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Labour and Social Trends in Indonesia 2012: Working for a sustainable and equitable economy

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Introduction



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Today's presentation will discuss a number of trends in the labour market, including:

- Economic growth trends
- Labour force participation
- Unemployment and educational attainment
- Working hours
- Vulnerability and formality
- Sectoral structure
- Wages

“Economic growth, social inclusion and environmental sustainability are inseparable goals and employment is a key intersection that can bring these goals together.”

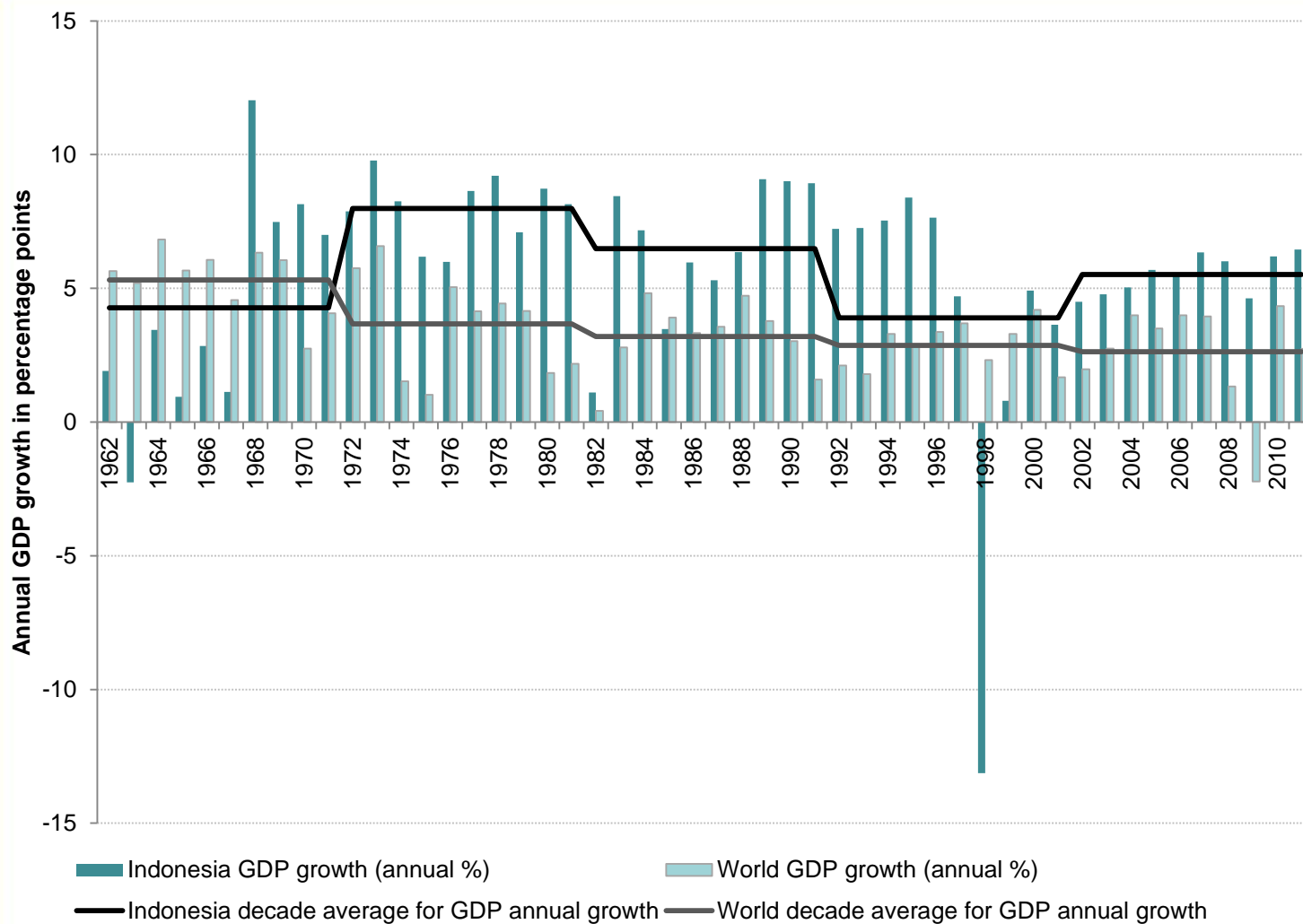
*Peter van Rooij,
Director, ILO Country
Office for Indonesia*

