a return to economic growth, are much more serious in Indonesia than in the other countries badly affected by the financial crisis (Lane et al. 1999; Hill, 1999).

- In part, financial and private sector reform is intricately inter-twined with the ability of the new government to come to a settlement of the massive debts persisting from the time of the former government.
- A loosening of the tight political controls applied by the Soeharto government for over three decades has been accompanied by protracted political and social unrest in various parts of Indonesia extending well beyond the turmoil at the time of the downfall of Soeharto and into 1999.

*Trends in output*

The impact of the financial crisis on output has been quite varied across sectors and regions. While construction, manufacturing and the banking and finance sector contracted steeply in 1998, agriculture and other services fell only slightly and cushioned the effect of the substantial fall in production and demand (Table 1). Within tradable goods sectors, products oriented to international markets and export-oriented manufacturing took advantage of the favourable exchange rate. The volume of agricultural exports increased significantly and supported a small

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<sup>2</sup> The first major steps towards bank restructuring were taken in late 1998 and in March 1999 when the main state banks were merged, 38 private banks were closed and several others instructed to merge.



rise in the volume of total non-agricultural exports.<sup>3</sup> The substantial devaluation also encouraged considerable substitution away from imports to domestic products. At the same time, the high rupiah price of imports disrupted import-intensive activities, especially those oriented towards the domestic market. Prices of everyday commodities such as chicken, soy beans, powdered milk, most medicines and basic plastic products soared.

Despite the absence of signs of a recovery in the modern private sector, several non-agricultural sectors showed signs of improvement in the last quarter of 1998. Compared with annual growth rates for the entire year of 1998, which were almost all negative, there was modest growth in all non-agricultural sectors except electricity, gas and water in the fourth quarter of 1998 compared with the previous quarter (Figure 1).<sup>4</sup> Overall, non-agricultural output rose by just under 2% in the fourth quarter, compared with -16% for all of 1998. While the large decline is not surprising, given the depth of the slump in production during the first nine months of 1998, the improvement is a sign that the Indonesian economy may have begun to turn the corner.<sup>5</sup>

Although there is not yet any breakdown of GDP data by region for 1998, it is clear that Java and urban areas have been much more heavily hit than Outer Island regions and rural areas. The dramatic cut-backs in production and financial uncertainty have been particularly severe in Jakarta and West Java where the major expansion of modern sector activity took place, supported by a largely unsupervised banking sector. Construction activity was heavily concentrated in urban areas and particularly the major cities on Java. In contrast, many of the Outer Island provinces benefited from incentives to export agricultural products under the much more favourable exchange rate. In particular, there was a substantial rise in the export earnings from smallholder crops such as coffee, cocoa, rubber, cloves and other spices which are concentrated in Outer Island provinces in Sumatra, Sulawesi and Kalimantan.

Nevertheless, not all Outer Islands regions and people have necessarily gained from the improved exchange rate, nor have rural areas been entirely insulated from the cut-back in product and labour demand in the cities. Relatively few people in several provinces in eastern Indonesia, especially the Nusa Tenggara Islands, have access to export oriented cash crops, and also suffered particularly badly from the severe drought which Indonesia experienced in 1997 and early 1998. Similarly, rural areas were by no means insulated from the effects of the economic crisis. In addition to disruption of construction, transport and trade, many displaced urban workers returned to their homes in rural areas, putting additional pressure on local labour markets (Cohen, 1999).

### *Social effects and policies*

The social impact of the economic crisis has been severe.<sup>6</sup> Indonesian families were adversely affected by twin effects of a sharp cutback in labour demand and a high rate of inflation through 1998. By early 1999, at least an estimated half a million people had lost their jobs in the modern sector, and probably at least a million more in small scale industry and trade. In all this amounted

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<sup>3</sup> However, the dollar value of non-oil exports increased only slightly and total export growth was adversely affected by the low price of oil (Cameron, 1999).

<sup>4</sup> Agricultural production was strongly negative in the fourth quarter of 1998, mainly due to seasonal factors.

<sup>5</sup> Outside agriculture, there are no obvious seasonal effects associated with production in the fourth compared with the third quarter of the year in Indonesia.

<sup>6</sup> See especially Tubagus F. (1998), World Bank (1998), Poppele et al. (1999).

to a loss of around 5% of total non-agricultural wage employment and closer to 10-15% of total employment in industry and trade. Real wages declined by around 30-50% in the same year, as nominal wage growth lagged far behind the increase in consumer prices.

Given a cutback in disposable incomes of 30-50%, it seemed likely that many Indonesians would be driven back into poverty – from which a significant number had only just emerged – as predicted by both official government and ILO (1998) projections. This did not happen to the extent anticipated. The outcome, although still quite serious, attests to the extraordinary flexibility of labour markets, and the range of coping mechanisms which families were able to marshal at a time of significant challenge. In addition, the government has mounted major programmes of social support, although disbursements have been delayed through bureaucratic inefficiencies. We deal with each of these topics, before turning to trends and prospects for socio-economic development in the wake of the economic crisis.

## **2.2 Labour market change**

The dramatic change in the economy from August 1997 had a major impact on the labour market. The most important developments were an increasing informalisation of employment, a dramatic increase in work in the agricultural sector, and a fall in real wages.<sup>7</sup> The response was thus primarily reflected in a relative fall in the price of labour, and a shift away from wage jobs, rather than a decline in the total number at work. Most households were not able to afford the luxury of unemployment.

Tables 2-4 show trends in labour force indicators and employment from August 1997 to August 1998 based on the national labour force surveys. Unemployment rose much less in aggregate than was initially predicted – to 5.5% in August 1998 from just under five per cent twelve months earlier – as many displaced workers returned to their home villages to seek an income in agriculture or in the informal sector. In urban areas, however, unemployment rates rose to just under 10%, almost double the figure recorded several years earlier.<sup>8</sup> It rose more quickly among males which were hardest hit in the construction industry – male workers accounted for 70% of the increase in unemployment over the twelve month period (Table 2).

Although urban employment continued to grow, many new jobs were found in self-employed and family work in trade, transport and services, counterbalancing significant declines in wage employment in manufacturing, construction and other sectors (Tables 3 and 4). Work force growth in agriculture and in rural areas, which had slowed considerably in the early 1990s rose, especially on Java where workers were hardest hit by the crisis. Increases in agricultural work were dramatic. The growth rate was double digit among both male and female workers, most of them engaged in self-employed and family work. Although disaggregated data on employment are not available by agricultural sub-sector, it seems likely that many people on Java went back to cultivating dry land agriculture or their housegardens (*pekarangan*) which had tended to be neglected during the period of rapid export-oriented growth.

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<sup>7</sup> See Tubagus (1999) for a comparison of trends from 1990-96 and 1997-98 based on data from the National Labour Force surveys.

<sup>8</sup> From 1990 to 1993, urban unemployment hovered around 5-6% before rising quite sharply in the middle of the decade (Manning and Junankar, 1998).

Outside agriculture, however, employment stagnated or fell in all sectors, particularly among wage workers on Java. While some small scale industry had expanded in response to incentives for import replacement and export, this growth was swamped overall by the displacement of workers from many other activities, and a decline in purchasing power.

One noticeable response to the crisis was an increase in female labour force participation rates and absorption of many more women into agriculture. Female workers accounted for just over 60% of total employment growth from August 1997-August 1998 (Table 2). While fewer females were displaced from wage jobs than males, the decline in female work in manufacturing was particularly marked. The loss of jobs in manufacturing accounting for two-thirds of the net decline in non-agricultural work among female workers. The data also suggest that many female workers also shifted away from non-wage jobs outside agriculture, and shifted back to agriculture (Tables 3 and 4).

As people crowded into the informal sector and searched for work in other sectors, real wages declined reversing the upward trend experienced for much of the 1990s (Manning and Jayasuriya, 1996). The fall was exacerbated when the country faced accelerated inflation in 1998. Casual wages in rice agriculture – a key indicator of labour market conditions for unskilled workers – fell by 30-50 in the Java provinces, after account is taken of prices paid by farmers for consumer goods. They also fell in real terms in the Outer Islands, although by a smaller amount (Central Bureau of Statistics, 1998).<sup>9</sup> Similar declines were experienced in non-agricultural sectors. Figure 2 shows that total money wages rose by around 20% in the Outer Islands and slightly less in Java, compared with a an increase in living costs of over 50% in the first eight months of 1998. In general, non-agricultural wages rose less quickly than in agriculture, and like in the case of rice, they increased less quickly in Java than in the Outer Islands. Labour market effects were consistent with the social impact of the crisis which also appears to have been much sharper on Java.

### **2.3 Other social impacts**

The social disruption partly, although not entirely, associated with these labour market changes was necessarily severe. Although there is some controversy over the magnitude of changes, it is clear that the incidence of poverty increased, families were forced to withdraw their children from school and the health care of mothers and infants was threatened as the price of medicine skyrocketed.

The incidence of poverty rose quite steeply, although there has been considerable controversy over the poverty figures. Regarding the controversy, estimates of those in poverty ranged from 14% to nearly half of the total population by the end of 1998. Early in 1998, the Central Bureau of Statistics predicted that the severity of the economic decline would lead to an increase in poverty by fourfold: to just under 80 million by the end of 1998, compared with 22 million or 11% of the population in 1996. Projections made by an ILO Taskforce on Employment suggested an even more dire outcome. It was estimated that poverty might increase to include

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<sup>9</sup> Data taken from the Central Bureau of Statistics, *Economic Indicators*, various issues (wage costs in the farmers terms of trade deflated by the price index of goods consumed by farmers). See also Cameron (1999).

nearly 100 million people or just under half of the total population by the end of 1998 and two-thirds of the total population by the end of 1999 (ILO, 1998: 45-48). In contrast, a more conservative estimate, made by the World Bank, suggested that poverty had probably only increased slightly to around 14%, although the authors still saw this as a major step backward (World Bank, 1998).

These estimates provide a lower and upper band for poverty in 1998. The true figure was probably closer to 20-30% compared with just over 10% in 1996.<sup>10</sup> In addition to technical problems of estimating poverty in the face of insufficient data,<sup>11</sup> there appears to have been a remarkable capacity among many Indonesian households to adapt to a sharp fall in income (see box 2). This has especially occurred through family support mechanisms and income transfers in addition to shifts in employment structure and flexible wages, which have ensured that the number of open unemployed did not rise as fast as was feared initially.<sup>12</sup> Although there is a danger in overstating the capacity of poorer households to adjust to such a huge economic shock, it is clear that sections of the long dormant 'peoples economy' received a stimulus from the big change in relative prices brought about by Indonesia's massive devaluation. Many export-oriented activities such as handicrafts, furniture and some textile products such as sarongs are produced by small firms and counterbalance, to some extent, the loss of jobs in larger modern enterprises. In addition, many locally produced goods with a low import content, such as bamboo products, processed food and drinks, are produced by poorer sections of the community.<sup>13</sup>

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<sup>10</sup> Early figures from the 1999 National Socio-Economic Survey (SUSENAS) suggest a national figure of approximately 20% of people in poverty in February 1999. Nevertheless it is important to bear in mind that changes in the poverty incidence have probably been given too much prominence in discussions of the social impacts of the crisis in Indonesia. It is only one indicator of stress arising from the crisis. Few urban wage earners, the group worst hit by the economic downfall, were registered among poorer sections of the community prior to the crisis. It is unrealistic to expect their expenditure levels (as against their incomes), on which the poverty figures are based, to drop to a level below the poverty line in the short term, given dissaving and family transfers to facilitate expenditure smoothing among those worse affected. In addition, the poverty line was very low, much closer to \$0.50 than \$1.00 which was one yardstick used in international comparisons (ILO, 1998).

<sup>11</sup> The lower figure of 14% estimated by the World Bank assumes an unrealistically low (35%) food component in the price deflator of expenditure among the poor. Re-estimation of the data to include a more realistic 70% food component raises total poverty to around 20% (personal communication, March 1999). On the other hand, the CBS and ILO estimates tend to overstate the incidence of poverty because they did not sufficiently adjust for increases in nominal incomes and expenditures during the period of rapid inflation (Booth, 1998).

<sup>12</sup> It can be argued that the early publications on implications of the crisis for poverty played an important social role in drawing the government's attention to this issue, and were an important factor in influencing the scale of social safety net programmes which followed.

<sup>13</sup> Jellinek and Rustanto (1999), for example, argue that many new (or previously replaced) products were being produced in rural Indonesia in early 1999, although they tend to overstate the impact that these activities have had on the incomes of the poor. They suggest, for example (p. 2), "...we are witnessing an unprecedented economic boom in the small-scale sector."

### **Box 2: Adjusting to economic crisis**

The unprecedented increase in imported and domestic prices of basic commodities from late 1997 to September 1998 raised the spectre of massive cutbacks in spending and hardship, especially on Java where most producers had little direct contact with export markets. How did people cope with a near doubling of prices at a time when many lost their jobs? Several developments helped ameliorate the effect of the crisis:

- Many products that had once been part of the traditional economy on Java began to be produced by rural people at a fraction the cost of imported materials. This included growth in the free-range chicken industry (imported animal meal had been required on the chicken farms), bamboo mats and bags (replacing plastic bags and mats) and processed food relying more on local foodstuffs. The development of these industries was supported by the demand for cheaper goods and increased supply of labour.
- People who were no longer employed in the modern economy began to substitute goods previously bought in the market with goods made at home for family consumption. Vegetables produced from house-gardens, home-made clothes and snacks replaced purchased items as people fell back on their own resources.
- Some activities (especially areas of relatively easy entry such as petty trade, repair work and food stalls) absorbed more workers, providing employment but at lower levels of income. At the same time, urban and middle class consumers were switching their consumption away from modern sector services and food to cheaper goods produced in local and outlying markets.
- Export incentives received a tremendous boost with the massive depreciation of the rupiah. While the impact was most felt by cash producers outside Java, several clusters of small and medium industries on Java also benefited: including producers of sarongs in Majalaya, West Java, furniture producers in Jepara in Central Java and fishing families dotted along the north coast of Java.

*Source:* Field Visits to Indonesia September 1998, February-March 1999. Lea Jellinek and Bambang Rustanto, *Survival Strategies of Javanese During the Economic Crisis*, unpublished paper (Jakarta, 1999)

On-going monitoring of the impact of the economic crisis has revealed that the social impact of the crisis, like the labour market impact, has been quite uneven across regions within Indonesia.<sup>14</sup> In general, households in Jakarta and West Java, regions that had registered rapid industrial growth and a low incidence of poverty prior to the crisis, recorded the greatest decline in average expenditures and school enrolments, especially at lower secondary level.<sup>15</sup> The strongest impact on consumption was in urban areas and on Java, whereas many of the Outer Island provinces recorded a much better index score on coping strategies according to one summary of the main survey findings (Poppele, Sumarto and Prichett, 1999). Thus, according to the International Family Life Survey (IFLS), median household expenditure had fallen by around five per cent in urban areas compared with less than two per cent in rural areas from August/September 1997-

<sup>14</sup> The main studies have been the on-going Indonesian Family Life Survey (IFLS), a survey of 100 villages sponsored by UNICEF and a sub-district rapid poverty assessment survey financed by the Ford Foundation. See especially Frankenberg, Thomas and Beegle (1999) for an analysis of the social impact of the crisis based on the findings of the family life surveys.

<sup>15</sup> See below for a more detailed discussion of school enrolments related to child labour.

1998. Compared with previous years, more people sold assets to cope with the crisis especially in Jakarta and urban West Java (Poppele, Sumarto and Prichett, 1999: 5-7).<sup>16</sup>

## **2.4 Prospects**

What are the prospects for the coming year and beyond 2000? While putting a stop to the economic decline has been an achievement, bringing back capital for renewed economic growth is still a major challenge. According to the budget forecasts, the economy will not grow at all in 1999/2000, and then it is hoped to recover slowly in subsequent years. Projections are extremely difficult, however, given that the entire political and institutional environment is very different from that which prevailed in the previous 30 years. There is still tremendous uncertainty surrounding renewed investment in the modern sector. This is reflected in the almost total failure of the ambitious privatisation programme for 1998/99, which was urgently needed to provide government revenue and improve economic efficiency.<sup>17</sup>

If the political environment stabilises, and international conditions are reasonably favourable, the following scenarios would seem reasonable:

- a budget forecast of zero growth for 1999/2000;
- slow growth in the subsequent few years 2000-2002 as the difficult tasks of debt restructuring, recapitalisation and institutional reform are tackled; and
- resumption of a growth path of around five per cent per annum, which would guarantee some growth in real income, only around year 2002-2003.

What are the main implications for the labour market, social outcomes and child labour? Special and innovative policies will be urgently needed in the foreseeable future to support employment and to cushion the effects of macro-economic stagnation on children – certainly over the next 2-3 years and probably for around five years. Both the Indonesian government and international donors are now aware that a sustained programme of assistance will be needed for several years to alleviate the hardship caused by the crisis, and to prevent large numbers of Indonesians from falling into poverty. At the same time, while many Indonesians have been able to cope remarkably well during the first 18 months of economic decline, innovative policies will be needed to ensure that poverty does not continue to rise. This applies especially to programmes for children who are most vulnerable to cutbacks in spending on education and health.

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<sup>16</sup> See also Frankenberg, Thomas and Beegle (1999).

<sup>17</sup> Another major problem in 1998 was the inability of the Indonesian Debt Rescheduling Agency (INDRA) to gain commitments from a single company to enter into a deal for settlement of private debt (Cameron, 1999: 24-26). Revenue received from privatisation amounted to only approximately one per cent of the target of \$US 1.5 billion in budget year 1998/99.

### 3. Child labour: Quantitative dimensions

#### 3.1 Data sources

Measurement of the incidence of child labour is a difficult task, given manifold problems of both detecting and defining children's work, much of which is either conducted within a family context or illegally. It is even a more difficult task to trace changes over time, and especially to assess the impact of a huge event such as the economic crisis on child labour. In the case of Indonesia, the only aggregate annual data source on child labour is the National Labour Force Survey (SAKERNAS). Until 1997, the survey published data on all children aged 10 and above who were engaged in the work force. This group was still covered in the 1998 survey, but data were published only on children aged 15 or above.<sup>18</sup>

There is no doubt that the National Labour Force Survey substantially understates the extent of child labour. Most case studies of agriculture and traditional industry suggest that many children were involved in some economic activity in rural areas, albeit within the household, in Indonesia in the 1980s and early 1990s.<sup>19</sup> The SAKERNAS recorded probably around half as many children engaged in economic activity as more focused surveys dealing especially with the topic of child labour in the 1990s.<sup>20</sup>

Nevertheless, we have drawn extensively on the data pertaining to children aged 10-14 in this report, primarily because it is the only national source available which tracks annual changes in both aggregate employment and child labour.<sup>21</sup> There are no national data available on the work of children aged below 10 years, although recent surveys suggest that their work input is very small compared with children aged ten and above (Asra, 1993, 1996). This discussion also draws attention to participation and employment trends for ages 15-19. This group is heavily represented in new jobs in manufacturing involving long hours of work – hazardous work from the point of view of young people – and partly because it may well include a significant number of younger workers whose actual age was overstated.<sup>22</sup>

Thus, while SAKERNAS consistently underestimates the number of children working, it does provide a useful picture of the general *structure* of work among children and youth and, more importantly, tracks developments *over time*, including before and after the financial crisis. Both

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<sup>18</sup> The Department of Social Affairs has lobbied for some time to omit children aged 10-14 from the labour force surveys through some curious logic that “by definition”, because they are children, they should not be acknowledged as working.

