

# Country Review on Youth Employment in Indonesia



International Labour Organization

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# Foreword

Heads of States and Governments agreed in the Millennium Declaration to “develop and implement strategies that give young people everywhere a real chance to find decent and productive work.” This commitment was further reaffirmed at the Substantive Session of the United Nations Economic and Social Council (ECOSOC) in 2006.

In a stride to meet these commitments, Indonesia was one of the first nations to volunteer to be a “lead country” in the UN Secretary-General’s Youth Employment Network (YEN). The ILO, as a core partner of the YEN together with the United Nations and the World Bank, supports Indonesia as a lead country, helping to set up the Indonesia Youth Employment Network (IYEN) and the development of the Indonesia Youth Employment Action Plan (IYEAP).

With Indonesia’s youth six times as likely as adults to be without work, it is imperative to have a solid knowledge base on the nature and dimensions of the youth employment challenge, related government policy responses, and to assess what the international community and other stakeholders have done to support government programmes and initiatives. This report developed by Diah Widarti, aims to build that knowledge base.

I hope that this review would be a useful reference for policy and programme formulation concerning youth employment in Indonesia.

Jakarta, June 2007

**Alan Boulton**

Director

ILO Jakarta Office



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## List of Acronyms and Indonesian Terms in *italic*

<i>Apindo</i>	<i>Asosiasi Pengusaha Indonesia</i> (Indonesian Employers Association)
<i>Bappenas</i>	<i>Badan Perencanaan Pembangunan Nasional</i> (National Development Planning Board)
<i>BPS</i>	<i>Badan Pusat Statistik</i> (Central Board of Statistics)
CEVEST	Center for Vocational and Extension Service Training
GEF	General Electric Foundation
GEP	Global Education Partnership
GTZ	Deutsche Gesellschaft fuer Technische Zusammenarbeit
ILO ASIST-AP	ILO Advisory Support, Information Services, and Training - Asia Pacific
IYEAP	Indonesian Youth Employment Action Plan
IYENetwork	Indonesia Youth Employment Network
JBIC	Japan Bank for International Cooperation
<i>Kabupaten/kotamadya</i>	Districts
<i>Karang Taruna</i>	Youth association at local level
KKN	Korupsi, Kolusi dan Nepotisme (corruption, collusion and nepotism)
KSBSI	Konferasi Serikat Buruh Sejahtera Indonesia (Indonesian Prosperous Labour Union Confederation)
KSPI	Kongres Serikat Pekerja Indonesia (Labour Union Congress)
KSPSI	Konfederasi Serikat Pekerja Seluruh Indonesia (All Indonesian Trade Union Confederation)
<i>KUB</i>	<i>Kelompok Usaha Bersama</i> (Collective Business Group)
<i>KUPEDES</i>	<i>Kredit Umum Pedesan</i> (Rural Credit)
<i>LPEM FEUI</i>	<i>Lembaga Penelitian Ekonomi Masyarakat-Fakultas Ekonomi Universitas Indonesia</i> (Research Institute for Community-Faculty of Economics, University of Indonesia)
MONE	Ministry of National Education
MOMT	Ministry of Manpower and Transmigration
NGO	Non-government Organisation
<i>RPJM</i>	<i>Rencana Pembangunan Jangka Menengah</i> (Medium Term Development Plan)

SAKERNAS	Survei Angkatan Kerja Nasional (National Labor Force Survey)
SUSENAS	Survei Sosial Ekonomi Nasional (National Socio-economic survey)
<i>Tim Perumus</i>	Formulating Team
UN	United Nations
YEN	Youth Employment Network
YPEDP	Young Professional Entrepreneur Development Program (locally called <i>Tenaga Kerja Pemuda Mandiri Profesional</i> )
KADIN	Kamar Dagang dan Industri Indonesia (Indonesian Chamber of Commerce)
SMEs	Small and Medium Enterprises
IMM	Association of Japanese Small and Medium Enterprises
MDG	Millenium Development Goals
VTC	Vocational Training Centre
DWCP	Decent Work Country Program
ADB	Asian Development Bank
JICA	Japan International Cooperation Agency
AusAid	Australian Aid
<i>Menko EKUIN</i>	Coordinating Ministry for Economic Affairs
CSR	Corporate Social Responsibility
USAID	United States Agency for International Development
PRS	Poverty Reduction Strategy
CEVEST	Centre for Instructor Training (under the MOMT)
SYB	Start Your Business
LFPR	Labor Force Participation Rate
ILO	International Labour Organization
NLFS	National Labour Force Survey (locally called <i>SAKERNAS</i> )
MOHA	Ministry of Home Affairs
BRI	Bank Rakyat Indonesia (Indonesian People's Bank)
PEKERTI	A non-government organization that assists the development of micro and small handicraft enterprises
ASEAN	Association of South East Asian Nations
IBL	Indonesian Business Link ( <i>hubungan bisnis Indonesia</i> )



# Section

# 1

## The Employment Situation of Youth in Indonesia

The *Indonesian Youth Employment Network (IYEN)* defines 'youth' as those in the 15-29 years age group, whereas the United Nations defines 'youth' as those in 15-24 years age group. This study has found variations in the youth employment statistics between the two age groups.

### 1.1. Youth Population and Labour Force Participation

#### Youth Population

In 2005, there were 42.3 million youth age 15-24 and 19.9 million youth age 25-29. In 2006, the figures were 42.5 and 19.7 million respectively (**CBS, 2005 and 2006**). Youth in the 15-24 years age group comprised 27.2% of the total working population.<sup>1</sup> If we included those in the 25-29 years age group, the proportion would be around 40%. Most of them lived in rural areas and around 50% of those in the 15-24 years age group were female (**CBS, 2005**).

#### Youth Labour Force Participation

Over 22 of the 42.5 million youth population in 2006 were in the labour force, an increase from 39.8 million in 2003 (**Table 1.1**). This meant that the youth labour force participation rate (LFPR) among age 15-24 in 2006 was 52.9%, a decline from 54.3% in 2005. However, compared to that in 1990, youth LFPR has risen from 50.9% in that year (**CBS, 1990, 2005 and 2006**). This pattern is contrary to that of the world's trend. Youth LFPR in most countries showed a declining trend (**ILO, 2004a**). Indonesia's pattern is probably attributed to the fact that these youths mostly come from poor families. Hence, they could not afford to stay in school to pursue a higher level of education. Instead, they have to look for jobs to support themselves and their families. The decline in youth LFPR in the recent years might be partially due to the increasing number of discouraged job seekers.

<sup>1</sup> Working age population is also referred to as economically active population, who are in the age group of 15 and above.

**Table 1.1: Unemployed and Underemployed Youth  
Indonesia 1990, 2003, 2005 and 2006**

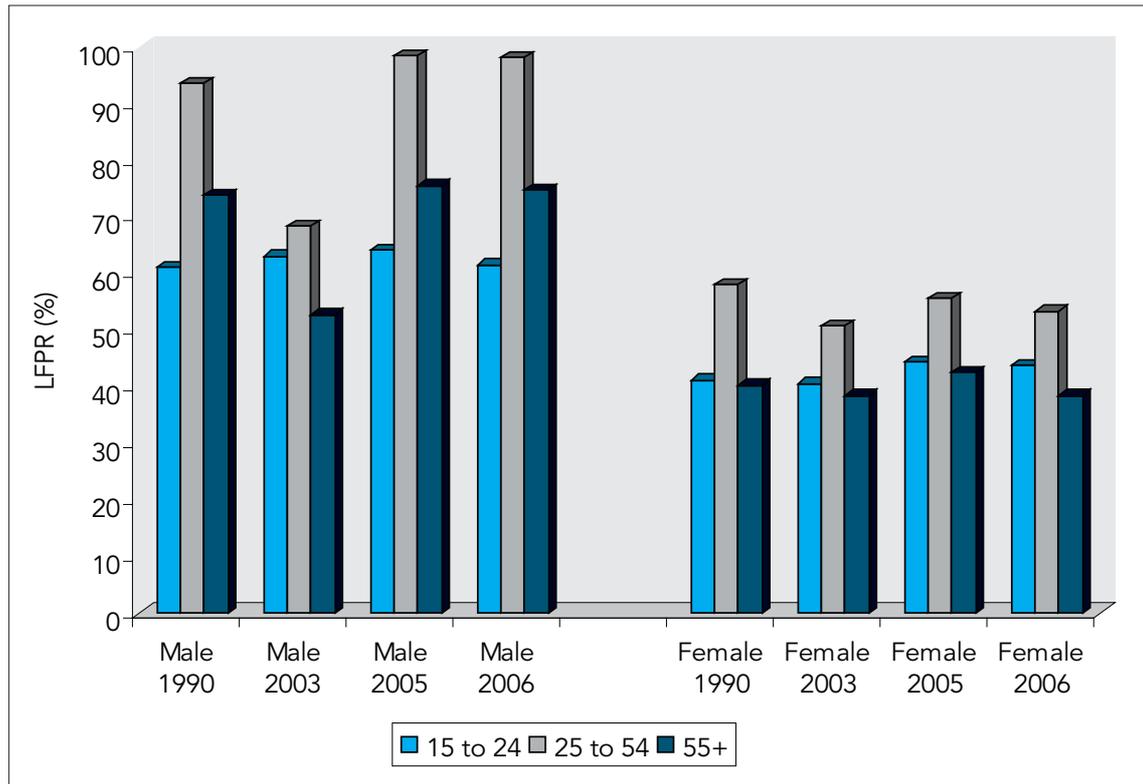
	1990	2003	2005	2006
Number of Underemployed Youth	7,071,832	5,090,641	5,778,028	5,093,533
Number of Unemployed Youth	1,382,161	5,710,436	6,597,133	6,865,740
Number of Economically Active Youth	17,377,265	20,483,953	22,995,364	22,454,000
Number of Unemployed Population	2,343,733	9,531,090	10,854,254	11,104,693
Youth neither in Education nor in LF	7,021,729	7,761,676	6,571,220	6,195,346
Number of Youth Population	34,083,155	39,795,641	42,316,532	42,467,424
% of Youth Unemployment	7.95%	27.88%	28.69%	30.58%
% of Youth Underemployment	40.70%	24.85%	35.24%	32.68%
% of Underutilized Youth	48.65%	52.73%	63.93%	63.26%
% of Untapped youth	20.60%	19.50%	15.53%	14.59%

Note: youth is defined as those aged 15-24

Source: CBS. 1990 Population Census and NLFS 2003, 2005 and 2006

As expected, youth LFPR was below the overall LFPR. In 2006, youth LFPR was 52.9% versus 66.7% for the total LFPR. Male LFPR was higher than that of female's, which is also similar to youth LFPR for the both sexes. From 1990 to 2006, LFPR of the both sexes ages 15-24 showed increase in trends although some fluctuations occurred within this period. Female LFPR increased from 41.20% to 44.4%, while male LFPR rose from 61.0% to 64.1% (**Chart 1.1**). When youth LFPR of the two age groups were examined, the data revealed that youth LFPR for those in the 15-19 years age group was lower than those in the 20-24 years age group. This was attributed to the fact that those in the younger age group were still in school. Meanwhile, the highest LFPR for both male and female were exhibited by those in the prime age group (25-54 years old).

**Chart 1.1: Labour Force Participation Rates (LFPRs) by Sex and Age Groups, Indonesia 1990-2006**

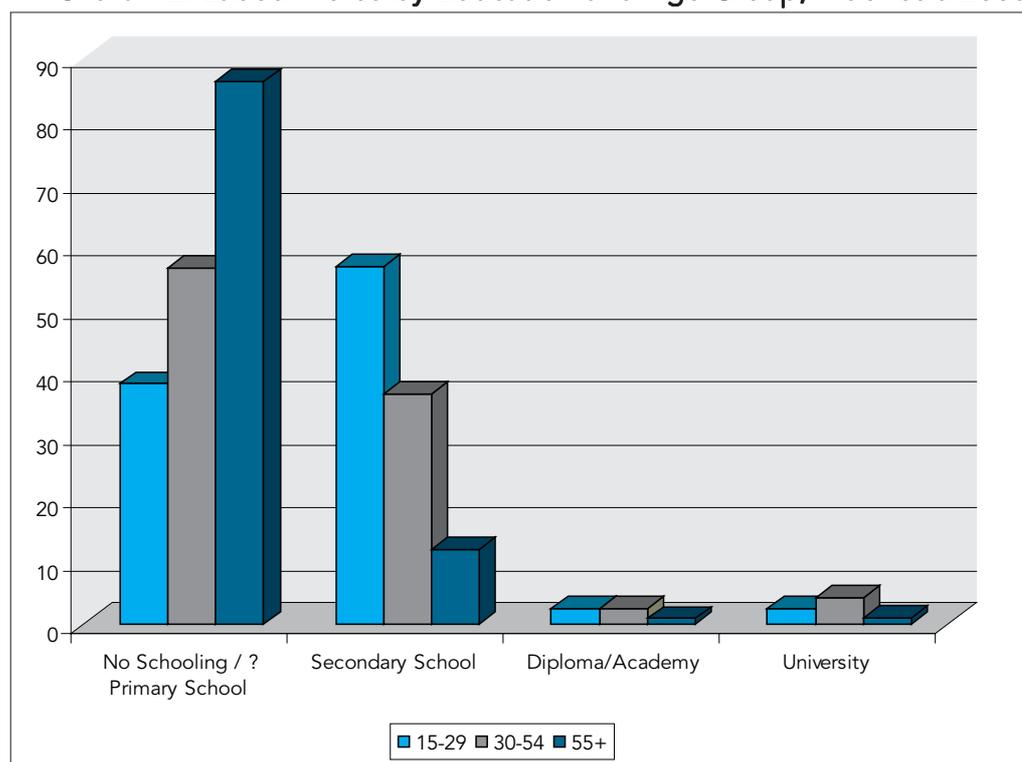


Source: CBS, 1990 Population Census and NLFS 2003-2006

## Youth Labour Force and Education

Although there has been a significant increase in the education level of the total labour force, the overall educational level was relatively low. In 2005, over 38.2% of youth age 15-29 have only primary school or an even lower level of education. The proportion of those youth with secondary education was 57%; while those with diploma and university degrees were 5% (**Chart 1.2**). The chart revealed that the older the age group, the higher the number of people with low level of education in the labour force.