We then move to discuss issues related to:

- Economic inclusion
- Social protection
- Environmental sustainability



Economic trends



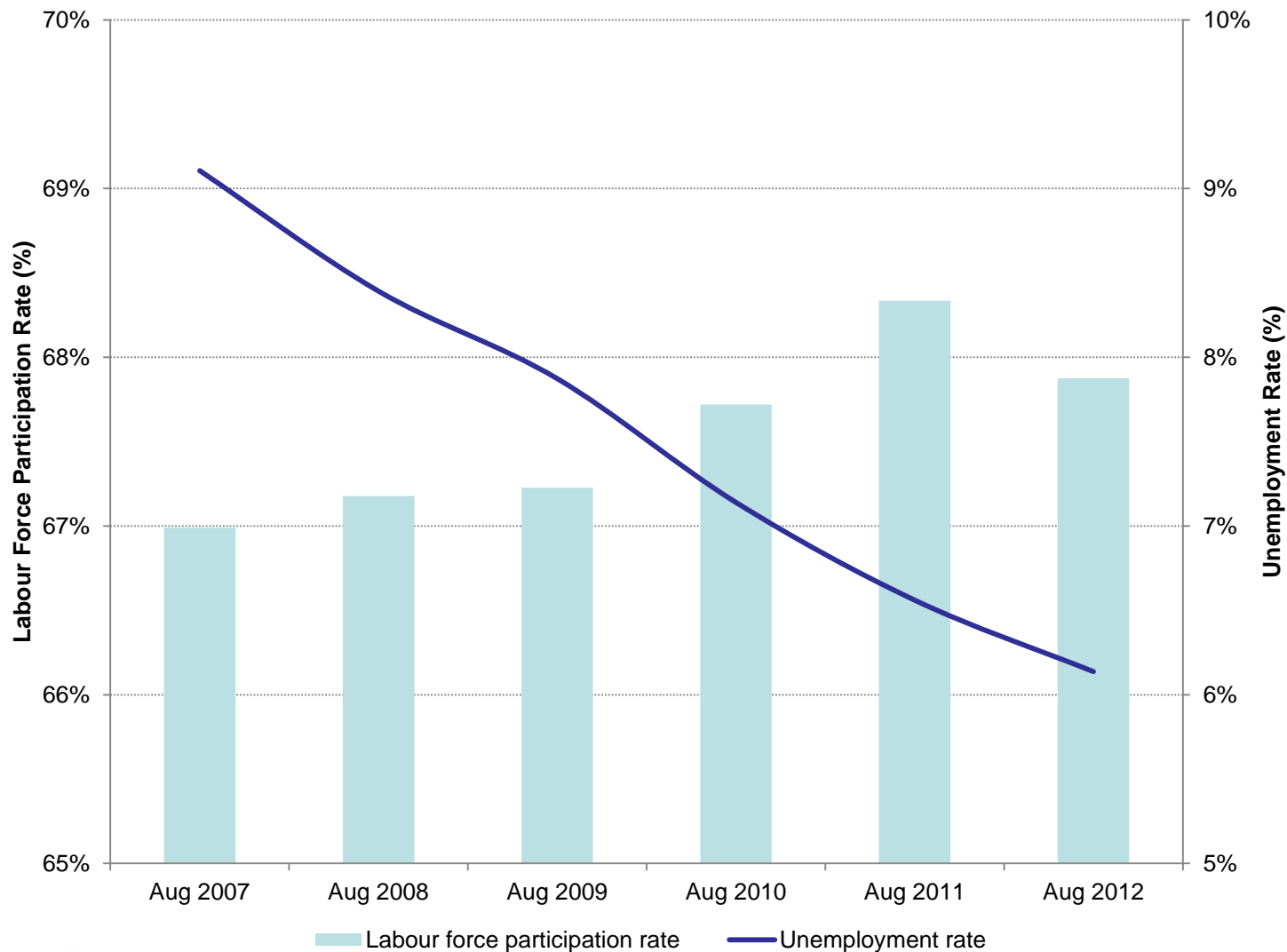
Positive growth trends have continued in 2012 thanks to strong focus on economic infrastructure, robust household consumption and growing investment.





