

EMPLOYMENT POLICIES AND STRATEGIES

As A Respond To
“Toward Inclusive Growth in Indonesia:
Improving Trade and Employment”

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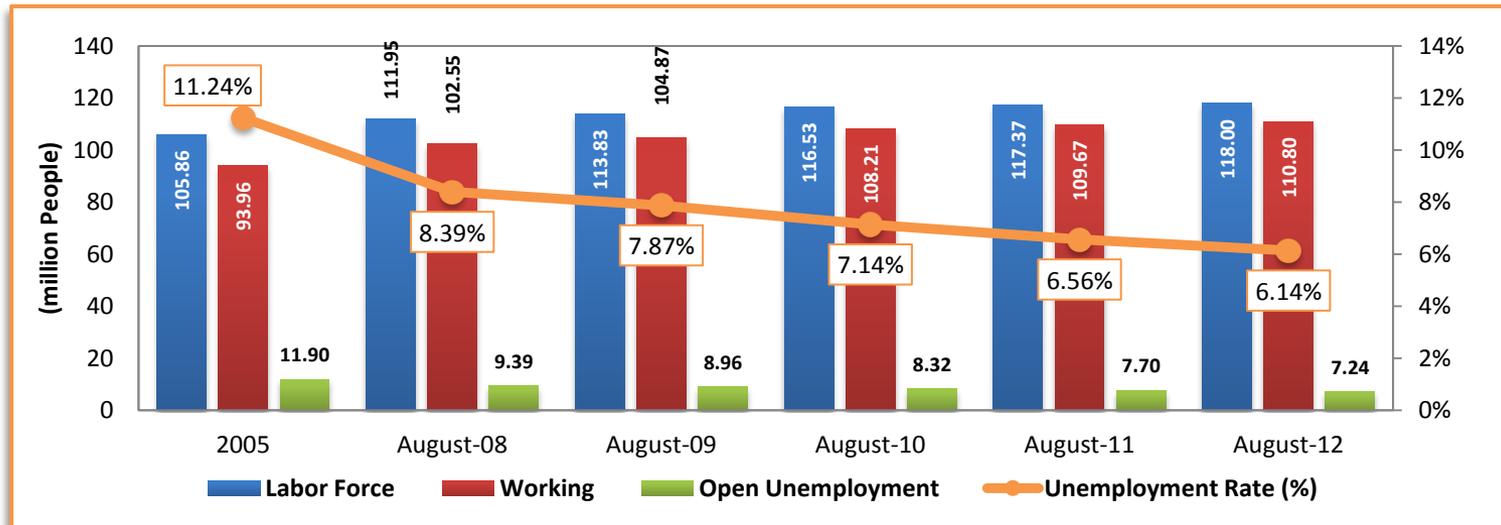
BACKGROUND

- From 2005 to 2011, Indonesia's economic growth has allowed employment to grow more than the labor force:
 - Average economic growth during 2005-2011 was 5.8 percent.
 - Average employment growth during the same period was 2.86 percent, while the labor force grew 2.2 percent.
 - Therefore, unemployment rate was down to 6.8 percent in February 2011.
- The economic growth mainly come from investment, which grew more than 6.7 percent in 2011, and as a result its contribution to GDP has increased.
- Local and foreign investment contribution to formal employment reached 50 percent in 2005-2011.