Chart 1.2: Labour Force by Education and Age Group, Indonesia 2005



Source: CBS, NLFS 2005

## 1.2. Youth Unemployment and Under Utilization

Utilization of human resource is normally measured by unemployment, employment to population ratio and underemployment.<sup>2</sup> Youth underutilization is also measured by (a) youth share in the total unemployed and (b) ratio of youth to adult unemployment rate. Being young and energetic, youth are supposed to be more productive than those in the older age group. Unfortunately, the potential of youth in Indonesia is not being fully utilized.

### Youth Unemployment

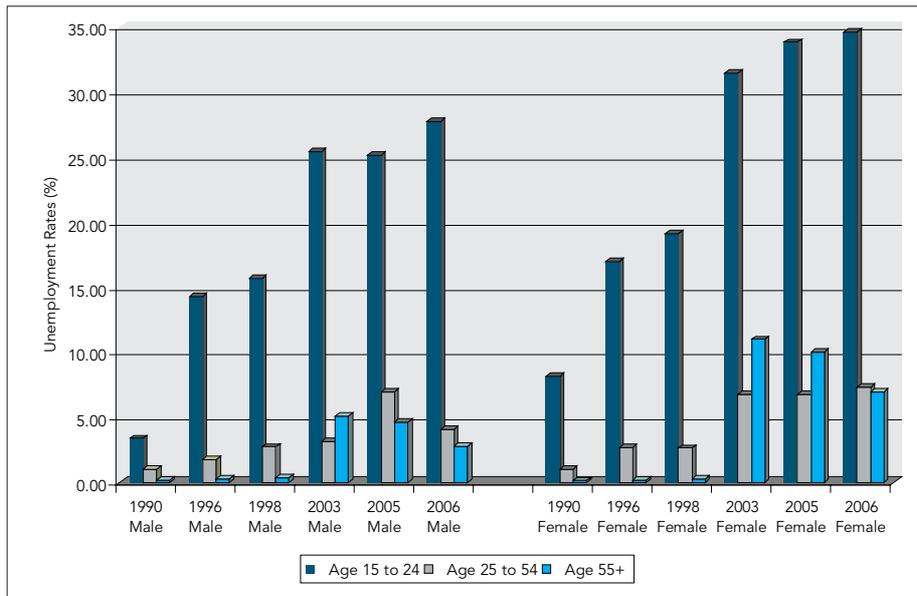
Unemployment rate is still considered as the most visible and obvious indicator of youth employment challenge. This explains why youth unemployment rate is selected as an indicator for monitoring the UN Millennium Development Goal to *develop and implement strategies for decent and productive work for youth* (ILO, 2004a).

From 1990 to 2006, there was an increase in youth unemployment trends for male and female. In 2005, however, there was a slight decrease in unemployment trend for male youth (Chart 1.3). In 1990, the unemployment rate for male and female age 15-24 was 3.4% and 8.2% respectively. In 2006, the figures increased to 27.8% and 34.7%. The substantial rise of youth unemployment rates from 2003 onwards was partly caused by the application of *relaxed unemployment definition* since 2001 that included discouraged job seekers.<sup>3</sup> Female unemployment has always been always higher than male. This pattern has been consistent for years (Chart 1.3).

<sup>2</sup> Underutilization of labor in Indonesia is normally measured by the number of working hours per week. Those who work below 35 hours per week are considered *underemployed*.

<sup>3</sup> The Indonesian Central Board of Statistics adopted ILO's relaxed definition of open unemployment by expanding the coverage of unemployed people. Prior to 2001, unemployment was referred to those who were not employed and looking for job. Since 2001, open unemployment includes also those who either are in the preparation of setting up business, or those who were discouraged of getting job thus make them stay outside the labor force or those who have already job but not yet started.

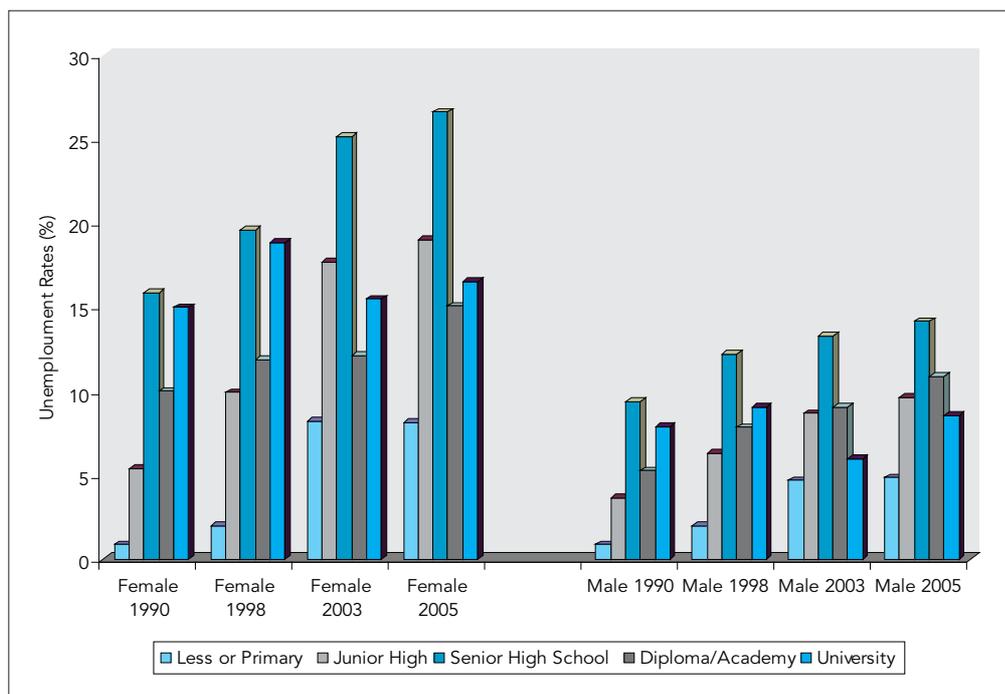
**Chart 1.3: Unemployment Rates by Age Group and Sex, Indonesia 1990-2006**



Source: CBS, 1990 Population Census and NLFS 1996-2006

Youth unemployment rate has always been the highest among the educated. Even though the largest number of unemployed youth are those who are uneducated or have less than primary school education, the highest unemployment rate, however, are youth who have senior high school education (**Chart 1.4**). A possible explanation is that many of the educated youth come from middle to high income families. Therefore, they can afford to remain unemployed while waiting for good job offers in the modern sector. The lowest unemployment rates among those uneducated or have less than primary school education reflect that they come from poor families. Hence, they have to quickly find work in the informal sector in order to make a living.

**Chart 1.4: Unemployment Rates by Education and Sex, Indonesia 1990-2006**



Source: CBS, 1990 Population Census and NLFS 1998-2005

## Youth share of the total unemployed

The large proportion of unemployed youth in the total unemployed population has raised concerns for the government. In 2006, 6.9 out of the 11.1 million unemployed were youth age 15-24. This meant that more than 60% of the unemployed were youth (**Table 1.1**). The figures were worse compared to those in 2003. About 5.7 out of 9.5 million unemployed people (approximately 60%) in 2003 were those in the 15-24 years age group. Considering that youth should be fully utilized in a global economy, their underutilization is a waste of the nation's vital asset.

## Marital Status of Job Seekers

Almost 92% of unemployed youth age 15-24 were single. More than 95% of these single youth job seekers were children of heads of household. Single youths in Indonesia were usually in the younger age group; and it is usual for single and some married youth to be living with their parents (**Table 1.2**).

**Table 1.2: Unemployed Youth (15-24) By Marital Status and Relationship to the Household Indonesia 2005**

	Head	Spouse	Child	Others	Total
Single	56.02	0	95.53	81.46	91.53
Married	42.23	100	3.4	17.36	7.39
Divorced	1.75	0	1.07	1.08	1.05
Widowed	0	0	0	0.09	0.04
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Number</b>	<b>64,368</b>	<b>158,659</b>	<b>5,768,325</b>	<b>605,781</b>	<b>6,597,133</b>

Source: CBS, NLFS 2005

56% of the young heads of household were single, and 42% married. A person usually assumes the position of head of the household after marriage. When single youth assumed the responsibilities of heads of households, it meant that these youth are responsible for supporting not only themselves, but also other family members like siblings and/or parents (**Table 1.2**).

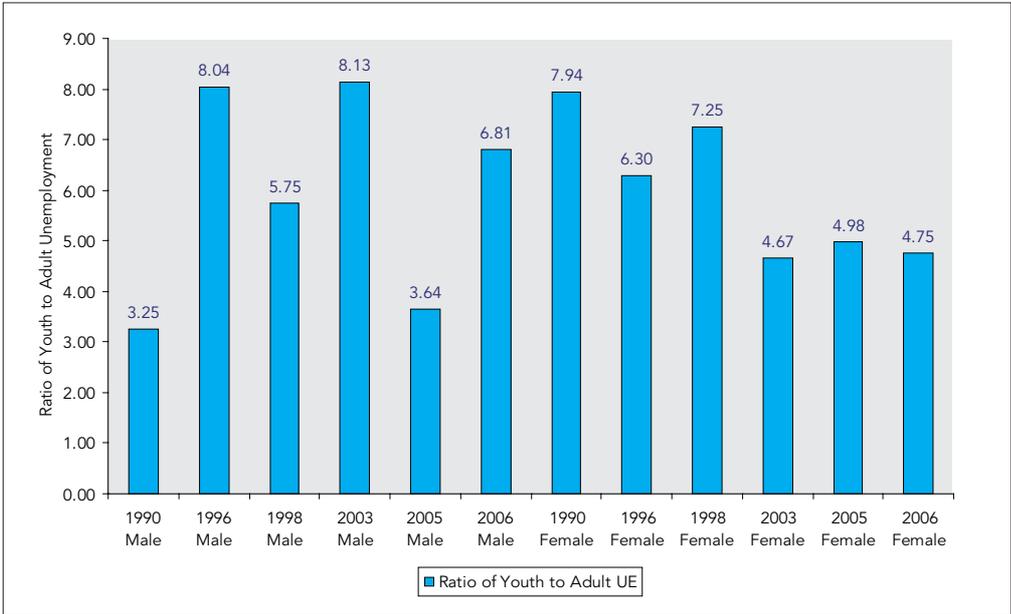
## The Ratio of Youth to Adult Unemployment Rates<sup>4</sup>

The ratio of youth to adult unemployment rate is perhaps the best quantifier of the discrimination between the younger and older workers. By 2005, the ratio was five times higher for female youth and over three times higher for male youths, when compared to the adults (25-54). In 2006, this ratio decreased slightly for females but increased drastically to seven times for males (**Chart 1.5**). Overall, the ratio of youth unemployment to adult unemployment in 2006 was almost six times.

<sup>4</sup> Ratio of unemployed youth (15-24) to adult (25-54)

This pattern of higher youth unemployment rates to adult rates; and higher unemployment rates for females to males; are consistent with the rates in the other developing and industrialized countries (ILO, 2004a). Hence, it is important for the national government to focus on the issue of youth employment.

**Chart 1.5: Ratio of Youth to Adult Unemployment**



Source: CBS, 1990 Population Census and NLFS 1996-2006

Youth unemployment rates in urban areas have increased more notably for female. However, the aftermath of economic crisis seemed to have a greater impact on rural employment. The change in female youth unemployment in rural areas was relatively much higher than that of male youth (Table 1.3). In recent years, the change in female youth unemployment was almost 2.5%. Such an increase was partly due to the application of the new definition of unemployment in 2001. The detailed unemployment composition using relaxed definition was shown in Section 2.

**Table 1.3: Youth (15-24) Unemployment Rates by Sex and Residence, Indonesia 1990-2004**

Year	Residence	Unemployment Rate of		
		Male	Female	Total
1990	Kota	16.29	15.8	16.08
	Desa	4.71	6.8	5.5
1999	Kota	29.62	28.36	29.07
	Desa	12.67	15.65	13.8
2003	Kota	33.18	33.72	33.42
	Desa	20.35	29.66	23.84
2004	Kota	33.83	36.16	34.88
	Desa	22.46	31.14	25.74

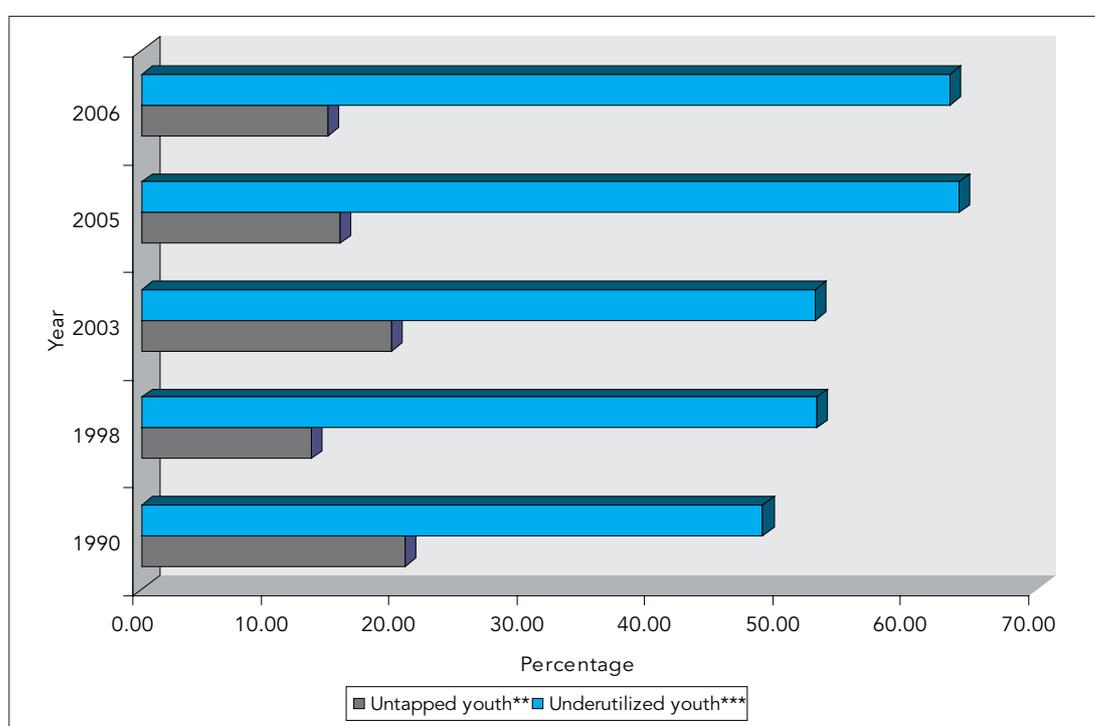
Source: CBS, 1990 Population Census and NLFS 1999-2004

## Untapped Youth Potential

Youth who are neither in the labour force nor in school, may mean that the potential of those youths are untapped.<sup>5</sup> ILO refers to such group of population as being “socially excluded”. This is the group of population that society needs to be concerned about and who also needs support from society or families. The Organization for Economic Co-operation and Development (OECD) used the measure of a similar indicator termed “youth non-employment rate” (Higgins, 2001 and OECD, 2002 cited in ILO, 2004a).<sup>6</sup>

The percentage of youth who were neither in the labour-force nor in school compared to the total youth population declined from 20.6% in 1990, to 13.30% in 1998, and 14.6% in 2006. Meanwhile, the share of underutilized youth ages 15-29 in the labour force has increased from 48.6% in 1990, to 52.7% in 2003 and up to 63.3% in 2006 (Chart 1.6).

