

The National Context: a profile of the Indonesian electronics sector

*Konteks Nasional: profil sektor elektronik di
Indonesia*

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**National Industry Dialogue for responsible and
sustainable electronics supply chains in Indonesia**

Jakarta, 28 Nov 2024



Indonesia's electronics industry

*Industri Elektronik di
Indonesia*



Industry Profile

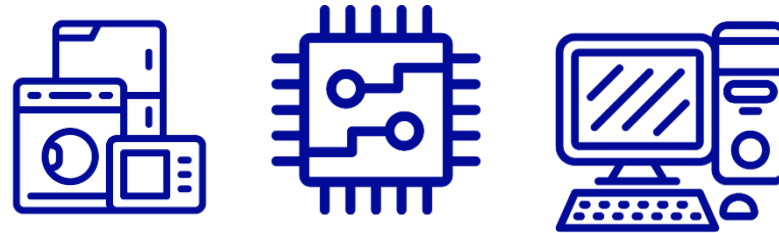
Profil Industri

~300,000
Employees

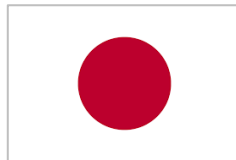
Exports worth
US\$13.9 billion
per year (2021)

Accounts for
13.5%
of total FDI (2017)

Key Products



Key Export Markets

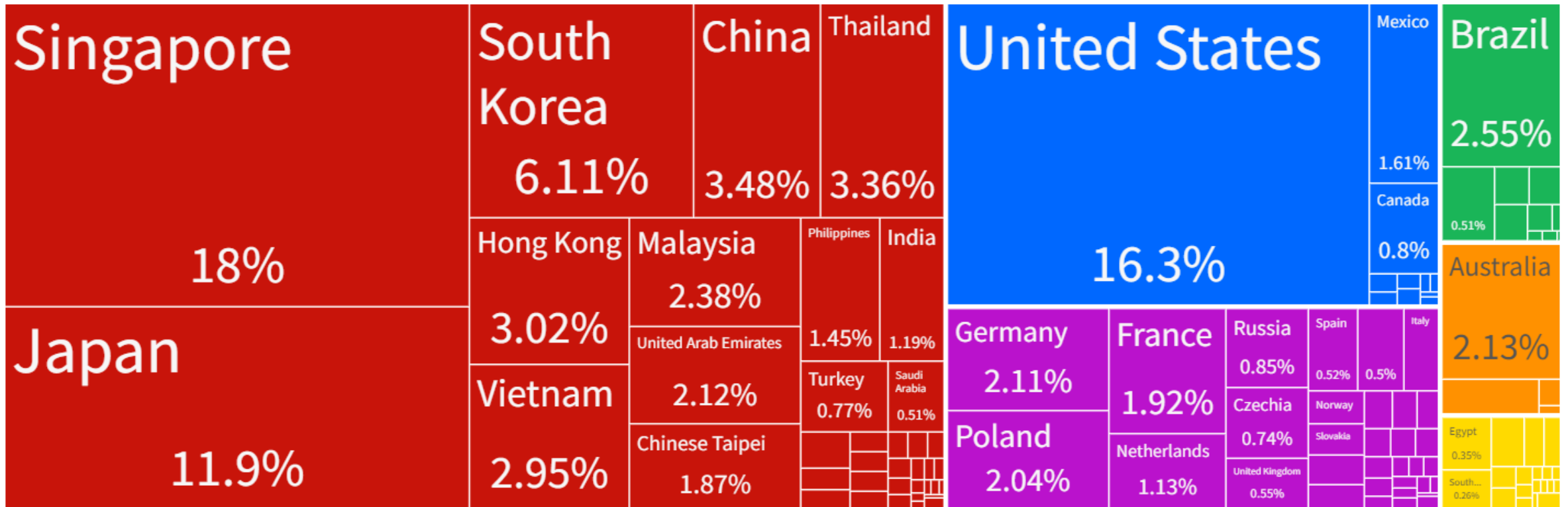


Status: Relatively small but nationally prioritized industry

Structure & Orientation: Heavy domestic market focus; aspirations for greater supply chain integration

Key export markets for Indonesian electronics

Pasar ekspor utama elektronik Indonesia



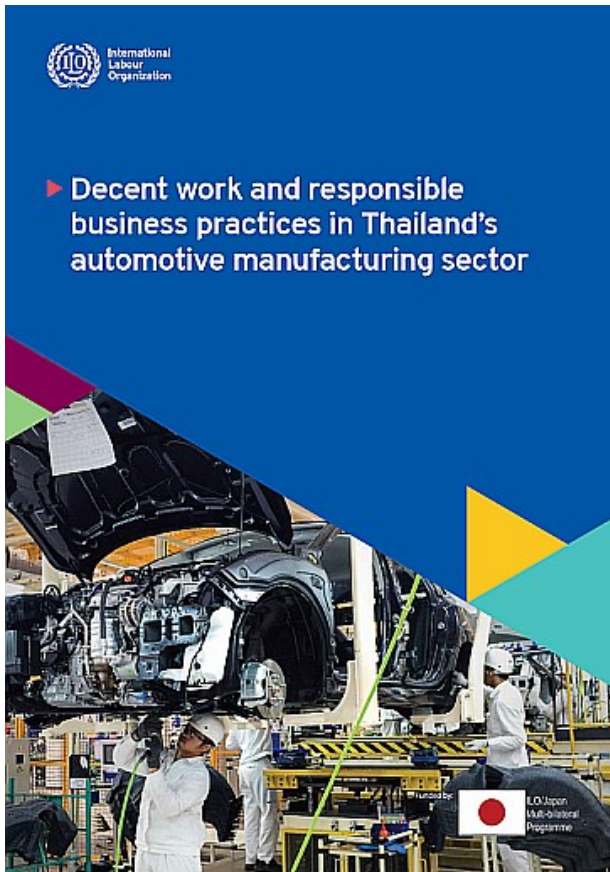
More than 20% of Indonesian electronics exports go to markets with current or upcoming **due diligence** rules