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Labour force participation



An additional 1,137,755 jobs were added to the economy between August 2011 and August 2012

Employment growth continued to outpace labour force growth.

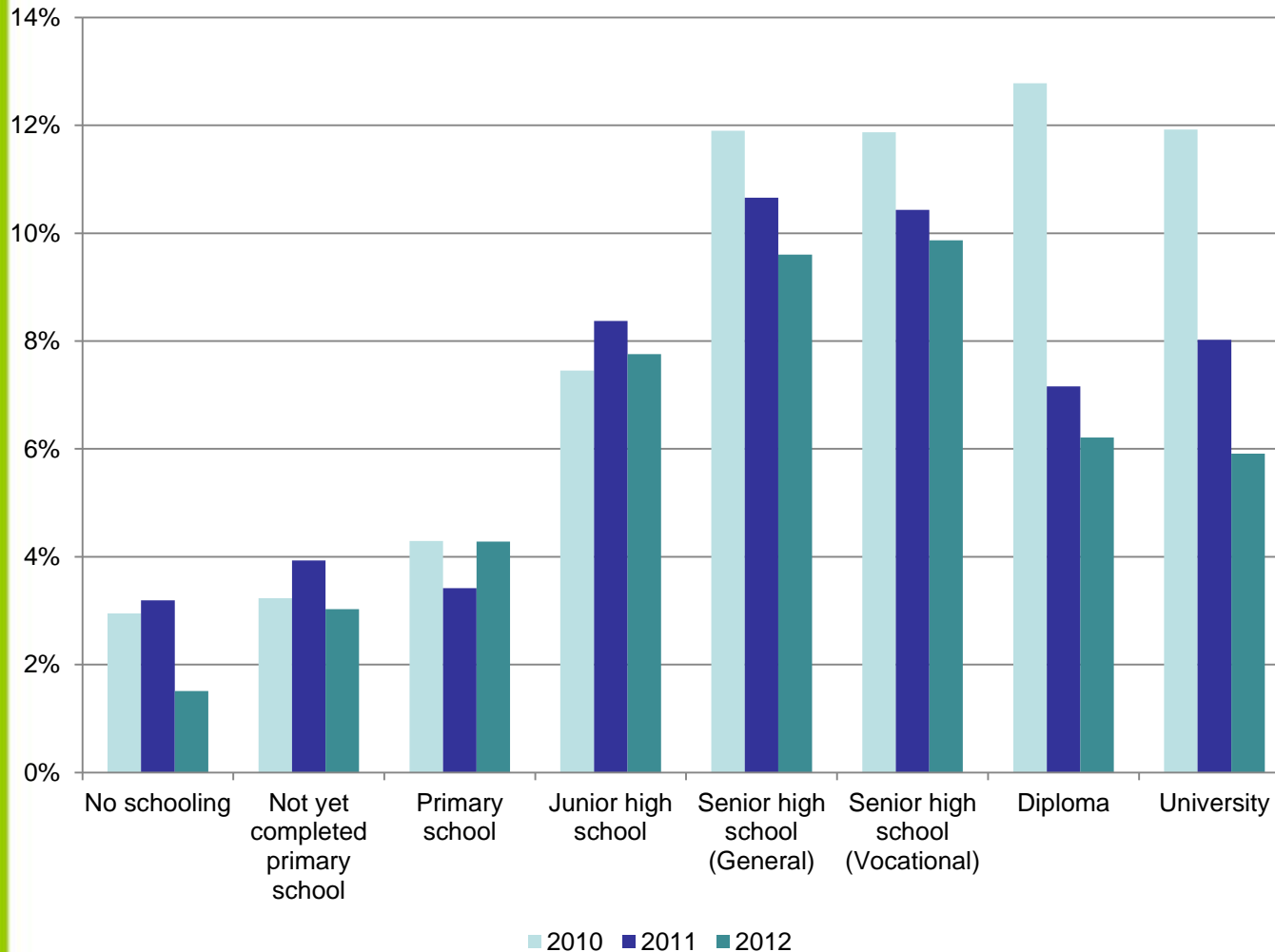
Unemployment continues to decline.