BACKGROUND

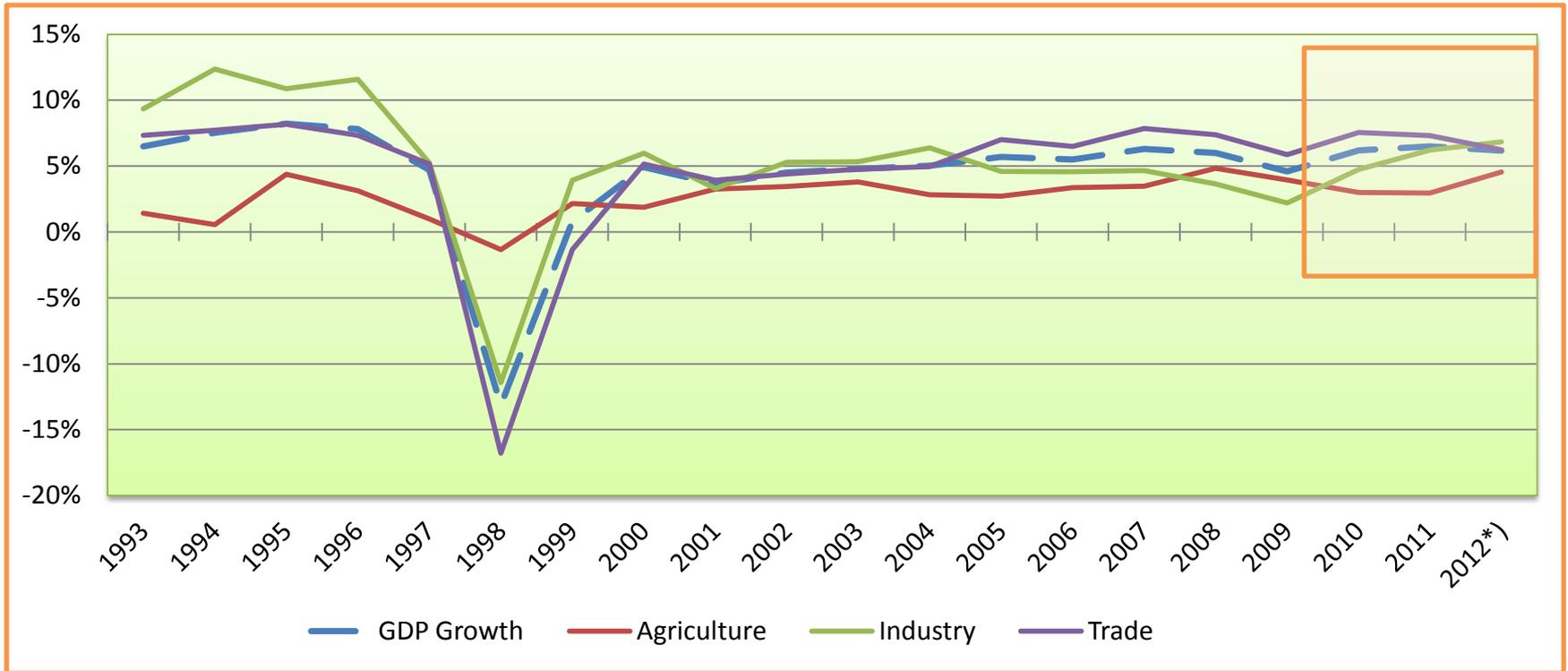
- The economic growth mostly came from service sector, which created most of employment.
- In 2009 the global economic crisis slowed down the economy, but the Government of Indonesia has responded quickly by introducing fiscal stimulus packages to increase aggregate demand and create jobs.
- The Government has also raised investment on hard and soft infrastructure by providing labor-intensive infrastructure projects, poverty reduction programs, and skill and competitiveness-enhancement programs.
- Indonesia survived the crisis better than other countries in terms of economic growth and employment creation.

LABOR FORCE, WORKING, AND UNEMPLOYMENT RATE



- Labor force increased by 0.67 million during August 2011-August 2012.
- Employment increased by 1.13 million during the same period.
- Employment growth per sector: service 0.45 million, trade minus 0.25 million; construction 0.45 million, manufacturing industry 0.83 million, and agriculture 0.50 million.
- Formal workers increased around 2.7 million (39,86 percent of total workers) and informal workers (60,14 percent) were down by 1,5 million.