► Macro challenges facing the sector in Indonesia

Tantangan makro yang dihadapi sektor ini di Indonesia

1. **How to secure future resilience and competitiveness** – needs vision, innovation, tech adoption, skills, sustainability-focus
2. **Trade and global supply chain integration** – how to upgrade and gain (higher value) access to global production networks
3. **Persistent decent work gaps** – e.g. working conditions, casualization and insecure work, weak application of ILS
4. **Supply chain governance and adaptation** to emerging rules and requirements (e.g. due diligence)





A new **ILO** report shines a light on decent work & responsible business challenges (and opportunities) in the sector

***Laporan terbaru ILO** menyoroti tantangan (dan peluang) akan pekerjaan layak dan bisnis yang bertanggung jawab di sektor ini*

- ▶ ***Analyses*** the current industry situation
- ▶ ***Identifies*** gaps, barriers and opportunities
- ▶ Provides practical ***recommendations*** for industry improvement
- ▶ Due for publication in **December 2024**



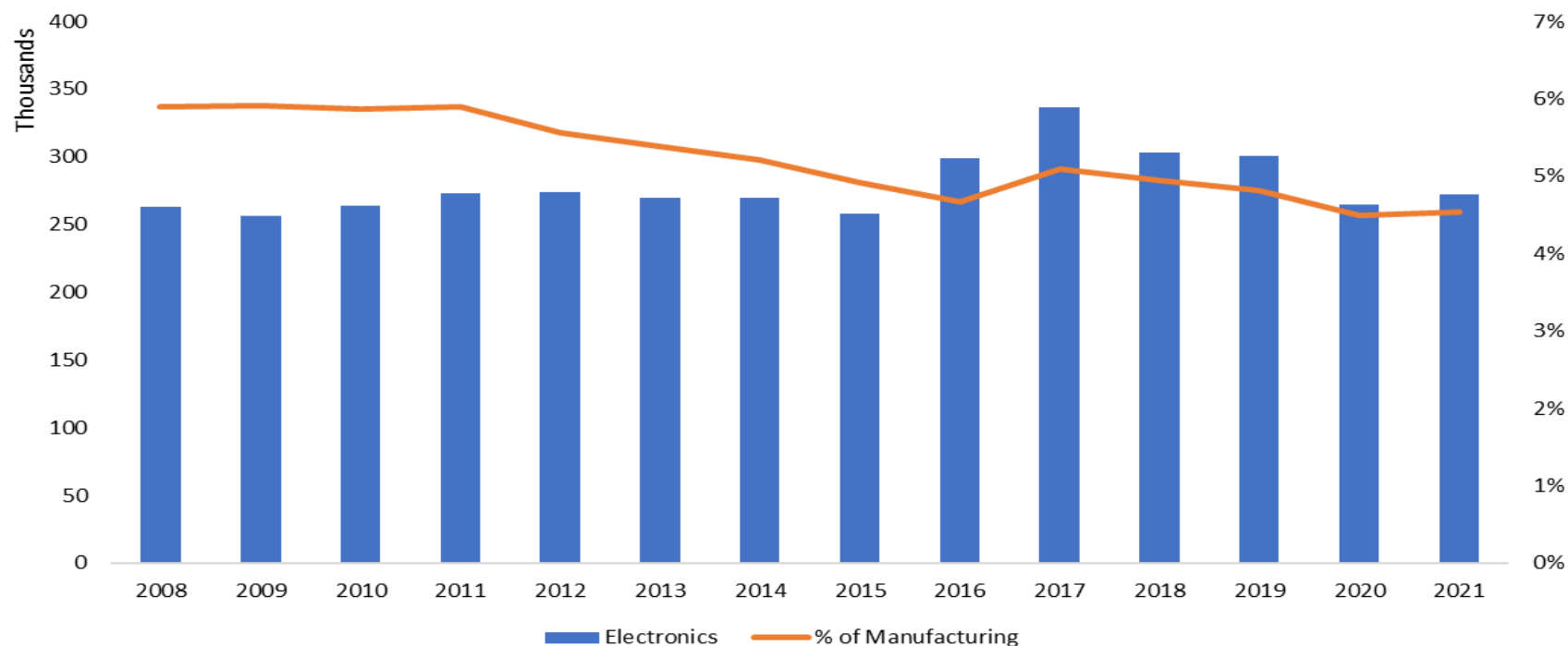
Key Research Findings

Temuan utama dalam Penelitian



The electronics workforce: little job growth since 2008; declining share of manufacturing employment