**Chart 1.6: Percentage of Untapped and Underutilized Youth (15-29), Indonesia 1990-2006**



Source: CBS, 1990 Population Census and NLFS 1998-2006 Year

Note: \*\* those who are not in LF nor in education

\*\*\* those who are unemployed and underemployed

## Main Reasons for Seeking Job/Setting up Businesses

The data revealed that there were several reasons for young job seekers in the age groups of 15-19 and 20-24 to enter the labour market or to set up businesses (Table 1.4). For those in the 15-19 (48%) and 20-24 years age group (43%), the figures indicated that the main reason for them to enter the labour market was because they have completed school or dropped out of school.

5 The NLFS asked one's activity in the previous week and were categorized according to whether or not they were in the labour force. The group that was not in the labor force was further classified into those who were either in school, or were looking after households or as “others” (may mean either sick or disabled)

6 The OECD revealed that the trend of “youth non-employment rate” followed closely that of the youth unemployment rate.

Another reason was their responsibility to earn and supplement their family income. Even though supporting their family was expected to be the most common response given by adult job seekers, young job seekers also gave the same response. Such a response demonstrated that economic necessity is the top priority for youth to find employment.

**Table 1.4: Main Reasons for Seeking Job or Preparing Business, 2005**

Main Reason for Looking for Job / Preparing Business	15-19	20-24	25-29	30+	Total
Completed School/ Not In School	47.93	42.77	26.39	5.52	31.45
Responsible for earning income	18.08	28.69	36.35	46.23	34.26
Supplement family income	18.08	18.31	24.35	34.47	23.42
Job unsuitable	4.25	6.53	7.45	7.6	6.52
Dismissal/business not good	0.89	1.95	3.2	4.08	2.51
Other Reasons	1.33	1.74	2.26	2.11	1.85
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: CBS, NLFS 2005 (special tabulation)

## Job Seeking Methods

People seek jobs in different ways. The data shows that the three most common methods used by most job seekers are: (1) seek jobs through family or friends, (2) apply directly to companies, and (3) use employment agencies. Seeking jobs through employment agencies is the least popular of the three methods. For this reason the efficiency of employment agencies in the country must be improved (Table 1.5).

**Table 1.5: Type of Efforts for Looking for Job or Preparing Business, Indonesia 2005**

Age Group	(1)	(2)	(3)	-4	-5	-6	-7	-8	Total
15-19	9.79	17.16	8.8	35.79	3.76	5.3	1.29	18.12	100
20-24	13.85	21.2	11.68	30.17	3.43	4.21	0.92	14.54	100
25-29	14.17	20.41	11.09	28.79	5.07	4.45	0.84	15.17	100
30+	8.55	14.68	7.08	32.49	8.92	7.7	1.23	19.34	100
<b>Total</b>	<b>11.98</b>	<b>18.84</b>	<b>10</b>	<b>31.43</b>	<b>5.06</b>	<b>5.24</b>	<b>1.04</b>	<b>16.4</b>	<b>100</b>

Notes:

- (1) Applying through employment exchange
- (2) Applying directly to companies
- (3) Applying for job vacancy advertised in the newspapers
- (4) Looking for job via families/friends
- (5) Looking for capital/equipment
- (6) Looking for business location
- (7) Getting business permit
- (8) Other efforts

Source: CBS, Sakernas 2005

## Type of Employment that were Expected by Job Seekers

NLFS asked job seekers if they prefer full-time or part-time employment. **Table 1.6** shows that job seekers tend to look for full-time employment regardless of their gender and age. The belief that women usually prefer to work part-time seemed unfounded by these data. This picture reflects that youth and women need more hours of work because they need to earn more.

**Table 1.6: Percentage Distribution Regarding Type of Work Expectation of By Sex and Age Groups, Indonesia 2005**

Male	Full time Job	Part time Job
15-19	72.32	27.68
20-24	75.73	24.27
25-29	72.85	27.15
30+	64.97	35.03
<b>Total</b>	<b>71.58</b>	<b>28.42</b>
Female	Full time Job	Part time Job
15-19	69.68	30.32
20-24	72.02	27.98
25-29	66.44	33.56
30+	51.7	48.3
<b>Total</b>	<b>66.54</b>	<b>33.46</b>
Male+Female	Full time Job	Part time Job
15-19	71.21	28.79
20-24	74.33	25.67
25-29	70.62	29.38
30+	61.32	38.68
<b>Total</b>	<b>69.79</b>	<b>30.21</b>

## 1.3. Youth Employment

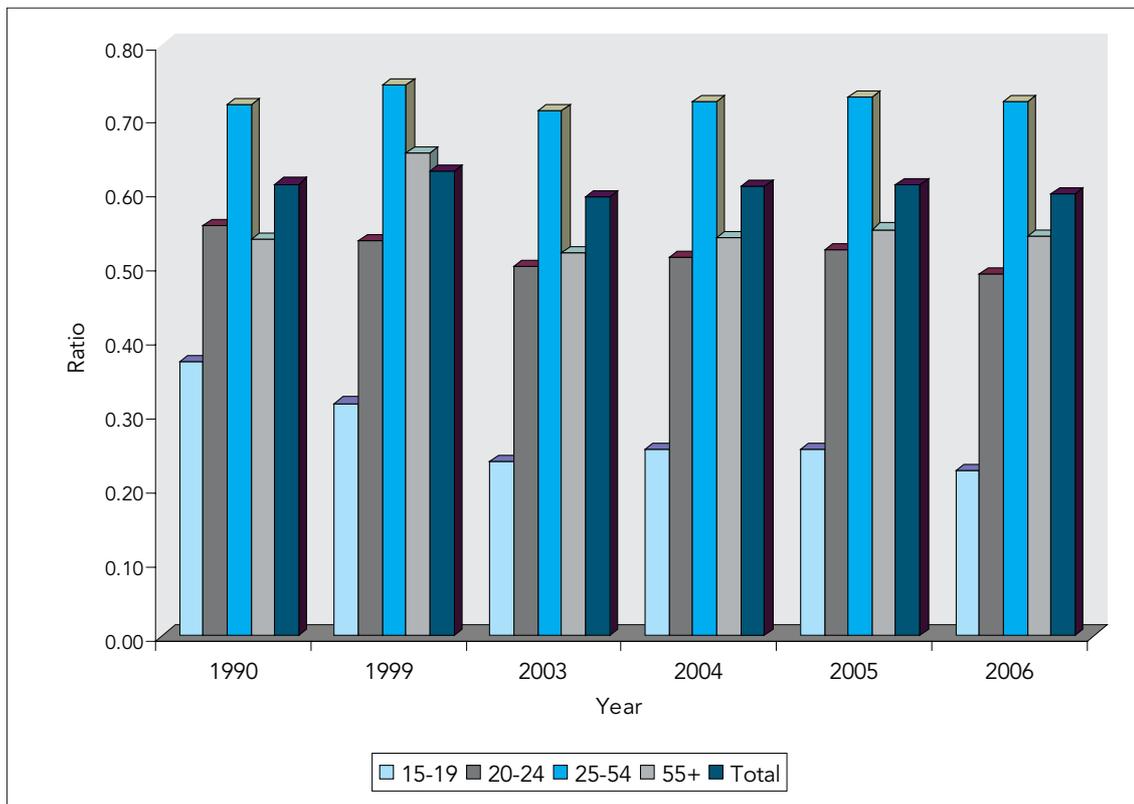
One way to measure the extent of employment opportunities in an economy is by comparing employment to population ratio.

### Youth Employment to Population Ratio

Throughout 1990s to 2006, the employment to population ratio in general has been stagnant (around 0.60) (**Chart 1.7**). Nevertheless, when broken down into age groups, these ratios demonstrated differences. The ratio of employment to population for those ages 15-19 was 0.37 in 1990, declining to 0.32 in 1999, and continued to decline to 0.22 in 2006. However, there was a slight increase to 0.25 in 2003 to 2005. The significant decline in ratio of employment to

population for youth age 15-19 was in line with the increasing trend of unemployment rates for young people in the same age group. This pattern is explainable as this age group is usually made up of inexperienced job seekers that are generally less required by the labour market, unless they are for low-skilled and low-paid jobs. *NLFS* data showed that 77.1% of youth age 15-24 had entered the labour market without any experience in 1995 (CBS, 2005).

**Chart 1.7: Employment to Population Ratio, Indonesia 1990-2006**



Source: CBS, 1990 Population Census and *NLFS* 1999-2006

Employment to population ratio in the age group of 20-24 had declined slightly. The ratio is traditionally higher for people in the prime age group of 25-54 and those 55 and above. This trend of employment to population ratio further confirmed that employment opportunities have been scarce for the younger age groups.

### Underemployment.<sup>7</sup>

Nearly 30 out of 95 million of the employed population in 2005 were underemployed. This meant that 32% of the employed workers were not fully utilized in their jobs (CBS, 2005). Of this figure, underemployed youth age 15-24 is approximately 5.8 million, which is more than 18% of the total underemployed in 2005. These figures increased by 0.6 million, which was 4.78 million or almost 16.80% in 2003 (Table 1.1).

There was a slight decrease in underemployed youth in the age group of 15-24. For those in this group, figures fell to 35.2% in 2003, and 32.7% in 2005 (Table 1.1) This was particularly due to a

<sup>7</sup> Underemployment is defined as those working less than 35 hours per week whether it is voluntary or involuntary.

decrease in the underemployment rate for female youth (from 39.5% to 23.1%) (**Table 1.7**).<sup>8</sup> Female underemployment rate, regardless of age, was relatively high. The picture seemed to reflect that women usually work less than the normal working hours.

**Table 1.7. Percentage of Youth Underemployment by Age Groups, Indonesia 1990-2005**

Economy Sector	1990		1996		1998		2003		2005	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
% of Underemployment										
Age 15 to 24	52.19%	38.67%	46.67%	36.31%	47.64%	39.85%	39.54%	31.35%	23.13	33.3
Age 25 to 54	53.29%	21.15%	53.41%	22.82%	53.86%	23.48%	53.84%	22.24%	25.82	21.26
Age 55 plus	61.89%	40.84%	65.27%	46.19%	67.13%	43.53%	62.42%	48.02%	33.22	44.34
Underemployment rate										
	54.02%	27.38%	53.45%	28.44%	54.36%	29.58%	48.00%	27.00%	26.36	26.41

## Employment by Main Economic Activity

The change in the industrial structure has affected the employment structure that included youth employment. Youth age 15-24 mainly work in the agricultural, manufacturing and trade sectors (**Table 1.8**). This pattern was also shared by employed Indonesians in general (**CBS, 2005**). Although most youth worked in the agriculture sector, its proportion showed a decreasing trend, from 55.7% in 1990, to 42.8% in 2003, and to 41.1% in 2005 (**Table 1.8**). On the contrary, the proportion of youth who worked in non-agriculture sector demonstrated an increasing trend. For example, there had been an increase in the percentage of youth working in the manufacturing sector from 1990 to 2005. There has also been a rather sharp increase of employed youth in the trade sector. The profound proportion of youth in the agriculture sector was most likely due to the engagement of rural youth in this sector. Urban youth on the other hand would most likely work in non-agricultural sectors such as manufacturing and trade. Trade sector may offer both formal and informal types of employment. As the trade sector in Indonesia usually consists of a large proportion of illegal type of establishments, the employment of youth in the trade sector might have been in the informal employment sector.

**Table 1.8 Youth Employment by Economic Sector, Indonesia 2005**

Economy Sector	1990		1998		2003		2005	
	Number	%	Number	%	Number	%	Number	%
Agriculture	8,842,532	55.66	7,007,301	42.85	6,322,345	42.80	6,734,583	41.07
Mining	105,108	0.66	152,274	0.93	133,298	0.90	166,284	1.01
Manufacturing	2,403,646	15.13	2,871,987	17.59	2,760,843	18.69	2,999,624	18.29
Construction	460,948	2.90	650,963	3.98	732,359	4.96	777,377	4.74
Trade	1,898,164	11.95	2,922,787	17.87	2,519,032	17.05	3,115,753	19
Transportation/ Communication	416,338	2.62	728,181	4.45	784,823	5.31	929,292	5.87
Utilities and Service	1,759,967	11.08	2,019,215	12.35	1,520,817	10.29	1,675,318	10.22
Total Employed Youth	15,886,703	100.00	16,352,708	100.00	14,773,517	100.00	16,398,231	100.00

<sup>8</sup> The proportion of underemployed population to the total population in the respective age group.

