

DECENT WORK

A better world starts here.



International
Labour
Organization

Labour and Social Trends in Indonesia 2013: Reinforcing the role of decent work in equitable growth

Emma Allen

ILO Country Office of Indonesia

and Timor-Leste

Jakarta, Indonesia



ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015

Introduction

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

- Economic trends
- Employment trends
- Wage trends

We then move to discuss issues related to Reinforcing the role of decent work in equitable growth:

- Employment creation for inclusive and sustainable growth
- Sound industrial relations
- Social protection for all

“Employment is one of the most important issues in developing the Indonesian economy. Further efforts are needed to ensure that the Government's pro-jobs, pro-poor, pro-environment and pro-growth development policy realises its job-rich growth objective,”

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



DECENT WORK

A better world starts here.



International
Labour
Organization

Economic trends

- Economic adjustments
- Labour force participation by household income



ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015



International
Labour
Organization

Economic adjustments

- In 2013 the Indonesian economy has seen declines in its macroeconomic indicators, with GDP growth slowing to 5.6%.
- The downturn has been associated with factors such as international financial market volatility, restrictive trade policies, revisions to the domestic fuel subsidy and seasonal fluctuations from Idul Fitri. These factors have spurred on inflation.
- With the slowing of economic growth, Indonesia is now facing a situation of jobless growth. In addition, inflation is impacting on the real wages of workers.
- Fiscal gains from adjustment to the fuel subsidy were envisaged to create space for increasing expenditure on social protection, however, these gains may not be realized due to deteriorating exchange rates.
- The combination of jobless growth and limited social protection provision leaves workers and employers in a vulnerable situation.