Tenaga kerja di sektor elektronik: pertumbuhan pekerjaan yang sedikit

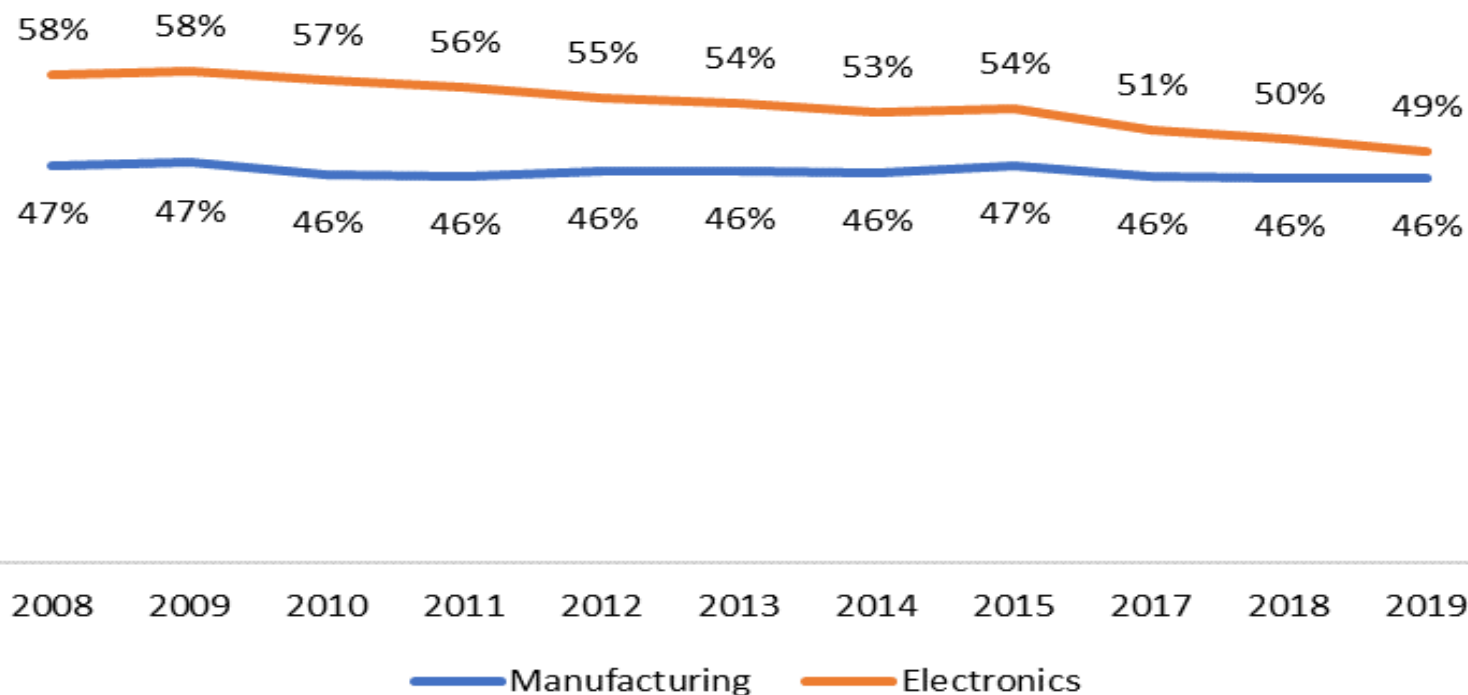


Source: Industrial Statistics, Statistics Indonesia (2023)

Note: Employment of electronics industry covers industry with ISIC 26 (computer, electronics and optics) and 27 (electrical equipment).