## Employed Population by Education

In general, the level of education of employed population in Indonesia is relatively low. For example, in 2005, more than half of the employed population never attended school or have only primary school education. Breaking down by age groups, some differences is observed. Youth in the 15-19 years age group still held the pattern of the general population; more than half of employed youth in this age group were either uneducated or have only primary school education. Considering that youth in this age group are expected to be in school, the data seemed to suggest that youth in this age group might have dropped out from school with the obvious reason to enter the labour market. Employed youth age 20-24 have better education. More than 60% of youth in this category have secondary school education. Meanwhile, there is a higher percentage of employed youths ages 25-29 with tertiary education than the other age groups (Table 1.9).

**Table 1.9: Population 15 years of age and over who worked during the previous week by age group and educational attainment, Indonesia 2005**

Age Groups	Educational Attainment				Total
	1	2	3	4	
(15-19)	52.47	47.46	0.07	0	100
(20-24)	35.79	60.7	2.55	0.96	100
(25-29)	39.51	53.03	3.12	4.34	100
Total (15-29)	40.48	54.9	2.35	2.27	100
(30+)	63.25	30.96	2.26	3.52	100
<b>Total</b>	<b>56.23</b>	<b>38.34</b>	<b>2.29</b>	<b>3.13</b>	<b>100</b>

Notes:

- 1= No Schooling or Less Primary Schooling
- 2=Junior Secondary and Senior Secondary School
- 3=Diploma and Academy
- 4=University

Source: CBS, NLFS

## Status in Employment<sup>9</sup>

Table 1.10 shows that more than one-third of youth in the age groups 15-24 and 25-29 were *employees*, an occupation that usually represents a formal employment. However, there was a substantial share of youth age 15-24 working as *unpaid workers*. A sizeable proportion of youth who worked as “*own account worker*” was also observed (Table 1.10).

<sup>9</sup> Since 2001, the Indonesian Central Board of Statistics had expanded the classification of status in employment. Prior to 2001 status in employment was grouped into (1) self employed, (2) self employed assisted by family, or temporary worker (3) employer (4) employee and (5) unpaid family worker. Since 2001, the classification has been expanded into (1) own account worker (2) self employed assisted by temporary worker (3) employer (4) employee (5) casual worker in agriculture (6) casual worker not in agriculture and (7) unpaid worker.

**Table 1.10 Population Aged 15+ Who Worked During the Previous Week by Age Group and Status in Employment, Indonesia 2005**

Employment Status	Age Groups				Total
	15-24	25-29	30-54	55+	
1. Own account worker	11.93	18.69	20.29	18.64	18.41
2. Self employed assisted by fam/ temp worker	5.46	13.17	24.68	44.02	22.37
3. Employer	0.8	2.1	3.62	4.64	3.06
4. Employee	36.27	36.18	26.54	8.38	27.11
5. Casual employer in agriculture	4.63	4.36	5.21	6.87	5.21
6. Casual employee not in agriculture	5.57	5.41	4.19	2.04	4.31
7. Unpaid worker	35.35	20.09	15.47	15.41	19.52
Total %	100	100	100	100	100
Absolute Number	16,398,231	12,878,966	53,045,809	12,625,112	94,948,118

Source: CBS, NLFS.

## Informal Employment

Informal employment is frequently defined according to one's status in employment. Those who, during the week prior to the enumeration, worked as *own account worker*, *self employed assisted by temporary/family member*, *casual worker in agriculture*, *casual worker not in agriculture* and *unpaid worker* are usually considered as those working in informal employment. **Table 1.11** shows that in 2005, almost 70% of employed people in Indonesia worked in the informal economy. Such a relatively high percentage of the informally employed was partly due to the high proportion of youth age 15-19 and adult workers age 55 and above, employed in this category of employment. In 2005, youth age 15-19 and 20-24 who were in this category of employment reached 71% and 59% respectively.

**Table 1.11: Employed Population by Age Group and Type of Employment, Indonesia 2005**

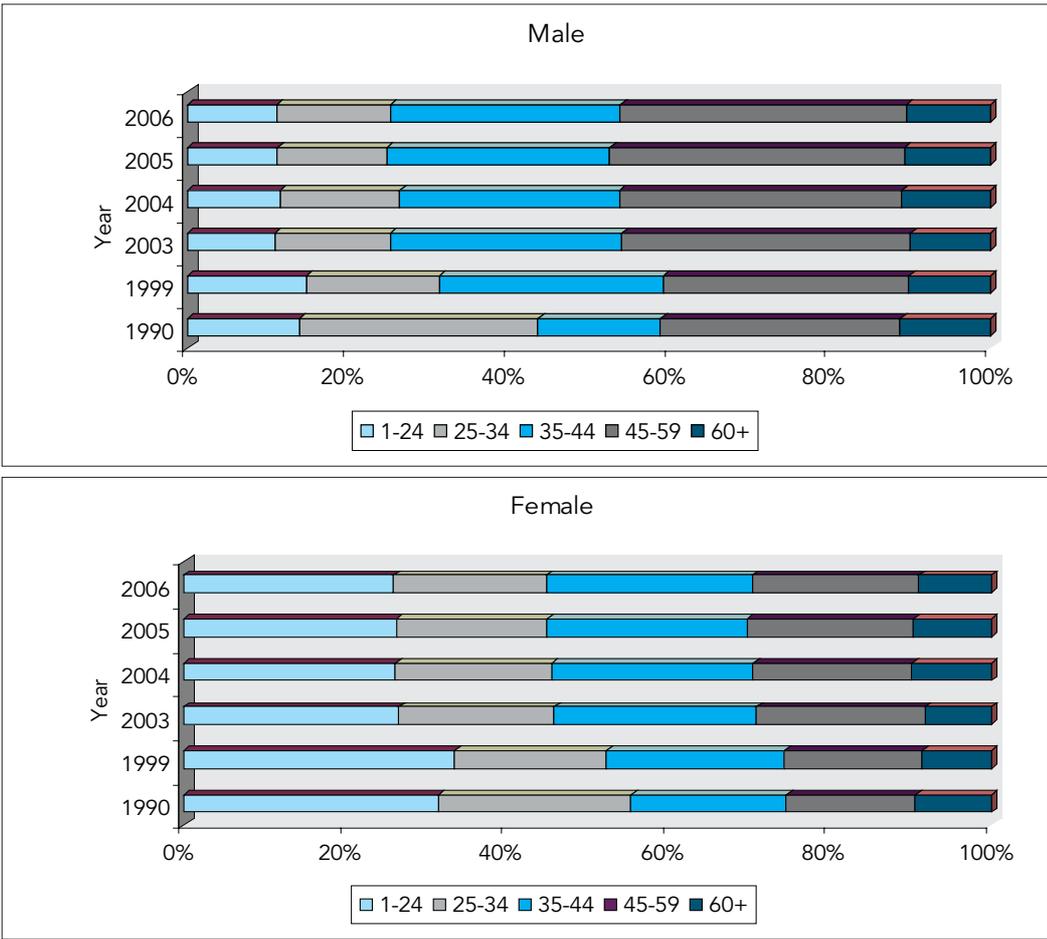
Age Group	Formal Employment	Informal Employment
15-19	29.23	70.77
20-24	40.87	59.13
25-29	38.27	61.73
30-54	30.16	69.84
55-59	17.89	82.11
60+	9.93	90.07
<b>Total</b>	<b>30.17</b>	<b>69.83</b>

Considering that the majority of youth worked in the agriculture sector; and the percentage of youth who worked in informal economy was relatively high, these findings confirmed that youth employment in the informal economy was due to the high share of employment in the agriculture sector. Agriculture and other informal employment represent economic activities with easy entry and exit. As previously stated, high unemployment and underemployment left youth with no choice but to remained unemployed, or enter the informal economy. The percentage of youth employed in the manufacturing sector was also significant; such a proportion was highest compared to that of other age groups (Table 1.9). The most plausible explanation is that the manufacturing sector normally employs considerable number of youths; particularly female, in the production line where jobs are repetitious.

### Hours of Work

Over the period of 1990 to 2006, there has been a declining trend in the percentage of both men and women who worked shorter hours (Chart 1.8). Consequently, women and men tended to work longer hours. This picture seemed to reflect income insufficiency among employed people in general; and they had to work longer hours in order to generate more income.

**Chart 1.8: Employed Population by No. of Hours Worked and Sex, Indonesia 1990-2006**



Source: CBS, 1990 Population Census and NLFS 1999-2006

**Table 1.12** shows underemployment by age group in 2005. The data revealed that there is very slight difference in the proportion of underemployment between male and female. Yet, underemployed youth (15-24) were more pronounced among male than female, 33.3% versus 23.1% in 2005. One of the reasons might be that more male than female in this age group were still pursuing their education.

**Table 1.12: Percentage of Underemployed Population by Sex and Age Group, Indonesia 2005**

Age Group	<35	>35	Total
<b>Male</b>			
15-24	33.33	66.67	100
25-54	21.26	78.74	100
55+	44.34	55.66	100
<b>Total</b>	<b>26.41</b>	<b>73.59</b>	<b>100</b>
<b>Female</b>			
15-24	23.13	76.87	100
25-54	25.82	74.18	100
55+	33.22	66.78	100
<b>Total</b>	<b>26.36</b>	<b>73.64</b>	<b>100</b>
<b>Male+Female</b>			
15-24	35.24	64.76	100
25-54	30.22	69.78	100
55+	50.32	49.68	100
<b>Total</b>	<b>33.76</b>	<b>66.24</b>	<b>100</b>

## 1.4. Provincial Youth Labour Force

As Indonesia has more than 30 provinces which have different levels of development, LFPRs varies across the provinces (**Table 1.13**). East Nusa Tenggara has the highest LFPR and Maluku the lowest. The low LFPR for Maluku is most likely because Maluku had been a conflict area for a period of time. The conflict probably prevented and discouraged people from entering the labour market.

**Table 1.13: Labor Force Participation Rates by Province, Indonesia, 2005**

Province	Male	Female	Total
NAD	84.95	52.28	68.44
North Sumatra	85.18	59.04	71.94
West Sumatra	78.96	47.17	62.53
Riau	86.98	38.41	62.76
Jambi	87.9	44.91	65.97
South Sumatra	85.67	56.79	71.23
Bengkulu	87.56	62.94	75.51
Lampung	88.15	48.04	68.86
Bangka Belitung	86.98	42.52	65.03
DKI Jakarta	85.95	40.42	63.08
West Java	85.34	40	62.88
Central Java	84.93	57.72	71.18
D.I. Yogyakarta	80.26	63.87	71.95
East Java	86.11	53.5	69.5
Banten	83.63	41.56	62.95
Bali	85.94	72.19	79.06
West Nusa Tenggara	85.52	57.28	70.58
East Nusa Tenggara	87.5	71.5	79.45
West Kalimantan	87.87	59.58	73.85
Central Kalimantan	89.25	56.02	73.21
South Kalimantan	86.18	56.19	71.17
East Kalimantan	86.49	40.21	64.73
North Sulawesi	86.15	38.25	62.33
Central Sulawesi	87.34	45.86	66.9
South Sulawesi	84.72	43.8	63.33
Southeastern Sulawesi	86.53	55.79	71.08
Gorontalo	88.53	39.27	62.84
Maluku	80.35	37.78	59.22
Maluku Utara	85.27	53.38	69.83
Papua	90.13	65.55	78.25
<b>Total</b>	<b>85.55</b>	<b>50.65</b>	<b>68.02</b>

When statistics is broken down into the different age groups, it gave a different LFPR. The proportion of youth labour force varied in the different regions. Its proportion was lowest in DI Yogyakarta, while Riau demonstrated the highest share; 12.56% opposed to 26.83% respectively (**Table 1.14**). The low share of youth labour force in DI Yogyakarta most likely indicated that most youths in this area were still in school. The province of DI Yogyakarta has always been known as the city of education where many students from the other provinces went to receive further their education.

**Table 1.14: Population 15 years of age and over who are in labor force by province and age group, Indonesia, 2005**

Propinsi	(15-24)	(25-29)	(30-54)	(55+)	Total
NAD	21.44	13.79	54.08	10.69	100
North Sumatra	26.35	14.04	48.13	11.49	100
West Sumatra	20.09	13.27	53.33	13.31	100
Riau	26.83	16.7	49	7.47	100
Jambi	22.99	14.3	52.16	10.54	100
South Sumatra	26.64	14.85	48.7	9.82	100
Bengkulu	23.16	14.69	51.86	10.29	100
Lampung	23.88	13.83	50.84	11.45	100
Bangka Belitung	25.92	13.51	49.83	10.74	100
DKI Jakarta	21.34	18.53	53.21	6.92	100
West Java	22.11	13.89	50.84	13.15	100
Central Java	20.16	12.08	51.97	15.79	100
D.I. Yogyakarta	12.56	13.94	53.63	19.88	100
East Java	18.23	12.52	54.17	15.08	100
Banten	24.2	14.7	51.14	9.96	100
Bali	17.69	13.71	54.99	13.61	100
West Nusa Tenggara	23.89	13.43	51.01	11.68	100
East Nusa Tenggara	25.88	13.18	47.31	13.62	100
West Kalimantan	26.4	14.66	49.25	9.69	100
Central Kalimantan	22.86	14.89	52.5	9.75	100
South Kalimantan	22.45	14.16	53.12	10.27	100
East Kalimantan	20.67	15.35	54.41	9.57	100
North Sulawesi	19.46	14.64	52.79	13.11	100
Central Sulawesi	22.7	13.85	53.66	9.8	100
South Sulawesi	24.03	14.43	49.37	12.17	100
Southeastern Sulawesi	25.76	13.21	50	11.03	100
Gorontalo	23.12	13.59	53.16	10.14	100
Maluku	23.4	13.68	50.59	12.34	100
Maluku Utara	26	14.42	49.54	10.04	100
Papua	24.51	16.84	54.83	3.82	100
<b>Total</b>	<b>21.73</b>	<b>13.74</b>	<b>51.75</b>	<b>12.78</b>	<b>100</b>

Section 1.4 illustrated the condition of young people in Indonesia particularly in relation to its labour force and employment participation. Youth statistics demonstrated significant differences in various ways when compared to people in the other age groups in. For example, their labour force participation, unemployment rate and employment to population ratio.