ASIA-PACIFIC 2006
DECENT WORK
DECADE 2015



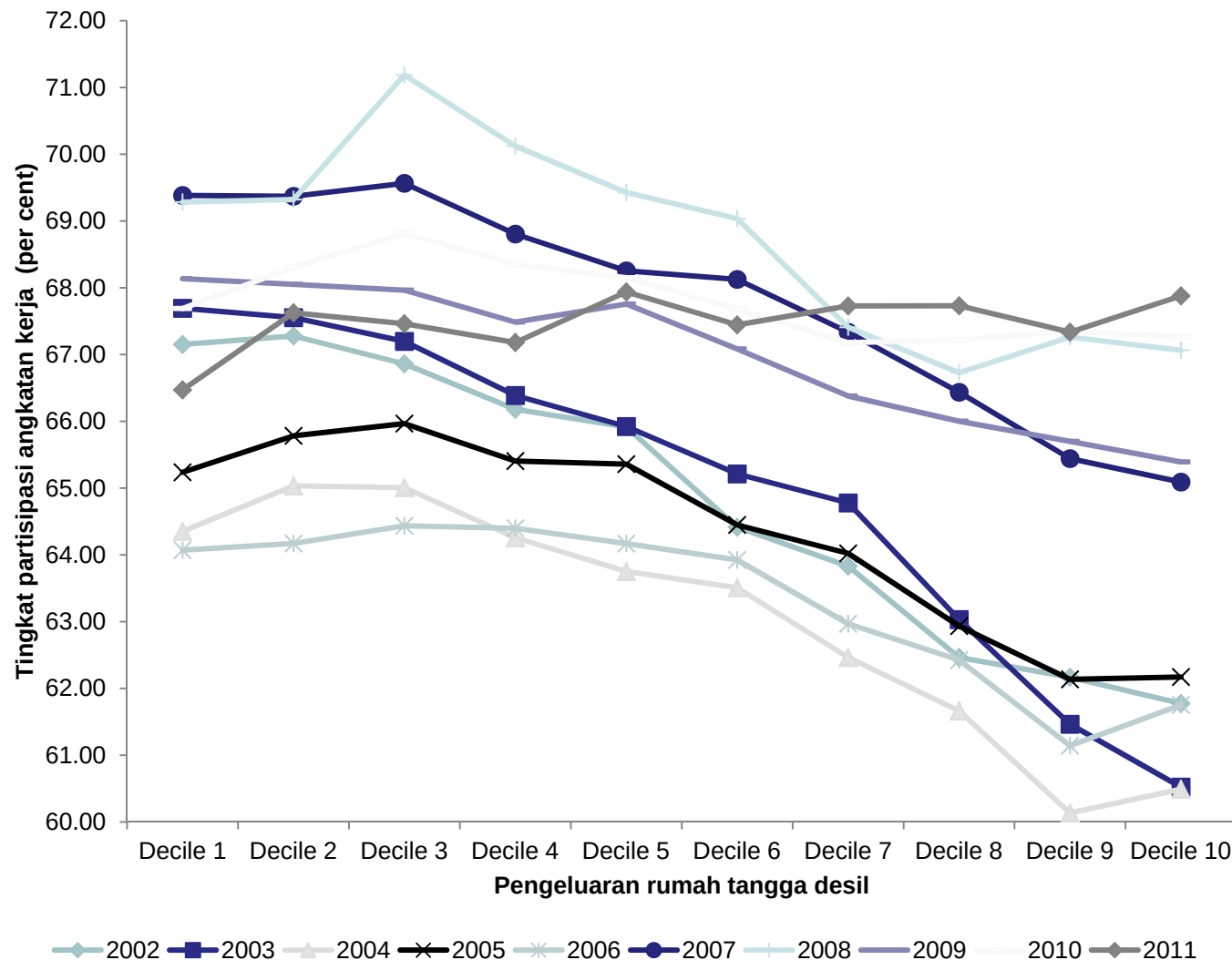
DECENT WORK

A better world starts here.

Labour force participation by household income



International
Labour
Organization



Higher rates of labour force participation in low income households is having a limited impact on reducing income inequality.

Poorer households have higher rates of labour force participation than more affluent households, however, income inequality has been on the rise, with the Gini index reaching a peak of 0.41 in 2011 and 2012.