GDP GROWTH BY SECTOR

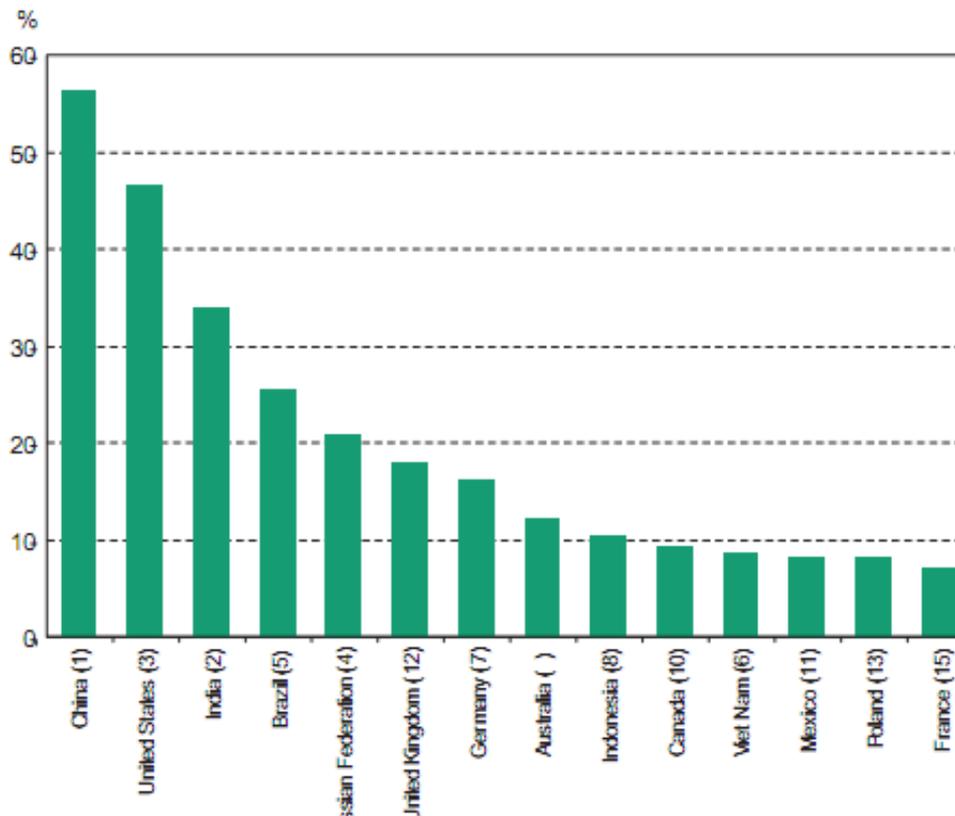


Source: Statistics Indonesia; *) Quarter III/2012

- Service sector replaced industry since 2005. However, from 2009 industry grows faster and in 2012 growth of industry has exceeded service sector.
- We indeed have a “red district” due to 1997 financial crisis, but we are on the track to recover.

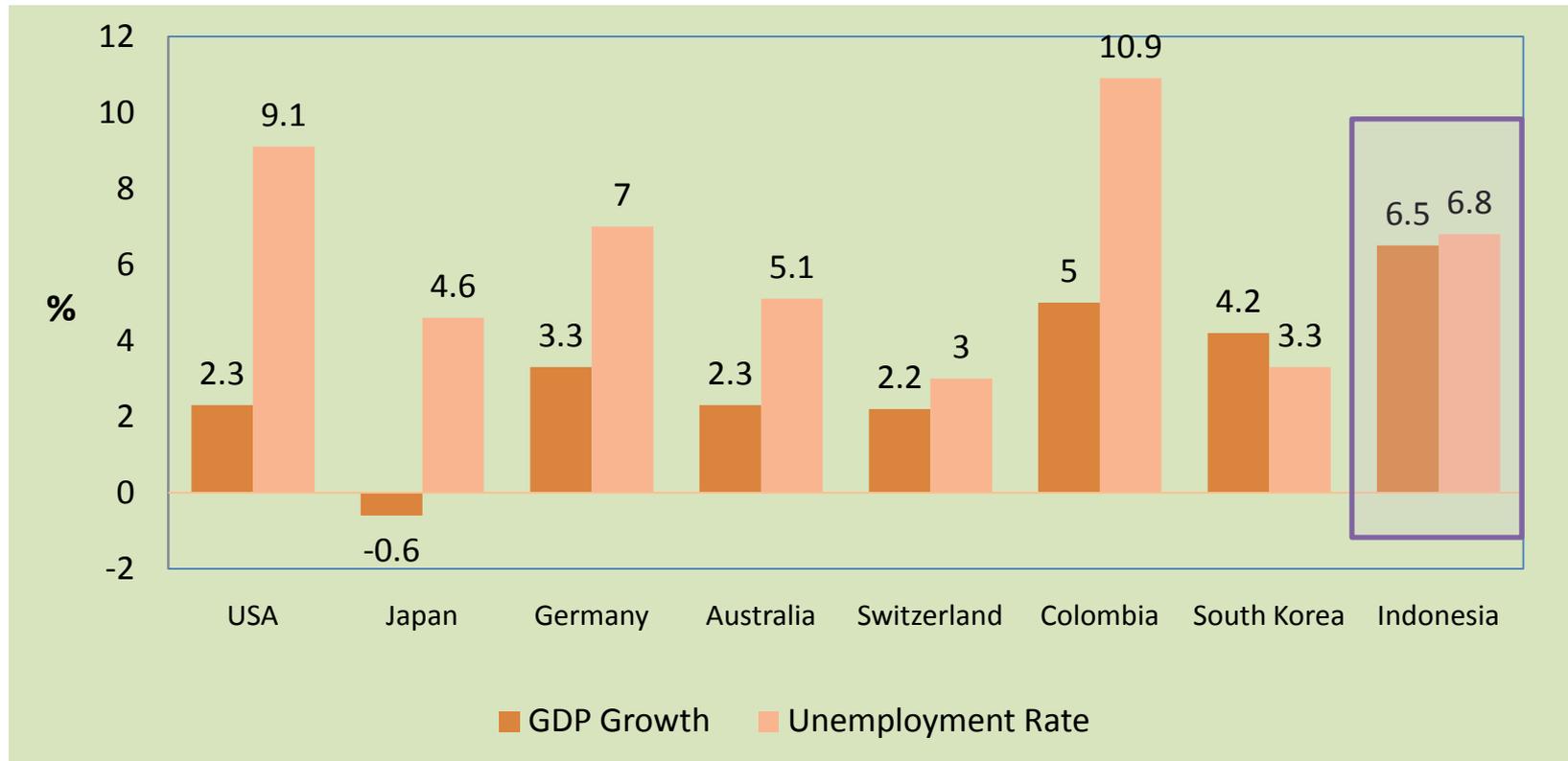
INDONESIA AMONG 14 MOST COMPETITIVE COUNTRIES