<sup>19</sup> See White and Tjandraningsih (1998) for a survey of the literature. See also Bessel (1998) on problems of defining child labour, with special reference to Indonesia.

<sup>20</sup> For example, Asra (1998: 50-52) found that almost four per cent of children were working in the Bandung Municipality in 1993, compared with two per cent reported in the National Labour Force Survey for the same year.

<sup>21</sup> Another source is the labour force module in the National Socio-Economic Survey (SUSENAS), but this series includes limited information on labour force characteristics. In December 1998 a special SUSENAS survey recorded just under 1.8 million working children in Indonesia compared with 1.6 million found in the National Labour Force Survey in August of the same year. One should not read too much into the different findings of the two reports. The difference is more likely to be related to different sampling frames and sampling error than to any real change in the situation over this time period.

<sup>22</sup> Several informants reported that children aged 10-14 were often illegally recorded as aged 15 or above by employers.

the structure and changes over time in child work appear broadly plausible. At the same time, we have pointed to areas in which the aggregate data are clearly inadequate, and drawn on other survey results, interviews with key researchers, NGOs and policy makers.

### **3.2 The structure of child work**

#### *Historical dimensions*

The impact of the economic crisis on child labour needs to be viewed in the context of a declining trend in work involvement among children over the past 25-30 years. Participation of children in the work force has been a feature of Indonesian work patterns for at least several centuries, and existed in many traditional industries and agriculture well before the Dutch colonised the country. Under Dutch control in the 1920s and 1930s, under-age involvement of children (aged below 15 years old) in agro-processing industries, traditional batik, hand woven textiles and *kretek* cigarette received some attention from labour protection authorities at a time when the minimum legal age in factory work was 12 years.<sup>23</sup> Both males and females were involved, depending on the tasks. For example, although there was some overlap, young girls were involved in more refined batik drawing, yarn preparation, making and packaging cigarettes and preparing final products. On the other hand, boys were engaged in more physical work such as operating hand looms, dyeing and storage, and (together with girls) in trimming cigarettes. Given the substantial scope of small-scale industry, and extremely limited opportunities for education, it is likely that around one-third of all children were engaged in economic activities outside agriculture around 1940, when Dutch colonial control of Indonesia came to an end. Most of the remaining children aged around 10-15 were probably involved in some agricultural tasks on a part-time basis.

For two decades of independence after 1945 the structure of children's work probably changed very little, as most industrial goods continued to be produced in small scale and cottage enterprises, or in larger establishments still utilising quite labour-intensive methods of production, such as hand made *kretek* cigarettes (McCawley, 1979). Although the minimum age at work was raised to 14 in 1951 (Law No. 1), the active union movement chose to fight other battles regarding union rights and representation, and the wages and working conditions of adult workers (Hawkins, 1963). Education expanded quickly. But, by the time the Soeharto government took over in 1965, only around half of all primary school age children were enrolled in school.

Significant changes occurred in the 30 years after 1965 which affected both the supply and demand for child labour. On the supply side, the most important of these was the expansion of primary education with gross enrolment rates reaching close to 100% by the late 1980s (Jones, 1994). Secondary enrolments expanded less quickly and only reached approximately 50% (gross) of all children in relevant age groups by the mid 1990s, although enrolment rates below the age of 15 (at junior high school) were significantly higher. Improved enrolment rates were partly related to the fall in average family size associated with the successful family planning programme introduced from the late 1960s. The number of children per household fell dramatically, from 4-5 in the early 1970s to 2-3 on average in the mid 1990s. Higher levels of school participation were also related to improvements in living standards. During the same time period per capita incomes more than tripled and the incidence of poverty declined from over 50%

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<sup>23</sup> See White (1976, 1994).



in the mid 1970s to just over 10% in 1996 (Manning, 1999). Whereas many families could not afford to keep five children at school in the 1970s, they were much more likely to be able to support two children at least through primary school in the 1990s. There was a tremendous improvement in the average household's ability capacity to fund schooling, and an equally significant diminution in the need for children to work to help their parents meet basic needs.

On the demand side, the structure of work changed dramatically in favour of activities that employed fewer child workers, most strikingly away from agriculture, and from cottage and small-scale industry. The agricultural sector which employed around two-thirds of all workers in the mid 1970s provided only just over 40% of all jobs in 1997. Similarly, while large and medium scale industry accounted for less than 20% of all employment in the mid 1970s, it contributed over 60% of all manufacturing employment by the mid 1990s (Kaiser, 1999). Whereas official data suggest that total employment more than doubled over the period 1971-1997, the recorded number of child workers aged 10-14 actually fell, from 1.9 to 1.6 million.<sup>24</sup> Most of the latter were still employed in agriculture in the mid 1990s, although just over half a million were engaged in non-agricultural activities, primarily in manufacturing and trade.

Set in historical perspective, labour force participation rates declined quite steeply among children aged 10-14, especially among males and in rural areas from the mid 1970s before they rose again in 1998, following the economic crisis (Figure 3). Among youth aged 15-19, there was much less of a clear-cut trend (Figure 4). Only among males was there an unambiguous decline from 1976. In urban areas, activity rates dipped in 1987, but then rose again as many young people found factory work in the new export oriented industries.<sup>25</sup> For this group, there was virtually no change in participation rates in 1998. This probably reflects the twin effects of labour displacement from modern industry, on the one hand, and the necessity to work in agriculture and the informal sector on the other.

In addition to continued employment of children and youth in agriculture and small-scale industry (see below), there were significant changes in the structure of child work over this period.

- Introduction of modern technology reduced the demand for child workers in several key industries such as textiles and cigarettes (Manning, 1977).<sup>26</sup>
- Some children and especially youths aged 15-17 years were absorbed into new export-oriented industries that blossomed in Indonesia during the deregulation period from the mid 1980s (White and Tjandraningsih, 1998).
- As the country urbanised, more children were engaged in urban work, frequently as helpers in family food and trade businesses and often in combination with schooling.

### *The structure of child employment in 1998*

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<sup>24</sup> Data based on the 1971 Population Census and the 1997 National Labour Force Survey. Although the data from Censuses and National Labour Force Surveys should not be compared directly in analysing the structure of employment, the comparison for 1971-1997 is broadly indicative of longer term trends.

<sup>25</sup> See especially White and Tjandraningsih (1998) for a discussion of some of these patterns.

<sup>26</sup> These two industries alone probably employed around 20-30,000 children in the early 1970s, especially in traditional weaving and non-mechanised cigarette manufacturing. Manning (1977) estimated that children involved in trimming *kretek* cigarettes were on average aged 10-12 years, usually working alongside their mother or other relatives for 6-10 hours a day.

By the mid 1990s child labour was not a common feature of employment in Indonesia, especially in urban areas. Some eight per cent of all children aged 10-14 were reported in the labour force in 1998, a slight increase on figures recorded before the economic crisis in 1997 (Table 5). In rural areas, the figure from the national labour force survey (SAKERNAS) was 11% of children aged 10-14 in the labour force in 1998.

Overall, a high proportion (85%) of children aged 10-14 were reported in school in 1998, and the balance mainly recorded in unclassified 'other' activities.<sup>27</sup> If this latter figure is added to those recorded in the work force, which seems plausible, then probably at least 14% of children in Indonesia were engaged in some work activity.<sup>28</sup> A small proportion of these very young workers were recorded as unemployed, that is searching for work in the twelve month period prior to August 1998.

Labour force participation among youths aged 15-19 was much higher: just under 40% overall and just under 50% in rural areas in 1998, according the SAKERNAS (see the bottom half of Table 5). Schooling participation accounted for the main activity undertaken only one-third of youth aged 15-19 in 1998. However, while a high proportion of those in the labour force in rural areas were employed, nearly one-third of those in the labour force in urban areas reported they were without work and searching for a job in urban areas in 1998. Unemployment was clearly a large problem for young people at secondary school age.

As might be expected there were considerable differences in the extent of labour force participation across regions in Indonesia. The more developed provinces in Java and Bali and Sumatra recorded lower labour force participation rates and higher school attendance figures among children and youth (Table 6). The highest activity rates were recorded in the 'other' provinces of Eastern Indonesia (the Nusa Tenggara provinces, Timor, Maluku and Irian Jaya), where agriculture accounts for a high share of total output and employment and schooling is less developed (Barlow, 1995).<sup>29</sup>

Table 7 indicates that children in these poorer Eastern regions were indeed more likely to work in agriculture than in other provinces. In contrast to over 70% of children in these provinces working in agriculture, only slightly over 60% of children aged 10-14, and less than 40% of youths aged 15-19 were employed in agriculture in Java and Bali. Manufacturing, trade and services (for youth) were the largest employers of children outside agriculture on Java, whereas trade was dominant in most of the other provinces. These patterns for child employment by sector were broadly indicative of contrasting employment structure among youth and adult workers across regions in Indonesia.

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<sup>27</sup> It is quite likely that some of those whose principal activity was in school were also engaged in some economic activity, although most likely on a part-time and irregular basis. See findings of the child labour surveys undertaken by Central Bureau of Statistics staff, discussed below.

<sup>28</sup> Most analysts of labour force surveys in Indonesia have concluded that the 'other' group probably includes a substantial number of 'discouraged workers', especially among young people (Manning and Junankar, 1998).

<sup>29</sup> However, in all provinces, and especially in Java and Bali, a quite high proportion of children were recorded in the 'other' category (especially for young people aged 15-19), which suggests the figures on overall participation rates might be biased downwards.

In general, it seems clear from these data that Java faces the most severe problem of working children in factories, and in other more structured working environments. It also appears to face the greatest economic pressure for children to work in the wake of the economic crisis. Not only was more wage labour employed in Java, but unemployment rates were much higher among children and youth. In part, this reflects a more structured labour market in Java compared with several of the Outer Island provinces. Thus unemployment rates among children were six per cent and among youth aged 15-19 over 20% in Java, well above the rates in all other provinces except Kalimantan.<sup>30</sup> A major focus of economic and social policies to reduce the incidence of child labour will need to be focussed on Java in the wake of the economic crisis.

Case studies of child labour in three provinces in Indonesia – West Java (1993), North Sumatra (1995) and North Sulawesi (1998) – confirm some of these patterns.<sup>31</sup> In all regions, children tended to work more in rural than in urban areas, a high proportion of the children worked as family workers in the informal sector, or in agriculture among rural workers. A considerable number worked less than 25 hours a week and usually began working around age 11-13. Nevertheless there were some interesting differences, especially between the Bandung region in West Java and the two Outer Island regions:

- North Sumatra recorded much higher participation rates among child workers (aged 5-14) than West Java, and North Sulawesi recorded by far the lowest rates of participation (even after the onset of the *krismon* in 1998). This is surprising, given both higher per capita income and fewer opportunities for industrial employment in North Sumatra compared with West Java. It is probably related to the long history of child involvement in both the plantation and fishing industries in North Sumatra, and underlines the importance of cultural and historical factors in helping explain the incidence of child labour.
- Whereas the large majority of North Sumatra and North Sulawesi children combined work with school, and consequently mostly worked less than four hours each day, the large proportion of child workers in West Java had left school and a significant proportion worked 45 hours or more. Thus while slightly fewer West Java children worked, when they did it was often a much more intensely than in the other two regions. This conclusion is supported by the answers to a question regarding the use of the money earned from work. In West Java, most children reported that it was either saved or contributed to the household whereas children from the other two regions reported that it was used mainly for pocket money. In general, these findings confirm what we might expect, that relatively poor families in Java tended to be under greater pressure to employ children in household business, or to encourage them to work outside the home, in order to help support themselves and other household members.

### 3.3 The impact of the economic crisis

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<sup>30</sup> The high unemployment rates among children aged 10-14 in Kalimantan is a puzzle. It might partly reflect the loss of jobs among families in timber manufacturing, which has been hard hit by deregulation of the plywood industry (as part of the economic reforms).

<sup>31</sup> See Abuzar Asra (1994, 1996), BPS and IPEC-ILO (1999). The surveys were designed specifically for child workers in urban and rural areas in each of the regions, and covered children aged 5-14 in samples of several thousand households in each region.

The economic crisis has put tremendous strain on children especially in poor but also middle class families. Their parents and they have had to grapple with reduced incomes and lower expenditure on education, food, transport, clothes and (if they could afford it) pocket money. At the same time, however, household structure, work characteristics and the uneven impact of the crisis across regions and sectors is critically important for the impact on children and child labour. Children in certain households are particularly vulnerable – those who are initially poor, with single income and older or female household heads, and families with many dependents. Urban children are likely to have been particularly hard hit, owing to the much greater cutback in employment in non-agricultural and wage jobs in cities.

The impact and the response of households has also differed. Some households have had to cut-back on essential spending to be able to maintain their children at school. At another extreme, heads of household lost their jobs. If they were not able to find alternative sources of income – especially if they were the only or major breadwinner – they would be forced to take children out of school or even to send them to work full or part-time to help meet household needs.

In part, the adjustment process of households, and its impact on children, will depend on the reaction of employers to the crisis. Not all firms have been adversely affected and not all have laid off workers, or children, to the same extent. Indeed, as argued above, the main impact on workers has been through reduced earnings in existing or new jobs rather than lack of access to any jobs. Children too have suffered a fall in earnings in many cases. They have also had to take up less desirable jobs on the street and in quasi-legal occupations such as prostitution to make ends meet.

Although the impact of the crisis on children is multifaceted, there have been two principal national and international concerns regarding the impact of the crisis on working age children who have reached the age when they could make an economic contribution to their household. First, that reduced incomes would result in many children being taken out of school and, second, that many children would be forced to work, often in unacceptable conditions, in order to help their families cope with the crisis. In the case of Indonesia, neither of these outcomes have occurred. There is little evidence of large numbers of children being taken out of school or of many more being absorbed into the work force than was the case pre-crisis.

But this does not mean that children have not suffered, or that the crisis has not affected aspects of the child labour problem. Rather, changes have often been more subtle. Households have adopted a range of coping strategies to deal with the sharp decline in employment and real wages in the first half of 1998, and with the medium to longer term prospect of lower household incomes to follow. The quality of schooling has undoubtedly suffered as have the working conditions of many children. Moreover, prospects are still uncertain for families and children. A prolonged economic malaise would undoubtedly harm children much more. Household heads will be forced to adopt more drastic measures to protect basic consumption, as they draw down on assets and find it more difficult to gain access to transfer payments.

These issues will be dealt with at greater length in the discussion first of the general labour market impacts on children, followed by the more detailed case study of working children in Bandung region and then our discussion of changes in schooling as a result of the crisis.

The economic crisis has been of major significance for children's work but not directly through changes in labour force activity. There was not a large increase in unemployment or a sharp decline in attendance at school among children. Compared with August 1997, labour force participation rates rose slightly and officially recorded unemployment rates remained unchanged at 4.5% among children aged 10-14 (Table 8). Among youths aged 15-19 unemployment rates rose especially in urban areas, but the changes were not as large as might have been expected. Among both groups, school attendance remained at similar levels to that recorded in 1997.

Two main processes of adjustment have taken place in employment among children, to a considerable extent mirroring the adjustment of adult workers to the economic crisis.

- A much higher share of children and youth were engaged in agricultural work in 1998 than a year previously (Table 9). Overall employment expanded considerably faster (five per cent in 1997-98) among children than youth suggesting there was some attempt by families to withstand falls in income by employing more child labour. A large share of new child and youth workers were employed in agriculture. Non-agricultural employment fell in most sectors, and especially among young people engaged in construction and transport, trade (age 10-14) and manufacturing (age 15-19).
- Young people also experienced an informalisation of work. Non-wage employment increased quite significantly whereas wage employment fell, especially among young people aged 15-19 (see last two columns of table 9). The latter had been concentrated in manufacturing (mainly young females) and construction (young males) which were among the sectors hardest hit as a result of the economic crisis. In rural areas, this increased informalisation of child work labour was probably relatively benign: a high proportion of children were engaged in relatively simple tasks on family businesses. But in urban areas informalisation is an issue of much greater concern, as dangerous work among street children emerged as one response to the economic crisis (see box 3).

### **Box 3: Rapidly increasing numbers of street children**

One outstanding example of informalisation of work has been the increase in work undertaken on the streets, primarily at most intersections in larger cities throughout the country, especially in Java and in Jakarta. Activities undertaken include the sale of numerous drinks, food and newspapers and other items, begging and basking (*ngamen*). There are no accurate data on the number of street children (although efforts are underway to fill this gap in information).<sup>32</sup> The Department of Social Affairs has estimated that the number may have risen to around 50,000 by mid 1998, an increase from an estimated 10,000-15,000 prior to the crisis. It was also suggested that around one third of all street children were located in the capital Jakarta and surrounding districts. While the shock of the crisis has been greatest in and around the capital city, Jakarta is still by far the wealthiest province in Indonesia and hence offers the greatest opportunities for informal sector employment.<sup>33</sup>

<sup>32</sup> In March-April 1999, a major survey of street children coordinated by Dr. Irwanto of the University of Trisakti, and funded by the ADB, was conducted in major cities in Indonesia.

<sup>33</sup> In the early 1990s, for example, GDP per capita and the number of cars per capita in Jakarta (total population of over eight million) was close to three times that of the national average (Hill, 1996).

Thus by August 1998 a high proportion of all child labour outside agriculture was in self-employed work in trade and services in urban areas (Table 10). Both male and female children were heavily concentrated in petty trade, mainly as family workers, in urban and rural areas. A higher proportion of youth were engaged in construction and transport (mainly males and especially in rural areas) and in manufacturing (especially) females. Unfortunately, there are no national data on the distribution of work among larger and smaller establishments in the wake of the crisis. It seems most likely, however, that young females in particular were more heavily engaged in small-scale businesses in rural areas in 1998, as wage jobs declined in larger-scale businesses in large cities and in the urban peripheries (see case studies below).

Much attention has been placed on the impact of the crisis on jobs and living standards in urban areas. The SAKERNAS data suggest, however, that although agricultural jobs expanded in the countryside, non-agricultural jobs fell very sharply among youths employed in rural areas (Table 11). The estimated decline in rural jobs outside agriculture was a massive 27% among youth aged 15-19 in 1997-98. In part, this may have been related to the drought in 1997-98, the effects of which were still being felt in the dryer regions of Indonesia in August 1998. But it appears that contraction of rural construction work and services, repair workshops and other services has been an important, and hitherto largely neglected aspect of the economic crisis in both Java and Bali and in Indonesia's outlying provinces. Rural manufacturing employment also contracted, although the share of all non-agricultural employment in manufacturing rose in rural areas owing to the even more rapid decline in employment in other sectors.