DECENT WORK

A better world starts here.



International
Labour
Organization

Employment trends

- Employment growth
- Unemployment and labour force participation
 - Less than normal working hours
- Status in employment and vulnerable work
 - Employment by sector



ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015

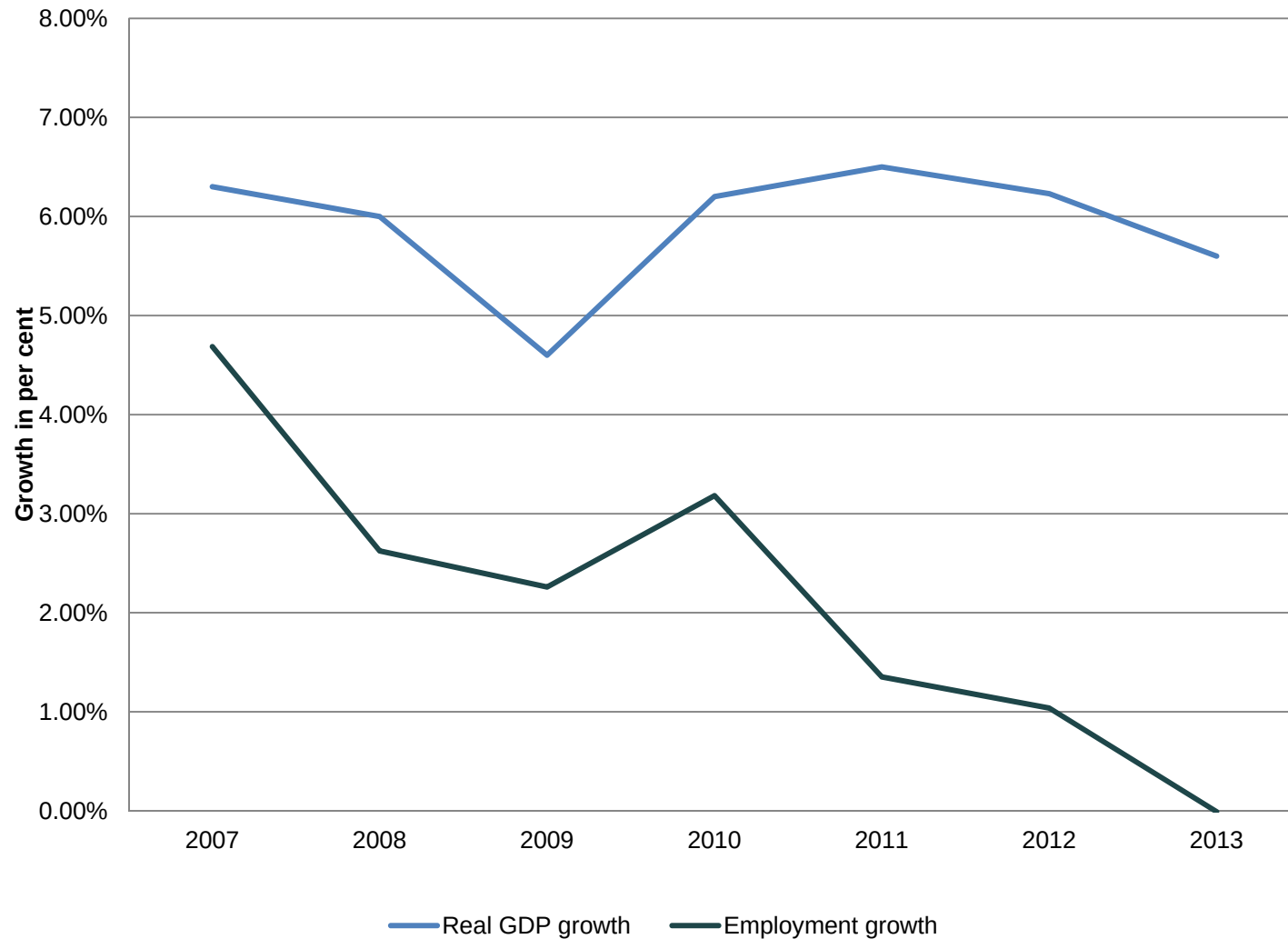
Employment growth and real GDP growth, 2007-2013