## Section

# 2

# Factors Affecting Youth Employment

The previous section demonstrated that youths have rather different characteristics to the other population age groups in terms of labour force participation, unemployment and underemployment rates, and others. Such differences should be analyzed in light of the four components namely, employment opportunities, employability, equality and entrepreneurship that might reflect both the supply and demand side factors.

## 2.1. Employment Opportunities

Although Indonesia has gradually recovered from economic recession and stagnation, its growth remains unable to provide sufficient employment, particularly in the formal sector. As a result, there is consistently high unemployment and underemployment.

Actually, the unemployment and underemployment trends that were previously described do not entirely reveal the youth employment problems in Indonesia. This is because underemployment often demonstrates divergent trends between formal and informal sector and across economic sectors. As shown in **Table 1.11**, in 2005, more than 70% of youth worked in the informal employment. Many scholars identify that most jobs in informal employment are commonly in low-productive activities where earnings are low and irregular. This is in contrast to the formal sector that generally provides workers with better quality jobs, better wages and better working conditions. Thus, the main issue is not only employment opportunities but also quality jobs.

The problems of youth employment on the demand side are very critical. When the economy grows slowly, it consequently leads to lower employment creation, particularly in the formal sector. After the Indonesian economy plummeted to minus 13.8% in 1998, its recovery has been rather slow. Thus, the main problem is that when the aggregate demand is low, the adverse effects are most likely very high for youth. This is because youth are most likely first-time job seekers with no work experience, which is the pre-requisite of most job offer. Apart from that, when youth are already in employment, they are most often the first to lose their jobs if an economic downturn occurs.

## 2.2. Employability

Employability of youth partly reflects their education and training as well as their preparation in entering the labour market.

### Many Young People Enter the Labour Market without Experience

The data revealed that many job seekers entered the labour market without prior experience. Young job seekers, especially the educated, usually have expectations that were far from labour market realities. For example, in 2005, more than 80% of young job seekers in the 15 to 24 years age group had no work experience (**CBS, 2005**). It is, therefore not surprising that many youth experience longer spells of unemployment when they look for their first job.

### Education and Training

The main constraint young people encounter in finding their first job is inadequate qualification and skills. 60% of the employers and managers cited inadequate education and training of the applicants as the biggest problem in the recruitment of young workers (**Sziraczki and Reerink, 2004**). The frequent debate is that education and training systems in Indonesia do not adequately prepare students for entry into the labour market. Even though the government has launched compulsory education for children age 7-15, the implementation is still not in full swing. **HDR (2005)** displayed that in 2002/03, the Indonesian net primary enrolment ratio stood at 92%, a decline from 97% in 1990/91. Meanwhile, net secondary enrolment ratio was 54% in 2002/03, an increase from 39% in 1990/91. In addition, the rising cost of education has made it more difficult for many youths to afford. Poverty is often mentioned as a reason why youths discontinue their education. Over 40% of young job-seekers and almost 60% of young self-employed workers, reportedly left school due to financial reasons (**Sziraczki & Reerink 2004**).

Although the enrolment figures seemed promising, the quality of education raised some concerns. Evidence suggested that the learning outcomes in Indonesia at primary and secondary levels are poor when compared to other countries in the ASEAN region. A number of reasons have been put forward for this situation such as: 1) overall investment in education as a proportion of GDP in the country remains one of the lowest in the region and of countries with similar levels of national income. According to **HDR (2005)**, in 2000, Indonesia spent only 1.2% of the GDP on education, compared to Philippines and Malaysia that spent 3.1% and 8.1% respectively. 2), inadequate teacher training and inefficient management, including uneven distribution of teachers among different types of schools (**Haribowo and Ali, 2003 cited in the Indonesian National Youth Action Plan**),<sup>10</sup> and 3) the status and remuneration of teachers (**OECD, 2002**).<sup>11</sup>

In Indonesia, the responsibilities of vocational training lie with the two government ministries: the Ministry of Manpower and Transmigration (MOMT) and the Ministry of National Education (MONE).

<sup>10</sup> According to them, less than 50% of primary and junior secondary teachers meet the minimum requirements. Unfortunately, the qualifications of teachers in private schools are no better. With decentralization, the provisions for in-service training to a certain extent would be affected with uncertain results.

<sup>11</sup> Teachers' salary in public schools in Indonesia is based on government pay scale, which may not necessarily take into account special competencies and job requirements. In addition, teachers' salary in Indonesia is among the lowest in ASEAN countries. The low salary is a reason why it was difficult to retain good teachers.

One of the mandates of MOMT is to facilitate training for job seekers age 18 and above, while one of the mandates of MONE is to facilitate training for youth under the age of 18 who are no longer in school. The demarcation of authorities of these two government ministries however remains unclear. With the implementation of decentralization, such responsibilities are transferred to the different regions. The establishment of standards, however, remains the domain of the central government.

Although the MOMT had established a national training system in the past, its recognition and its effectiveness in the industry is still questionable.<sup>12</sup> Training councils at the national and regional levels have existed for more than a decade. However, these councils are not sufficiently supported by sound and strong relevant researches. For example, systematic set of tracer studies have not been in place: there have been hardly any thorough analysis regarding what happened to graduates of various training programs, how they were absorbed in the labour market, and to what extent their education was relevant to the need of business. Demands for trainings have been vigorously voiced in the formal forums and discussions; but consolidated actions have been little.

Although considerable efforts have been made by the government to improve the overall situation, there is still a lack in national-level coordination on vocational training systems; limited coordination between public and private training providers; limited participation of industry in policy and planning; weak national standards and recognition of such standards; an almost exclusive focus on formal sector employment etc. Furthermore, the development of a market-responsive vocational training system in Indonesia has been affected by the decentralization process.

With this background, it is not surprising that the overall level of educational and training achievements of the labour force was relatively low. The 2005 *NLFS* data recorded that almost 54% of the labour force have only primary school education or less. The percentage of the labour force with secondary education was 40.6%, while those with diplomas and university degrees were only 5.5%. Data on skills development are more likely scattered in many agencies and regions.

## 2.3. Equality

Equality can occur in various aspects of life. In this case, the most relevant equality are those related to education and work place. Inequalities in the labour market in terms of gender, age and others are substantial. The government has made considerable effort to ensure equal opportunities and treatment of young women and men in education, employment and social affairs. The deeply rooted perceptions of gender roles in the society often formed at an early age through the influence of family, education and media, continued to influence women's participation at work.

Gender discrimination is evident in the work place. For example: in the recruitment process, in the access to enterprise-based training and promotion, and in unequal wages (**ILO, 2004c**).

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<sup>12</sup> During the 1980s the MOMT introduced *Sistim Latihan Kerja Nasional* (National Training System) that was carried out under the World Bank Loan No. IND-2705.

Regarding wage discrimination, **Widarti (forthcoming)** demonstrated that in 2006, women workers received approximately 70% of men's wage, while women agricultural workers only received half of men's wage. Survey findings showed that the perceptions of gender roles and the division of responsibilities between men and women continue to influence women's position and opportunities in the work force (**ILO 2004c**). Based on the ILO youth consultation, it was observed that such perceptions appeared to be strong, even among youth.

In 2005, around 21 million women and 21.3 million men age 15-24 were of the working age. Yet, the labour force participation rates of male including youth have always exceeded those of female, 64.1% versus 44.4% (**CBS, 2005**). Female have been more unfortunate than males in many ways. Section One demonstrated women's declining employment and growing unemployment. Furthermore, women tended to work as unpaid domestic workers, which resulted in women crowding the informal economy.

Although the gender gap in education tends to decrease, discrimination in educational opportunities for women and men remains a problem. Gender segregation in educational courses still plays an important role in channeling a large number of women to a narrow field of study. In 2000/01, the percentage of female students in vocational senior secondary schools majoring in industrial engineering was 18.5%, 29.7% in agriculture, and 64.6% in business, management and hospitality. Another example: social science studies tended to be dominated by female students, and technical science by male students (**ILO, 2004b**).

Gender segmentation in education would usually lead to gender segmentation in the labour market. Young men tend to be over represented in such economic sectors as mining and quarrying; utilities; construction and transport. On the other hand, women are usually concentrated in such sectors as agriculture and trade which tend to be least formalized and low-paid, relative to other economic sectors. Although many young women are employed in the manufacturing sector nowadays, they remain in low paid occupations. Segregation in occupation tends to confine young women to a narrower range of occupational opportunities than that of men. Women are usually dominated such occupations such as blue collar work and in clerical, sales and service jobs.

Due to the low pay and limited employment opportunities for women in the country, many young women hunt for job opportunities overseas. The main reason is that they look for better wage, although not necessarily for better opportunities for skills or career development. The Indonesian overseas workers are dominated by young women employed as domestic servants or in the informal employment outside the protection of normal labour legislation. These young migrant women in particular face the risk of trafficking, exploitation and violence.

Young women are often overlooked for promotion or for tasks that require skill (**ILO 2003**). Gender biases in labour market are also reflected in wage differences. The majority of women workers are self-employed or unpaid domestic workers. These gender-based differences have implications for relative earnings and poverty levels too. The ratio of female over male wages was 0.69 in 1997. It then improved to 0.72 in 2001 (**Widarti, 2004**). In addition, only few girls and women participate in vocational and technical courses traditionally dominated by males. They are mainly concentrated in secretarial work, hairdressing and nursing courses that are considered as feminine

type of occupations. Within the families, discrimination frequently occurs. For example, regarding the choices about which children can remain in school, sons often have the privileges to further education at the expense of daughters because of their perceived role of future providers for extended family members.

As the perceptions of appropriate gender roles and of the division of responsibilities between men and women continue to influence women's position and opportunities in the work force, it is not surprising that young women encounter severe disadvantages from the beginning of the transition path into the work force.

## 2.4. Entrepreneurship

Based on the youth consultation held by the ILO in East Java, it showed that entrepreneurship was often considered by young people only after they have failed to find a job. This means that entrepreneurship is understood as an alternative to employment in either formal or informal sector. One participant in the youth consultation even said that many considered that "*working in a factory is more promising*". This is because entrepreneurship was understood as economic activity that requires courage to face high risks, and not all people would like to venture to do so. Thus, the perceived difficulties perceived by young people may discourage them to take up entrepreneurship. The **ILO (2004d)** noted that the issues confronting young entrepreneurs include the lack of financial support, no access to training, and the practice of *KKN* (corruption, collusion and nepotism). In addition, the main barriers to the growth of SMEs that may affect entrepreneurs are the following (1) legal and regulatory framework (2) entrepreneurship culture and (3) business support services.

Young people are frequently considered as poor credit risks which prevented them the access to loans from banks. Therefore, they end up having to borrow money via informal networks, or from relatives and friends (**ILO, 2004b**).<sup>13</sup> The existence of micro finance activities did not seem to help these young entrepreneurs either.<sup>14</sup> According to the survey findings, school leavers preferred public sector employment, followed by multi-national companies and large domestic firms; whereas only a small fraction of the youth were interested in starting their own business or finding a job in a small private domestic firm (**Schirazki and Reerink, 2004**). These findings showed a divergence between youth expectations and job market realities where the majority of job opportunities were in SMEs and the informal economy. The evidence of entrepreneurship, however, existed in Indonesian rural areas; around 50% of self employed youth working in agricultural activities and 21% urban self employed youth were engaged in the trade sector (**University of Indonesia, 2004**).

13 It was revealed that most self-employed youth run micro enterprises with around half reporting that they were the only workers, while another 34% to 45% employing family member. The tiny size of their enterprises was evident from the fact that at least 65% relied on their savings or those of a family member, while only one-fifth had outstanding loans. With this borrowing system it has limited the amount of funds available and eventually has restricted the size of activity and growth prospects for young entrepreneurs.

14 According to BRI (2003 cited in ILO, 2004b) with 36,000 primary credit and savings cooperatives and about 11 million members, the cooperative sector only responds to the micro-credit needs of up to 30%. This gap between the demand and supply of micro-finance has actually come out from recent evaluations of BRI's (*Kupedes*) micro-banking services.

## 2.5. Other Obstacles for Youth to Enter Job Market

In addition to the four factors that affected youth employment, there were other barriers to the youth into the labour market.

### More than one third of the unemployed youth were being discouraged to enter the labour market

Unsuccessful efforts in seeking jobs in the formal sector frequently lead to discouraged youth. They eventually end up in the informal sector where quality, productivity and security are low. Fortunately, since 2001, the *NLFS* has been collecting data on discouraged job seekers. It was disclosed that discouraged youth age 15-24 had gone up significantly both for male and female. The proportion of those who were classified as unemployed but were not looking for work, lest they were unable to find one, was more than 35% and 40% for male and female in 2005 (**Table 2.1**). Such discouragement was mostly shown by those who have less educational background. Almost 58% of these passive job seekers have little or no education. The unemployed who try set up their business were mainly those with low levels of education. The low levels of education of these entrepreneurs most likely indicated that they were involved in small business activities (**Table 2.2**).