Female share of employment: a declining trend in electronics

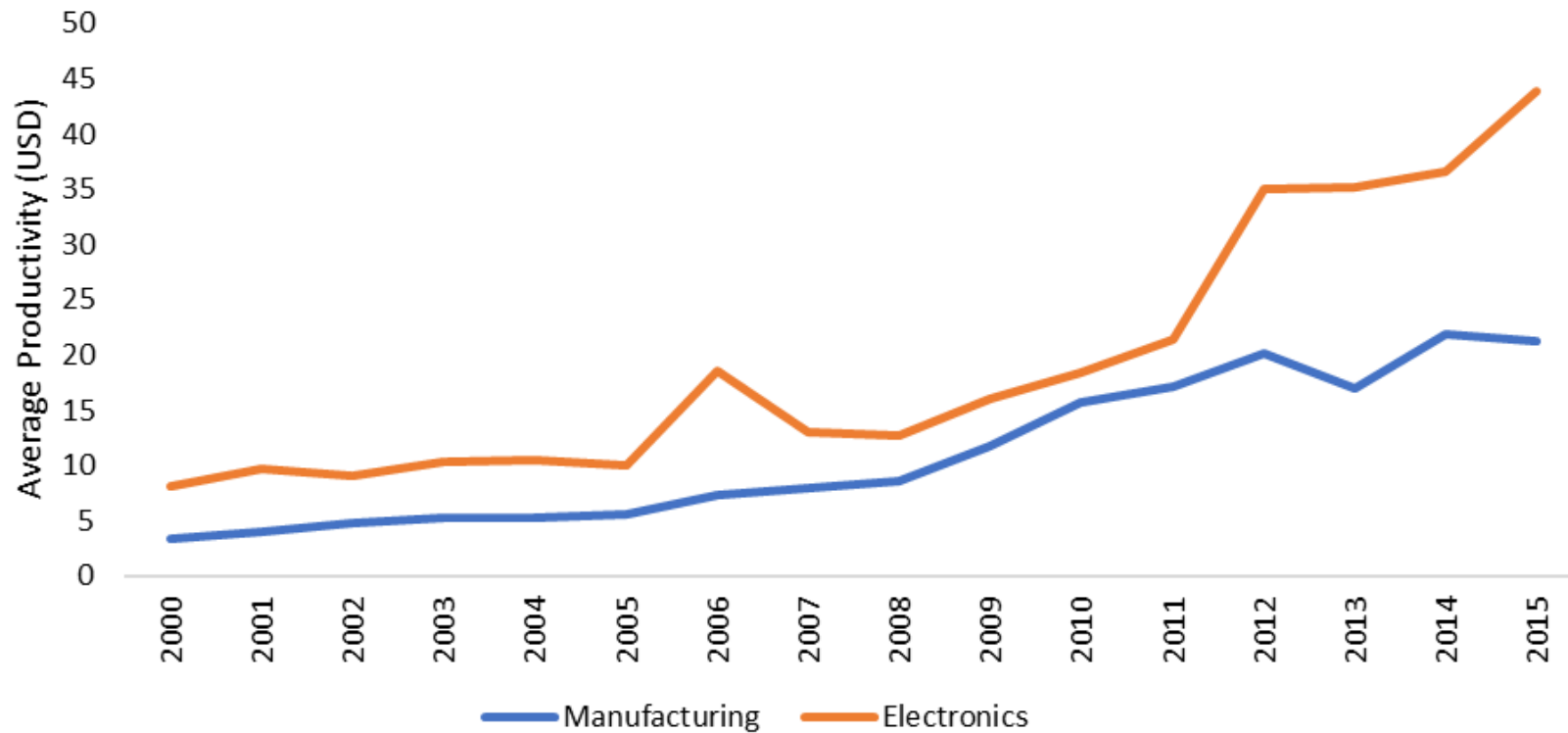
Porsi perempuan dalam pekerjaan: tren yang menurun di bidang elektronik



Source: Industrial Statistics (processed), Statistics Indonesia (BPS), 2008-2019.

Labour Productivity in electronics has been historically higher than other sectors, but data gaps prevent a clearer recent picture

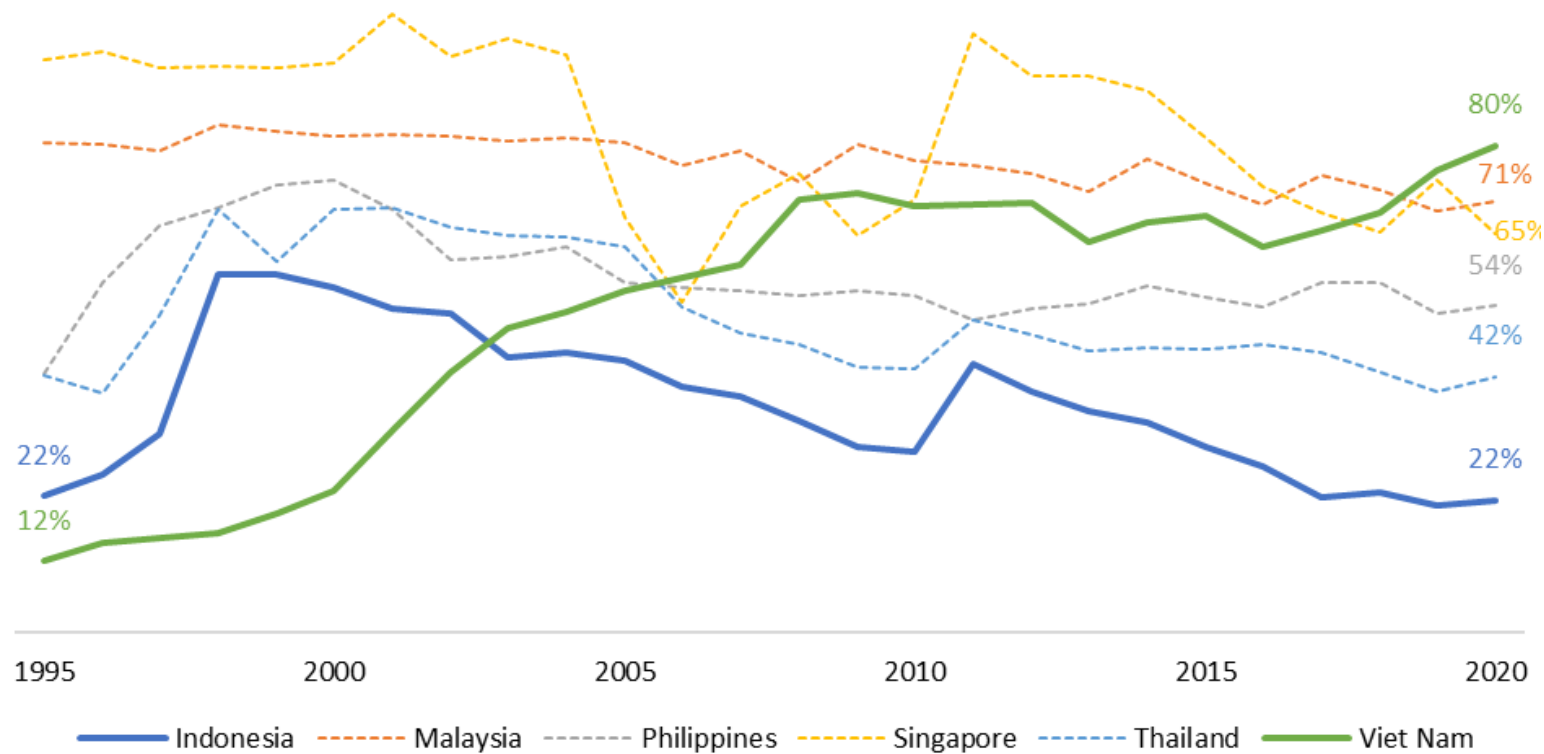
Produktivitas tenaga kerja di sektor elektronik secara historis lebih tinggi dibandingkan sektor lainnya, namun kesenjangan data menghambat gambaran yang lebih jelas tentang kondisi terkini