International
Labour
Organization

Macro-economic adjustments in 2013 have resulted in labour market adjustments

Analysis of data between August 2012 and August 2013 indicates that Indonesia is experiencing jobless growth, with employment growth at zero



ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015



DECENT WORK

A better world starts here.

Unemployment and labour force participation



International
Labour
Organization

- Labour force participation declined from 67.9% in August 2012 to 66.9% in August 2013. Both men's and women's participation in the labour force declined, with an additional 1 million men and 1.6 million women reporting that they were not economically active:

- Women aged between 30 and 45 had largely taken up housekeeping duties;
- Men in rural areas reported to be undertaking other activities not in the labour market.



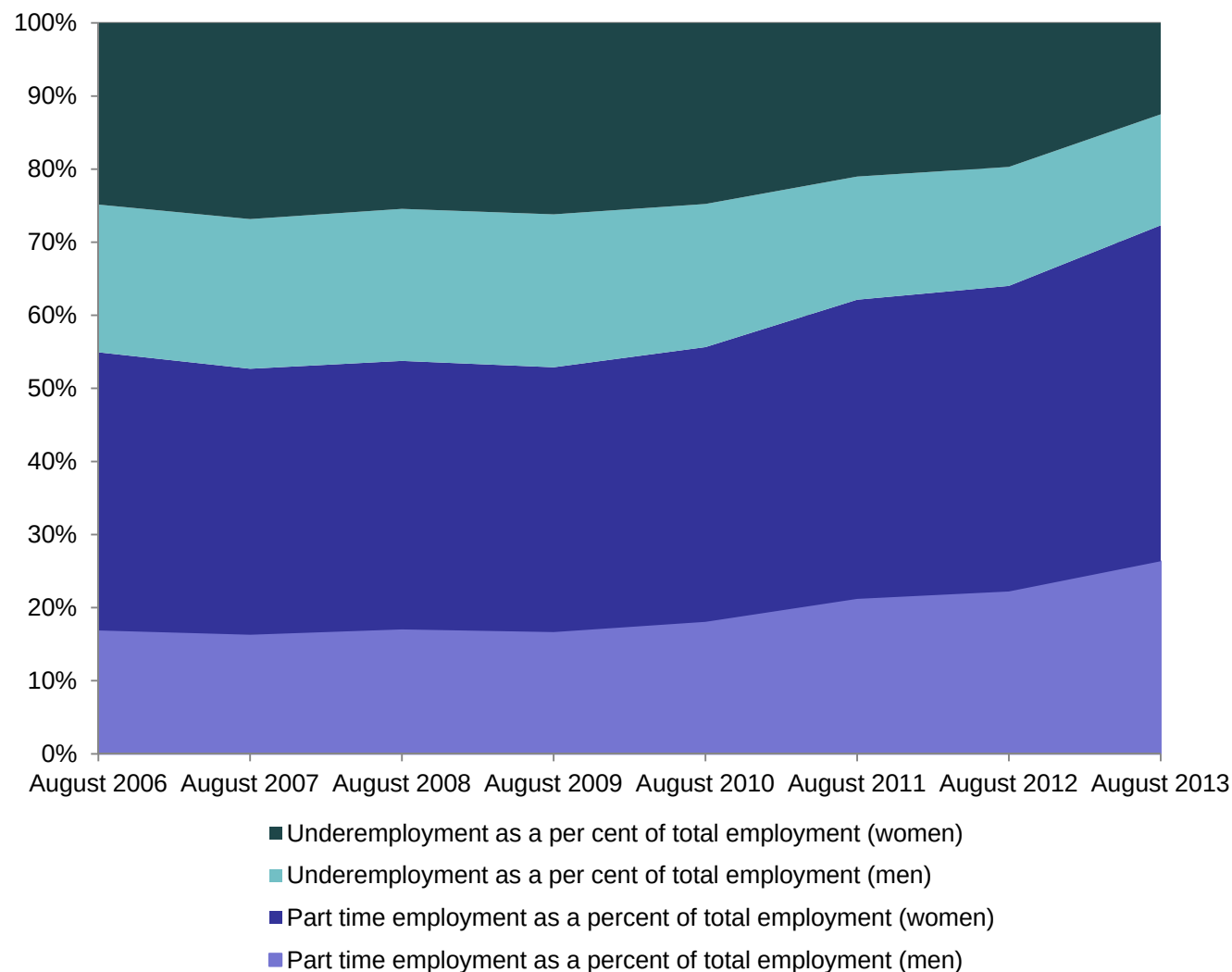
- Unemployment in Indonesia had been declining due to positive economic growth and in May 2013 unemployment was estimated at 5.8%, the lowest unemployment rate on record. However, the recent downturn in economic indicators saw the August 2013 unemployment rate rise to 6.25%. Of the people that were unemployed in 2013, over 70% were aged between 15 and 29 years.



Less than normal working hours



International
Labour
Organization



Underemployment declined and part time work increased in 2013.

The decline in underemployment is likely due to women shifting from being underemployed to becoming part time workers, with underemployment for women decreasing by 1.8 million workers and part-time work for women increased by 1.8 million workers between August 2012 and August 2013.

ASIA-PACIFIC
DECENT WORK
DECADE
2006
2015



DECENT WORK

A better world starts here.

Sectoral structure



International
Labour
Organization

- In general, structural shifts in the composition of employment in the economy have continued to gradually unfold, with share of total employment increasing for services and decreasing for agriculture.
- The agricultural sector is still one of the largest employers in Indonesia, accounting for 35 per cent of employment in May and August 2013. The employment situation in the agriculture sector has remained relatively steady in 2013, rather than increasing as in previous times of economic downturn
- Employment in manufacturing, which provides important information on trade and investment trends, has experienced a decline for the first time in five years. Employment in manufacturing employment has declined from the August 2012 high of 15.37 million people, to 14.88 million people in August 2013.



ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015



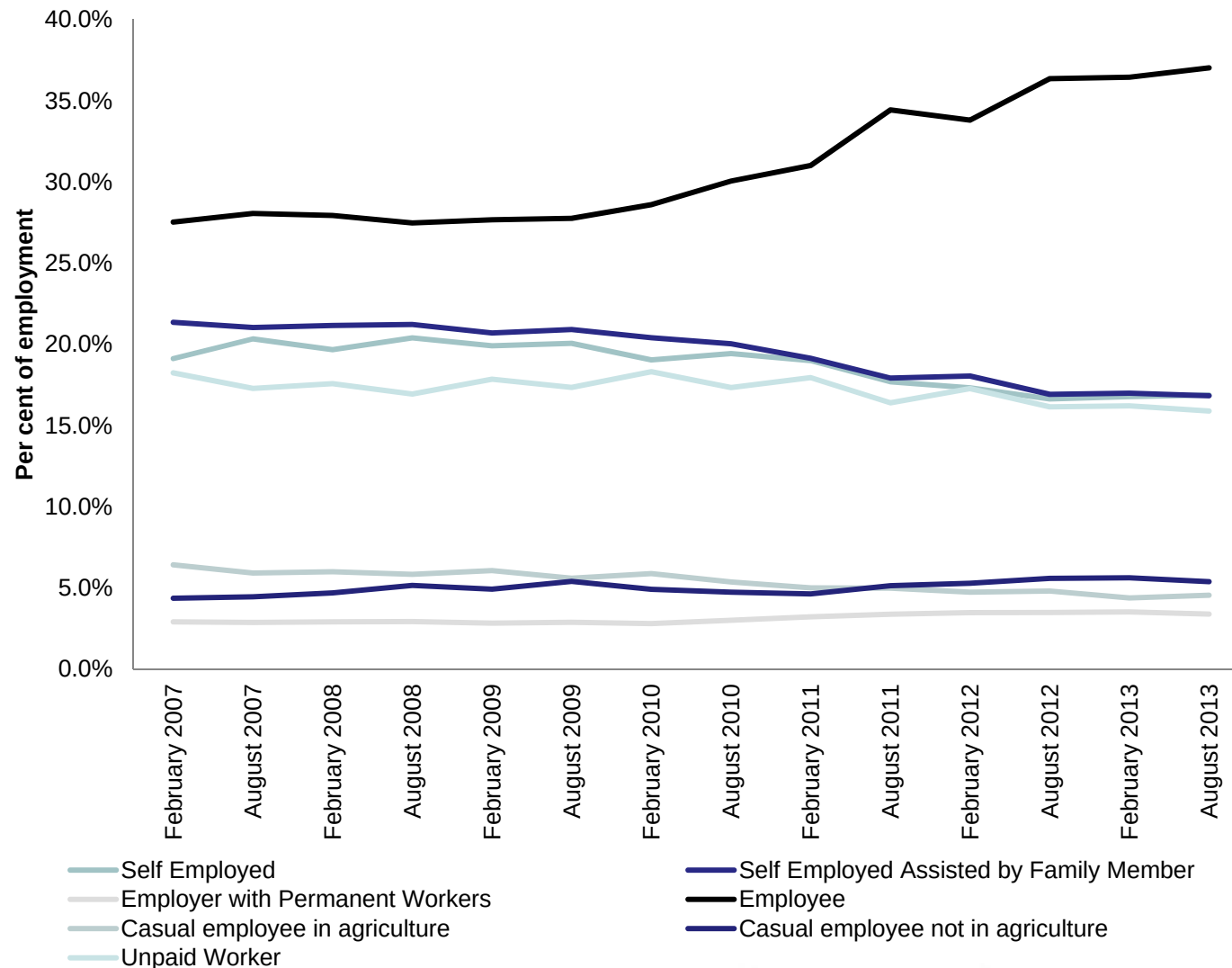
DECENT WORK

A better world starts here.

Status in employment and vulnerable workers



International
Labour
Organization



Vulnerable employment has been declining, with the number of people on employee contracts increasing.

To illustrate, wage employment has increased from 27.5% of total employment in February 2007 to 37% in August 2013.

ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015



DECENT WORK

A better world starts here.