**Table 2.1: Percentage Distribution of Unemployed Population by Types, Age Group and Sex, Indonesia 2001-2005**

	2001				
	(1)*	(2)	(3)	(4)	Total
Male					
Urban+Rural					
15-19	68.01	0.88	25.4	5.7	100
20-24	83.34	1.62	13.33	1.71	100
25-29	84.77	0.64	11.4	3.19	100
Total (15-29)	<b>77.85</b>	<b>1.17</b>	<b>17.5</b>	<b>3.47</b>	<b>100</b>
30+	54.02	5.09	32.72	8.16	100
Total	<b>72.94</b>	<b>1.98</b>	<b>20.64</b>	<b>4.44</b>	<b>100</b>
Female					
15-19	64.74	0.92	30.47	3.87	100
20-24	75.12	1.63	20.29	2.95	100
25-29	69.44	1.18	25.67	3.71	100
Total (15-29)	<b>69.82</b>	<b>1.25</b>	<b>25.45</b>	<b>3.48</b>	<b>100</b>
30+	34.55	3.95	51.18	10.32	100
Total	<b>60.13</b>	<b>1.99</b>	<b>32.52</b>	<b>5.36</b>	<b>100</b>

	2003				
	(1)*	(2)	(3)	(4)	Total
Male					
Urban+Rural					
15-19	61.49	0.82	31.93	5.76	100
20-24	76.51	0.69	18.98	3.82	100
25-29	75.93	1.21	19.68	3.18	100
Total (15-29)	<b>70.9</b>	<b>0.83</b>	<b>23.85</b>	<b>4.42</b>	<b>100</b>
30+	42.09	1.53	45.42	10.96	100
Total	<b>64.35</b>	<b>0.99</b>	<b>28.76</b>	<b>5.91</b>	<b>100</b>
Female					
15-19	58.1	0.69	34.88	6.34	100
20-24	70.57	1.5	23.33	4.6	100
25-29	64.67	1.75	25.1	8.47	100
Total (15-29)	<b>64.55</b>	<b>1.23</b>	<b>28.18</b>	<b>6.04</b>	<b>100</b>
30+	26.97	1.82	54.83	16.38	100
Total	<b>53.27</b>	<b>1.41</b>	<b>36.18</b>	<b>9.15</b>	<b>100</b>

	2005				
	(1)*	(2)	(3)	(4)	Total
Male					
Urban+Rural					
15-19	61.67	0.55	34.6	3.18	100
20-24	81.37	0.4	15.71	2.51	100
25-29	78.04	0.88	17.23	3.85	100
Total (15-29)	<b>74.13</b>	<b>0.55</b>	<b>22.32</b>	<b>3</b>	<b>100</b>
30+	45.86	2.57	43.57	8.01	100
Total	<b>68.11</b>	<b>0.98</b>	<b>26.84</b>	<b>4.07</b>	<b>100</b>
Female					
15-19	56.18	0.09	41.33	2.4	100
20-24	73.01	0.56	24.11	2.31	100
25-29	68.02	1.08	28.22	2.69	100
Total (15-29)	<b>65.9</b>	<b>0.49</b>	<b>31.18</b>	<b>2.42</b>	<b>100</b>
30+	28.23	1.95	63.36	6.46	100
Total	<b>55.86</b>	<b>0.88</b>	<b>39.76</b>	<b>3.5</b>	<b>100</b>

Notes:

1. Looking for work
2. Establishing a new business/firm
3. Hopeless of job
4. Have a job in future start

\*) Based on the standard concept

**Table 2.2: Unemployment by Types and Education Attainment and Sex. Indonesia 2005**

	Types of Unemployment				
	(1)*	-2	-3	-4	Total
Male					
< PS	19	20.92	53.25	48.03	29.56
JSS	24.12	60.64	28.09	30.97	25.5
SS	49.07	14.93	17.34	17.04	39.04
Dip/Academy	3.33	0.6	0.61	2.24	2.53
University	4.48	2.92	0.72	1.72	3.36
Total	100	100	100	100	100
Female					
< PS	17.62	25.92	60.59	52.08	35.99
JSS	23.72	30.19	24.12	21.96	23.88
SS	46.95	32.93	14.48	19.94	32.97
Dip/Academy	5.42	2.59	0.67	3.15	3.43
University	6.29	8.37	0.14	2.87	3.74
Total	100	100	100	100	100
Male+Female					
< PS	18.39	32.48	57.59	49.88	32.74
JSS	23.94	29.02	25.74	26.85	24.7
SS	48.13	29.94	15.65	18.37	36.04
Dp/Academy	4.26	1.8	0.65	2.66	2.97
University	5.28	6.76	0.37	2.25	3.55
Total	100	100	100	100	100

Notes:

1. Looking for work
2. Establishing a new business/firm
3. Hopeless of job
4. Have a job in future start

\*) Based on the standard concept

## Other factors

As presented in the earlier section, the majority of young job-seekers relied on families and friends to search for a job. This was most likely due to small role of public employment services. To make up for the inefficiency of the existing employment agencies, the government recently started to conduct job fairs. Another barrier to the entry of young people into the labour market may be partly due to the minimum wage setting. High increases in minimum wage over the past few years after the 1997/1998 financial crisis have resulted in high minimum wage that was relatively close to the youth actual wages. This increase may discourage employers to hire new entrants **(Bambang Widianto, 2003)**.<sup>15</sup> The disadvantaged position of young people in the labour market has also been due to the lack of representation and voice. Those that might have representation and voice are those who are already employed. Thus, they become members of trade unions and employers' organizations. For youth job seekers, such representation hardly exists.

The school-to-work period is a critical part in one's working life. This is the period when one should be prepared, and given the chance to understand job opportunities as well as the trainings required. The fact that education and training systems often offer curricula that are irrelevant or unrelated to the requirements of the labour market and other demand-side factors such as availability of employment opportunities, gender bias and unrealistic labour market expectations of young people are unrelated to the realities of the labour market need to be seriously considered.

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15 It was shown that in 2002 a 20% average increase in real minimum wages occurred in some provinces in Indonesia has reduced total urban wage employment by 2%, female and youth employment by 6% each and employment of less educated workers by 4%.



# Section 3

## Youth Labour and Employment Policies: Response of the Indonesian Government

### 3.1. Introduction

The government realized that the role of the young generation in development is very strategic. Such a perception is stated in the Indonesian national policies that consider youth as one of the nation's resources of development that needs to be nurtured. As young generation are expected to become the future leaders, they should be of high quality in that they need to be prepared in the societal life. The government acknowledges that youth unemployment is a serious issue that may lead to social, economic and political problems. Youth unemployment has other national and global impacts, notably increased violence, crime and political instability. Such problems caused concerns and solutions need to be found by making comprehensive policies. With regards to employment, development strategies advocated by the government are broadly categorized into two sides. The first is the supply-side approach which attempts to improve the work competency of youth; the second is the demand-side approach, which attempts to increase the labour demand towards the recruitment of younger people.

There are several government ministries responsible for youth development. The State Ministry of Youth and Sport Affairs have the mandate to develop the young generation of Indonesia. This includes the development of sports, organizational and social aspects. Other government ministries make more indirect contributions to national programs on youth employment. For example, the Ministry of Social Affairs that is responsible for the development of the community youth organization (*Karang Taruna*) acknowledges its limited role as the facilitator for the development of the community youth organization. The Ministry of National Education (MONE) and especially, the Ministry of Manpower and Transmigration (MOMT) are two most active agencies for youth unemployment.

### 3.2. Youth Employment Policies

Indonesia's serious and long standing problem is not being able to provide adequate employment opportunities for youths in the labour force. Another dimension of employment problem is related to the low quality of labour force. Therefore, the problem of youth unemployment must be approached by making comprehensive policies that involve the measures of demand and supply.

The government policies on youth employment are mainly reflected by the policies advocated by the two ministries mentioned.

### 3.2.1. Ministry of National Education (MONE)

Within the Ministry of National Education, two directorate generals have critical roles in linking young people to employment are: the Directorate General of Out of School Education and the Directorate General of Primary and Secondary Education. According to Act No.20 of 2003, the Directorate General of Out of School Education facilitates youth who are not able to attend complete their formal education through the equalization program. Through this program, dropped out youth are given a chance to better their education for entry to the labour market.<sup>16</sup> In addition, the Directorate General of Out School Education provides community-based training that includes income generating activities for youth, leadership training, management training and entrepreneurship training.<sup>17</sup>

Within the Directorate General of Primary and Secondary Education in the Ministry of National Education, the Directorate of Vocational Education has the mandate to provide vocational education for students. As vocational education is considered a terminal education where students are expected to enter the labour market after completion, this directorate attempts to facilitate students with a bridging process into the world of work. In addition, this directorate also supervises the implementation of vocational education in the country and set up its standards. Collaboration with some private companies to conduct apprenticeship and on-the-job training programs for youth is also pursued through the Indonesian Chamber of Commerce and Industry/KADIN). The MONE has been introducing dual education system with the assistance from donor countries in order to link the world of education and the world of work. The establishment of Council of Vocational Education at the national and regional levels was intended to facilitate and monitor the implementation of vocational education including its apprenticeship program.<sup>18</sup> With the implementation of the regional autonomy, the regional government is expected to be more active in developing their own training schemes in their regions, assuming they know the appropriate programs needed for the local people.

### 3.2.2. Ministry of Manpower and Transmigration (MOMT)

The Ministry of Manpower and Transmigration is the government ministry responsible for labour and employment issues. The government takes up active labour market policies through income generating activities, skills training, LMI, and job-on-line as well as job fairs. The responsibility for youth employment lies within the Directorate General of Employment Creation and Domestic Placement. The policy on human resource development is manifested in training related activities such as job seekers training and apprenticeship program. Facilitating job seekers training is the responsibility of the Directorate General of Training and Productivity. The Directorate General

16 This education equalization program provides Package A (equals to Primary schooling), Package B (equals to Junior High education) and Package C (equals to Senior High schooling).

17 MONE website [www.depdiknas.go.id](http://www.depdiknas.go.id)

18 Its membership comes from different technical ministries, private sector, public figures and universities.

conducts trainings for job seekers through its Vocational Training Centers.<sup>19</sup> In addition, this directorate general in cooperation with the private sector, runs apprenticeship program to assist job seekers in employment. Basically, the government policies for employment are intended for employment creation, skills development, labour protection through supervision of labour standards and industrial relations. Employment creation and skills development policies are most closely related to youth employment.

Other measures advocated by the government in order to make easy access for youth to the world of work are the strengthening of public employment service, conducting job fairs, strengthening career guidance at schools, and the establishing the *IYEN*.

## Employment Creation

Employment creation policy is to be undertaken through labour-intensive program, self-employed programs and small and medium enterprises, and cooperatives development. Programs that include certain groups of the labour force, such as the unemployed/underemployed youth in urban and rural areas are designed not only to reduce youth unemployment but also to create permanent jobs. The program that is implemented through labour intensive project is linked to regional development programs. Program measures are also formulated to expand job creation through the utilization of volunteer workers. Interested youth are mobilized to become volunteers to work with young people through the provisions of guidance, supervision and self-employment training.

Other programs for youth employment are (a) Youth Professional Entrepreneur Development (YPED) under the participatory university for university graduates (2) Self-Help Community Development Program under the Program on United Nations Volunteer-Domestic Development Services (3) Educated Self Employed Development Program through the participatory of NGOs for high school graduates.<sup>20</sup> Other general employment creation programs are “Applying appropriate technology for disadvantaged community group” and “Establishing Productive Business Activities Group for rural communities”.

The program TKPMP (*Tenaga Kerja Pemuda Mandiri Profesiona*/Youth Professional Entrepreneur Development/YPED) seems to be the champion of youth employment program of the Ministry. This program has been in operation for long time and is successful. Even though the target group covers only college/university graduates, the indirect target is expected to cover the less educated young people. After completing the training program the young graduates are expected to be able to establish their own business and create job employment those who are not university or college graduates.

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19 With the implementation of decentralization, it is now the responsibility of the regional government; the central government only deals with its standardization.

20 As these programs are implemented by the regional government and stakeholders, the details of the programs are presented in Section 5.

## Skills development policy

Skills development policy aims to enhance the quality and productivity of human resources through the provision of training and improvement of job competency. The most common and continuous programs provided by the government in conjunction with the alleviation of youth unemployment are those programs related to job seeker training. Prior to decentralization, there were 154 VTC located in all provincial and most of district capital, including six big vocational training centres under the management of central government (MOMT). These training centres provide a variety of training such as mechanic, automotive, welding, electric, and commerce as well as secretarial and book keeping. To a small extent, training to become self-employed worker<sup>21</sup> and to become entrepreneurs<sup>22</sup> is also provided.

Since the implementation of regional autonomy, most VTCs have been transferred to the regions that lead to the currently rather poor conditions of these VTCs. A vast variety of training programs have been developed to increase the job competency of youth that can be used in the labour market. This involves the development of a national professional qualification framework.

In reforming technical and vocational training system the government shifts its approach towards demand-driven training with the aim to ensure that training meets the needs of development and must respond to conditions in the labour market.

The MOMT runs apprenticeship program intended for mainly young job seekers in cooperation with private sector. Depending on the participating companies, this apprenticeship program can be categorized into domestic apprenticeship and overseas apprenticeship. In order to increase the participation of the domestic companies in this program, socialization on the apprenticeship program has been conducted several times.

Since early 1990s, the cooperation between MOMT and the Association of Small and Medium (IMM in Japanese) resulted in a well-established, overseas apprenticeship program known as the IMM Apprenticeship Program. The program is offered by the Association of Small and Medium companies in Japan for young Indonesian with secondary technical school background to do on the job training in the member companies under the IMM. After the completion of on-the-job training in Japan, the trainees would be given opportunities to work in Japanese companies operating in Indonesia.

## Strengthening Public Employment Service

In a labour surplus economy such as Indonesia, labour market mismatch is relatively high. The indications may be reflected in the high rate of youth unemployment and underemployment. Unemployment may occur because of the extent of frictional unemployment. Youth job seekers could not find a job while users of labour could not find youth job seekers. The effort in strengthening employment service is seen as a key instrument in addressing the youth unemployment problems of the labour market.

21 This usually involves a combination of training in business methods, facilitated access to credit or grants and access to work space.

