



World of Work 2009

Snapshot of Indonesia

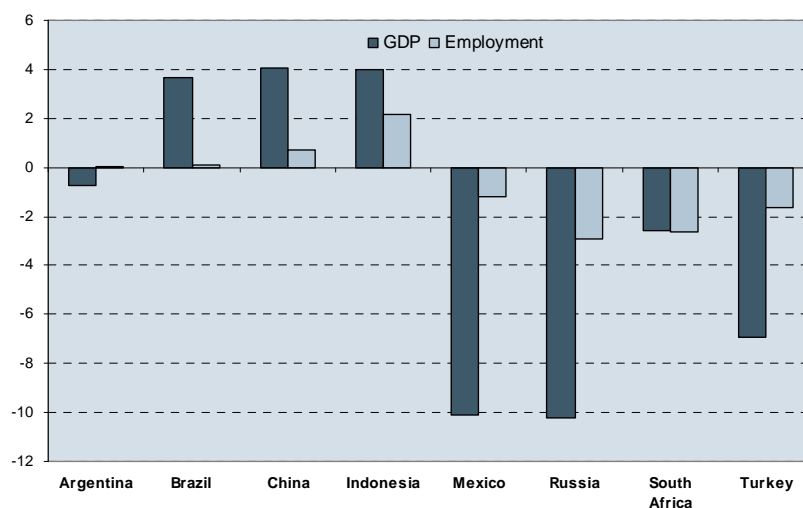
Indonesia has proved resilient to the crisis thanks to a strong domestic economy...

- The Indonesian economy lost less growth momentum than its neighboring countries mainly because of its large domestic economy and a more resilient financial sector.
- Employment expanded by around 2.4 per cent in the first half of 2009 (see figure 1); and unemployment continued its downward trend, from 8.5 per cent in the second quarter of 2008 to 8.1 per cent in the second quarter of 2009.
- These achievements were aided by a stimulus package of around 1.3 per cent of GDP implemented in 2009.

... but employment prospects in the near term are mixed

- Job creation has been showing signs of deceleration of late.
- Real wages are estimated to be falling by 1 per cent for 2009, raising the issue of whether domestic demand will remain strong.
- Informal employment, close to 68 per cent of total employment, could rise further as happened in the aftermath of the Asian crisis. The incidence of informal employment rose by almost 8 percentage points within 5 years after the Asian financial crisis whereas in the current crisis, informal employment has already increased by 6.6 percentage points between August 2008 and February 2009.

Figure 1. GDP and employment growth (second quarter 2009)



Note: The Figure shows the real growth of GDP and employment in second quarter of 2009 relative to the second quarter of 2008.

SOURCE: ILS.

So there is a case for continuing support measures, consistent with ILO Global Jobs Pact

- As fiscal space has become more limited, authorities will have to target the measures carefully. The *World of Work 2009* provides examples of how this can be achieved, notably through:
 - *Support of SMEs*: more support could be given to SMEs through credit guarantees, which could be expanded to levels similar to those in neighboring Malaysia.
 - *Employment intensive infrastructure projects*: continue efforts to identify appropriate employment-intensive projects and seek support from the international financial community for additional funding.
 - *Green restructuring*: Indonesia would be well-placed in its efforts to reduce fuel subsidies, as well as to consider other measures to strengthen the incentive for increasing energy efficiency and create green employment.
 - *Well-designed social protection*: continue building up on existing conditional cash transfer (CCTs) schemes and taking advantage of the decentralized government structure put in place in recent years to target the neediest population.
- In short, implementing the Global Jobs Pact would help support economic recovery while at the same time meeting decent work objectives.

World of Work 2009: The Global Jobs Crisis and Beyond is available at (www.ilo.org/INST). For further comment, journalists are invited to contact Ekkehard Ernst (tel +41 22 799 7791; email ernste@ilo.org) or Raymond Torres (tel: +41 22 799 7908; email: torresr@ilo.org), Director of the ILO's International Institute for Labour Studies.