Wage trends

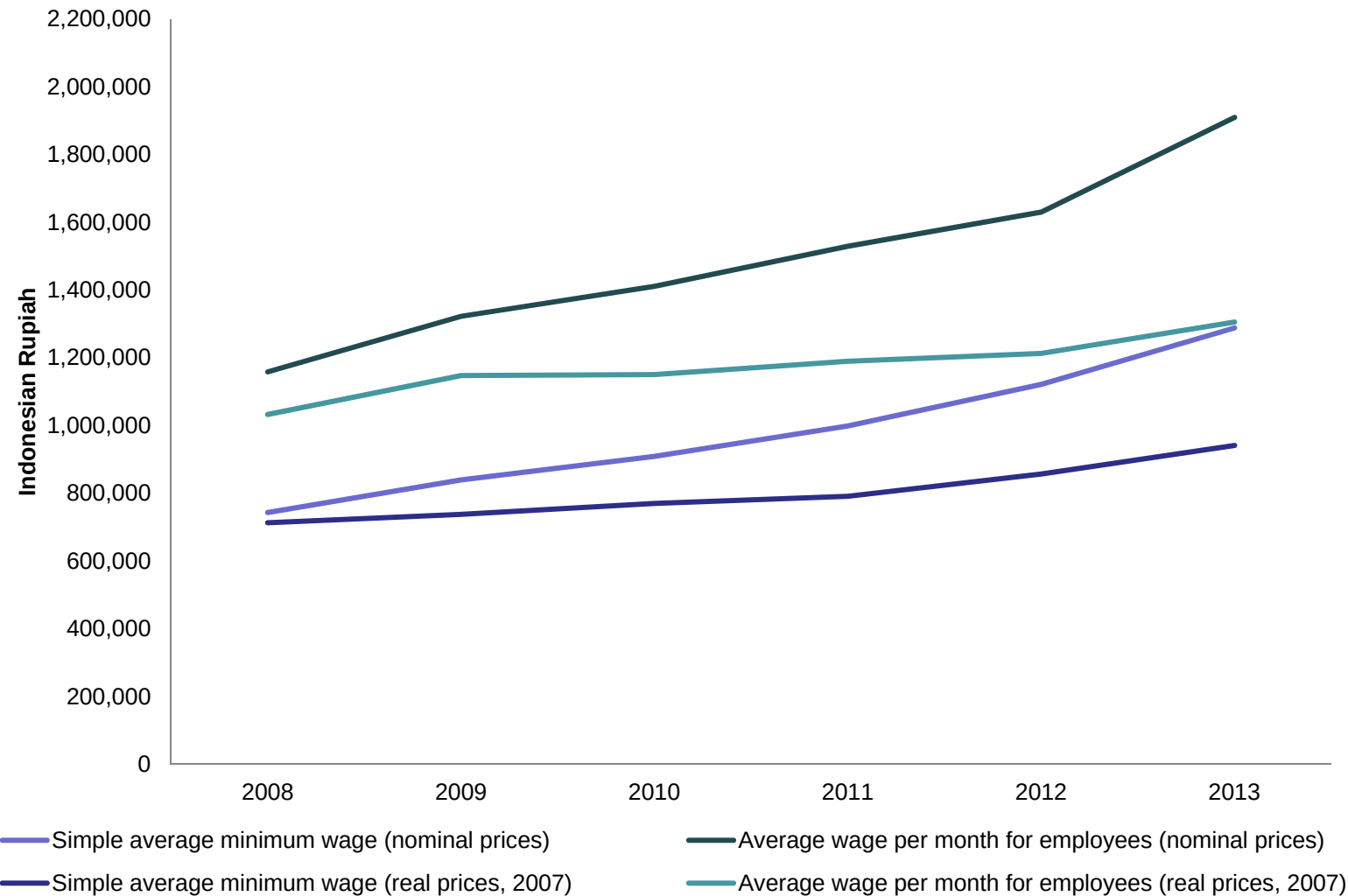
- Real and nominal growth trends in wages
- Wages by educational attainment
- Workers receiving wages above and below the minimum wage