### *Hours worked*

Fewer hours worked by children and youth is another aspect of adjustment to the economic crisis. The overall share of children working less than 10 hours and less than 25 hours rose among children aged 10-14 and youths aged 15-19 in 1998 compared with one year previously (Table 12). The large proportion (nearly three-quarters) of children aged 10-14 were reported to be working less than 25 hours a week, or approximately four hours a day on average, in 1998. Long hours of work among young children was not a general problem in Indonesia either before or after the crisis, although a small proportion (four per cent) of children were reported to be working 55 hours or more in 1998.

A similar pattern of fewer hours worked after the crisis is also apparent among youth aged 15-19. But in this group a much higher proportion of young people were working quite long hours: nearly half worked 35 hours or more and 14% worked 55 hours or more in 1998. As we shall see from the case studies, long hours of work among young people aged 15-17 is one of the major abuses of labour laws and should receive high priority measures aimed to overcome abuse of child labour.

### *Comparisons with past trends*

How do the changes recorded in 1998 compare with the outcomes that might have been suggested by trends in employment during the 1990s? The extent to which employment patterns differ from trends can be considered a useful measure of the impact of the crisis. Comparing actual

employment in 1998 with projected employment, based on trends in employment during the 1990s indicates a quite substantial increase in child employment among ages 10-14 compared with youth and all other ages combined (Figure 5 and Table 13).<sup>34</sup> The actual level of employment among children was almost 10% higher than the projected figure based on trends in the 1990s. This compares with a small increase in total employment among other age groups (under two per cent for age 15-19 and 0.5% for ages 20 and above).

As for other age groups, the recorded increase in child labour was heavily concentrated in agriculture, whereas all other sectors registered a decline compared with the projected level of employment. Also, unlike other age groups, child employment rose strongly in urban areas, reflecting the crowding of children into informal jobs. Male employment increased markedly among children compared with that of females, when measured against projected trends for the 1990s. This was also true of non-wage work (mainly helping families in agriculture) compared with wage employment. In contrast to the experience of other age groups, jobs among female child workers also increased, although to a much smaller extent than among males.

In absolute terms, over 140,000 more children were recorded as working in 1998 compared with the number projected based on trends for the 1990s. This is almost certainly an underestimate, given under-recording of the child employment in the 'black economy'. The data suggest that over 200,000 more children were working in agriculture than implied by the projections, but this was counterbalanced by a recorded absolute decline in employment in non-agricultural sectors compared with the projections.

It is important to bear in mind that these numbers are small in terms of the total population aged 10-14 (nearly 11 million in Indonesia in 1998). But they nevertheless suggest that the crisis has contributed to a reversal of the long-term trend towards fewer child workers in Indonesia in the 1990s. Moreover, we shall see below that the number of working children is likely to remain higher for several years as a result of the crisis.

### **3.4 Possible future trends**

Given the unprecedented scale of the economic collapse in Indonesia during 1998, it is difficult to project potential labour force participation into the future. The most important variable likely to influence child participation is participation in schooling. This will be influenced by both the supply of schools supported by the government and the private sector, and the demand for schooling on the part of the population. The latter, in turn, is a function of both desire among parents (and children) for schooling – affected by the expected benefits from schooling as well as socio-cultural factors – and the means of households to pursue schooling.

It is impossible to predict how these variables will evolve in the wake of the economic collapse. Nevertheless, we can make some informed estimates as to what will happen to labour force participation under different assumptions regarding the involvement of children in schooling. Such an exercise assumes that school participation and work are alternatives, although (as noted above) they are combined in many situations in Indonesia. We do know, however, that full-time work in formal situations and attendance in formal schooling are generally incompatible. Thus

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<sup>34</sup> The actual figures are included in Appendix Table 1.

the projections provide an indication of the extent to which full-time work by young children is likely to be influenced by educational expansion.

We have projected the work force through to the year 2003, based on four alternative assumptions regarding school participation (Table 14):

- a continuation of past trends from those recorded for 1990-1997, when school participation rates rose for age group 10-14 in Indonesia (from approximately 83% in 1990 to 85% in 1997).<sup>35</sup>
- no change in the percentage of children enrolled in school
- a 10% rise in the number of children attending school over the five year period
- a 10% fall in the number of children attending school over the five year period

The projections are based on official projections of the population (Central Bureau of Statistics, 1998).<sup>36</sup> They assume that the distribution of children in the labour force and 'other' activities remains constant, which appears a reasonably realistic assumption, given past trends.<sup>37</sup>

Demographic factors began to support a decline in work force participation among children aged 10-14 from around 1993 when the population in this age group reached a peak, steadied and then began to decline from 1996-97. Similarly, growth in the population of children aged 15-19 is projected to continue through to the year 2000 before it also ceases and turns negative. This marks an important turning point for policies regarding child workers. A decline in labour force participation *rates* will also mean a similar *absolute* fall in the numbers involved, in contrast to the situation in the 1970s and 1980s when the demographic momentum meant absolute numbers of working children increased, even though labour force participation rates declined. This also means that the absolute numbers of children engaged full-time in the work force will almost certainly decline provided school participation can be increased.

With reference to age group 10-14, the projections suggest three main points (see Table 14):

- A continuation of trends in school and work force participation would see just over five per cent of the work forced engaged in economic activity by the year 2003. While this is a significant decline, one million children would still be engaged in the work force.
- A modest expansion in the numbers participating in school by 10% compared with 1998 would have a much more dramatic impact on work force participation through to year 2003. Labour force participation rates for children aged 10-14 would fall to one per cent or a much smaller 200,000 children. In part the decline is a consequence of the declining size of the population aged 10-14.
- Third, no change in school participation or a decline by 10% would the work force aged 10-14 rise to levels experienced in the early 1990s. Combined with a rising share of the 'other' category, this could mean that actual work force participation would rise to closer

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<sup>35</sup> Note that these figures represent actual participation (not enrolments) in the week prior to the labour force survey.

<sup>36</sup> These have been adjusted slightly to reflect a slightly different population base estimated in the national labour force surveys. For example the number of children aged 15-19 was estimated to be just over 22 million according to the official population projects compared with 21.7 million according to the national labour force data.

<sup>37</sup> The proportion of the population in the 'other' category remained relatively constant during the 1990s, whereas the work force share declined at young ages. However, as already noted, it seems that there is probably considerable overlap between the two categories: many in the 'other' category were also engaged in work, especially for ages 10-14.



to 15%, well above the figures for the mid 1990s. Of course, a decline in school enrolments as a long term consequence of the economic crisis would be disastrous for children: for age 10-14, well over 10 million children could be involved in work.

The differences are less dramatic for children aged 15-19. Nevertheless, Table 14 shows that faster expansion of schooling could reduce the number of children working by around one million compared with the base line scenario. Slower expansion would contribute to an two per cent increase in the share of children in the labour force (from 39 to 41%).

To sum up, as might be expected, increased school participation is critical to contributing to a fall in the incidence of child labour. These figures show starkly that efforts to keep children at school, and to make schooling more attractive and rewarding for young people, is likely to give up to a million children a better future than they have had in the past. We now turn to trends in schooling associated with the economic crisis.

## 4. Education and child labour

As in many other countries, both household poverty and a shortage of schooling opportunities have contributed to child labour in Indonesia. Poverty was on the decline from the 1970s, on the one hand, and the government mounted a major programme of school building on the other. Gross primary school enrolments rose from just under 60 per cent in the early 1970s to over 100 per cent by the 1990s (Hill, 1996). However, lower secondary enrolment rates (children aged 13-15) lagged, increasing slowly during the 1980s to just over 50% by 1990. They then accelerated to top 65 per cent by 1996/97, following the announced goal of universal nine years schooling by the year 2004.

Although educational expansion has kept pace with that of most East Asian countries, two aspects of performance in the education system are particularly relevant to child labour:

- High dropout rates from primary school: Although the large majority of children aged less than 14 completed their primary schooling, a significant proportion dropped out of school before completing grade 6 (nearly 20% in 1993/94) (Boediono and Dhanani 1998: 4).
- Low continuation rates from primary lower secondary school: The largest loss in the education system has continued to occur after the completion of primary school, when only approximately three quarters of primary graduates (aged 12-14) go on to junior secondary school: for rapidly industrialising West Java the figure was only a little over 60% (Sweeting and Muchlisoh, 1998: 4).

The figures suggest that approximately 15-20% of children aged 12-13 and 20-30% of children aged 14-15 are not enrolled in school and could potentially be involved in the work force.<sup>38</sup> Many more are probably in part-time activities than the labour force data on principal activity presented above suggest. In times of economic crisis, one might expect more of those already out of the education system to seek work, regardless of trends in enrolments. Added to this would be the large numbers of children unable to continue in school as a result of the *krismon*.

Bearing in mind these possibilities, it is surprising that not only was there a small increase in the incidence of child labour (as suggested in previous sections), but enrolments appear to have barely fallen during the first year of *krismon*. Data from surveys of academic year 1998/99 (made in July/August 1998) indicate that enrolments fell by less than two per cent nationally, at both primary and lower secondary levels (Table 15).<sup>39</sup> The findings are consistent with other studies of trends in enrolments during 1998, by far the worst year of the crisis (Boediono, Suryadi and Heriawan, 1999). At both primary and lower secondary levels, total enrolments had begun to decline in 1996-97, largely due to changes in the age structure of the population. Although this accelerated in 1998, the changes were relatively small. They were not, moreover, significantly different for boys and girls, either in urban or rural areas. Nevertheless, a number of points are worth noting:

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<sup>38</sup> Low labour force participation rates in the labour force for ages 10-14 partly reflect the much higher participation of children aged 10-11 in schooling.

<sup>39</sup> The studies do not report changes in enrolment rates, a more refined measure of real changes in educational participation, given the possible impact of changing age structure. Nevertheless, it is unlikely that changing age structure would have significantly affected the results over a period of one year.

- Enrolments fell especially steeply in private schools at both primary and secondary level.
- The decline in enrolments was much greater in urban areas at lower secondary level, although it was slightly larger in rural areas among primary school graduates.
- The decline in enrolments was especially marked at lower secondary level in the Jakarta region, one of the regions that was worst hit by the economic crisis.

These latter developments are not so surprising. The fall in private sector enrolments was probably related to the difficulties which parents faced paying the higher costs of private education. They almost certainly reflect significant falls in enrolments in the religious schools (many of them in poorer regions) which take in a significant share of private students. The large fall in urban enrolments, and enrolments in Jakarta and poorer sub-districts is especially understandable at lower secondary level, since costs of schooling are often much higher than at primary level.<sup>40</sup> In addition to school fees and related costs, parents often have to pay for the transport and food for their children to attend secondary schools outside the village.

It is pertinent to ask why enrolments have not fallen further, given the impact of the economic crisis. This can be attributed to a number of factors:

- Abolition of entry fees: there was a significant increase in the number of schools charging no entry fees in 1998, in response to a ministerial instruction.<sup>41</sup>
- Social safety net scholarships: scholarships allocated to children in poorer regions as part of the social safety net had not taken effect at the time of this survey. But reports in early 1999 suggest that this programme has been successful in reaching both poor schools and poor students (see the case study on Bandung, Section V).
- Parents were unwilling to take children out of school if students had not completed their course of study. Thus, it appears that first year enrolments at primary and especially lower secondary fell by a higher percentage than total enrolments. This implies that overall enrolments will continue to decline, as fewer children are enrolled than in the past in new schools. The impact would be felt most heavily among children moving from primary to lower secondary school (year 6 to year 7), aged 12-14 years old, among whom most drop-outs from the school system occur.
- Significant numbers of children and parents may question the value of schooling, especially at lower secondary level. However, the data do suggest that the large majority of Indonesian parents and children value schooling sufficiently highly to keep their children in school, despite the considerable strain that this imposes in terms of household expenditure.

Overall, the findings on trends in enrolments are encouraging from the standpoint of child labour. While it is true that more children are seeking work – some probably in more dangerous

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<sup>40</sup> An additional factor appears to have been important in Jakarta: many children were sent back to their home villages or small towns since educational and living expenses are very much lower (generally at least one-third or less) than in the capital city.

<sup>41</sup> It should be noted however that while over 80% of public primary schools did not charge entry fees, only slightly over one-third of public lower secondary schools waived the entry fee in 1998. Moreover, it appears that some schools compensated for the loss of entry fees by raising other charges (Ministry of Education and Culture, 1999).

environments – this is not reflected in a significant shift away from school. At the same time, many more parents will probably be forced to take children out of school (or not to re-enrol them once they graduate from primary school), if the economic malaise continues in Indonesia through 1999-2000. If this occurs, the incidence of child labour would almost certainly increase as more and more teenagers aged 13-14 seek jobs to help support their families. As the projections in section 2.3 showed, this would be a major step backwards in terms of longer-term human capital development in Indonesia.

#### **4.1 Education, poverty and child labour**

The above discussion has suggested that any increase in child labour arising from the economic crisis may only be indirectly related to poverty. More children are engaged in work partly because their parents have experienced a significant fall in incomes, and need the help of their children. But while suffering, many of these families are not necessarily in poverty.

However, children from poorer families are more likely to drop-out of school early and to be called upon to support their parents. Table 15 indicates that during the *krismon* the decline in enrolments was greater in poorer sub-districts, especially at lower secondary level. Other data suggest that the fall in schooling has been especially marked among the bottom 40% of the population in terms of expenditure per capita, reinforcing the conclusion that the fall in enrolments is partly related to the capacity to pay among poorer segments of the population (Boediono, Suryadi and Heriawan, 1999: 38).<sup>42</sup>

To some extent this impact on schooling is reflected in labour force participation rates (and schooling participation) among children in different provinces in Indonesia. Prior to the economic crisis, the correlation coefficient linking the incidence of regional poverty and labour force participation was highest (0.69) for youths aged 15-19 but it was also significant (0.52) for those children aged 10-14 (Table 16). Both correlation coefficients were considerably higher if the province of Bali, a clear outlier as far as child labour is concerned, is excluded.<sup>43</sup> Relatively prosperous provinces with a low incidence of poverty, including Jakarta, Riau, West Sumatra and West Java all recorded less than five per cent of children aged 10-14 in the work force, and only around one-third of children aged 15-19 as working. This contrasted with poorer provinces, especially West and East Nusa Tenggara where the incidence of child labour was close 20% for children aged 10-14 and over 50% for children aged 15-19.<sup>44</sup>

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<sup>42</sup> These findings are based in analysis of the February 1998 Social-Economic Survey (SUSENAS).

<sup>43</sup> In Bali, many children combine work with school. Children are engaged in a variety of activities such as home industries and in the tourist business after school hours.

<sup>44</sup> Similarly, as might be expected, there was a negative relationship between the incidence of provincial poverty, and the percentage of children whose main activity was schooling.

## 5. The impact of the crisis in the Bandung region: Qualitative dimensions

We have selected Bandung Municipality and District (*kabupaten*) in West Java as a case study illustrating the impact of the *krismon* on child labour.<sup>45</sup> While Bandung cannot be viewed as representative of all regions in Indonesia, or even in Java, the study does suggest several patterns that appear to be common to other regions. Bandung's experience also demonstrates some of the socio-economic processes that contribute to the employment of child labour, elements of which are also present in other regions.

The Municipality of Bandung and adjacent peri-urban areas located within the District of Bandung constitute a major industrial centre in which the textile industry has long been predominant. For many decades woven cloth was the main product of this industry, but over the past 20 years there has been rapid expansion in a range of local industries, including garment production for both domestic and export markets. The Bandung region is characterized by a considerable number of large factories (in terms of worker numbers) which, as elsewhere in Indonesia, account for over half of all industrial output (Kaiser, 1999). However, there are also many more medium and small industrial undertakings and large numbers of cottage or household businesses operating in all sectors, as well as unrecorded numbers of out-workers who undertake the making of products or components of products for small-scale business.<sup>46</sup>

### 5.1 Impact on employment and incomes

The monetary crisis (*krismon*) led to bankruptcies, forcing a number of factories and small businesses in Bandung and nearby towns to close down. Workers in large modern-sector factories who had been laid off were given severance pay and sometimes other benefits. Those employed in more traditional factories and small businesses, however, for the most part received nothing. Other businesses, meanwhile, in the expectation of a general improvement in the national economy during 1999, struggled to remain in existence even where the market for their products may have contracted considerably. Many attempted to cut production costs by reducing the number of employees to a minimum, while others adopted the strategy of working fewer hours per week or even rotating workers in a week-on week-off system. In either case this meant reduced income for workers (box 4).

#### **Box 4: Falling production, falling incomes**

Loom operators in a Majalaya weaving factory that produces shirting material provide an illustrative situation. Production depends entirely on orders placed by a much larger factory under the putting-out system and, since output has declined, the income of the 25 workers dropped to 25,000 to 30,000 rupiahs each per week. Under normal working conditions of 10 hours a day / 6 days a week, a loom operator in this type of factory, which operates on piece rates, would earn between 40,000 and 45,000 rupiahs per week. The small factory was unable to obtain orders from other sources, as businesses at all levels had been affected by the *krismon*.

45. In addition to the Bandung region, data were also collected through visits to several known centres of child labour in Cirebon district (rotan and toy manufacture), West Java.

46. In the following discussion, businesses with less than 20 employees are referred to as small businesses (even if they are located in the home of the owner), whereas those employing only family labour or less than five paid workers are referred to as cottage/home industries.

Medium and small businesses had a difficult time in 1997-98, when prices of raw materials rose sharply. On average, these costs doubled and in many cases tripled, but the increase was even greater in the case of certain items, especially imported ones such as the glue used in small firms that produce shoes. Producers for their part had to face the constraint of reduced domestic purchasing power, unless they are among the relatively small number who were able to export their products.

While overall business activities have been affected by the drop in purchasing power, the *krismon* has also tended to accentuate seasonal patterns in the demand for certain goods, especially clothing. Limited purchasing power has meant that, much more than they used to, consumers have been inclined to concentrate purchases of such products in the weeks immediately prior to Lebaran, the major Muslim festival and holiday period. Producers of these goods have found that the slump in demand after Lebaran has also been greater than previously. For example, a number of small businesses making bags, cotton garments, and sweaters in southern Bandung closed down after Lebaran in January 1999 because they had no new orders. Some, but not all, had started up again later in the year, although on a smaller production scale. Sarong factories in the nearby town of Majalaya have also experienced a much greater drop in demand than usual in the post-Lebaran period. These trends have in turn affected employment.

In most factories, nominal wages had risen by approximately 10-20 per cent since late 1997, reflecting increases in minimum wage rates as well as direct pressure from workers on factory owners. But this rise was not in proportion to the rise in living costs, in particular increases in the price of rice, which more than doubled during 1998 in the Bandung region. While owners of modern-sector factories have carefully observed government wage stipulations, there has been a tendency for those at the lower level to hold expenditure on workers to a minimum. This is reflected, for example, in the payment of annual bonuses to workers at Lebaran. While all factories paid something, the smaller ones gave as little as half the stipulated amount. The largely non-unionized workers in these factories have had to accept this decline in real wages without significant protest, as they are worried that their place of employment might close down completely.