Top 14 countries for investment destination
(% of respondent opinion)



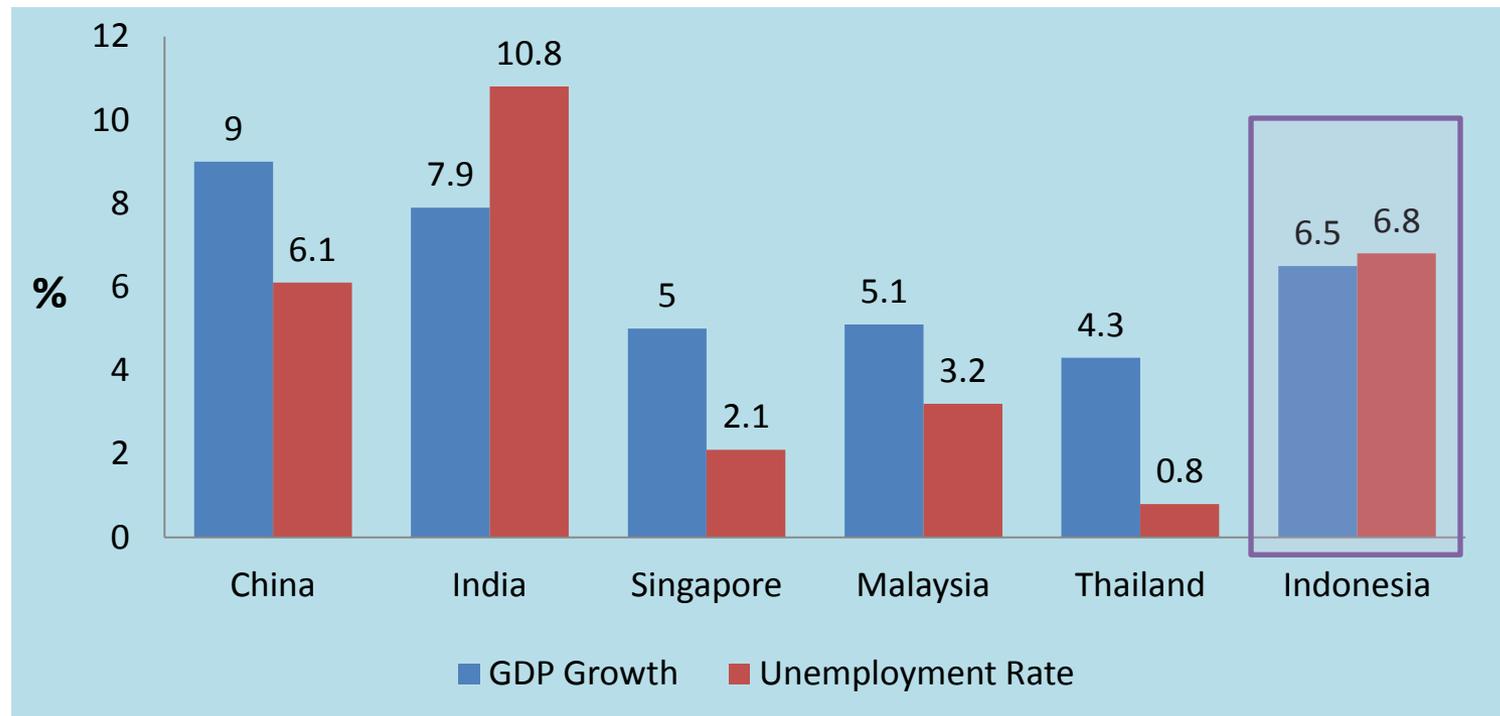
- Indonesia is posted in 8th rank for business prospective, mostly supported by market growth, size of local market, access to natural resources, yet remains bellow China, India, dan Vietnam position.
- China has higher scores on market growth, size of local market, presence of supplier and partners, cheap labour, and access to international & regional markets.
- Indonesia has been left behind China on quality of infrastructure, access to capital market, and incentives