Trends in minimum and average wages for Indonesia, 2008-2012



International
Labour
Organization



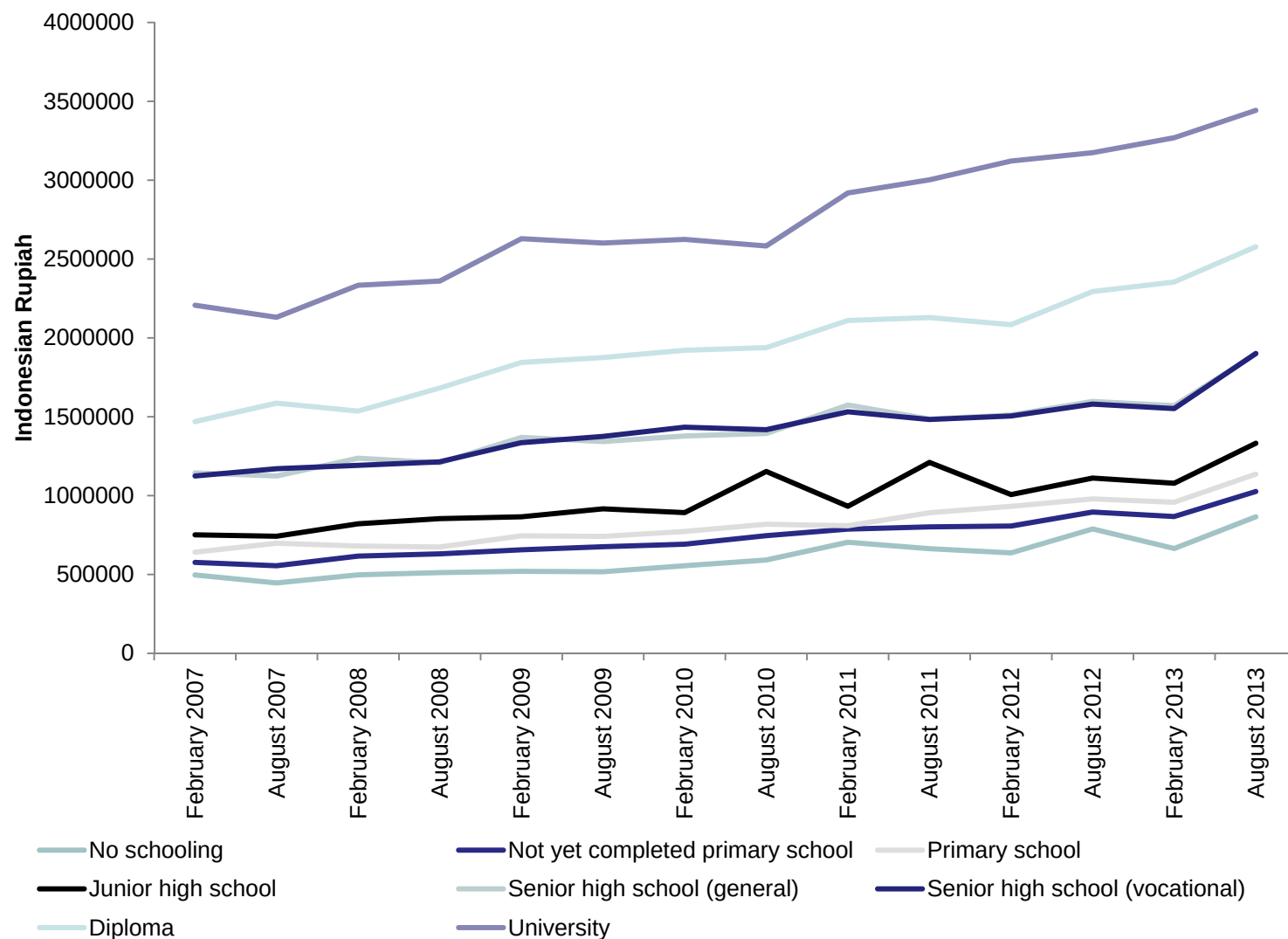
Averages wages and minimum wages have been increasing, however, inflation has subdued real wage growth



Trends in average wages by educational attainment, 2007-2012



International
Labour
Organization



Workers with higher educational attainment have higher wages and also higher wage growth rates than less educated workers