Source: Industrial Statistics (processed), Statistics Indonesia (BPS), 2000-2015.

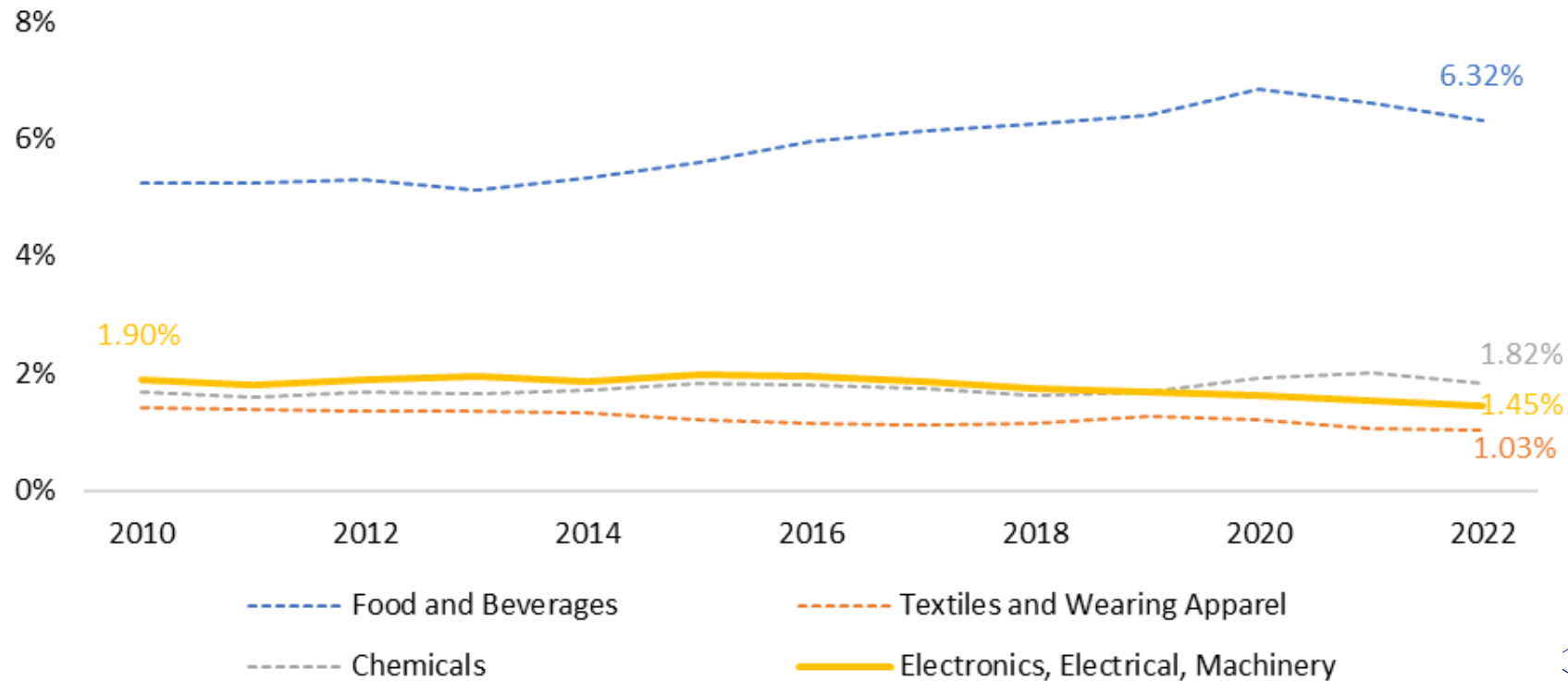
Export share of electronics output: the sector in Indonesia is comparably less export-focused than its neighbours

Pangsa ekspor dari produksi elektronik: sektor di Indonesia relatif kurang berfokus pada ekspor dibandingkan dengan negara tetangganya