Although some have been heavily affected by the banking crisis, several larger export-oriented establishments in garments, furniture, and rotan returned to nearly full capacity in the second half of 1998. Some even expanded. Some small-medium firms have also been able to take advantage of the favourable exchange rate. But the majority – especially household enterprises, which produce largely for the domestic market – have experienced significant falls in production. In all, industry experts suggest that employment in manufacturing had probably fallen by at least 10 per cent, by mid-1999, while real incomes of wage workers may have fallen to as little as half their previous level. As in other regions of Indonesia, households adopted a variety of coping strategies to deal with these changed circumstances, including cutting back on expenditures, taking on additional or new jobs, and drawing down on savings. All have implications for children's welfare and child labour.

## 5.2 Child labour prior to krismon

### *Larger factories*

The large, capital-intensive factories in the Bandung region, whether they produce for domestic or export markets, rarely employed children under the legal working age of 15 even before *krismon*. The situation had changed considerably even compared with a decade ago, when employment of child labour was not uncommon.<sup>47</sup> By the late 1990s, these factories for the most part employed workers older than 17, although workers aged 15-16 were not uncommon. This change reflects a general trend away from the employment of under-age workers in large factories. Several factors have contributed to this development:

- The increasing technical sophistication of equipment often requires, at the least, more mature teenagers as operators.
- After a dip in the second half of the 1980s, enrolments in lower secondary school began to rise again in the 1990s, reducing the potential supply of workers that firms could draw upon.
- Partly because NGOs and some unionists directed more (though still limited) attention to labour abuse in large factories, potential savings from forcing down wages were outweighed by potential action factories might face from the Department of Manpower.

### *Smaller factories*

The majority of children have been long been employed in small and medium-scale factories, which often employ around 20-50 workers, and in household industries. Unlike the modern-sector businesses that purchased agricultural land as factory sites, the small factories are generally located in over-crowded residential areas on the outskirts of Bandung and Majalaya, although a few engaged in hand-weaving are to be found in relatively remote rural areas. These smaller factories produce cloth and garments or else process foodstuffs. The children work the same hours as adults, normally 8 to 10 hours a day (typically from 7:30 a.m. to 5:00 p.m.). Depending on the nature of the work, some are paid piece rates whereas others receive a daily wage.

Based on interviews with NGOs, employers, and government officials, and judging from visits to factories, it seems clear that the large majority of children working in factories within Bandung Municipality prior to the *krismon* were girls aged 14 to 16. One reason for the employment of girls rather than boys is that factories find girls more “obedient” and “manageable” than boys. Industries such as food processing, weaving, and garment production have always preferred female to male workers in sorting, packaging, and packing as well as for the operation of small, simple implements such as those that staple or seal plastic bags. By contrast, young boys, when employed by factories, have performed jobs that require more strength, such as lifting and carrying goods to vehicles.

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47. Several modern factories located south of the capital in Majalaya employed, as recently as 1988, a small number of under-age boys and girls to check and pack goods (Hardjono, 1990).

In some of these urban-peripheral areas there has always been a push factor, in the sense that parents have encouraged their children to seek employment, even when the family was not in urgent need of money. Parents tend to view employment from an early age as part of the growing-up process, and approach the managers of these smaller factories, asking them to “help the family” by giving their daughters work. There have also been pull factors. Young girls in particular have been attracted by the wages offered in factories, which enable them to buy clothes, cosmetics, and simple jewellery that their parents could not afford (White and Tjandraningsih, 1998). Girls have preferred to go straight into small factories, where employment is seen to be more prestigious, rather than undertake piece-work in household industries.

Even before the *krismon*, small factories had relatively little trouble in recruiting young workers with a primary school education, although a primary school certificate was not essential as far as many factory owners were concerned. Age has not been an obstacle to the recruitment of child workers in small firms. Ages were often altered in recommendation letters, recording 13 or 14 as 15 to allow under-age children into the factories, and managers have turned a blind eye to these practices. In the past it was common for young girls to work with parents already employed in a factory, but, by the beginning of *krismon*, very few did so except to a certain extent in smaller, more traditional factories in Majalaya.

### *Home industry*

In contrast to the situation in factories, young boys have traditionally tended to work in household-based enterprises rather than factory work, except in the case of sarong factories in Majalaya.<sup>48</sup> This has always involved casual rather than regular daily work, since even in pre-*krismon* days many firms did not have sufficient work for continuous production. Furthermore, owing to the nature of the production process, household businesses have almost always operated on piece rates. These factors have enabled the owners to recruit and dismiss workers readily, especially children.

Small businesses have always produced a wide variety of goods. These include furniture, caps, children’s clothing, bags, and cheap snack food, often on a sub-contracting or putting-out basis with larger firms.<sup>49</sup> In most small firms there has been a strong family element. Many originally started as activities that depended exclusively on the labour of family members, in particular that of the owner’s spouse and children.<sup>50</sup> In broad terms, it may be said that the employment of children under 15 tends to increase with distance from an urban area or from a major road. Most

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48. In the sarong factories in Majalaya, boys and girls under 15 have long been employed – girls to remove unsightly threads and boys to fold and pack finished sarongs.

49. While only a small proportion of businesses produce goods for direct sale in domestic markets, such activities require capital and a certain amount of knowledge of markets and marketing practices.

50. Many of the young boys working in a small business are in fact the owner’s sons or, occasionally, his nephews. While their labour can be an important addition to the production process, one purpose in giving them work is often to train them to understand all aspects of the business. Ultimately a boy might take over the running of his parents’ small firm or else set up a similar business himself, possibly even in competition with the parents. For many years this was the dominant pattern in the Cirebon rattan industry in West Java and in the Cibaduyut shoe industry on the outskirts of Bandung.



of this employment is in small firms, which are usually household-based undertakings. It can also take place in small factories with less than 20 workers.

Normally, with a successful small firm, a point comes when the owner has to take on additional labour. Boys under 15 have commonly been recruited by small firms for such work as screen-printing, the application of buttons and trimmings, and packing. Usually, although not always, their size prevents them from being employed for jobs that require more physical strength, such as the loading and unloading of trucks, for which boys over 15 are employed.<sup>51</sup> Working hours are not fixed, since virtually all work, including jobs undertaken by children, is done on a piece-rate basis. Among boys, such work has tended to be of a part-time nature, conducted after school or else in the morning if the boys attend an afternoon school. As they get older, especially if they are not related to the owner, they no longer want to work in household industries but seek more financially rewarding work. In the past they moved on to jobs in fields such as construction, although there are now few employment opportunities in this sector.

### **5.3 Impact on child labour in manufacturing**

As noted earlier, the economic crisis has put considerable pressure on children in poorer families through two principal channels: (a) being withdrawn from school, and (b) being forced to work. The following discussion focuses on the issue of child work in the Bandung region before we turn specifically to issues of education.

#### *Children employed in factories*

Currently, almost two years after the beginning of the monetary crisis, there are indications that the number of children seeking work of any kind has increased and continues to increase. One NGO engaged in assisting child workers and street children in Bandung estimates a 300 per cent increase in the number of children under 15 seeking to obtain factory work since the crisis began. However, these children face difficulties in finding jobs at a time when many adults are out of work. The situation is at its worst in households where parents have lost their own jobs. This has forced children who were previously outside the work-force to seek work to help their family or, in some cases, to support themselves.

On the one hand – unlike in some other regions where there are reports of more children being employed in place of adults – the big modern-sector factories have maintained a policy of not employing under-age children.<sup>52</sup> There has been no obvious tendency for factories to replace adult workers with children in an effort to cut costs. As elsewhere in Indonesia, however, putting-out operations to family workers, including children in peri-urban households in some industries, is reportedly prevalent. On the other hand, many of the more traditional but medium-sized factories (20-99 workers) have closed down, or at least reduced employee numbers. Falling demand for products means less demand for workers of all kinds, children included.

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51. There are nevertheless still reported cases of children aged below 15 carrying cakes and other products in cramped and dangerous conditions, such as down narrow flights of stairs (interview with Labour Office officials, Bandung Municipality, March 19, 1999).

52. Based on interviews with NGOs in Solo and Surabaya, 22-23 March 1999.

Although the modern factory sector generally does not employ children, some export activities located in rural or peri-urban areas, such as rattan furniture in the West Java region, have taken on more children as production has risen in the post-crisis period. Several large rattan factories located near Cirebon on the north coast have sustained production and even expanded during the crisis period. For example, children aged 13-14 accounted for 15 per cent of all employees in finishing jobs in one quite large rotan factory employing about 100 employees in all (Box 5).

**Box 5: Rattan furniture factories take on more children**

Despite the *krismon*, the rattan furniture industry in Tegalwangi, Cirebon, managed to sustain production levels in 1997 and 1998. New export markets had opened up for rattan furniture, a development that had implications for both the production system and the employment of child workers.

Rattan furniture-making has traditionally involved production by small household-based businesses, and has been largely geared to the domestic market. However, several large factories have been constructed in the Tegalwangi area mainly to undertake finishing. Some of the factories also produce furniture, but most of their output is generally through the putting-out of work to local small businesses, mainly household firms continuing to produce on the traditional piece-work basis in their own homes. But since this wage system tends to encourage less meticulous work, factory owners insist that, in the interests of quality control, all finishing is done in the factory.

In the factories, the first stage in finishing involves young girls sand-papering chairs. (Boys used to do this work in small firms.) Youths then remove loose rattan fibres from the products, stain them the "traditional" rattan colour, and spray them with varnish before setting them out to dry. Observations in one factory showed that about 60 of the 100 workers were female. Of these 60 individuals, 50 per cent were women over 20 years of age, about 25 per cent were in the 15-20 age group, and the remaining 25 per cent were girls aged 13 to 14 who come from nearby rural areas. The latter are employed to sandpaper rattan products. There are no educational requirements and work experience is not needed. This is the only work done in the factory by under-age child workers. It would seem that the factory has chosen to employ girls because it finds it easier to handle a group of girls under the age of 15 than a similar number of boys of the same age. The factory has no difficulty in recruiting girls or other workers (including experienced men).

Similarly, about one-third of the total work-force of 60 in a large-scale bakery visited in March 1999 were aged 12-14 years. The girls live in villages not far from the factory, itself located outside the town of Majalaya near Bandung. As in some home industries, they performed the monotonous task of putting food into plastic bags. Although most of these factories decided to locate in rural areas to take advantage either of cheap land or local raw materials, they have also been able to employ child workers partly because of their remoteness from the city and the attention of the media and NGO community. Wage costs were one consideration in the decision to employ children prior to *krismon*. But there was also pressure from local parents for factories to employ children both before and after the economic crisis.<sup>53</sup>

In general, however, the use of child labour has not led to expansion, even among larger factories that have continued to prosper despite the economic crisis or have at least recovered from an

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53. Wage considerations were by no means the dominant consideration. For example, the under-age girls in the bread factory reported weekly incomes of 36,000-40,000 rupiah, which were not much below the wages of adult workers in the textile industry in the local town of Majalaya in March 1999.

initial slump. Product markets are even more competitive in these difficult times, and maintaining high levels of productivity is a major concern. Given both the large number of unemployed adults and what are now very low wages by international standards, factories are rarely interested in recruiting children below the ages of 15-16. Where they are in competition with adults, working or would-be working children are likely to be displaced by youths or able-bodied adults.

Many children have thus lost their jobs, with some returning to their home villages, several of these in far-off Central Java (box 6). Others from the nearby Bandung region have been forced to look for other work, either in the informal sector, especially in dangerous self-employed jobs on the streets (basking, selling newspapers and other items), or in even more dangerous activities such as prostitution. Among those from rural areas, few have taken up jobs in agriculture, either because their families own little land or the children lack the skills (or inclination) to undertake work in this sector. Rural households thus face the twin burden of not only losing financial contributions from their children but also having to support them when they return home.<sup>54</sup>

**Box 6: Children lose jobs in sarong factories**

These days, fewer children are to be seen in the now largely mechanized sarong factories that have traditionally employed children. These businesses have been among those most affected by the *krismon*, for the production of sarong cloth has fallen more drastically than that of any other kind of cloth due to falling demand, mainly from the domestic market. Some factories have collapsed completely, while others struggle to remain in business. Those that are still producing have fewer workers under 17 than they once did. It used to be common for small businesses to employ boys as young as 12 and 13 to press finished sarongs, fold them to a standard size, paste on paper labels, and pack them into individual plastic bags. There are also fewer sarong factories where young boys can be seen learning how to operate looms.

Among those still employed, real wages have for the most part fallen significantly among children, as they have with adult workers. However, there is no evidence of differential treatment of children as a result of their more vulnerable situation. Thus, if nominal wages have been increased, either for daily or piece rates, children have received similar increases to those of adults (usually in the range of 10-20 per cent since late 1997). Nevertheless, while working children have never had job security, this is even less the case today, owing to the marked increase in numbers seeking employment. For example, unless they are obviously quite sick, girls who do not turn up for work on three successive days are dismissed.<sup>55</sup> At the same time, these factories are cautious about doing away completely with the employment of children. They fear demonstrations against them by local residents, many of whom have asked that their children be given work.<sup>56</sup>

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54. Although remittances were not always regular or even significant, even before *krismon*.

55. Before the *krismon*, when employment was booming, children could sometimes get up to a week off before the factory replaced them with other girls of the same age.

56. Most are situated in crowded residential areas, where relationships with the local community can sometimes be difficult for other reasons, such as noise from machinery.

### *Children employed in home industries*

The number of children working in home-based businesses declined in 1997-98, or so it was widely reported, for the very reason that overall employment had also fallen in smaller factories. The number of jobs as a whole decreased because of falling demand in most domestic-oriented industries, although demand remained strong in a few industries such as the production of hats and in some import substitution industries. This meant fewer jobs for child workers, particularly in industries such as the production of bags, household furniture, and shoes produced for the local market.

Even though fewer children are employed overall, in some industries there is a relatively fixed ratio between the proportion of adult workers (aged 18 and over), teenagers aged from 15 to 17, and children aged under 15. Recent observations suggest that the ratio in many household businesses is approximately 8: 2:1 – that is, for every child under 15 there are two teenagers in the 15-17 age group and eight adult workers over 17 years of age. Variations naturally exist, depending on the product and the production process.<sup>57</sup>

The lack of continuous work has always been an aspect of home industry employment. Currently this is even more the case, given the economic situation, in particular the community's reduced purchasing power. This aspect of employment in small firms is illustrated by the decline in the Cibaduyut shoe industry, where many young boys were once employed (Thamrin, 1993), and in the toy industry in the Cirebon region. Many children have left work in shoe-making in Cibaduyut to seek other jobs, and it is reported that some are working as buskers on the streets. Similarly in the toy industry, as many as 100 or so households in one hamlet have lost an important source of family income due to rising input prices and falling demand for toys among middle-class school children (box 7).

#### **Box 7: Household enterprises go out of business**

Shoe manufacture in Cibaduyut was a thriving Bandung region village industry during the 1990s, but it has been hit hard by the krismon. The industry was already in decline before July 1997 due to its own internal problems, which included over-saturation of the market. The final blow has been big increases in the price of raw materials such as leather, which has gone up three times, and glue, which has risen even more. At the same time, because of reduced demand, producers have been unable to raise their selling prices. A great many have gone bankrupt or else work only when they receive orders, which can mean a couple of days per week. The few under-age boys who are still working tend to be the sons of parents who have managed to remain in business.

In the toy industry in the Cirebon (West Java) area, virtually every one of the 101 households in the hamlet had one or more members engaged in making toys, which they sold to schools in the local region, in Jakarta, and even as far away as southern Sumatra in early 1997. Gluing of toys is entrusted to children of all ages including, when orders increase, a large percentage under 15. Assembly and packing of the toys is done by women and girls, or children under 15 if older household members are busy. In the past two years demand for the toys has declined drastically. For one thing, school children with pocket money are now more likely to spend it on food snacks than on toys. At the same time, there has been an increase in

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57. For example, in furniture-making only six adults are needed for two youths aged 15-17 and one boy under 15.

raw material costs. The price of the product has risen to reflect these changes, while sales have declined and the returns to labour have fallen steeply. Toy production still brings in a certain amount of money, and a number of households are still producing in the hope that demand will improve. But most of the work can now be done by women in their spare time. Most children who used to be paid by their parents for their involvement now receive nothing, and no longer have money to spend on school necessities such as writing books and pencils. The toys are piling up awaiting buyers, and many male heads of household who used to market the toys are now out of work. For many, household income has fallen considerably.

As in factories, then, there is no indication in small firms that children are taking the place of adults to save on labour costs. Scope for replacement is limited, since in virtually all industries certain skills are needed at each stage in the production process. Nor is it generally cheaper to use more children instead, given the widespread piece-rate system of wage payment. Even if each individual works shorter hours, in simple, repetitive tasks children produce quantities similar to those produced by adults. However, there are situations where children who do not normally work in the business might assist parents on an unpaid basis in order to save them having to employ an adult “outsider”. At the same time, parents might pay children who do not normally work to undertake jobs usually done by wage workers. This provides the children with pocket money in this period of *krismon*. Two examples are the production of bags and caps. Once again, however, the limited ability and skills of children under 15 places restrictions on this kind of “substitution”.

In contrast to the situation in the factories, there are signs that adults, especially women and older children, are replacing children under 15 or in the 15-17 age group in household industry. In factories, it would hardly be cheaper to replace children with women or even older children, while under-age children are available in large numbers to perform simple monotonous tasks, as in small food-processing factories. But in household businesses, wives snip threads, cover buttons, and pack products into plastic bags where once they might have employed children to do so. Secondly, there are situations such as in the toy industry where high demand for the product a few years ago led children to encroach on parents’ activities. With less demand and less work, children have withdrawn and women have continued doing the work that they had always performed in the past.

While many home industries in the Bandung region have laid off child workers, some continue to prosper in particular niche markets, aided by low costs partly afforded by the employment of child workers. One such case is the manufacturing of caps in a peri-urban village on the outskirts of the city. Despite the *krismon* the industry has continued to flourish in this village, even experiencing an increase in the demand for certain styles of caps under general conditions of depressed demand (box 8).<sup>58</sup> This success seems to be based on the ability of producers to compete on the basis of cost and product differentiation.

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58. Several of the households were producing caps with political party colours and emblems, which were in considerable demand as the date of the June national elections approached.

#### **Box 8: Child workers keep their jobs**

In the cap-producing home industry in Margaasih village, in a sub-district adjacent to Bandung, individual households handle all stages of production. They employ a considerable amount of wage labour because of the great detail involved in making and decorating a cap. Approximately 66 per cent of workers are men in their late teens or early 20s, about 20 per cent are in the 15-17 age group, and the remaining 10-13 per cent consist of young boys under 15. These latter children screen-print images on to the caps and help with packing if the order is a large one. Close to 1,000 workers are employed in the industry, including family labour and about 100-200 under-age children, some of whom were originally recruited from outside the village.