INDONESIA AMONG OTHER COUNTRIES IN 2011



- Indonesia is one of the countries that reached higher economic growth compared to developed countries such as US, Japan, Germany, Australia, and UK.
- With 6.5 percent growth, Indonesia created 3.3 million jobs. With labor force growth of 2.7 million, the unemployment rate decreased by 600.000 to 7.1 percent in 2011.
- The stimulus package in 2009 allowed the economy to grow and create jobs.

INDONESIA AMONG ASIAN COUNTRIES IN 2011

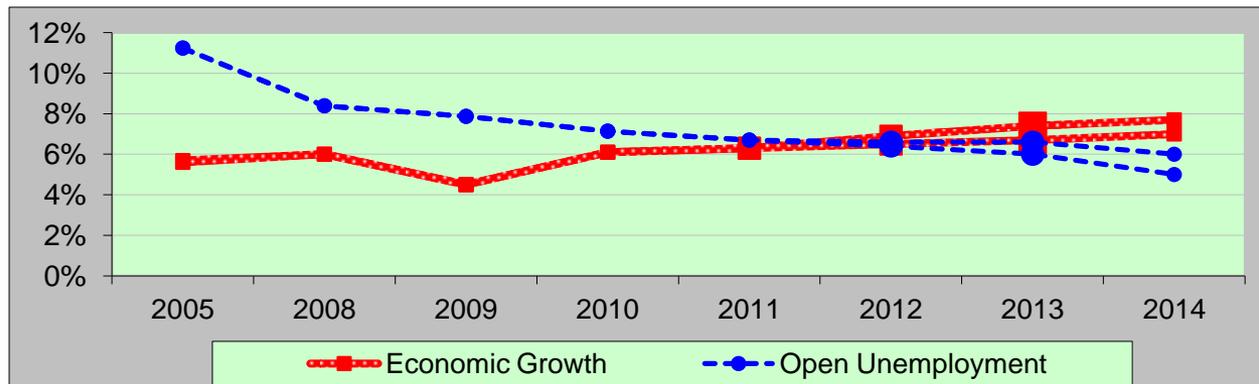


- Compared to other Asian countries, such as Singapore, Malaysia, and Thailand, Indonesia's economic growth was the lowest.
- China and India grew 9.0 percent and 7.9 percent respectively, although their unemployment rates were relatively higher than Indonesia's.
- Indonesia still faces challenges on how to boost economic growth, so more employment can be created.

POLICY DIRECTIONS

- The policy direction for employment creation is how to improve economic quality as well as growth for solving basic social problems, especially unemployment by maintaining economic stability.
- Less number of poor population and open unemployment, and higher economic growth.
- In Medium Term Development Plan, the Government set the unemployment rate target to 5-6 % in 2014.

ECONOMIC PROSPECTS



Year	Economic Growth (%)	Open UE rate (%)
2005	5,69	11,24
2008	6,00	8,39 (august)
2009	4,50	7,87 (august)
2010	6,10	7,14 (august)
2011	6,30	6,7
2012	6,17(Tw111)	6,14 (august)
2013	6,8	5,8-6,1
2014	7,0 - 7,7	5,0 - 6,0

- 2010-2014 policy directions are detailed in the National Medium-Term Development Plan. Each program and activity has specific targets and indicators.

CHALLENGES

- Creating employment as extensively as possible by making the most of economic growth resources;
- Improving the productivity of workers by facilitating workers movement from less-productive to more-productive jobs;
- Maintaining or improving welfare of informal workers and providing adequate social protection.

POLICY DIRECTIONS (1)

1. Improving investment climate to create more employment.
 - Needs systemic improvement of macroeconomic stability, infrastructure, good governance, labor skill and education, labor regulation, legal system, tax system, etc.
2. Improving productivity and competency of human resources.
 - Related to competency → competency-based trainings and certification, development and recognition of competency standards, qualification framework, institutional development.