▶ Electronics makes a comparably **smaller contribution to Indonesia's GDP**

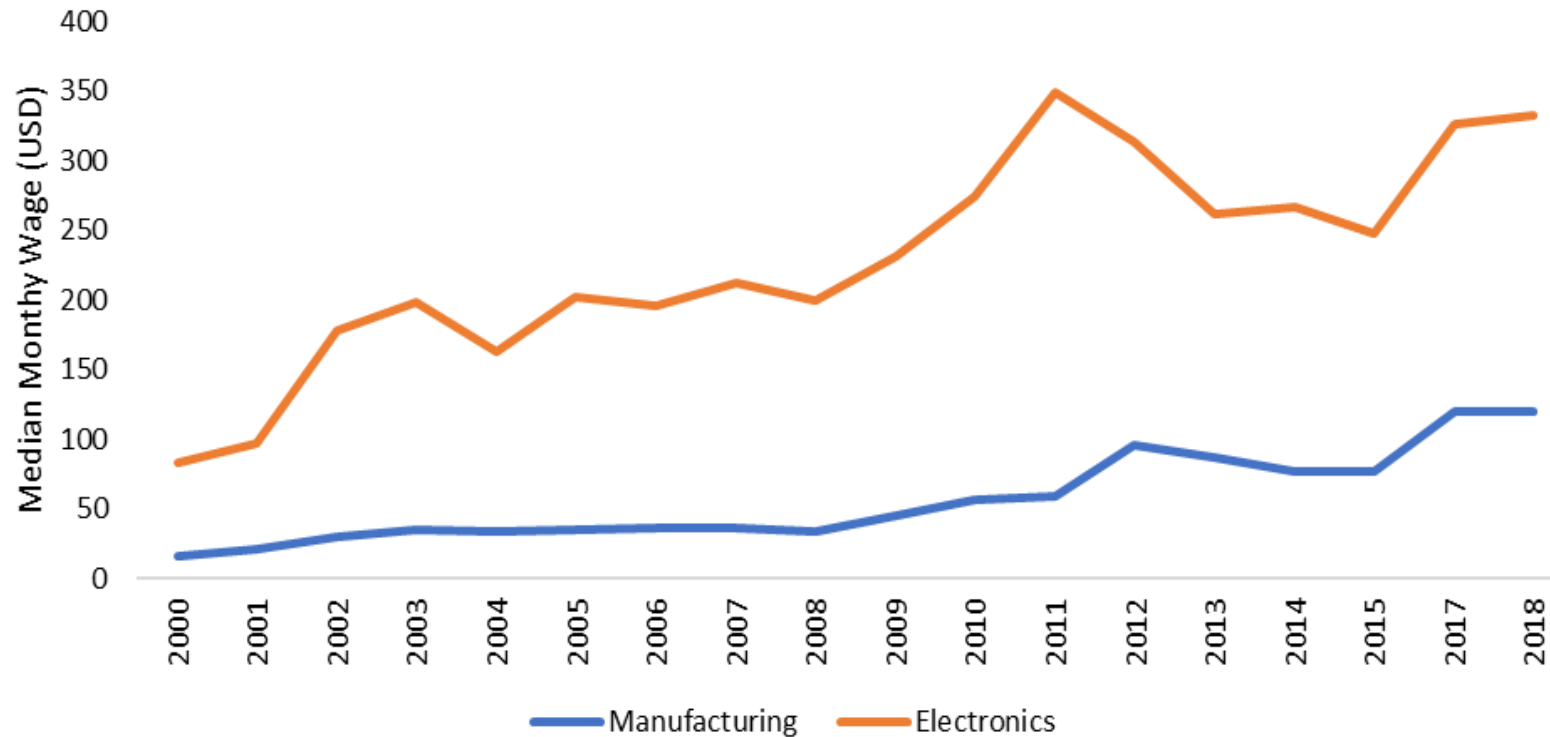
*Kontribusi sektor elektronik terhadap **PDB** Indonesia relatif lebih kecil*



Source: Statistics Indonesia (2023).

Median wages: workers in electronics tend to *earn more* than those in other manufacturing sectors

Upah rata-rata: pekerja di sektor elektronik cenderung memperoleh upah lebih besar dibandingkan pekerja di sektor manufaktur lainnya