All workers are paid on a piece-rate basis. Wages are not low by regional standards, although the children earn much less than adults engaged in more skilled work. In March 1999, men averaged 10,000 rupiahs a day while boys of 13-15 earned closer to 5,000 rupiahs a day, slightly less than the regional minimum wage. Working conditions are cramped and lighting is generally poor. One local producer increased the scale of his business to employ more than 70 workers by constructing a shed partitioned into sections with poor lighting conditions and no flooring. The owner has kept costs down by employing a much greater percentage of children than are found in household units, despite the relatively slow speed at which 14-17 year olds handle some of the tasks.

#### **5.4 Street children and the informal sector**

From our discussion of factory work it is clear that children under 15 have not moved in greater numbers into employment in factories or small businesses. On the contrary, their involvement in these sectors has almost certainly decreased. One alternative, however, has been itinerant work on the streets as newspaper sellers, vendors of a range of cheap consumer goods, sweets, drinks, and second-hand goods, and as buskers and beggars. Whereas prior to *krismon* many street children lived and worked on the streets, it seems that a high proportion of those now working on Bandung's streets live with their families in urban *kampung*s.<sup>59</sup>

There are no accurate data regarding numbers of street children working in Bandung and other West Java cities. The Social Affairs Department in Bandung estimated that slightly fewer than 1,000 children worked on the streets by the end of 1998, compared with fewer than 100 prior to the *krismon* (although one alternative estimate suggests there were as many as 2,600 street child in Bandung in late 1998). Increases of similar orders of magnitude were recorded in other major urban centres (the industrial centres of Tangerang and Bekasi, and in Cirebon and Garut) where between 100 and 300 children were recorded working on the streets in each location.<sup>60</sup>

These figures, which are certainly an underestimate, would suggest that perhaps at least 5,000 and probably closer to 10,000 children were seeking income on the streets in urban West Java in late 1998. The estimated number of street children thus compares to the nearly 10,000 (mainly male)

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59. In the following discussion, we define street children to include all children who work on the streets, thus adopting a broader definition than is applied normally (i.e. children who live and as well as earn a living on the streets).

60. *Pikiran Rakyat*, 10 January 1999, p. 4. To the extent that the phenomenon of street children has only been widely recognized as a social problem in Indonesia recently, it is likely that the increases in numbers of children noted in official statistics are the result of more complete reporting of the problem.

children aged 10-14 working manufacturing in urban West Java as of August 1998.<sup>61</sup> This trend is disturbing. Yet these children still represent a small proportion of the total young population. Children working on the streets have received attention perhaps more because of their visibility – and the concomitant uneasiness they inspire in urban middle-class commuters – than because of any associated social problems.

**Box 9: Big increase in numbers, proportion of total remains small**

Figures reporting the number of street children need to be kept in perspective. The total number of children aged 10-14 in urban West Java was estimated at slightly over 2 million in 1999, over 90 per cent of whom were in school. According to these figures, street children at most accounted for approximately 0.5 per cent of the total population of urban children aged 10-14 in the province.<sup>62</sup> The number of street children has undoubtedly increased enormously since *krismon*, and this represents a worrying trend. Nevertheless, a small proportion of the total population of children is involved.

The overall picture suggests that more children are now idle and also that more have turned to the streets. As of March 1999 they earned only around 3,000 to 4,000 rupiahs per day as buskers, whereas they could get between 7,000 and 10,000 rupiahs per day prior to the *krismon*. These daily incomes are lower than those earned on a daily basis by many children working in factories and household enterprises, although street children probably earn considerably more on an hourly basis.

Who are the street children of Bandung city? It seems that the large majority come from peri-urban areas of the provincial capital. Some are displaced factory workers. Others are from families where the main bread-winners have lost their jobs, or have suffered such a devastating decline in income that children, and often the parents as well, are forced to work on the streets. Among these groups, probably well over half of the total number of street children are less than 15 years of age. A considerable number are still at school or attend school only on an irregular basis. This is contrast to a smaller number of children who have dropped out of school, sometimes well before completing their primary education. Many of these children come from outside the city and from other nearby urban centres, while a minority targeted in special government programmes are displaced children with no home to which to return and often no links with parents or other family.

The presence of very young street children (less than 15 years of age) is part of a broader problem, a direct result of *krismon*, of increasing numbers of youths and adults now working on the streets. Indeed, increasing competition has limited the role of under-age children. One consequence of the *krismon* is that older children and even adults have moved into some of the street jobs once held by children. (Beggars under 10 years of age or so are usually children working with their parents.) Older children and adults have taken over certain “territories” and try to keep younger children out. In Bandung, for example, adult beggars prevent children who are

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61. As reported by the National Labour Force Survey. There was a much larger number of children, some 20,000 mainly female workers, in the same age group recorded in manufacturing in rural areas in West Java in August 1998.

62. This is assuming the majority of street children were aged 10-14 years, which seems unlikely. The largest group were probably in the age group 16-18.

begging from getting on to city buses, which they see as their reserved work-place. The increasing presence of street children and older beggars and buskers has also reduced the income of the more traditional beggars, whose physical handicaps (blindness, for example) represented their “assets” in better economic times.

Similarly, there are now fewer children selling newspapers on the streets, since older boys and even adult men are doing this as a full-time job. The same applies to the selling of cigarettes, bottled water, soft drinks, and the like. Adult men and youths have moved in, relegating child sellers to less favoured products and locations. At the same time the growing presence of individuals who offer “protection” services not surprisingly limits street children’s economic activities, except where the children belong to a group under such protection.

### *Children working in the informal sector*

Young children working in the informal sector in urban areas continue to help their parents in food stalls and other small shops. In Bandung, as in other Indonesian cities, there are signs of an informalization of the urban economy. The number of sellers of a wide range of products and services, especially second-hand goods, has proliferated. This was particularly evident in smaller urban centres such as Majalaya, outside the main city of Bandung.

Nevertheless, the present study found little evidence of greater numbers of child workers in the central and other retail markets in Bandung Municipality. The labour pattern in the markets, in terms of age and gender, is very much what it has always been. In the city market a couple of boys aged around 10 years old sell plastic carrier bags, as children have done for years. Very few children under the age of 15 are involved in helping parents selling food and other goods. A few children, usually in pairs, can be found selling goods such as plastic cups, glasses, and food containers on the side of the road close to markets. Theft of cash and goods such as cigarettes from young children is increasingly common, and parents hesitate to leave children alone in charge of a stall or even a table.

The number of children working in some service sectors actually seems to have decreased during the period of *krismon*. In the transportation sector, there appears to be a drop in the number of young boys working as minibus assistants.<sup>63</sup> Boys under 15 used to be well represented in this occupation. Today, decreasing numbers primarily reflect reduced earnings on the part of minibus drivers, who increasingly face the problem of passengers (a large proportion of them school children) not giving the correct fare or not paying at all.

In contrast, domestic work is one field of employment that appears to have expanded, at least for girls younger than 15. There is an increased demand for young girls to mind small children whose mothers are now working because of the *krismon*, or who find it cheaper to employ a girl of 13 or 14 rather than an older woman. While many young girls do not have the experience and strength to undertake the full range of tasks performed by a housemaid, including cooking and cleaning, the care of small children requires neither. Wages are very low – sometimes only about 30,000 rupiahs a month (around \$US 4.00 at the exchange rate prevailing in mid-1999), although food and accommodation are provided. Young girls traditionally performed domestic work of this

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63. The main job of the *kenek*, who is paid by the driver, is to look for potential passengers and collect fares.



kind, but with the industrial expansion from the 1970s and more especially during the 1980s, wages paid for work in the formal sector became more attractive, even though those wages were below the adult wage and the work was physically demanding.

## 5.5 Child work and schooling

It seems clear, in light of the foregoing discussion, that changes in the involvement of children in work were unlikely to have resulted in significant changes in school enrolments. The number of children displaced from work in industries in and around Bandung were probably counterbalanced by the number who took on new jobs, either in wage employment or, more likely, on the streets. Moreover, in this region, as in other parts of Indonesia, school and work were not incompatible for many working children.<sup>64</sup> Many were engaged in work in home industries where there was no real conflict between school and work. The real problem posed by the *krismon* has not been that many children are dropping out of school because of the need to work. The real challenge is the capacity of parents to maintain their children in school.

As might be expected, many children have dropped out of school since *krismon*, or rather have not continued from primary on to secondary.<sup>65</sup> Asked why they have allowed their children to give up formal schooling in fifth or sixth grade primary, parents tend to plead costs. For many, lack of money to support their children in school is even more a problem now, where they are burdened, beyond the monthly school fees, by rising costs for text books, writing equipment, school uniforms and shoes, as well as numerous other costs such as “examination fees” and payments to get their annual school report.

Nevertheless, school informants reported no significant increase in dropouts in Bandung since *krismon* began, consistent with World Bank and Ministry of Education reports on Indonesia as a whole. This may be attributed to a variety of factors: (a) strong social pressures that encourage the majority of pupils to remain in school; (b) lower school fees and charges since the crisis began (and special concessions for poorer children); and (c) government-supported social safety net assistance to school children in poorer households.<sup>66</sup>

Even though there has not been a sharp rise since *krismon*, school drop-outs remain an important problem:

- *Parental attitudes.* Some parents say they see no point in leaving their children in school, as a primary school certificate will not get them work of any kind. Neither were junior or senior high-school certificates of much greater help in an environment in which many high-school graduates were unemployed even before *krismon*. Often parents hope

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64. Classroom hours are relatively short, especially at primary level. Some schools function entirely in the afternoon. Thus even children who have the opportunity to work in small factories that produce sarongs in some peri-urban areas, for example, can combine employment with schooling, as can those engaged in the informal sector. Nevertheless, as noted above, a small proportion of West Java children did work long hours.

65. Drop-out rates were quite high even before *krismon*, and continuation rates from primary to secondary have also been quite high by national standards (Ministry of Education, 1999).

66. This had reportedly reached the target students and households in several schools visited in Majalaya and the outskirts of Bandung in March 1999.

that their children will take over from them in small businesses or even on family farms and believe, consequently, that time spent at school is wasted.

- *Children's attitudes.* Further, many children find the whole educational process irrelevant to their lives and thus it is their preferences, rather than the inability or refusal of parents to pay the cost of schooling, that is the determining factor. Until the *krismon* occurred, many high-school children tended to find work eventually in factories, small firms or, usually as a last choice, in the informal sector. The problem today is that manufacturing offers few opportunities while the slow-down in the economy has meant the informal sector, which absorbed large numbers of workers in past years, cannot take up the surplus job-seekers.

## 5.6 Conclusions

Several conclusions emerge from our survey of the Bandung region.

- *Few new child workers.* The economic crisis has resulted in large numbers of children (and adults) losing their jobs. Relatively few have found new wage jobs in manufacturing, but a considerable number are engaged in informal activities on the streets of Bandung. Overall, however, there has been no significant increase in the total number of child workers in the region as a result of the *krismon*.

- *Deteriorating working conditions.* Working conditions for those children who are employed have deteriorated significantly. Working conditions among child labour vary considerably. They tend to be worst in the small-medium establishments where children are often crowded into a small space, and there is poor ventilation and lighting. The working conditions of children on the street are also poor and often dangerous, as a result of pollution, violence, and potential accidents.

- *Real wages declining among both children and adults.* As a result of the crisis, the real wages of children have fall quite steeply, but so too have those of adults. Children earn approximately 20-30 per cent less than adults in jobs paid on a time basis, and mostly by a similar or even greater amount among piece-work employees.

- *Displacement from jobs.* Youths and adults appear to be pushing children out of wage jobs in some firms.

- *Similarities and differences between Bandung and other regions.* The Jakarta area shares with Bandung the almost complete absence of child workers (aged less than 15) in the large-factory sector; but the situation is quite different in more traditional industries such as *kretek* cigarettes and tobacco plantations in Central and East Java. Patterns of change as a result of *krismon*, meanwhile, seem to be similar to those experienced in other regions, although child labour has increased in certain regions that have received a stimulus from the rupiah depreciation, especially those where fishing is booming.

## 6. Policies: The social safety net and child labour

Struggling to minimise the social effects of the economic crisis, the government has placed particular emphasis on the welfare of children and women, who are most vulnerable to significant declines in household income, high rates of inflation and a sudden fall in government spending. Besides maintaining education and health spending in real terms in the 1999 budget – at a time when total expenditure fell in rupiah terms by 17% and development spending by 10% (Cameron, 1999: 33) – it has mounted a set of social spending programmes to assist the poor. We look briefly at these policies before examining policies towards child labour more specifically.

### 6.1 Social safety net programmes

The government with support of the key donor agencies, the Asian Development Bank, the World Bank, the ILO and United Nations agencies, mounted a range of social safety net programmes (*Jaringan Pengaman Sosial, JPS*) in early to mid 1998 to assist the poor in adjusting to the crisis. Key areas of assistance included food security, employment and income maintenance, assistance to small-scale industry and preserving access to education and health.<sup>67</sup>

#### *Food security*

A targeted rice programme reached 6.4 million poor urban and rural households (over 25 million people) by October 1998. The programme provided 10 kilograms of rice per month sold at highly subsidised prices (Rp. 1000/kg) to eligible households and this amount was increased to 20 kg. (the total needs of approximately 2-3 household members per month) in December 1998 and extended to permit an expansion to up to 17.5 million households. The planned coverage was equivalent to around one-third of the total population in the first half of 1999. Independent monitoring was undertaken by student groups and NGOs. Food for work was also included in public works programmes undertaken in drought-affected areas from April 1998.

#### *Employment creation and public works schemes*

The employment support schemes involved three sets of activities in budget year 1998/99: special labour-intensive programmes, regular sectoral labour-intensive programmes and the INPRES (public works allocations to lower levels of government) and special assistance public works programmes. In the special public works programmes 1.5 trillion rupiah was budgeted for allocation to drought affected areas, for provision of jobs for some 65,000 skilled workers laid off as a result of the crisis and, third, for labour-intensive forestry sector activities, primarily tree-planting and maintenance in rain-fed agricultural areas. The sectoral programmes involved approximately 2 trillion rupiah allocated mainly to public road construction and maintenance, and also to public buildings and irrigation. The INPRES and sub-district support programmes (PPK) mechanism has concentrated particularly on needy regions and sub-district coordination of assistance to specific villages in need. Under the PPK 1,500 sub-districts and 7,500 villages were to be assisted through grants of approximately Rp. 500-750 million per sub-district (for local infrastructure development, revolving credit and capacity building investment) in budget year 1998/99.

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<sup>67</sup> See especially Sumodiningrat (1999), Abimanyu (1999) and World Bank (1999).

### *Credit for small-scale industry and cooperatives*

The government has allocated by far the largest part of the JPS budget to subsidise credit (at interest rates of 6-16%) to small scale industry and cooperatives, through a budget of Rp. 20 trillion (\$2.67 billion) distributed by the Department of Cooperatives and Small Enterprise. This is perhaps one of the most controversial components of the JPS, given the poor record of subsidised credit and government supported cooperatives in Indonesia in the past (Cameron, 1999: 30).<sup>68</sup> Nevertheless, the principle of special assistance to small industry received strong support at the special session of the Peoples Consultative Assembly (MPR) in November 1998 and is likely to remain a key focus of government policies for several years.

### *Education and health*

In education, the main concern has been regarding dropouts from lower secondary school as a result of the crisis. The government sought to protect the education budget from the effects of inflation by maintaining expenditure in real terms in 1998/99. The main innovative programme has been provision of scholarships to needy final year primary and junior secondary students, strongly supported by the World Bank and Asian Development Bank. In addition, block grants were provided to the poorest 60% of schools in the same year. Complementary programmes have included media and community awareness and mobilisation campaigns, such the “I am a School Student” (*aku anak sekolah*) campaign supported by UNICEF.

In the area of health, the main form of assistance has been subsidies for the import of inputs used in the manufacture of basic drugs. These were imported at the exchange rate of Rp.5000/\$US in budget year 1998/99 and the same form of assistance is planned for 1999/2000. In addition, emergency procedures have been set in place to overcome shortages of major drugs at a district level.

### *The social safety net: How successful?*

How successful have these programmes been? Although it is very difficult to generalise, the JPS has probably played a major role in alleviating the hardship faced by many Indonesian families as a result of the economic crisis, despite frequent public criticism of the social safety net programmes. They have not always been well targeted,<sup>69</sup> and there are numerous stories of KKN (the popular Indonesian acronym for corruption, collusion and nepotism) in the allocation of subsidies. Nevertheless, there is much greater social control than ever before and substantial efforts have been made to supervise implementation through NGOs and other organisations. Some programmes, such as the scholarship support programme appear to have been reported to have been more successful in reaching the target groups. Others (such as block grants to schools) have not always reached those in need or have lacked community support and involvement in planning and execution (World Bank, 1999).

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<sup>68</sup> The Minister of Cooperatives and Small Enterprise, Adi Sasono argues, however, that assistance to cooperatives is different than in the past. It is distributed not only to government fostered institutions but also to any privately established cooperative with a proven capacity to do business.

<sup>69</sup> This applies especially to the rice subsidy program which seems to have often missed households in genuine need, and to have benefited those who were not so needy (*SMERU*, No.2, December 1998: pp. 8-10).

One major obstacle in 1998/99 was the slow rate of disbursement of funds. By late 1998, nearly three quarters into the financial year, only 30% of total social safety net funds (outside the subsidised credit programme) had been disbursed (Abimanyu, 1999). In part, this relates to bureaucratic inefficiency. But in part it was also the result of nervousness on the part of local government officials, wary of much more intensive monitoring on the part of NGOs, the press and other institutions.<sup>70</sup>

The JPS is a short-term programme to help solve the pressing problems created by the financial crisis. Its emphasis on education and health has important implications for children and child labour. It may have contributed to lower than expected declines in school enrolments in the first full year of economic crisis, although owing to delayed expenditures, its impact is likely to be much greater in financial year 1998/99, in the second year of the crisis.

## **6.2 Child labour: Direct interventions**

Child labour has not been an issue directly addressed as part of the government's response to the economic crisis, with the exception of policies towards street children. Although the new Habibie government finally ratified Convention 138 in May 1999, the process had been delayed as the government presses forward with an ambitious and overloaded reform agenda to be ratified by parliament (such as banking reform, competition policy and decentralisation).

From a medium term standpoint, it is difficult to escape the conclusion that there is still an ambivalent standpoint with respect to child labour. Current policies are not significantly different, in practice, from that taken by successive Soeharto governments. The highly controversial Ministerial Regulation No. 1, 1987 is still in place. This permits child labour in light work below the age of 14 years on the basis of economic necessity, although quite stringent conditions are attached (especially a maximum of four hours work a day). It remains the guiding principle for employment of child workers.<sup>71</sup> In practice, as we have seen in the case of factory workers in Bandung, some children aged below 14 regularly work in factories for regular 8 hour shifts or more, although the large majority of young factory workers are aged more than 14.