Unemployment



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Unemployment was 6.14 per cent in August.

Unemployment was highest among senior high school graduates.

Unemployment remains high for youth - Youth are still 5.97 times more likely to be unemployed than those aged 25 years and above.



Working hours

Part-time

- Part-time employment has been growing in Indonesia and plays an important role in expanding employment opportunities.
- In August 2012, 19.42% of employed people worked part— an **increase** from previous years.

Underemployment

- An underemployed worker is one who works for 35 hours or less and is willing to work more.
- In August 2012 11.52% of the employed population were underemployed – a **decline** from the previous year.

Long hours

- Many people in Indonesia work long hours. Long hours are considered those totalling more than 40 hours per week as specified by Indonesia's Manpower Act No. 13/2003.
- 55.96 per cent of employed people worked more than 40 hours per week in August 2012 – a **consistent** trend,



Vulnerable workers

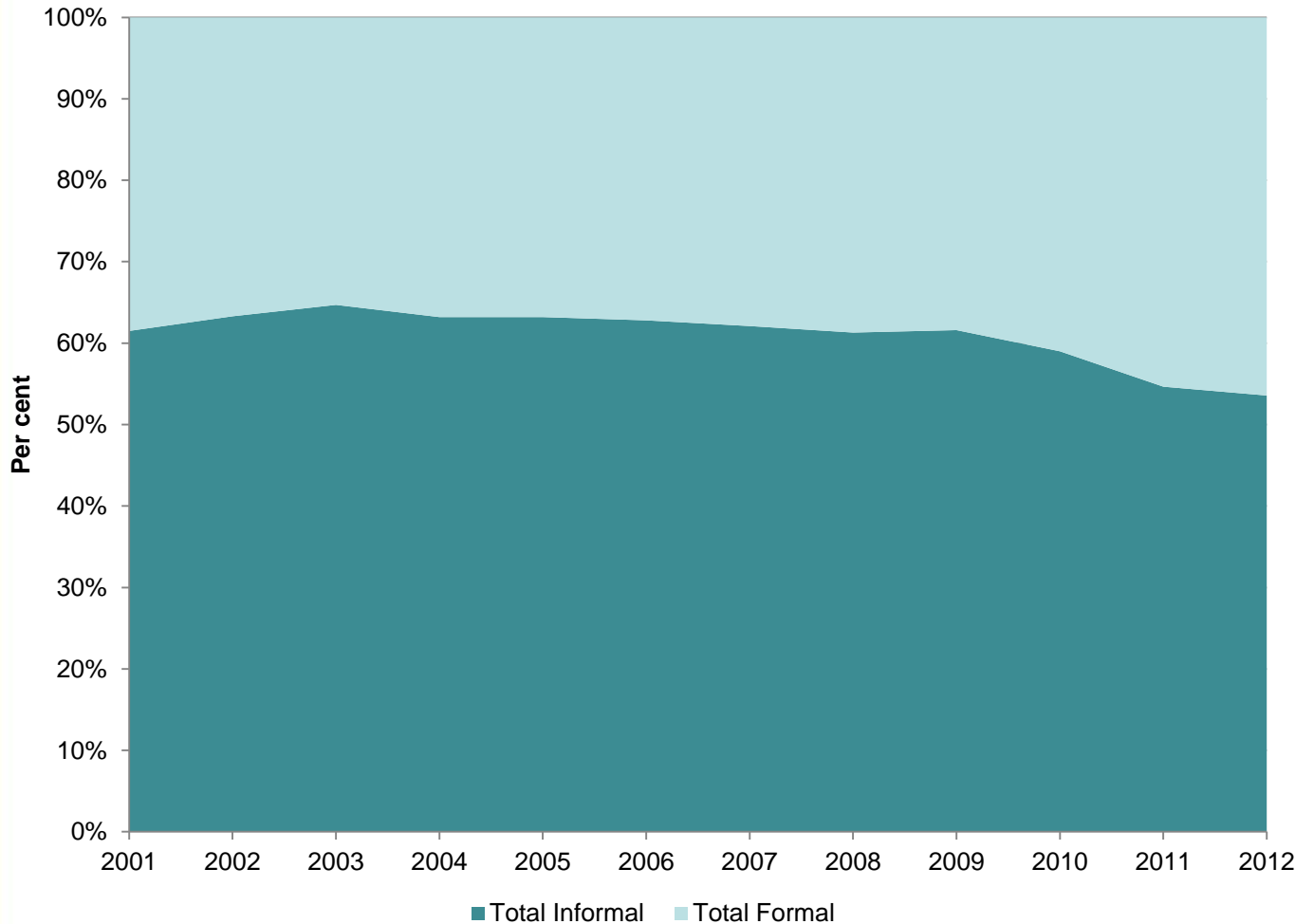
- A vulnerable worker is defined as the sum of own-account workers and contributing family workers as well as casual workers and employers assisted by temporary worker/unpaid workers.
- Vulnerable workers typically work in the informal economy and lack decent working conditions. They have inadequate earnings, low productivity and working conditions that undermine rights.
- **In 2012 it was estimated that 60 to 63 per cent of all those employed could be considered “vulnerable workers”.**
- Women are three times more likely than men to be considered vulnerable workers due to their status as “family workers”, while men are more likely to be vulnerable workers due to their employment status as a “casual” or “own-account workers”.



Formality



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Between 2001 and 2009 the share of employment that was in the informal economy was between 61 to 66 per cent.

Trends over the last three years have seen a substantial shift towards formality emerging.

In 2012 it was estimated at 53.6 per cent per cent of employed people were working in the informal economy.