POLICY DIRECTIONS (2)

3. Improving labor regulations and social protection system for workers:
 - Measures to promote flexible labor market → looking back at rigid labor regulations; promoting decentralized industrial relation, collective bargaining, dispute resolution, code of good faith; setting-up social protection system for workers.
4. Extending government programs that create employment:
 - For less-educated and less-skilled workers → government projects/programs should create employment as many as possible → promoting labor-intensive projects.

POLICY DIRECTIONS (3)

5. Promoting labor support program by means of labor market information:
 - Establishment of easily-accessible and competitive centers of employment services; and setting-up a comprehensive and updated on-line information system on labor qualification/competency and job vacancies.
6. Adopting migration and development policy:
 - Facilitation of migrant workers to obtain decent works—domestic or abroad—including their protection and counseling; facilitation of foreign workers working in Indonesia.

EMPLOYMENT CREATION STRATEGIES

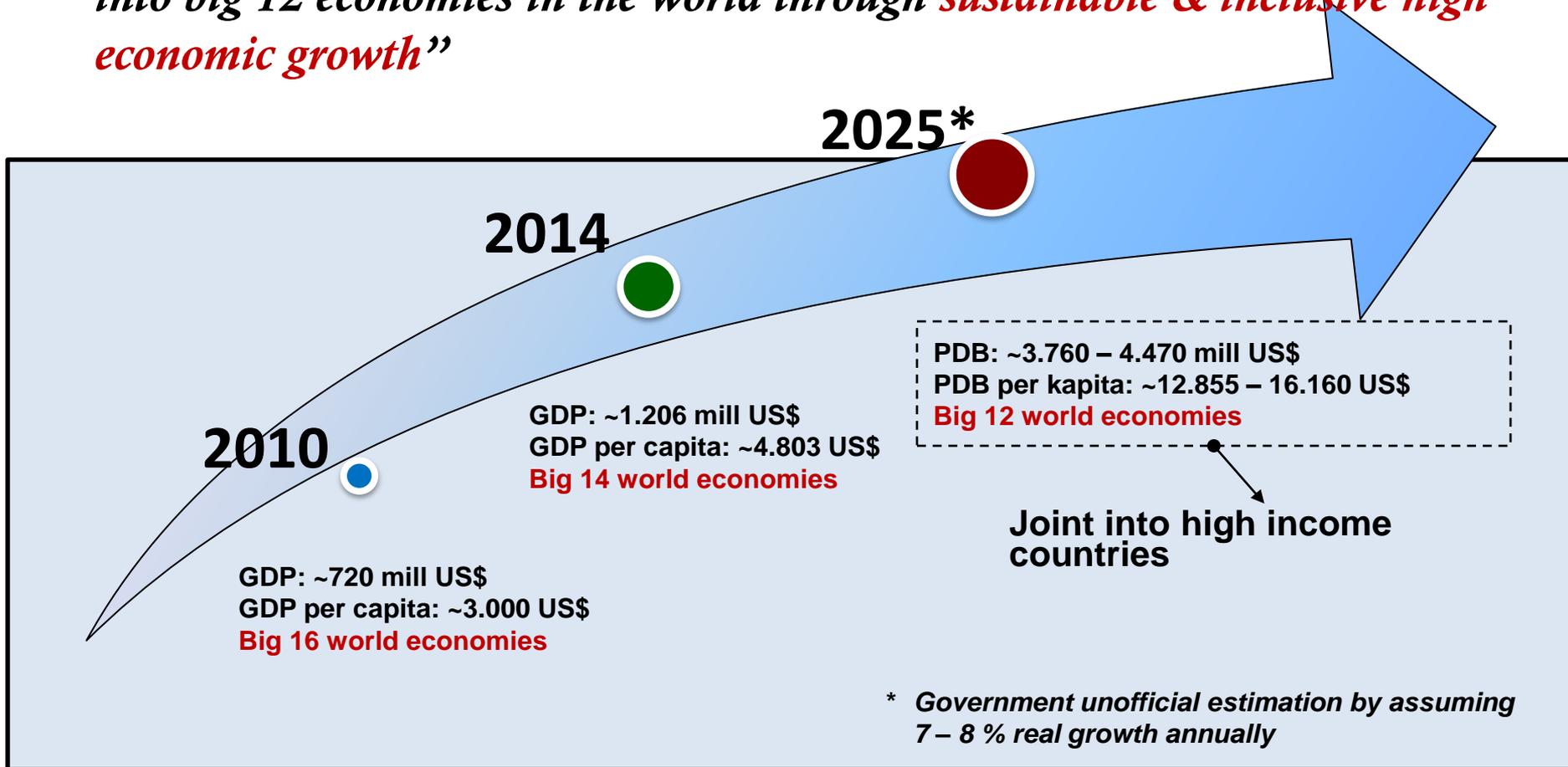
Although the labor market shows improvement, its condition is still portrayed by:

- ➔ Most labor force have low skills (56 percent have primary school or lower background).
- ➔ Most jobs are informal (68 percent).
- ➔ Labor force are abundant, but jobs are limited.
- Needs strategy and policy breakthrough.
- Requires sectoral and regional job-mapping to optimize employment, in line with the new Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI).

OVERVIEW OF INDONESIA'S LONG-TERM DEVELOPMENT STRATEGY

INDONESIAN VISION 2025

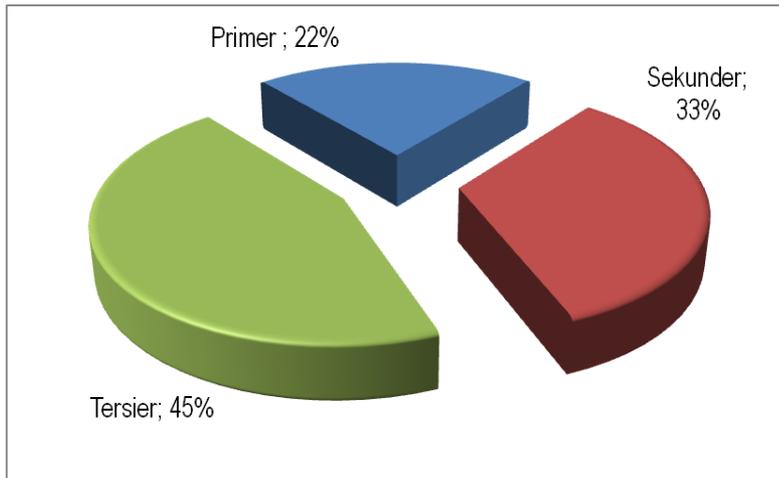
*“Encourage Indonesia to become **developed countries** in 2025 and joint into big 12 economies in the world through **sustainable & inclusive high economic growth**”*



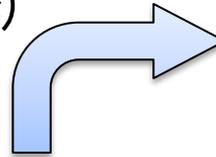
INDONESIAN VISION 2025

“..... Have the structure of developed economies which is marked by the increase in share of secondary and tertiary sectors (estimated figures)”