Nevertheless, some progress has been made in involving various government and non-government groups in efforts to limit the use of child labour and publicise abuses of children in the workplace. This has been chiefly pursued through Indonesia's participation in the ILO's International Programme on the Elimination of Child Labour (ILO/IPEC) from 1992. The IPEC programme is funded and administered by the ILO but is coordinated by a steering committee with representatives from relevant government departments, NGOs and other relevant national bodies. It is chaired by the Director General for Labour Standards in the Ministry of Manpower.

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<sup>70</sup> Another problem, which emerged by April 1999, was the use of JPS expenditures for political purposes by the government, as the date of the June general elections approached. There was a general call by opposition parties for the JPS to be suspended in May and early June 1999 (*Kompas*, May 3, 1999).

<sup>71</sup> Several authors have questioned the legal basis of this ministerial instruction (see, for example, White and Tjandraningsih, 1998: 58-59). Law No. 1, 1951 is much more restrictive but was never accompanied by implementing legislation, and hence could not be used as the basis for enforcement.

IPEC Indonesia has taken a number of initiatives to support programmes aimed at restricting and eventually eliminating child labour<sup>72</sup>:

- Programmes undertaken in cooperation with NGOs throughout the country, usually involving some support for specific groups of child workers, social work in local communities and some non-formal educational support for children, such as the A and B non-formal education 'packets' (modules), supplied by the Ministry of Education and Culture.<sup>73</sup> An important goal of this work has been institutional support and capacity building to NGOs, in order to build up a critical mass of groups and individuals active in child labour programs.
- Financial support for education scholarships, and social work with local communities, for children aged 12-14 who have dropped out of school and are working in six provinces in Indonesia, in cooperation with the Directorate General of Rural Development in the Ministry of Internal Affairs
- Awareness raising and agenda setting through the support of two national conferences on child labour in 1993 and 1996 to develop national strategies to overcome the problem of child labour. Recommendations from the conferences included encouragement of revision of existing legislation, stronger enforcement of legislation, strengthening networks of NGOs working in the field of child labour and training of NGO members and community social workers to act as advocates of reform.
- Training of labour inspectors on the issues of child labour, including international standards (ILO Conventions) and policy approaches to restricting the use of child workers.
- Support for research on a variety of aspects of the child labour problem, including the three major studies undertaken by the Central Bureau of Statistics in Bandung, Medan and Manado regions.

A more positive attitude on the part of the Indonesia government in recent years towards child labour issues can be seen from the several initiatives already taken under the previous Minister of Manpower, Abdul Latief, prior to the economic crisis. Other steps were taken after the Habibie government was installed in May 1998, most notably the ratification of Convention 138 on the employment of child labour in May 1999 (Law No. 20). Other initiatives included:

- the dissemination of a set of guidelines (*surat edaran*) by the Director General for Industrial Relations in 1997 along the lines of Ministerial Regulation No. 1 1987 but surprisingly dealing with child workers aged 13-18, and seeking to ban them from employment in specific sectors such as plantations and textiles.<sup>74</sup> The broader age category 13-18 raises several questions regarding the consistency of government policy since child workers had hitherto been defined as children aged either 15 or 14 and below, in accordance with Convention 138.

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<sup>72</sup> See especially Wiladi (1995) and Mboi and Irwanto (1998) for summaries and evaluation of several of the IPEC programs, and Thijs (1993) and the YKAI (1996) on the national conferences.

<sup>73</sup> Programs include support for child workers on tobacco estates in Jember, East Java, for factory workers on the urban periphery in the Malang/Kediri region, children employed in the fishing industry on the north coast of Central Java, child workers in the Banter Gerbang rubbish dump in Jakarta, support for several 'safe homes' for child workers (*rumah singgah*) and many other programs.

<sup>74</sup> See Surat Edaran (Ministerial Circular) No. SE-12/M/BW/1997, 11 November 1997.

- Calls by the Governor of North Sumatra, supported by the Ministry of Manpower, to eliminate the employment of children on the deep sea fishing traps (*jermal*) which have long been an area of dangerous work among children in North Sumatra and several other provinces.<sup>75</sup>
- Indications that Indonesia would react favourably to the new ILO Worst Forms of Child Labour Convention, 1999 (No.182).

In addition, the Department of Social Affairs, with support from international donors (especially the Asian Development Bank) has begun to play a much greater role in supporting activities to rehabilitate street children and support safe houses for street children to visit and stay if necessary. Following the successful pilot programme support of approximately 700 children in seven major centres throughout Indonesia, the Department is set to expand support through transit houses, mobile units and safe houses for street children in most major centres throughout Indonesia. Through social worker support, the programme aims to assist rehabilitate street children through vocational training, health care support and counselling. The programme seeks to support three groups of children working on the street with a different combination of interventions:

- Children who live on the street: usually engaged in anything up to 12 hours of work a day on the streets, without contact with their parents and moving from place to place, often from city to city.
- Children who work mainly on the street, with irregular contact with their parents.
- Children who live with their parents and work limited hours on the street, combining these activities with schooling.

While many street children consisted of the first group prior to the crisis, the large majority are now groups two and three who have sought incomes on the street for their own and their family's survival. Programmes of assistance and counselling decrease in complexity as one moves from the first group of genuine street children, often with major psychological and social problems, to groups two and three.

Other agencies involved such as the Ministry of Internal Affairs and the Ministry of Education are also working with cooperative programmes supported by foreign donors and sometimes with a contribution from their own operational funds. The Ministry of Manpower, which ran a programme of support for child labour during the 1980s, has the main responsibility for legislation regarding child labour and protection of child labour through labour inspections, and legal sanctions placed on offending employers. Its direct involvement in child labour issues is limited, however. Only 10 labour inspectors throughout the country have undertaken specialist courses on child labour and most have little time to focus on child labour abuses, which are regarded as secondary to more pressing problems such as unfair dismissals, separation payments and wages among adult workers.<sup>76</sup> In general, there appears to be a lack of good coordination

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<sup>75</sup> Both the Governor and the Minister of Manpower issued letters of instructions in December and November 1998 respectively calling for a complete ban on the employment of child labour on the *jermals*.

<sup>76</sup> This point was made in discussions with labour inspectors in the Bandung region.

among government agencies and some overlap in activities,<sup>77</sup> although the IPEC programme does seem to have encouraged a degree of cooperation between key ministries.

One area where much has been promised but relatively little delivered is non-formal education. Most programmes oriented towards prevention of child labour have an educational component, usually a 'packet' A (primary school equivalent) or 'packet' B (lower secondary equivalent) programme of studies for child workers. While these programmes are useful in providing some children with an alternative to work, especially if they are accompanied by scholarships, they have been widely criticised by experts, NGOs and the media. There appear to be three main shortcomings:<sup>78</sup>

- The educational programmes are massively under-resourced, especially for basic study and teaching aids. This means that the quality of schooling is far below that in formal education
- The teaching curriculum, which is designed in Jakarta, is often not relevant to student needs, once they progress beyond early primary grades.
- While part-time workers can take advantage of out-of-school education, many children and especially those who work more than four hours a day are not attracted to further schooling. In addition to often being too tired to attend, they frequently do not find the courses interesting and consequently attendance rates and completion rates tend to be very low. Attendance rates are frequently below 50% and sometimes much lower, and completion rates sometimes reach only 10-20% for a given course (Indriyanto and Jiyono, 1996).

Finally, many NGOs, some quite experienced in community programmes, have been involved in activities to support child workers (especially, as noted, through the IPEC support programme in recent years). It does appear, however, that few of these organisations are able to specialise in child labour issues and are heavily dependent on donor support for their programmes. There is a risk that once donor support runs out, the development programmes cease or wind down drastically.

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<sup>77</sup> For example, although the Ministry of Manpower would appear to have responsibility for legal aspects of child labour, the Minister of Internal Affairs issued an instruction to all officers within the Ministry banning child labour below the age of 15, yet made no reference to legislation passed or foreshadowed by the Ministry of Manpower (see Ministry of Internal Affairs, Ministerial Instruction No. 3, 1999).

<sup>78</sup> See especially Indriyanto and Jiyono (1996) who review out-of-school education programs in Indonesia for working children. These comments are also based on discussions with NGOs in Yogyakarta, Solo, Surabaya and Jakarta in February-March 1999.



## 7. Conclusions: Lessons and the way forward

Child labour is an important social issue in Indonesia, as in many other countries. The abuse of children in specific work environments – in some factories, in dangerous work in fishing and mining jobs, on the street and in service activities such as child prostitution – are all dimensions of a social problem which needs more urgent attention and policy focus than in the past. Several of these issues have become more severe as a result of the economic crisis which hit Indonesia in August 1997 and reduced household incomes and formal sector employment of both adults and children considerably.

Bearing this in mind, the issue of child labour needs to be viewed within the broader perspective of social and economic change related to the *krismon*. It is important to identify the priorities for policy action, especially at this important time of economic crisis, when policy attention is focussed on how poor households can best be helped. There has been a tendency in the past to overstate the issue of child labour, and to suggest it is a general and worsening social problem. It has also been assumed by some, quite understandably, that the incidence of child work is likely to have deteriorated substantially as a result of the economic crisis.<sup>79</sup>

Neither of the above conclusions – that child labour is a worsening social problem and that it is much worse as a result of the *krismon* – is consistent with the facts. Set in a medium to longer-term context, the incidence of child labour has declined substantially over the past 25 years, by almost any indicator one chooses to use.<sup>80</sup> It is more an urban problem now than it was in the past but this is mainly a reflection of a much higher proportion of the population living in urban areas. In urban areas too, the incidence of child labour has declined dramatically from the time the Soeharto government came to power in the 1960s to its downfall in May 1998. There is a slight indication that more of the substantially diminished number of child workers were working longer hours prior to the economic crisis than several years earlier although this was clearly not the case in the post crisis period. But even here, the absolute number of children working more than four hours a day in poor conditions has declined substantially over the past two decades.

In general, it needs to be acknowledged that economic development, improved living standards and higher levels of social spending have all contributed to a decline in the incidence of child labour in Indonesia over the past 20 years. This does not mean that abuse of child workers is still not a problem. But high levels of child labour associated with widespread poverty are no longer a feature of the employment scene in Indonesia. A protracted economic decline would certainly mean a major setback. But, provided Indonesia comes out of the economic crisis over the next 1-2 years, the issue is now much more about specific industries, regions and socio-economic groups.

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<sup>79</sup> For popular statements of the problem see for example articles by Popon Anarita Okol (*Kompas*, 23 July 1998, page 7) and Limas Sutanto (*Pikiran Rakyat*, 24 July 1998, page 6). Both deal with the impact of the economic crisis on child labour, and especially on the emergence of street children as a major social problem.

<sup>80</sup> Several authors have suggested that the problem is worse now in urban areas than in the past. They have drawn attention to the plight of child workers by noting the higher share of wage and formal sector employment compared with the past.

It is no longer necessary, moreover, to stretch the facts to draw attention to the issue of child labour, in an attempt to mobilise support for action programmes. There have been important changes in the people's tolerance of a range of social abuses in recent years. Abuse of child labour is one of these areas of concern. Improved living standards, a larger, more urbanised and aware middle class and a more active NGO movement, especially since the fall of the Soeharto government, have all contributed to changing social attitudes regarding child workers.

It is now much more possible to harness this greater public awareness, capabilities and greater 'people power' through political processes to help overcome considerable child abuse which still exists in Indonesia. But the approach does need to be realistic in terms of which child activities should be targeted, and the time frame over which programmes should realistically aim to begin to make inroads into the problem. This is particularly true during this period of economic downturn, when policy challenges are many, and funds scarce.

Many different programmes have been tried and there is now a wealth of experience among NGOs and some government officials regarding what is possible and over what time period. Perhaps, most importantly, it is necessary to move away from an overly general focus in child labour programmes. A new approach would place emphasis on the different dimensions of the child labour problem in various sectors/regions and encourage policies that are focussed on overcoming these problems. We deal with some of these issues below.

## **7.1 The way ahead: Priorities for the future**

A first step towards designing more useful policies is to provide an inventory for policy action of major areas in which child labour is of concern. The most important areas are those that involve hazardous and physically harmful work, such as work on the *jermal* fishing platforms, long hours of work in cramped and unhealthy environments, child prostitution and work on the streets at very young ages. Solutions to these problems depend heavily on the support of local communities, which are critical to the implementation of national (or regional) policies. Unless children have better alternatives to go to, and they (and their parents) appreciate them as such, attempts at removal of child labour, even from quite exploitative situations, is likely to be only partially successful at best.

Thus, it is important to establish priorities with regard to child labour programmes, especially at this time of economic crisis in Indonesia when funds are scarce and the demands on government and societal groups in the area of social policy are very large. I believe that the child labour problem should be thought of as involving policy decisions at two levels of action. The first involves fundamental reforms, which will influence the overall *context* in which children (and their parents) make decisions about working outside the home. Child labour is, of course, only one consideration in determining the direction of broader social policies. Educational policy is the critical component of policies at this level. The second relates to the legislative environment, supervision and sanctions for abuse of child workers.

### *Longer-term measures*

In the area of more *fundamental*, longer-term reform, the government should consider:

- Retaining scholarship programmes for the poor well beyond the current difficult economic circumstances.
- Greater local community responsibility for educational policies at the school level, already tried with considerable success as part of the social safety net programme.
- Reduce Jakarta's tight control over the design and implementation of education policy.
- A phased programme of reform of non-formal schooling over 5-10 years to raise attendance rates and resource non-formal schooling adequately (Indriyanto and Jiyono, 1996). Given the shortage of funds for government programmes, here too there is an urgent need for mobilisation of local resources and greater community involvement in the design and execution of programmes.
- Longer term empowerment of trade union organisations accompanied by awareness raising activities among union members regarding child labour issues.<sup>81</sup>
- Community awareness raising and empowerment to eliminate abuse of child workers, since mainly smaller factories employ child labour in residential areas under harmful and unhealthy conditions.

As a result of the *krismon*, it is now widely acknowledged that there is little hope that Indonesia will achieve universal schooling for children aged 13-15 (up to grade 9) by the target year of 2004. The process might be greatly assisted, nevertheless, through continuation of the present social safety net granting of scholarships to poor children and special block grants to schools in poor regions. The government might consider retaining these programmes well beyond the current difficult economic circumstances. Special programmes of assistance would remove the need of trying maintain probably unsustainable across-the-board fee cuts to all schools and school children as the economy recovers.

Prevention of attrition from the education system is now a major short-term goal. But building a basic educational system that offers both the necessary quantity of places and improved quality of schooling is of highest priority in the longer term. Drop-out rates will continue to remain high, and under-age work a rational choice for many children and families. This will continue as long as increased years of schooling beyond basic primary level are not attractive to students, and do not provide sufficient rewards to parents who undertake major investments in putting their children through school. In general, the political environment in Indonesia now supports local communities taking much more responsibility for educational policies. Nevertheless, reducing Jakarta's tight control over the design and implementation of policy remains a major challenge, as in many other areas of social policy.

In addition to support for the promotion of basic schooling through to year nine, the strategy for non-formal education needs also to be addressed, although these programmes are much less important in reducing the incidence of child work than improvements to basic schooling. Non-formal education can be a valuable vehicle to support children who have dropped out of school. It is needed to assist them in developing basic skills required in the work place. But even more than basic secondary schooling, the A and B "packages" of non-formal schooling suffer from under-funding, lack of courses relevant to local conditions and an orientation which meets the needs of young people. As suggested by Indriyanto and Jiyono (1996), a phased programme of

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<sup>81</sup> While there may be unlikely to ever be a significant union presence in most small and medium firms, union action at industry and regional level would draw attention to child labour abuse.

reform over 5-10 years is needed to raise attendance rates and resource non-formal schooling adequately. Given the shortage of funds for government programmes, it would seem that much greater mobilisation of local resources is critical for both the improved quality and greater local design of non-formal educational programmes.

A second and key area of longer-term reform relates to protection of children in the work place. As we have noted in the qualitative study survey of child labour in Bandung region, the large majority of abuses of child labour occur in the small- and medium-scale factory and home enterprise sectors. Labour protection through the Ministry of Manpower is not adequate to the task in the large-scale sector, let alone in smaller sized establishments. Two sets of approaches would seem relevant to helping eliminate child labour abuse at this level:

- Longer term empowerment of trade union organisations accompanied by awareness raising activities among union members regarding child labour issues. While there may never be a significant union presence in most small and medium firms, union action at industry and regional level would draw attention to child labour abuse. Labour union empowerment is critical to improved labour protection under the new government and elimination of child labour abuse should be a focus of union activities.
- Second, since many of these smaller factories are located within the community, awareness raising is necessary for the elimination of illegal child work. A greater understanding of the costs of such abuse, combined with a more open political system, will complement other policies.

Employers' organisations can also play an important role in supporting government, trade union and community efforts which seek to minimize the incidence of child labour. In part this can be achieved through financial assistance to NGOs and other bodies involved in child development and educational programmes.<sup>82</sup> But more importantly, employers' organisations can spread information to their members on the harmful effects of the employment of children and participate directly in programmes that are designed to eliminate abuse and hazardous conditions. At the same time, it is important to bear in mind that these efforts are only likely to have an impact among larger scale employers. They are likely to have only a limited impact on employment of child labour in small and medium firms where much of the child abuse takes place. Most of these firms are rarely active in employers' organisations.

### *Labour legislation and international Conventions*

Secondly, more immediate policy issues relate to the legislative framework. This needs to be given more careful consideration than in the past, if there are to be a consistent set of policies, and guidelines for union and community action. Conflicting legislation, even within the same ministry – as in the case of Ministerial Regulation No. 1 1987 and the ministerial guidelines distributed in 1997 – has been a major constraint to policy action. The formal legislative framework has been ambiguous ever since Indonesia passed law no 1, 1951 banning child labour below the age of 15 but did not follow up this law with regulations regarding implementation of the law. Law No. 1 1951 was quite unrealistic at a time when poverty was widespread, primary school enrolments very low and child labour endemic in traditional industries. The Indonesian

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<sup>82</sup> Several large employers, for example, make major contributions to the YKAI, Yayasan Ksejahteraan Anak Indonesia or the Indonesian Child Welfare Foundation for its annual awards to children.

government clearly viewed this law more as a matter of national pride than any realistic guideline for policy.

From the outset it needs to be stressed that legislation can only be effective if it is consistent with general socio-economic conditions, implementation capacity and the government will to follow through with sanctions on non-compliance. A major theme of this paper has been that neither socio-economic conditions nor implementation capacity, much less government will to impose sanctions on non-compliance, have supported strict controls over child work in Indonesia over the past two decades. The suggestions contained in this section rest heavily on the new government taking steps to improve implementation – in partnership with trade unions and business – and to be willing to take firm action against transgressions of the labour law. At the same time, major gains will not be realised without significant improvements in the quality of schooling and the returns which children and their parents expect from investments in education.