Sectoral structure



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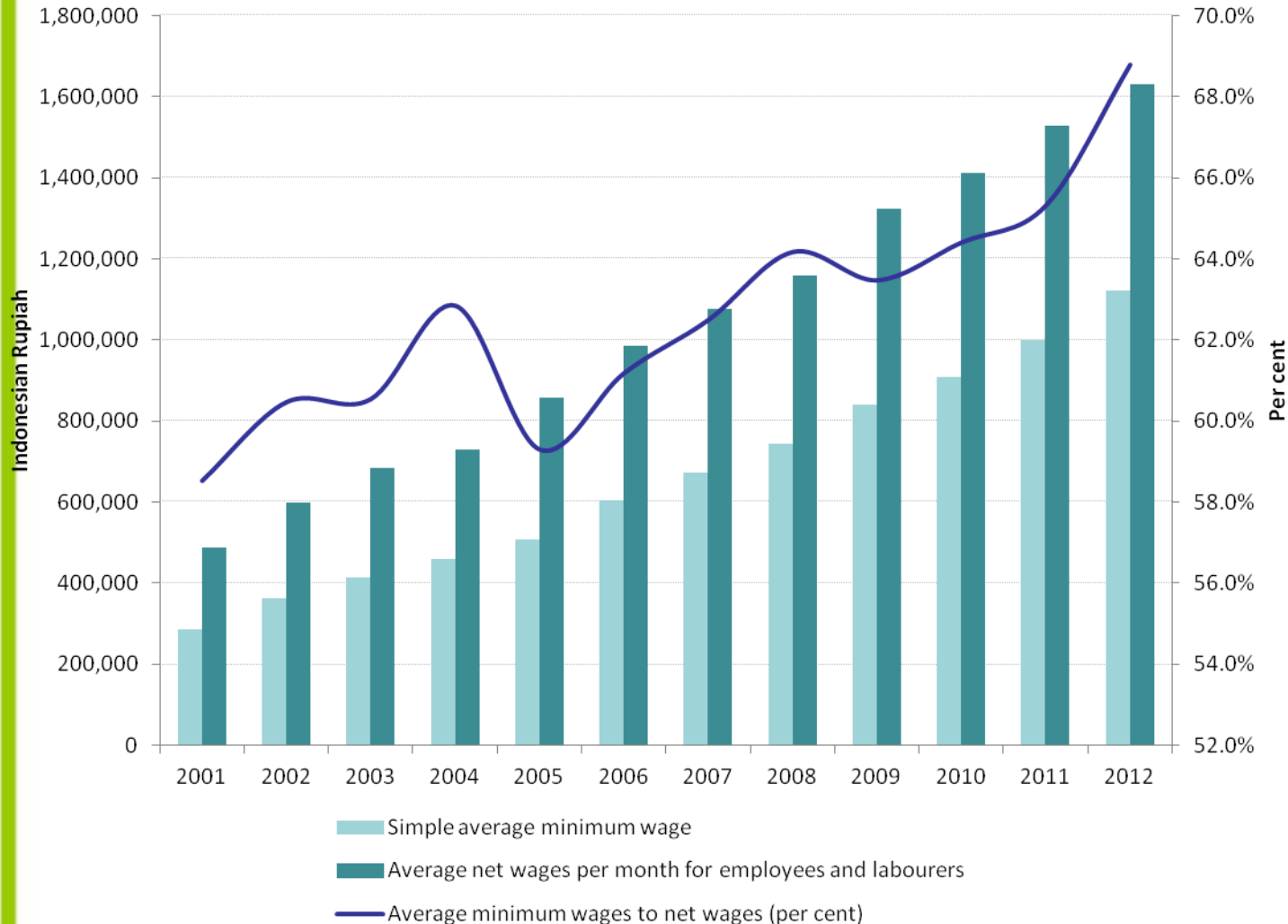
- Structural shifts in the sectoral composition of the Indonesian economy have continued to unfold in 2012, with employment in the agricultural sector declining and jobs in the services sector on the rise.
- Employment in the manufacturing sector has been growing rapidly and is now higher (in terms of % and No.) than it has been in over a decade.
- Investments from the public and private sector are accelerating construction and therefore employment in the construction sector is growing.
- Employment in the finance, insurance, real estate and business services sector is expanding, and now the sector employs almost double the number of workers it employed in 2008.



Trends in minimum and average wages for Indonesia, 2001-2012



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Over time the gap between average minimum wages and average nominal wages has been narrowing.

In 2001 the minimum wage was 58.5% of the average wage. In 2012 this gap had narrowed to 68.8%.



Economic inclusion

- Closing the social protection floor gap
- Why to gender wage gap?



Output elasticities of employment by sector



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While Indonesia is on track to achieve many of its targets, there has been a significant decline in the growth-to-employment elasticity across economic sectors.

Sector	Pre-crisis 1993-97	Post-crisis 2000-06	SBY 1st term 2005-09
Agriculture, forestry, hunting and fisheries	1.576	1.132	0.653
Mining and quarrying	-	0.492	0.287
Electricity, gas and water	-		0.825
Manufacturing	2.488	0.408	0
Construction	0.931	0.563	0.753
Wholesale trade, retail trade, restaurant and hotels	1.345	0.874	0.524
Transportation, storage and communication	1.16	0.703	-
Financing, insurance, real estate and business services	1.008	0.632	-
Community, social, and personal services	0.411	0.316	0.460



Why the gender wage gap?