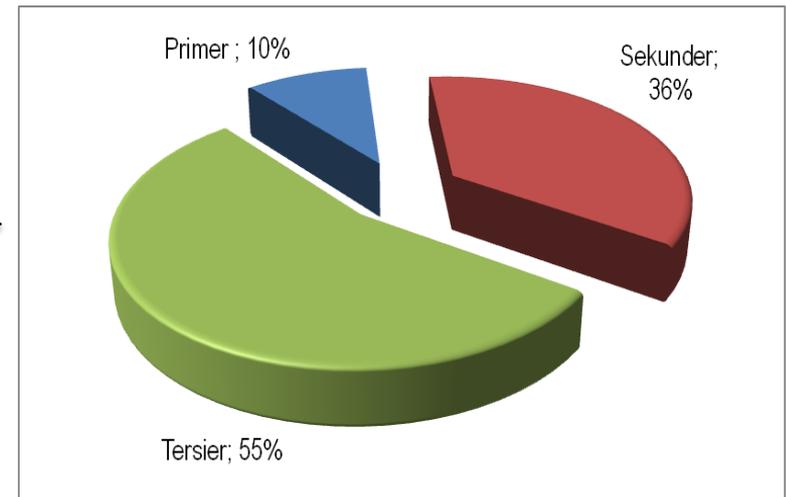
Lower middle income country



Indonesian Economic Structure in 2009



Developed Countries Economic Structure in 2025

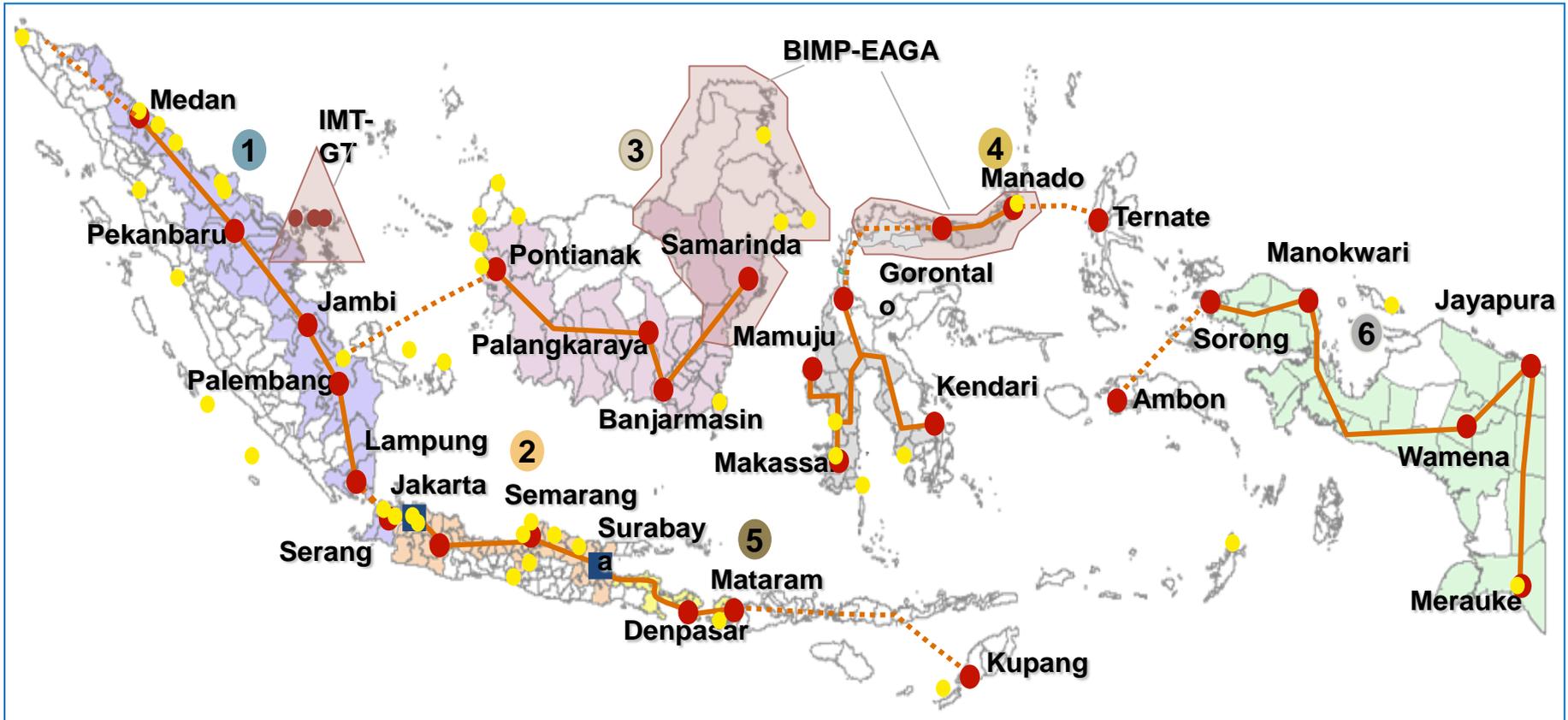


High income country

The change in the structure of economics into a **DEVELOPED COUNTRIES** could be realized if main sectors grew as follows :

- **Primary** : 7,8 – 8,3 % per year
- **Secondary** : 12,6 – 13,1 % per year
- **Tertiary** : 13,4 – 13,9 % per year

SIX CORRIDORS OF ECONOMIC PRIORITY: CONSIST OF ECONOMIC CLUSTERS & SPECIAL ECONOMIC ZONES (SEZ)



■ Mega Economic Center ● Economic Center ● Suggested Location of SEZ ● Suggested Location of SEZ that become FTZ

1 Sumatera EZ

3 Kalimantan EZ

5 Bali-Nusa Tenggara EZ

2 Java EZ

4 Sulawesi-Malut EZ

6 Papua-Maluku EZ

INDONESIAN VISION OF 2025

Related to **labor market policies**:

1. Creating extensive formal employment opportunities;
2. Improving informal workers' welfare;
3. Promoting harmonious industrial relation with decent protection;
4. Enhancing occupational safety;
5. Encouraging the process of industrial dispute resolution that satisfies all parties;
6. Increasing productivity with an objective to produce higher added value and better competitiveness;
7. Managing training and supporting strategic training programs;
8. Equipping workers with industrial- and globally-recognized competencies.

Thank You
Maraming Salamat
Terima kasih