While ratification of ILO Convention 138 is a major step, Indonesia now needs to move quickly to also ratify the new ILO Convention No. 182 covering the worst forms of child labour. As suggested, elimination of child involvement in hazardous and dangerous work, including prostitution, should be a first priority for improving the welfare of child workers. It will take longer for Indonesia to limit child work in accordance with Convention 138, given both the country's stage of development (even before the economic crisis) and implementation capacity.

To have a significant impact, acceptance of both Conventions needs to be backed up by a much overdue new basic law on child labour. Both Conventions are sufficiently flexible to enable a domestic law to be passed which is realistic in terms of existing conditions of child labour in Indonesia, both during this period of economic downturn and for the medium term.

Implementing legislation would include heavy fines or jail sentences for violations of these provisions of the law, and the possibility of family court action against parents demonstrated to be in violation of the code with respect to their children or relatives. Heavy jail sentences should be included for any persons involved in the employment or trafficking of children for work in bars, nightclubs, massage parlours or explicitly for prostitution.

An important step for implementation of the legislation would be to provide an inventory of the major areas of hazardous work currently undertaken by children in Indonesia which are to be specified in the legislation.<sup>83</sup> Such activities would be specified by occupation and industry to facilitate protection of children, and could be based on submissions from a team of government, union and community representatives in each province in Indonesia.

Although national level legislation is important, implementation will ultimately depend on the will of regional political and community leaders and administrators. Efforts which would support legislation might involve the setting of targets to eliminate child labour from specific occupations in certain regions (such as the *jermal* in North Sumatra and the pearl divers in Maluku). Such action would need to be undertaken together with supporting steps to rehabilitate the children and gain support for the process from the families of the children concerned.

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<sup>83</sup> An example of a listing of labour activities undertaken by children, which includes some hazardous occupations, is appended in the reports by Asra (1993, 1996).

Experience with child labour support programmes over the past seven years has indicated that changing community values and parental attitudes takes considerable time, even after the dominant economic imperatives for child work have disappeared. One lesson for donors and government programmes is that concrete results cannot be hoped for in a period of less than five years. Programmes may not be successful in eliminating the existing generation of child workers, but they can establish the foundation for reducing and even preventing the emergence of another generation of child workers.

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## Annex: Tables and figures

**Table 1: Percentage growth in GDP by major sector, Indonesia 1996-1998 (1993 constant prices)**

<i>Sector</i>	1996	1997	1998	1998 Q3-Q4
Agriculture	3.2	0.9	0.2	-9.1
Mining	5.8	2.1	-4.2	5.6
Manufacturing	11.2	6.4	-12.9	2.8
Electricity, gas & water	13.2	-7.0	5.1	-9.1
Construction	12.8	6.5	-36.9	3.7
Trade, Hotels & restaurants	8.2	5.9	-19.0	2.1
Transport and communications	7.8	8.3	-12.8	1.6
Finance, rent	8.8	3.6	-26.7	-11.7
Other services	3.4	2.9	-4.7	-0.1
Total	8	4.8	-13.7	-0.3
Total excl. oil and gas	8.3	5.3	-14.8	-0.5
Total excl. agriculture	n.a.	n.a.	-16.10	1.6

*Source:* Central Bureau of Statistics, Economic Indicators, various months.

**Table 2: Key indicators of aggregate labour force and employment growth in Indonesia. August 1997 and August 1998**  
(Population aged 15+)

	Urban		Rural		Male		Female		Total	
	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998
<b>Change in total number (m.)</b>										
Population aged 15+	53.3	56.1	81.7	82.5	66.3	68.2	68.8	70.3	135.1	138.5
Labour force	31.9	33.4	57.7	59.3	55.3	56.8	34.2	36.0	89.5	92.8
Employed	29.4	30.3	56.1	57.4	53.0	53.9	32.4	33.8	85.4	86.7
Unemployed	2.6	3.1	1.6	2.0	2.3	2.9	1.9	2.2	4.2	5.1
<b>Rates (%)</b>										
Labour force Participation	59.8	59.6	70.6	71.9	83.4	83.2	49.9	51.2	66.3	66.9
Unemployment	8.0	9.3	2.8	3.3	4.1	5.0	5.6	6.1	4.7	5.5
<b>Growth (%)</b>										
Population aged 15+	5.1		0.9		2.9		2.2		2.6	
Labour force	4.7		2.9		2.7		4.8		3.5	
Employment	3.2		2.3		1.7		4.2		2.7	
<b>Share of increase (%)</b>										
Population aged 15+	78.6		21.4		55.6		44.4		100	
Labour force	47.5		52.5		47.8		52.2		100	
Employment	41.9		58.1		39.4		60.6		100	
Unemployment	62.0		38.0		69.7		30.3		100	

*Sources:* Central Bureau of Statistics. National Labour Force Surveys. August 1997 and 1998.

**Table 3: Change in employment by sector 1997-1998 (Ages 10 and above)**

	Urban	Rural	Male	Female	Total
Change in number of workers (000)					
Agriculture	4 762		2 737	2 025	4 762
Non-agriculture	-71	-2 339	-1 759	-651	-2 410
Manufacturing	-298	-790	-636	-452	-1 088
Construction	-182	-489	-657	-14	-671
Trade and transport	285	-427	-45	-97	-142
Services	185	-402	-213	-4	-2 17
Other	-61	-231	-208	-84	-292
Total	993	1 359	978	1 374	2 352
% change 1997-98					
Agriculture	13		12	15	13
<i>Non-agriculture</i>	0	-10	-6	-3	-5
Manufacturing	-6	-13	-10	-9	-10
Construction	-10	-20	-16	-9	-16
Trade and transport	3	-4	0	-1	-1
Services	2	-8	-3	0	-2
Other	-14	-33	-23	-41	-26
Total	3.4	2.4	1.8	4.2	2.7

*Sources:* Central Bureau of Statistics. National Labour Force Surveys. August 1997 and 1998.

**Table 4: Change in employment of wage and non-wage workers, Indonesia, 1997-98  
(Ages 10 and above)**

	Urban	Rural	Male	Female	Total
<b>Change in number of workers (000)</b>					
Wage					
Agriculture	454		248	206	454
Non-agriculture	-755	-1 182	-1 683	-254	-1 937
Total	-363	-1 120	-1 435	-48	-1 483
Non-wage					
Agriculture	4 308		2 489	1 819	4 308
Non-agriculture	682	-1 158	-79	-397	-476
Total	1 354	2 478	2 410	1 422	3 832
Total					
Agriculture	4 762		2 737	2 025	4 762
Non-agriculture	-73	-2 340	-1 762	-651	-2 413
Total	991	1 358	975	1 374	2 349
<b>% change 1997-98</b>					
Wage					
Agriculture	9		8	12	9
Non-agriculture	-5	-12	-9	-3	-8
Total	-2	-8	-7	-1	-5
Non-wage					
Agriculture	14		13	15	144
Non-agriculture	6	-8	-1	-3	-2
Total	10	6	7	6	7
<b>Total</b>					
Agriculture	13		12	15	13
Non-agriculture	0	-10	-6	-3	-5
<b>Total</b>	3.4	2.4	1.8	4.2	2.7

*Sources:* Central Bureau of Statistics. National Labour Force Surveys. August 1997 and 1998.

**Table 5: Labour force status and unemployment among children and Youth, Indonesia, 1998**

	Urban	Rural	Male	Female	Total
<b>Age 10-14</b>					
Labour force	3.5	11.1	9.5	7.0	8.3
At school	91.7	81.8	84.8	86.1	85.4
Housework	0.9	1.5	0.3	2.4	1.3
Other	3.9	5.6	5.4	4.5	5.0
Total	100.0	100.0	100.0	100.0	100.0
Unemployment rate (%)	7.1	4.0	3.5	6.1	4.5
<b>Age 15-19</b>					
Labour force	27.3	46.9	44.3	32.6	38.5
At school	59.2	33.1	44.3	44.1	44.2
Housework	5.2	10.1	0.8	15.5	8.0
Other	8.3	9.9	10.6	7.8	9.2
Total	100.0	100.0	100.0	100.0	100.0
Unemployment rate (%)	28.3	12.5	14.9	20.6	17.3

*Source:* Central Bureau of Statistics. National Labour Force Survey, 1998.

**Table 6: Distribution of labour force by status and region, children and youth, Indonesia 1998 (percentages)**

Age/Province	Labour force participation	Schooling	Housework	Other	Total	Unemployment rate
<hr/>						
Age 10-14						
Sumatra	8.0	86.9	1.3	3.8	100.0	1.9
Java&Bali	7.2	86.0	1.2	5.6	100.0	6.3
Kalimantan	9.7	83.6	1.2	5.5	100.0	8.0
Sulawesi	10.9	83.2	1.6	4.4	100.0	3.8
Other	14.1	80.2	1.7	4.0	100.0	0.7
Indonesia	8.3	85.4	1.3	5.0	100.0	4.5
<hr/>						
Age 15-19						
Sumatra	37.4	47.6	8.0	7.0	100.0	13.9
Java	37.2	45.1	7.3	10.5	100.0	21.1
Kalimantan	44.4	38.6	9.0	8.0	100.0	14.3
Sulawesi	41.2	38.0	11.7	9.0	100.0	11.6
Other	47.5	36.4	9.3	6.9	100.0	6.7
Indonesia	38.5	44.2	8.0	9.2	100.0	17.3

*Source:* Central Bureau of Statistics. National Labour Force Survey, August 1998.



**Table 7: Child and youth labour by major sector and region, Indonesia 1998**

	INDUSTRY						Total
	Agri- culture	Manufact- uring	Trade	Construction & transport	Services	Other	
Age 10-14							
Sumatra	73.6	7.3	11.9	1.8	4.5	1.8	100.0
Java	63.5	15.4	14.9	0.8	4.8	0.6	100.0
Kalimantan	61.0	7.6	21.9	2.3	3.8	3.4	100.0
Sulawesi	85.2	3.4	8.1	0.7	2.3	0.0	100.0
Other	75.7	9.7	10.4	2.3	0.7	1.4	100.0
Total	69.3	11.1	13.5	1.3	3.9	0.9	100.0
Age 15-19							
Sumatra	64.1	10.1	12.2	5.6	6.7	1.3	100.0
Java	37.9	22.3	17.8	8.0	13.3	0.8	100.0
Kalimantan	57.2	12.1	14.5	5.1	6.6	4.5	100.0
Sulawesi	67.7	6.8	13.6	5.8	4.9	1.2	100.0
Other	71.8	10.6	8.1	5.0	3.1	1.4	100.0
Total	50.5	16.5	15.1	6.8	9.8	1.2	100.0

*Source:* Central Bureau of Statistics. National Labour Force Survey. August 1998.

**Table 8: Main labour force characteristics, children and youth, Indonesia 1997 and 1998**

		Urban	Rural	Male	Female	Total
<hr/>						
Age 10-14						
Labour force participation (%)	1997	3.1	10.2	8.7	6.7	7.7
	1998	3.5	11.1	9.5	7.0	8.3
At school*	1997	91.9	82.0	85.5	85.4	85.5
	1998	91.7	81.8	84.8	86.1	85.4
Unemployment rate	1997	10.6	3.5	4.0	5.3	4.5
	1998	7.1	4.0	3.5	6.1	4.5
Age 15-19						
Labour force participation	1997	28.5	47.1	44.6	33.6	39.2
	1998	27.3	46.9	44.3	32.6	38.5
At school*	1997	59.0	32.8	44.7	43.0	43.9
	1998	59.2	33.1	44.3	44.1	44.2
Unemployment rate	1997	26.5	12.7	15.4	19.0	16.9
	1998	28.3	12.5	14.9	20.6	17.3
<hr/>						

\* "At school" refers to actual attendance as recorded in the labour force surveys, not to enrolments.

*Sources:* Central Bureau of Statistics. National Labour Force Surveys, August 1997 and 1998

**Table 9: Growth and percentage distribution of child and youth employment by sector and work status, 1997 and 1998**

	INDUSTRY						Total	WORK STATUS	
	Agriculture	Manufacturing	Trade	Construction & Transport	Services	Other		Wage	Non-Wage
Age 10-14									
1997	64.4	12.5	16.3	1.7	3.8	1.3	100.0	12.9	87.1
1998	69.3	11.1	13.5	1.3	3.9	0.9	100.0	11.6	88.4
Percentage change <sup>1</sup>	13.0	-6.8	-13.4	-15.4	7.5	-27.3	5.0	-5.06	6.50
Age 15-19									
1997	44.4	19.1	16.2	8.2	10.7	1.4	100.0	39.2	60.8
1998	50.5	16.5	15.1	6.8	9.8	1.2	100.0	33.8	66.2
Percentage change <sup>1</sup>	15.5	-12.2	-4.9	-15.9	-6.7	-7.5	1.6	-12.35	10.69

1. Percentage change in total number employed in each sector/work status group.

*Sources:* Central Bureau of Statistics. National Labour Force Surveys, August 1997 and 1998.

**Table 10: Structure of child and youth employment outside agriculture by location and sex, Indonesia 1998**

	INDUSTRY					Total
	Manufact- uring	Trade	Construct- ion and Transport	Services	Other	
<b>Age 10-14</b>						
Urban	28.7	45.4	2.2	21.4	2.3	100.0
Rural	40.8	42.8	5.7	7.4	3.3	100.0
Male	31.3	44.7	10.0	9.4	4.6	100.0
Female	39.6	43.2	0.4	15.1	1.7	100.0
Total	36.2	43.8	4.4	12.7	2.9	100.0
<b>Age 15-19</b>						
Urban	27.6	32.5	10.1	28.3	1.6	100.0
Rural	42.7	32.0	18.8	13.7	3.7	100.0
Male	29.1	27.6	25.0	14.5	3.8	100.0
Female	38.2	33.8	1.3	25.7	1.0	100.0
Total	33.4	30.5	13.8	19.8	2.5	100.0

*Source:* Central Bureau of Statistics. National Labour Force Survey, 1998.

**Table 11: Change in the structure of youth employment outside agriculture, Indonesia 1997-1998 (Age 15-19)**

		INDUSTRY					Total
		Manufact- uring	Trade	Construct- ion and Transport	Services	Other	
Distribution (%)							
Urban	1997	29.6	31.7	11.0	26.1	1.6	100.0
	1998	27.6	32.5	10.1	28.3	1.6	100.0
Rural	1997	35.4	24.8	16.6	12.4	2.9	100.0
	1998	42.7	32.0	18.8	13.7	3.7	100.0
Male	1997	29.5	27.0	26.7	13.5	3.4	100.0
	1998	29.1	27.6	25.0	14.5	3.8	100.0
Female	1997	40.2	31.5	1.3	25.7	1.4	100.0
	1998	38.2	33.8	1.3	25.7	1.0	100.0
% change 1997-98							
Urban		-13.1	-4.7	-14.0	0.9	-10.4	-6.8
Rural		-11.6	-5.1	-16.9	-18.8	-6.5	-26.6
Male		-11.6	-8.3	-16.2	-4.2	1.8	-10.5
Female		-12.6	-1.5	-9.8	-8.1	-33.7	-8.2

*Sources:* Central Bureau of Statistics. National Labour Force Surveys, August 1997 and 1998.

**Table 12: Percentage distribution of employed children and youth by hours worked, 1997 and 1998**

	Age10-14	AGE 15-19	20+
<b>1997</b>			
<10 hours	15.5	5.7	2.5
10-25	52.2	25.7	16.2
25-34	13.1	13.9	15.3
34-54	13.7	39.4	48.5
55+	5.5	15.4	17.5
	100.0	100.0	100.0
<b>1998</b>			
<10 hours	18.5	7.2	3.1
10-25	55.2	30.1	17.8
25-34	10.7	14.9	16.4
34-54	11.6	34.1	46.7
55+	3.9	13.8	16.0
	100.0	100.0	100.0

*Sources:* Central Bureau of Statistics. National Labour Force Surveys, August 1997 and 1998.

**Table 13: Percentage difference between actual and projected employment by age group, Indonesia, 1998\***

	Age group			All ages
	10-14	15-19	20 and above	
Agriculture	21.5	20.2	14.8	15.5
Manufacturing	-9.8	-18.8	-16.4	-16.6
Trade	-14.3	-5.4	-4.0	-4.2
Other	-8.5	-10.8	-8.5	-8.7
Urban	10.9	-4.7	-0.6	-0.7
Rural	8.7	4.1	1.0	1.5
Wage	-11.4	-16.4	-8.4	-9.1
Non-Wage	12.6	14.2	5.4	6.2
Female	4.0	-3.4	2.3	1.8
Male	12.6	5.3	-0.6	0.0
Total	9.0	1.7	0.5	0.7

\* Difference between actual and projected figures for 1998, based on trends for 1990-1997. E.g.:  $[(A-P)/P]*100$  where A is actual (recorded) employment and P is projected employment. The table shows the percentage difference between the actual and forecast figures. Appendix Table 1 indicates the absolute numbers involved. The calculations are based on fitting a linear regression line to employment data for 1990-97 and extrapolating to 1998.

Source: Central Bureau of Statistics, National Labour Force Surveys, 1986-1998.

**Table 14: Employment status among children and youths, past trends and projections through to year 2003 (%)**

	Labour force	At school	Other	Total	Number (000)
<b>Age 10-14</b>					
<i>Past trends</i>					
1986	12.9	82.1	5.0	100	21 012
1990	11.1	83.4	5.5	100	22 173
1993	9.6	84.1	6.3	100	23 036
1997	7.7	85.5	6.8	100	22 323
1998	8.3	85.4	6.2	100	21 762
<i>Projections to year 2003</i>					
A continuation of trends in school attendance 1990-1997	5.4	88.0	6.6	100	20 985
No change in % of children in school	8.3	85.4	6.3	100	20 985
Assume a 10% rise in school attendance	1.4	97.5	1.1	100	20 985
Assume a 10% fall in school attendance	11.5	79.7	8.7	100	20 985
<b>Age 15-19</b>					
<i>Past trends</i>					
1986	41.5	43.5	15.0	100	17 074
1990	41.5	42.2	16.3	100	19 025
1993	40.2	41.7	18.2	100	19 169
1997	39.2	43.9	16.9	100	20 898
1998	38.5	44.2	17.2	100	21 713
<i>Projections to year 2003</i>					
A continuation of trends in school attendance 1990-1997	38.9	44.8	16.3	100	21 230
No change in % of children in school	39.0	44.2	16.8	100	21 230
Assume a 10% rise in school attendance	34.7	49.7	15.5	100	21 230
Assume a 10% fall in school attendance	41.0	40.7	18.3	100	21 230

*Note:* Projections based on data from the National Labour Force Survey. Population projections are based on official projections to year 2005, applied to the slightly smaller total population recorded in the Labour Force Survey. Participation rates are adjusted according to different scenarios regarding schooling (all compared with the base year 1998), assuming that the labour force and “other” group remain a constant share of the population not at school. For age group 15-19, projected participation rates are based on the figures included in official projections (1998-2005).