22 The training usually involves the development of entrepreneurial talent which is important to sustaining a competitive advantage in a global economy.

One of the Ministry's current priorities is establishing the Indonesian-Jobnet, an automated job and applicant matching system as an employment service online. The *job-on-line* system that is now piloted in selected location is one of the efforts for youth to get access to available job vacancies.

## **Job Fair**

In recent years, the MOMT has been intensively carrying out job fairs that brought together prospective employers and prospective employees, particularly youth job seekers. The undertaking is both conducted by the MOMT itself with the state government budget and with the sponsorship of private companies. The events were usually covered by mass media and have always been swarmed by job hunters. This indicates that jobs are on high demand.

Through this job fair youth may take advantage of one-on-one job information meetings, as well as participate in multiple on-the-spot interviews for several positions. The plan is that such job fairs will be expanded to the other regions in with the collaboration with the respective provincial government.

## **Strengthening Career Guidance at Schools**

The MOMT and MONE support career guidance teachers and councillors in secondary schools. The efforts are made to improve knowledge of new entrant or student about the principles of labour market and to facilitate the transition from educational system to the work world prior to their employment.

## **Indonesian Youth Employment Network (IYEN)<sup>23</sup>**

In order to coordinate and harmonize all youth policies and programs, the Indonesian government with the facilitation of the International Labour Organization has set up the *IYEN*. It is intended to set up networks and partnerships among governments, employers' organizations, trade unions, youth organizations and other civil society groups to bring together efforts and resources in alleviating youth unemployment.

## **Conclusion**

The government has long been making considerable efforts to support youth development and employment. In the past, different government ministries had run their own programs throughout the country. As part of their activities, different government ministries have set up various committees, councils and others bodies. The related-employment and trainings are the Committee of Vocational Education at the national/provincial and district levels, the Committee of National Training, Committee of Manpower Planning, Management Committee of Young Professional Entrepreneurship Development Program and others. Very frequently, in one region, there were several committees or councils with similar functions. Such efforts are inefficient and drain the resources unnecessarily. With the implementation of regional autonomy, the local government is expected to pull together all their resources and sort out the existing committees, in hopes to eliminate similarity and overlapping of functions. In that way, a consolidated committee would be more efficient in handling youth unemployment.

<sup>23</sup> For more details see Section 4.



# Section 4

## The Role of the International Labour Organization on Youth Employment Problem in Indonesia

### 4.1. Global level

The concern of the ILO on the issues of youth employment has long been noted. Since its inception in 1919, the ILO has intended to improve the employment and working conditions of young people (ILO 2005a).<sup>24</sup> The latest resolution, No. 86 (1998) "called for the prioritization of youth employment ... the development of strategies to combat youth marginalization and unemployment ... (the development of) an international youth employment strategy" and cooperation with "other international bodies to promote international action on youth employment" (ILO 2005b: 62-63). Today, supported by a newfound sense of urgency at the global level in finding solutions to the employment difficulties of young people, the ILO is strengthening its commitment to facilitate, coordinate and provide technical guidance for an integrated programme of work on youth employment. A central feature of this work is the leading role of the social partners in the promotion of decent work and the eradication of poverty.

On the global level, the ILO acts as the Secretariat for the UN Secretary General's Youth Employment Network (YEN), created in the framework of the Millennium Declaration where Heads of State and Government resolved to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work". Youth employment is both an integral part of the Millennium Declaration and a key contribution to meeting other Millennium Development Goals, including those relating to poverty reduction.

The YEN was established in response to the Millennium Declaration (2000) and resolved to 'develop and implement strategies to give young people everywhere a real chance to find decent and productive work'. In addition to that, the contention that reducing youth unemployment is a key strategy with regard to MDG (target 16) and to other goals that aim at reducing poverty, as well as exclusively taking into consideration the MDG No.1 and No. 8 that refer to partnerships around the globe in achieving the MDG, an action was initiated (ILO 2005a). Such an initiation is

<sup>24</sup> Resolutions regarding youth employment and its priority within the ILO's agenda are documented in the resolutions formulated in the 64th, 65th, 69th, 72nd and 86th sessions of the International Labour Conference, which were made in 1978, 1979, 1983, 1986 and 1998 respectively.

demonstrated in a global alliance that was formed between the UN, the ILO and the World Bank that resulted in the formation of the YEN. Indonesia volunteered to be a lead country in the YEN. With this background, the ILO Jakarta Office has facilitated the Indonesia's participation in the YEN. Under the coordination of the Coordinating Ministry for Economic Affairs in 2003 Indonesia established the Indonesia Youth Employment Network (*IYENetwork*).

## 4.2. National Level

To facilitate the operation of the *Indonesia Youth Employment Network* and its activities in Indonesia, a Youth Employment Project (YEP) was set up and funded by the Netherlands Government for the period 2004-2005.<sup>25</sup> The project built on the ILO's mandate in the employment area and complemented other initiatives that were undertaken by the ILO in Indonesia.

The *IYENetwork* requires collaboration between the government ministries, the Coordinating Ministry of Economic Affairs (Menko ECUIN) and the MOMT An Indonesian Youth Employment Action Plan (*IYEAP 2004-2007*) has been developed that identifies strategies for action to address Indonesia's youth employment issues. The IYEAP identifies the groups required to work in partnership with the government to address youth employment. The groups acknowledged for such partnership include youth, employers' and workers' organizations as well as non-government and community organizations. Others who are expected to have key roles in assisting the government to meet its objectives include chambers of commerce and industry, and civil society organizations (**ILO, 2004b**)

The *IYEN* was established during the first phase. In the second phase, a specific focus was to support *IYEN* in developing a national plan of action on youth employment and related provincial strategies. Support was also to be provided for the institutionalization of the *IYEN* Coordinating Team and to select *IYEN* partners. A second component focused on identifying and piloting innovative and creative programmes to provide employment or income generating opportunities for young people.

The IYEAP (**ILO, 2004b**) identifies policy recommendations for Indonesia, which are described as four pillars, namely

1. Preparing youth for work  
Ensuring quality basic education for all young men and women, and developing a demand-driven vocational and technical education system;
2. Creating quality jobs for young men and women  
Focusing on the integration of formal sector jobs, but not forgetting the needs of poor and disadvantaged youth;
3. Fostering entrepreneurship  
Empowering youth and facilitating their entry into business, and the gradual transformation of the informal economy to formal sector activities to create more and better jobs for young men and women; and

<sup>25</sup> The project started in April 2004 and ceased by end of February 2006. This project built on the previous ILO project implemented between January 2003 and February 2004 with the main purpose has been to support Indonesia as a lead country in the global Youth Employment Network.

#### 4. Ensuring equal opportunities

Giving young women the same opportunities as young men

In the IYEAP (ILO, 2004b) these four pillars were expanded to provide a focus for consultations with youth and stakeholders in East Java province.<sup>26</sup> The commitment to continue working on youth employment issue is further reinforced in the ILO's Decent Work Country Programme (DWCP) 2006-2007 for Indonesia. It has acknowledged that *Employment Creation for Poverty Reduction and Livelihoods Recovery, Especially for Youth* as one of its three Country Programme priority areas. In particular, the DWCP will focus under this priority area on improving education and training systems and policies so that they can better equip young people for employment and entrepreneurship.

The delivery of the Indonesian Youth Employment project was operated through various government ministries and was attempted to relate to government plans and programme. The project had devoted a lot of efforts to producing tool kits, reports on processes, training modules and guides of different kinds.

The output of the project included the YEAP, the East Java Provincial Youth Employment strategy, the IYEAP implementation strategy, the facilitator manual and toolkit for implementation, the Indonesian youth employment action plan (draft), Know About Business (KAB) and Start Your Business (SYB) and Pocket and Mentor's Guides for Youth Seeking Work. The reason why the project focused on youth enterprise development was most likely due to the fact that there was a high likelihood of impacts and results.

During the previous phase, a survey on the school-to-work transition in Indonesia was undertaken in 2003. This provided interesting insights on obstacles urban youth faced when finding jobs.<sup>27</sup> A Report of Survey on the School-to-Work Transition in Indonesia was written based on the Survey (Sziraczki & Reerink 2004). The project focused on preparing youth to be self employed or to become entrepreneurs. The efforts on enhancing entrepreneurship among youth have been carried out by the government ministries. The next focus is to consolidate efforts in order to become a widely accepted program. Another issue of concern is the large proportion of the informal sector where a large number of youth belong. This is because the informal economy is one of the few job options open to the poorly educated job seekers.

Although the government commitment to combating youth employment is demonstrated by the formulation of the IYEAP, its sustainability in the future remains to be expected.

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26 Originally the plan was only to do one round of workshops. The East Java provincial government through the Formulating Team (Tim Perumus) invited stakeholders from across the province to participate in three regional workshops (see the Report on East Java consultations). After the first round of workshops, it was found that young people had not been well represented. For example, more men than women had participated; some people representing youth were not within the appropriate age range; and numbers of young people were so few that their voices were thought to have been silenced in the consultative process.

27 The survey covered 2,180 youth from Jakarta, Central Java, Nusa Tenggara Timur and 90 enterprises. There were five types of questionnaires designed for different groups, i.e. (1) in-school youth (2) job seekers (3) employees, self employed and own account workers (4) employers and managers were surveyed and (5) youth were interviewed by officers from MOMT.



# Section 5

## What Donors, NGOs, Local Government and International Agencies Have Done So Far?

Although the obligation for youth development lies in the hands of government, the government needs support in realizing the implementation of youth policies and programs. Support can be expected from various sources in Indonesia, international agencies and donor countries, which may be based on bilateral or multilateral agreements.

### 5.1. International Agencies

The international agencies' concern over youth employment issue as global issue is manifested in the Millennium Summit of 2002. The *IYEN* identifies youth employment through four pillars, employment creation, employability, equality and entrepreneurship. Supports from international agencies may work through one of these pillars.

World Bank, JBIC and ADB have assisted the Indonesian government in improving youth employability through the education/training channel in the country. These assistance may be in the forms of students' scholarship, including improving the quality of teachers. Nevertheless, support on youth unemployment is rare. In line with the government structure and function, any technical assistance or program assistance in relation to employment would be most likely be channeled to the MOMT.

In the past, the MOMT had utilized the loan from the international financial institution like the World Bank. During the 1980s, through the World Bank funded projects, improvements on training systems, overseas/domestic trainings, Vocational Training Centers and others were pursued. In the later stage, another World Bank funded project called "*Skills Development Project*" (1994-1997) was instigated that focused on skills development mainly for manufacturing workers in the selected provinces (West Java, East Java and North Sumatra). One small component in the central MOMT was devoted to enhance the currently Young Professional Entrepreneurship Development Program (YPEDP). The YPEDP as mentioned earlier was directed to educated job seekers. Meanwhile, the ADB funded projects in the MONE supported different kinds of activities from basic education to higher education.

The involvement of UN has been noted and appreciated. The cooperation between the ILO and its constituents including the government (MOMT) has resulted in many programs that benefited the country. The *IYEN* is one of the results of such cooperation. Prior to this, in the late 1980s to the early 1990s, the ILO has supported the government (MOMT) in the development of the YPEDP that is now being widely implemented on national scale basis.

## 5.2. Donor Countries

Good education and skills development are means to enhance one's employability. Education and training program is the most common grant assistance provided by donors through bilateral or multilateral basis. They are mostly for youth of specific age groups. The assistance included the provision of scholarships, overseas and domestic education/training for pursuing degree/non-degree programs. Examples are scholarships from AusAid, British Council, USAID, JICA and other foreign government development program. In the past, these opportunities are only available to government officials but in the last few decades, these opportunities are also open to non-government participants.

Donors also provided technical assistances for the improvements of vocational training centers, mobile training units, and training systems. These assistances were obtained from JICA, GTZ and Korea. The establishment of instructor training center CEVEST, which is under the jurisdiction of the MOMT, was identified to be mostly sponsored by the Japanese government.

## 5.3. Private Sector

Corporate Social Responsibility (CSR) is relatively new to Indonesia. However, some big private companies, whether nationally-owned or subsidiary of foreign companies, need the continuous support of surrounding communities. Community development programs strive to assist people to better their lives. Foreign companies and/or joint venture companies like CALTEX, Shell, Indocement and others regularly provide scholarship for Indonesian youth. Various ad-hoc courses/trainings for general community including youth are frequently offered.

Among these companies that provide training program is the Astra International Company, a subsidiary of Toyota - the Japanese automotive company. This company sends people to Japan to attend apprenticeship program at the mother company so that participants could increase their skills and capability and apply them to their jobs afterwards. Astra is also identified to give training on automotive-related course for young people in the country. The foundation under Astra called "*Yayasan Dana Bakti Astra*" runs various training program for people in general including youth.

The Japanese private sector IMM (association of Japanese SMEs) has been providing opportunities for young Indonesian to participate in an apprenticeship program in the manufacturing sector in Japan.

## Employers' Association

As the representative organization of private sector enterprises and private sectors associations, APINDO has the mandate to advance their labour market interests. With the social and economic reforms, this organization has made a notable progress of being a solid pillar of Indonesia's tripartite architecture and a powerful advocate of business interests. As a part of its vision for national competitiveness and productivity, APINDO recognizes the vital role of skills development and training of human resources, particularly those entering the labour market. Undeniably, it recognises the need to assume a more active role in providing industry feedback to policy makers, education and training institutions to enhance employability of youth. APINDO is a part of the *IYEN*, therefore its role in facilitating and enhancing youth employment is crucial.

## 5.4. Non Government Organization (NGO)

There are a few NGOs that focus on youth employability. They are the GE Foundation and the Indonesian Business Link (IBL).