- Differences in the hourly and monthly compensation of men and women is a persistent feature of labour markets throughout the world.
- Factors such as educational attainment, work experience, industry and occupation choice contribute to differences in pay equity between the genders. However, discrimination also plays role.
- In general, women are paid between 25% to 35% less than men.
- Overall regression analysis estimates that approximately 59 per cent of the gender pay gap is unexplainable and could therefore be attributed to gender discrimination.



Social protection

- Productivity and the quality of social security provision
- The economy wide effects of public works programmes and cash transfer programmes



Does social security quality impact on firm productivity?



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- Existing policies and laws require employers provide workers with a minimum level of health care insurance – but does the quality of service impact on firm productivity?
- BetterWork Indonesia designed a study to examine the connection between social benefits and productivity in manufacturing firms that surround DKI Jakarta.
- It was found that firms which spend more on social benefits typically have lower production gaps and lower workforce turnover rates.



What are the economy wide impacts of public works programs and cash transfers?



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Household income:

Cash transfer programmes have stronger impacts on the household income of poor households than public works options.

Economic impact:

Cash transfers and public works both have a positive impact on the economy. However, public works programmes have a greater impact on economic growth than cash transfers.

Employment impact:

Public works programmes will create 30 per cent more jobs than cash transfer programmes.

Method: 'Dynamic Social Accounting Matrix' with a very detailed employment satellite account and information on "technology choice" in the construction sector.

Conclusion: the two types of social protection programmes work together in a complementary fashion - stimulating the economy and reaching different target groups.



Environmental sustainability

- Identifying and estimating “green jobs”
- Strategic plan for sustainable tourism and green jobs



Environmental sustainability

A “**green job**” is the “direct employment created in different sectors of the economy and through related activities that reduces the environmental impact of those sectors and activities, and ultimately brings it down to sustainable levels.”



Source: ILO Country Office for Indonesia and Timor-Leste

In 2008 approximately 8.5% of all jobs could be considered “environmentally friendly” and 3.8% of all jobs could be considered “green jobs”.

In terms of numbers, environmentally friendly jobs and green jobs are highest in agriculture. In terms of proportion (%), environmentally friendly jobs are highest in forestry and green jobs are highest in fisheries .

Example: Green jobs in forestry

Green sub-sector	Environmentally friendly job	Green job
Natural production forests that follow SFM law	88,262	38,759
Sustainable natural forest concessions	7,685	4,841
Collection, harvesting and cultivation of rattan	27,154	14,659
Non-timber forest products	20,284	6,328
Forest services, protection and conservation	70,235	33,043
Total	213,620	97,630



In the forestry sector it was estimated that 39% of jobs were environmentally friendly and 18% jobs were green jobs.

Environmental sustainability - Tourism



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SUSTAINABLE TOURISM & GREEN JOBS INDONESIA

Strategic Planning

Executive Summary



In 2012 the Ministry of Tourism and the Creative Economy launched a Strategic Plan for Sustainable Tourism and Green Jobs, which provides an integrated framework for the promotion of a job rich sustainable tourism industry.

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Key “takeaways”



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... sustaining prosperity needs more than just economic growth. We need both economic and social transformation that empowers people to lift themselves out of poverty. ... the national building blocks that sustain prosperity include job creation, increased productivity, improved competitiveness, new technology & innovation, infrastructure development, and stronger domestic institutions.

*H.E. Dr Susilo Bambang Yudhoyono,
4th Meeting of the HLPEP for the Post 2015 Development Agenda
Bali, 27 March 2013.*

- 1. Socio-economic trends have been largely positive, but further efforts are needed to reduce vulnerability and support sustainable development**
- 2. Employment is a key intersection that can bring together economic, social and environmental objectives**



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Thank you

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