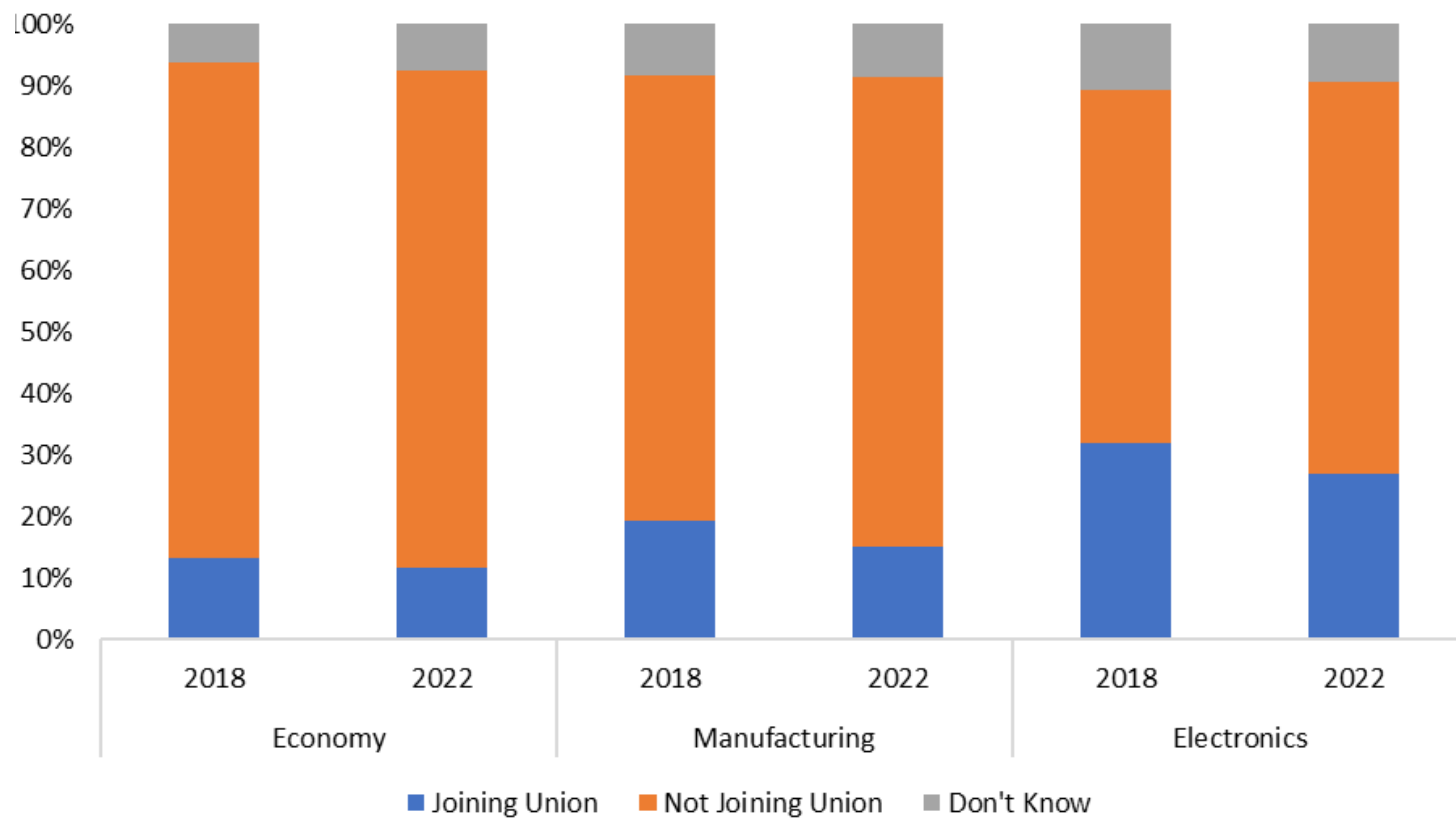


Source: Industrial Statistics (processed), Statistics Indonesia (BPS), 2000-2018.

Note: 2016 data is not available.

Union membership is low in electronics, but still *higher* than other sectors

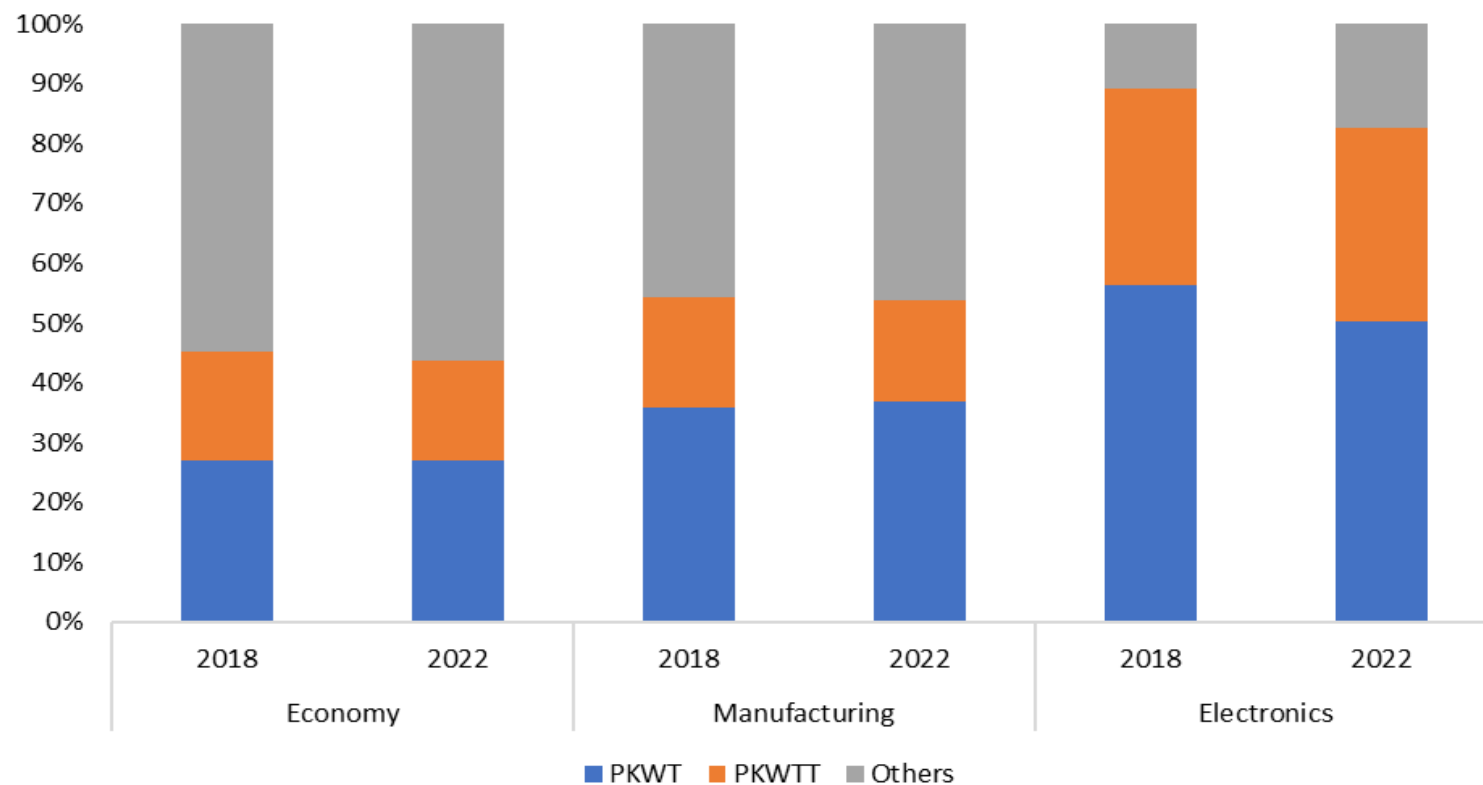
Keanggotaan serikat pekerja di sektor elektronik rendah, tetapi masih lebih tinggi dibandingkan sektor lainnya