### Foreign/International NGO

GE Foundation has committed to making a positive impact in the Indonesian communities through the provision of scholarship programs. Since 1999, the GE Foundation supports the Global Education Partnership (GEP) and they have been working together towards the common goal of building the economic potential and social responsibility of disadvantaged youth. Support in education grants was also given in Aceh. Through the GEP programs, the GE Foundation helped to make young people more confident and self-sufficient in Wonosari and Jogjakarta. Over the past six years, GEP's training programs sponsored by the GE Foundation have benefited thousands of poor Indonesian youth who have completed intensive courses in business planning, operations, and management. Dozens of youth-owned enterprises and community-service projects in and around the Yogyakarta region and Central Java are also noted.

Global Education Partnership (GEP) and the GE Foundation have partnered to foster economic self-sufficiency among low-income youth in Indonesia through the GEP's Entrepreneurship and Employment Training Program (EETP). This three-year pilot program was made possible through a US\$575,000 grant from the GE Foundation. The pilot program equipped 420 teachers with the capacity to provide nearly 6000 young people age 12 to 21 with the necessary skills to become employable and self-reliant in the global marketplace.

Indonesian Business Links (locally referred to *Yayasan Indonesia Business/IBL*) is one of those organizations active in supporting youth employment. Its participation in the *IYEN* and participation in youth programs are substantial. This organization with its vast links is beneficial as a partner for the success of youth employment program.

The youth pilot programme that is underway is Young Entrepreneurs Start-Up (YES) Programme. This programme is jointly implemented by Shell Corporation in Indonesia, Indonesia Business Links, Standard Chartered Bank, McKinsey and Company, and Progress Foundation. This three-

year pilot programme aims at promoting entrepreneurship among youth, and to creating role models to inspire others.

## Local NGOs

Many local NGOs participate in the implementation of government-sponsored program including the implementation of youth-related program. The government-sponsored program *Self-employed development program through participatory non-government organization* focuses on youth. The targets of the program are graduates from senior high school with family-business background. They are taught to set up businesses through entrepreneurship trainings and on-the-job trainings in productive economic activities like Village Cooperative Unit and Small Industry Centre.

## 5.5. Regional Government

Regional governments are the main implementers of programs launched by technical government ministries. Various employment programs for different educational groups have been launched by the MOMT. They are for (a) university graduate (b) high school graduate (c) disadvantaged community groups, and (d) establishing productive business rural communities.

- (a) The program for university graduate includes:
- ◆ Youth Professional Entrepreneur Development (YPED) in cooperation with the participating local universities
  - ◆ Assignment of Young Professional Entrepreneurship Development participant in the remote village areas in the framework of the Presidential Instruction program on Remote Village Development.
  - ◆ The assignment of YPED in transmigration area in order to developing the village cooperative and farmer business development.
  - ◆ Self-Help Community Development Program under the Program on United Nations Volunteer - Domestic Development Services.
- (b) The program for high school graduates is known as the *Educated Self-Employed Development Program through the participation of NGO*.
- (c) The program for disadvantaged communities is through the application of appropriate technology. The program disseminates and creates new employment opportunity in the informal sector to absorb the disadvantaged people in rural areas. The scope of this program focuses on the application of appropriate technologies in practical ways.
- (d) The program for rural communities is done through the establishment of Productive Business Activities Group in rural communities. The main purpose of this program is to improve the quality and skill of rural communities. It focuses on school drop-outs in rural areas by encouraging them to utilize the available resource for business development. This activity is to create productive business for the unemployed and underemployed people in rural areas, in which groups of 20 people are formed.

## 5.6. Universities

Local universities also play a role in the promotion of youth employment. The arrangement of the YPEDP government-sponsored program appointed local universities as the implementer of the program in consultation with the regional government and other stake holders.<sup>28</sup> Thus, local universities take active parts as the counterparts for both the regional government (manpower office) and central government (MOMT) to carry out the Young Professional Entrepreneurs Development Program (YPEDP) in the regions. As implementing agency, local universities report to the management committee and conduct a series of activities covering training, apprenticeship, starting up businesses, consultation and other supporting activities.<sup>29</sup>

## Conclusion

Section 5 illustrated the extent to which other non-government agencies (international or national), play their role in the framework of employment creation on youth employment. These agencies contributed to youth employment program through the pillars of employability and entrepreneurship.

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28 The survey covered 2,180 youth from Jakarta, Central Java, Nusa Tenggara Timur and 90 enterprises. There were five types of questionnaires designed for different groups, i.e. (1) in-school youth (2) job seekers (3) employees, self employed and own account workers (4) employers and managers were surveyed and (5) youth were interviewed by officers from MOMT. Most of the member of the management committee are those of the Successful Business person (50 percent), and chaired by one of those business persons. Members are selected by the respective University and Manpower Office, and established by the Governor's decree. The objective of the establishment of the said management committee is to create a conducive and intellectual business environment among the target group to start their own business

29 The YPEDP training conducted for about 30 days with the orientation is to improve their motivation, knowledge of entrepreneurship through technical approaches such as Classical: Achievement Motivation and self development, Entrepreneurship, Business Management, Financial and credit scheme, Marketing, Business plan and Institution. Apart from that such activities as Field Visit, Tutorial, Business plan presentation, Apprenticeship, Start-up Business, Follow-on Consultancy Service, and supporting activities such as enterprise Facilitator Training, Training of Trainers, and Financial Assistance are pursued.



# Section 6

## Conclusion and Recommendation

### 6.1. Conclusion

Youths in Indonesia like in many other countries show marked differences in their labour force and employment participation compared to those of the adults. Such differences were reflected in terms of unemployment, underemployment, employment structure, and other traits.

Youth potential has not been fully realized. The share of those who were neither in the labour force nor in education was substantial. Apparently this was due to the large share of youth who were discouraged to enter the labour market for fear of not able to find any job at all. This situation indeed raises concern.

The Indonesian youth are far more likely to be unemployed than the adults, a pattern that is also shared by many other countries. In 2006, the ratio of male youth to adult unemployment rate is almost 7 times higher than that of the adult. Meanwhile, female youth unemployment was almost 5 times higher than that of the respective adult unemployment rate.

Although many single youth jobseekers were still dependent on their families, a substantial percentage of these single unemployed youth were breadwinners too. This reflected that they had no other choice than to work even in the informal economy.

Most young job seekers like the adults relied on families and friends to seek jobs. Employment services ranked third in the methods used to look for job vacancies.

A large portion of the Indonesian labour force has only low education background, the pattern that was also shared by youth labour force. Such a low educational quality most likely made the access to decent and productive work very difficult.

The problems of youth un/underemployment may be due to supply- and demand-side factors that can be solved out through employability, inequality, entrepreneurship or employment opportunities. On the supply side, the problems were partly caused by the fact that education and training curriculum were irrelevant or unrelated to the labour market demand. Meanwhile, on the demand-side, the slow-down in economic growth has not been generating enough employment opportunities. Other factors such as gender bias in the labour market, entrepreneurial barriers, low education/skills, and the aspiration gaps of young people with the realities of the labour market, as well as the inefficient employment service, only contributed to the adverse effect on youth employment problem.

The school-to-work transition period is a critical part in one's working life. This is the period when job seekers should be familiar with the operation of job market, the future career, the globalizing world and job market requirements and others.

The government has been struggling to find ways to alleviate unemployment and underemployment. Considerable efforts have been devoted to support youth development and employment. Yet, impact analysis on the various programs seems not yet in place. Coordination and mechanism between relevant government ministries and central to regional governments need to be worked out in order to achieve optimum results.

Other non government agencies ranging from international financial institutions, donor countries, private sector, NGOs, universities, and particularly the ILO, have been playing their vital role to assist in the alleviation of youth un/underemployment in Indonesia.

## 6.2. Recommendations

There were two types of unemployed youth; those who were active in finding jobs and those who were inactive in finding jobs. The first type was those who have better education. The second type was those who have little education and are passive in their job-seeking efforts because they feel discouraged. There is a need to have different strategies to overcome this situation.

In the framework of poverty eradication, one needs to give more focus on these unemployed youth with little education who are deprived of benefits like connections, networking and information access.

### Employment Creation

Unemployment is becoming a rural phenomenon; efforts should be directed more on rural areas. The MOMT has been working on different employment creation program in rural areas through business activities development, self-help communities and volunteer program and others. Perhaps the ILO might consider the introduction of local economic development (LED).

The MOMT has been conducting labour intensive program for employment creation. The ILO should introduce the success story of ASSIST works for rural infrastructure development.

Encourage the government to conduct impact analyses on the existing programs particularly youth employment programs managed by the MOMT. Similarly carry out impact analysis on the career path of school graduates in order to get feedback for the improvement of education and training materials. Learn lessons from the past experiences in the implementation process of the existing programs. In addition, the relevant ministries should regularly carry out tracer studies both for formal education and training graduates. The research and development centres in the relevant ministries play a very vital role.

## Entrepreneurship

In the area of entrepreneurship and SMEs development the government needs to revive the Foster Parent program, a partnership between large and small/medium companies. Large companies are expected to provide mentor support and start up capital for small/household enterprises where young people begin to practice. Large companies should also consider outsourcing possibilities for young members of the business community.

Facilitation of product exhibition of young entrepreneurs provides the opportunity for marketing.

Establish link with known NGOs such as PEKERTI for marketing mainly the handicraft products of micro and small enterprises that would be beneficial to micro producers including young people.<sup>30</sup>

Collaborate with the Ministry of Industry for the SMEs development and all the business support services the Ministry has developed for the different types of business from household/cottage to small and medium industries. Review all the efforts that have been done by the Ministry of Industry and State Ministry of Cooperative and SMEs. In the past they have had different kind of business development programs particularly for micro enterprises.<sup>31</sup>

Involve the chamber of commerce and industry as well as the employer's organization as the mean to establish a network between the business world as mentor supports for young entrepreneurs

## Equality

To achieve the Millennium Development Goal of gender equality and women's empowerment, policies should focus on equal access to quality and gender sensitive education and training for all young women and men, and eliminating discrimination of women in the labour market.

The role of the MOMT in reducing gender discrimination is critical. The concept of equal employment opportunities needs to be worked on seriously. The MOMT should make an attempt to introduce EEO in public and private sector.

## Employability

Attempts to increase the employability of jobseekers have long been carried out, for example the provision of vocational training centres by the MOMT. There is a need to revive these VTCs, particularly after the decentralization. This is because the existence of VTC is important for jobseekers, particularly those job seekers who can not afford to go to private training providers. The improvement of those VTCs however requires attention. Thus, there is a need to balance the focus between potential job seekers (still in school) and actual job seekers (already in the job market).

30 PEKERTI is the Indonesian People's Folk-Art and Handicraft Foundation. It was formed as a social development agency in 1975. It is the coordinating national body that works with 10 NGO counterparts on seven different islands. Their approach is to foster self-reliant groups and motivate them to form cooperatives that work together in all aspects of production. Guidance is offered in: self-reliant group development, product development, marketing, and capital formation. While they train groups to market domestically, Pekerti offers additional exporting services which enable producers to market to countries including Australia, New Zealand, England, Austria, Switzerland, the USA and Canada.

31 For example, a model of "Joint Enterprise" or locally referred to *Kelompok Usaha Bersama (KUB)* in rural areas.

The recent youth employment project has focused on self employment through enterprise development. Perhaps youth employability and employment strategy should be the next focus.

Introduce community-based training for jobseekers. Certainly the ILO has a vast experience in this area. The work can be done through the structure of the Ministry of Home Affairs and MOMT.

An intensified effort has to be made to strengthen the links between education and the needs of the labour market. The MOMT has a special directorate to be responsible for apprenticeship program, which is under the DG of Training and Productivity. Intensify the efforts on apprenticeship program as this program can link the world of education and the world of work. Perhaps the ILO may wish to enhance the effectiveness of this program.

An option of using APINDO's flagship Women Entrepreneurship Programme to promote self-employment options, particularly for young women should also be considered. The programme has three-tier approach which includes basic entrepreneurship, technical skills and facilitation of access to credit, which may be adapted to partly target young women entrepreneurs.

## Labour Market Information and Career Guidance

The MOMT has in recent years introduced *the Job-On-Line*, a mechanism of providing LMI to job seekers. In addition, job fairs have often been conducted in order to link supply and demand of labour. This effort should be furthered and developed in other regions too.

The gap between the aspirations of young people that are far from the realities of the job market may be resolved with the provision of proper career guidance and counseling in the educational and training institutions. Together MOMT and MONE should intensify their efforts in this area.

## Coordination

The success of any program lies in the political will and the seriousness of the stakeholders. As Indonesia has already established the Indonesia Youth Employment Network and has formulated the IYEAP, it depends on government commitment and leadership to move forward.

Although government leadership is very essential, the government needs support. The support from other stakeholder such as the business community are important. The business should find ways in how to make the most of youth potential, and at the same time to prevent the adverse impacts of wide spread youth unemployment and underemployment.

*IYEN* is a network and partnership among the government, employers' organizations, trade unions, youth organizations and other civil society groups. The experiences should be the basis for lessons learned. Does the *IYEN* need to expand its membership? How to make it more useful? How to pool and mobilize the resources?

With the implementation of regional autonomy, the local government is expected to pull together all their resources and sorting out the existing employment-related committees, in order to eliminate similarity and the overlapping of functions. In that way, a solid committee would be much better

in handling youth employment problem. This is the venue that the ILO may be able to assist through the *IYEN*. This network should also be introduced to the interested regional governments in their attempts to combat youth un/underemployment.

Synergize youth employment policies and program with the Medium and Long Term Development Plan, the PRS, and MDGs. Discuss with the MOMT about the national employment strategy, the policy the government wishes to and is currently pursuing, and how to translate it into a well managed program to alleviate un/underemployment.

Since the implementation of any program including youth employment program takes place at regional levels, it is important to mainstream youth employment issues into provincial and district level government measures.

The ILO needs to widen its partnership with other partner, for example with the decentralized government. The ILO should also relate to the Ministry of Home Affairs (MOHA) as regional governments are under their jurisdiction. Study also shows that the MOHA's programs in the regions are for poor people.

Most importantly is that since eradicating unemployment and underemployment is a means to reduce poverty, the ILO should bring into line all its efforts toward this goal.



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