*Source:* Central Bureau of Statistics, National Labour Force Surveys (various years), *Proyeksi Penduduk Indonesia, 1998-2005 (1998)* and *Proyeksi Angkatan Kerja Indonesia, 1998-2000*, Jakarta (1998). Projections of the Population and Labour Force, 1998-2005.



**Table 15: Percentage change in enrolments in primary and lower secondary schools  
Indonesia, 1996-1998**

	Rural	Urban	Jakarta	Total
Primary				
1996-1997	-0.6	-2.1	-2.2	-0.9
1997-1998				
Total	-1.7	-1.1	-0.1	-1.6
Public	-1.4	0.1	0.6	-1.1
Private	-4.0	-4.3	-2.0	-4.1
LOWER SECONDARY				
1996-1997	1.3	-6.2	-5.1	-0.7
1997-1998				
Public	2.8	-2.0	-1.9	1.9
Private	-7.3	-10.0	-16.0	-8.3
Boys	-0.3	-7.0	-8.9	-2.0
Girls	0.2	-5.5	-8.2	-1.2
Poorer sub- Districts	-1.6	-7.3	-10.8	-2.7
<i>Total</i>	<i>0</i>	<i>-6.3</i>	<i>-8.6</i>	<i>-1.6</i>

Source: Ministry of Education. The impact of Indonesia's economic crisis on education: Findings of a survey of schools. Preliminary Report No. 02-0299. Jakarta, February 1999 (pp. 5.8-12).

**Table 16: Correlation coefficient: Incidence of poverty and labour force participation rate by province, Indonesia 1996**

	Age 10-14	Age 15-19
Eighteen largest provinces	0.52	0.69
Eighteen largest provinces excluding Bali	0.64	0.87

*Sources:* Manning (1998), National Labour Force Survey, 1996.

**Appendix Table 1: Actual and projected employment by industry, location, sex and work status, by age, Indonesia 1997-1998 (000)**

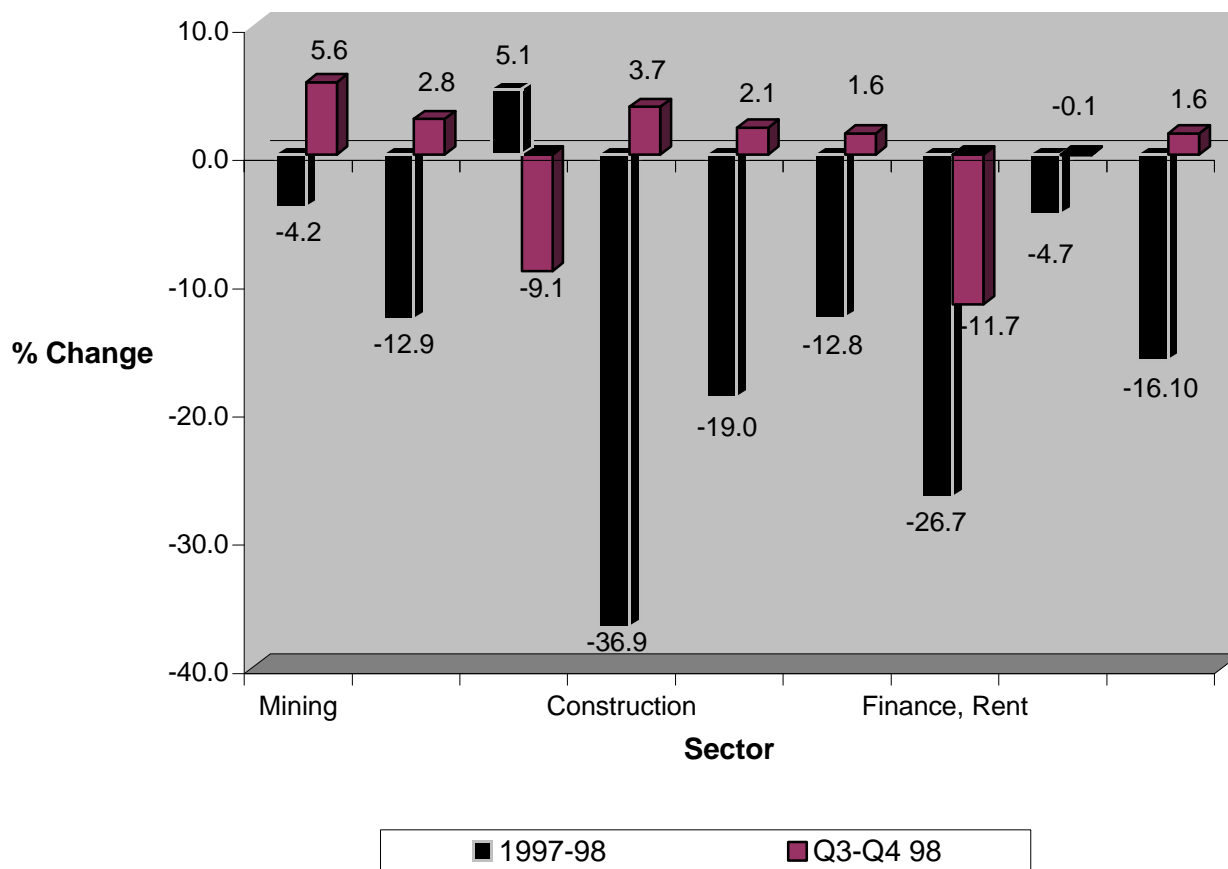
	Industry					Location		Work status		Sex	
	Agriculture	Manufacturing	Trade	Other	Total	Urban	Rural	Wage	Non-wage	Female	Male
<b>Age 10-14</b>											
Actual 1997	1 058	206	269	111	1 644	221	1 423	211	1 433	679	965
1998	1 196	191	232	106	1 726	262	1 464	208	1 518	681	1045
Forecast 1998*	984	213	271	116	1 584	236	1 348	235	1 349	655	929
Difference**	212	-21	-39	-10	143	26	117	-27	170	26	117
% difference**	21.5	-9.8	-14.3	-8.5	9.0	10.9	8.7	-11.4	12.6	4.0	12.6
<b>15-19</b>											
Actual 1997	3 027	1 305	1 101	1 380	6 813	1 852	4 961	2 674	4 139	2 770	4 043
1998	3 497	1 145	1 046	1 235	6 924	1 812	5 112	2 343	4 581	2 741	4 183
Forecast 1998*	2 910	1 410	1 107	1 385	6 811	1 901	4 910	2 801	4 010	2 837	3 975
Difference**	587	-265	-60	-150	113	-89	202	-458	571	-96	209
% difference**	20.2	-18.8	-5.4	-10.8	1.7	-4.7	4.1	-16.4	14.2	-3.4	5.3
<b>20 and above</b>											
Actual 1997	31 763	9 703	15 851	21 276	78 593	27 502	51 091	27 604	50 989	29 630	48 963
1998	35 917	8 789	15 766	20 274	80 747	28 492	52 255	26 455	54 292	31 031	49 716
Forecast 1998*	31 281	10 514	16 420	22 168	80 383	28 653	51 730	28 877	51 506	30 344	50 039
Difference**	4 636	-1 725	-653	-1 893	365	-162	526	-2 422	2 787	687	-322
% difference**	14.8	-16.4	-4.0	-8.5	0.5	-0.6	1.0	-8.4	5.4	2.3	-0.6
<b>All ages</b>											
Actual 1997	35 848	11 214	17 221	22 767	87 050	29 575	57 475	30 489	56 561	33 079	53 971
1998	40 611	10 126	17 046	21 616	89 399	30 566	58 833	29 006	60 393	34 453	54 946
Forecast 1998*	35 175	12 137	17 797	23 669	88 778	30 791	57 987	31 913	56 866	33 836	54 943
Difference**	5 435.8	-2 010.8	-751.4	-2 052.9	620.7	-225.0	845.7	-2 906.7	3 527.4	617.4	3.3
% difference**	15.5	-16.6	-4.2	-8.7	0.7	-0.7	1.5	-9.1	6.2	1.8	0.0

\* The calculations are based on fitting a linear regression line to employment data for 1990-97 and extrapolating to 1998.

\*\* Difference between actual and forecast figures for 1998 (number and percentage difference between actual and forecast figures).

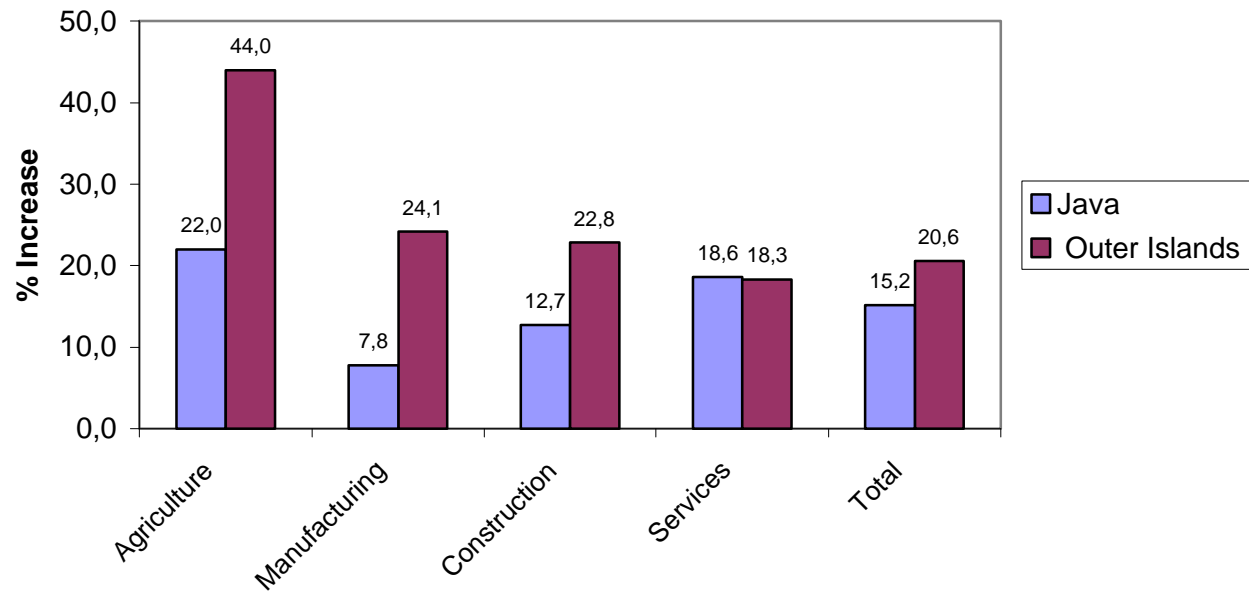
Source: Central Bureau of Statistics, National Labour Force Surveys, 1986-1998.

**Figure 1: Non-Agricultural GDP Growth, Indonesia 1998 and Fourth Quarter 1998 (% Change)**



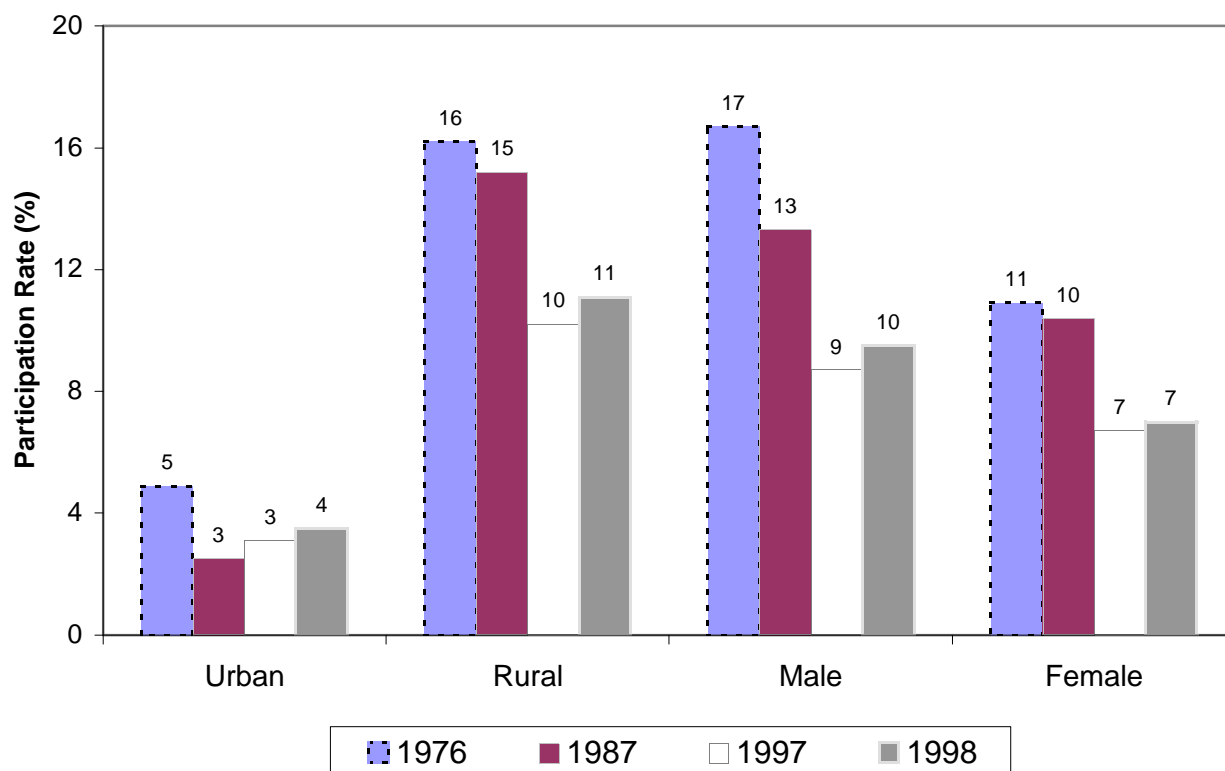
Source: CBS, Economic Indicators, Various months.

**Figure 2: Increase in Wages on Java and the Outer Islands in Major Sectors 1997-98 (%)**



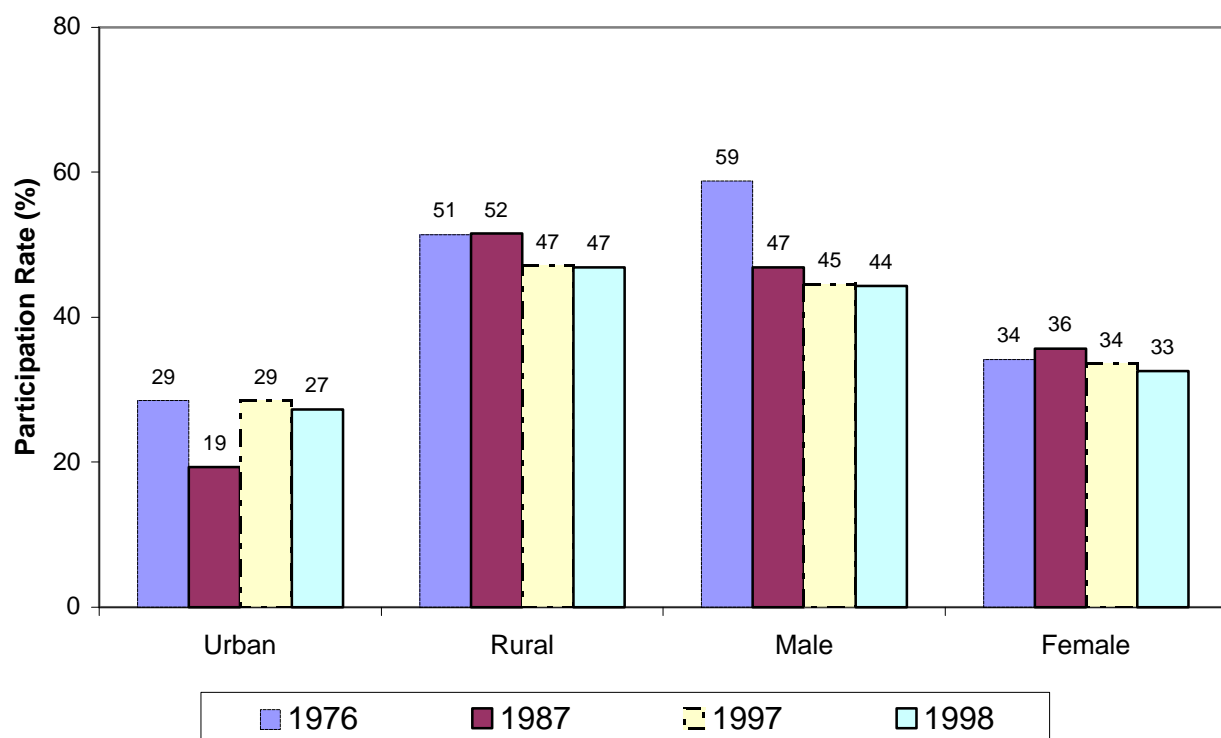
Source: CBS, National Labour Force Surveys, 1997 and 1998.

**Figure 3: Labour Force Participation, Age 10-14, Indonesia  
1976-1998**



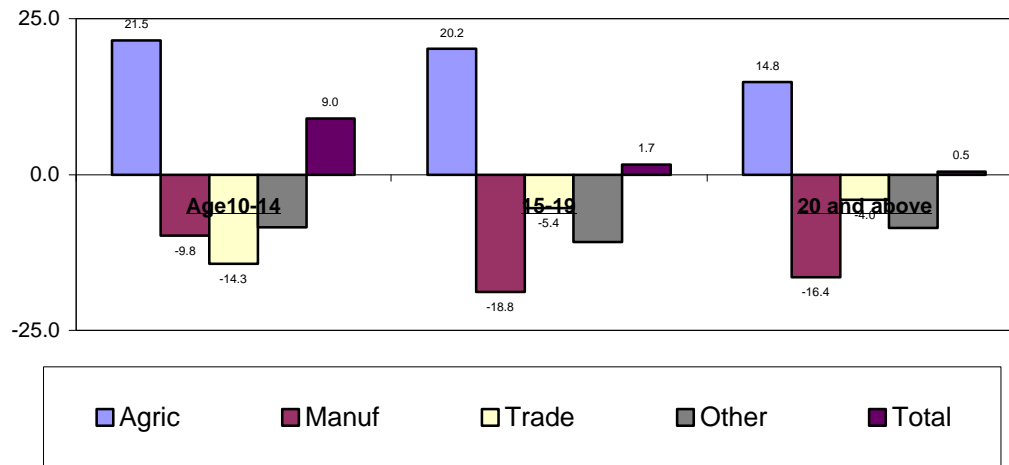
Source: CBS, National Labour Force Surveys, 1976, 1987, 1997 and 1998.

**Figure 4: Labour Force Participation, Age 15-19, Indonesia 1976-1998**



Source: CBS, National Labour Force Surveys, 1976, 1987, 1997 and 1998.

**Figure 5: Percentage Difference between Actual and Projected Employment Change, Indonesia 1998**



Source: See Table 13. The bars measure by what percentage actual change is different from that projected by past trends (see text for further explanation). For example, for age 10-14 actual agricultural employment was 21.5% higher in 1998 than projected based on past trends.