Source: Labour Force Survey (Sakernas)

Employment Contracts: fixed term *and* indefinite term contracts are more common in electronics than other sectors

Kontrak Kerja: Kontrak kerja berjangka waktu tertentu dan kontrak kerja tidak terbatas lebih banyak ditemukan di sektor elektronik dibandingkan dengan sektor lainnya



Source: Labour Force Survey (Sakernas), 2018 and 2022.

Qualitative findings (from stakeholders)

Temuan kualitative (dari pemangku kepentingan)

- The industry is **struggling** to grow, innovate and **stay competitive**
- **Shorter and more flexible (insecure) contracts** are becoming more common, as well as misuse of apprenticeship contracts
- **Discrimination** in recruitment and employment (e.g. height, age, marital status used as hiring criteria)
- **Coercive practices** also evident, especially through document confiscation
- **Trade unions face restrictions** which undermine their activities and dissuade (new) members
- **Limited awareness** and application of Responsible Business Conduct



The electronics industry will need to adapt to growing supply chain expectations

Industri elektronik perlu beradaptasi dengan ekspektasi rantai pasokan yang terus meningkat



1

More **visibility**
and
transparency



2

Stricter **codes**
of conduct and
contract
clauses



3

Increased **data**
and **reporting**
requirements



4

(More) requests
to conduct **due**
diligence



5

Stronger focus
on **policies** and
grievance
mechanisms

Key Recommendations for the industry to improve decent work and responsible business outcomes

Rekomendasi Utama bagi industri untuk meningkatkan pekerjaan layak dan hasil dari bisnis yang bertanggung jawab



Government

- A holistic **industrial strategy**
- Stronger application of **ILS**
- Improved **labour inspection**
- Strengthen **Stranas BHAM**



Industry

(Business & Unions)

- Improve **social dialogue** (quality & scope)
- Forge industry-wide **commitment** to RBC (and prepare/educate members)
- Strengthen supply chain **partnerships**

Upcoming & future trends

Tren yang akan datang dan di masa depan

- OECD accession
- Indo-Pacific Economic Framework for Prosperity (IPEF)
- EU-Indonesia FTA

→ All will require Indonesia to **elevate standards** for Decent Work and Responsible Business Conduct



Next steps: ILO support to the Indonesian electronics sector in 2024-25

Langkah selanjutnya: Dukungan ILO untuk sektor elektronik Indonesia pada tahun 2024-25



1

**Promote
Research**



2

**Industry training,
tools & advice**



3

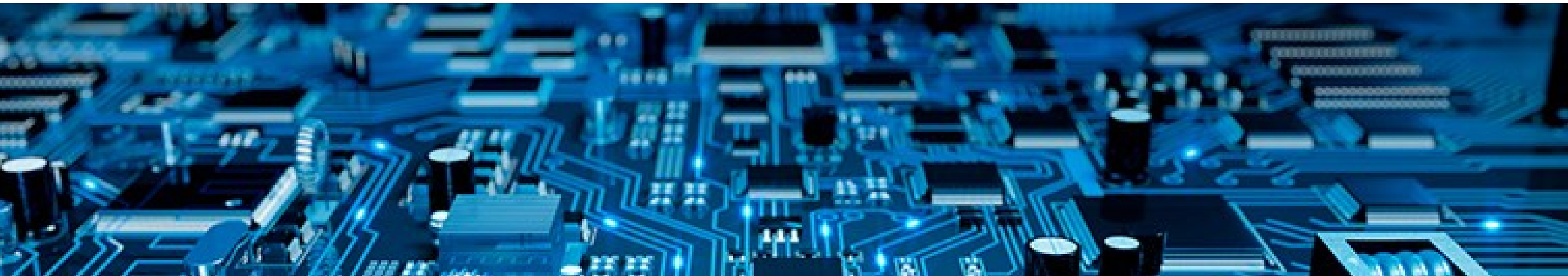
**Supply Chain
Dialogues**



4

**High level policy
engagement**

Thank You
Terimakasih





International
Labour
Organization



► Resilient, Inclusive and Sustainable Supply Chains (RISSC)

Thailand | Indonesia | The Philippines

‘Empowering people and upgrading global supply chains through decent work and responsible business conduct’

For more information, scan the QR code or contact David Williams, Project Manager at williamsd@ilo.org