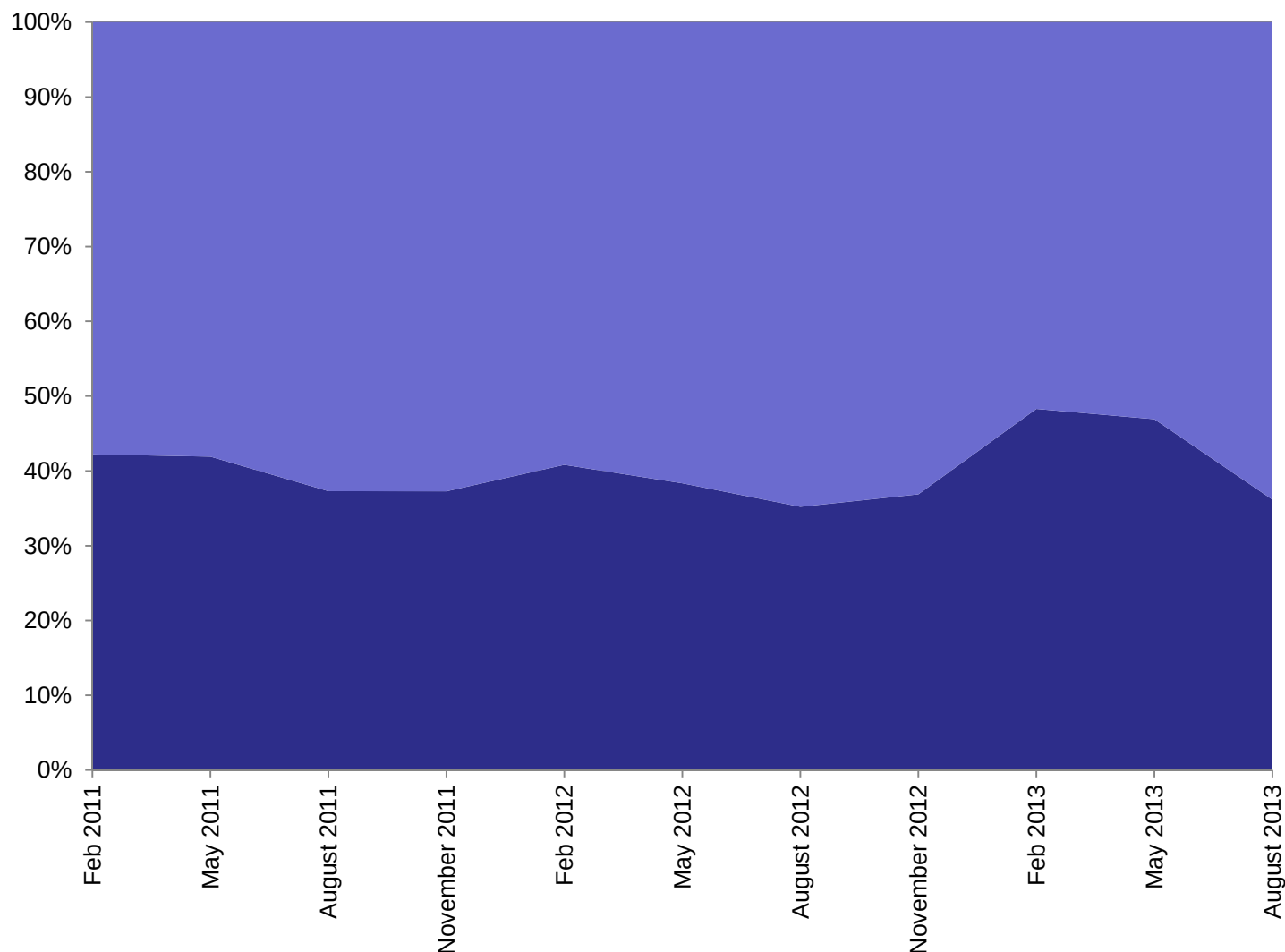
ASIA-PACIFIC
DECENT WORK
DECADE
2006
2015



DECENT WORK

A better world starts here.

Trends in workers receiving wages above and below the provincial minimum wage, 2011-2013



In August 2013, 36.2 per cent of employees earned less than the provincial minimum wage.

Workers receiving a wage above or below the minimum wage displays a cyclical trend - more workers receive wages above the minimum wage in August than in February.



DECENT WORK

A better world starts here.



International
Labour
Organization

Employment creation for inclusive and sustainable growth

- Labour productivity

Gains in labour productivity have been experienced unevenly by firms of differing sizes.

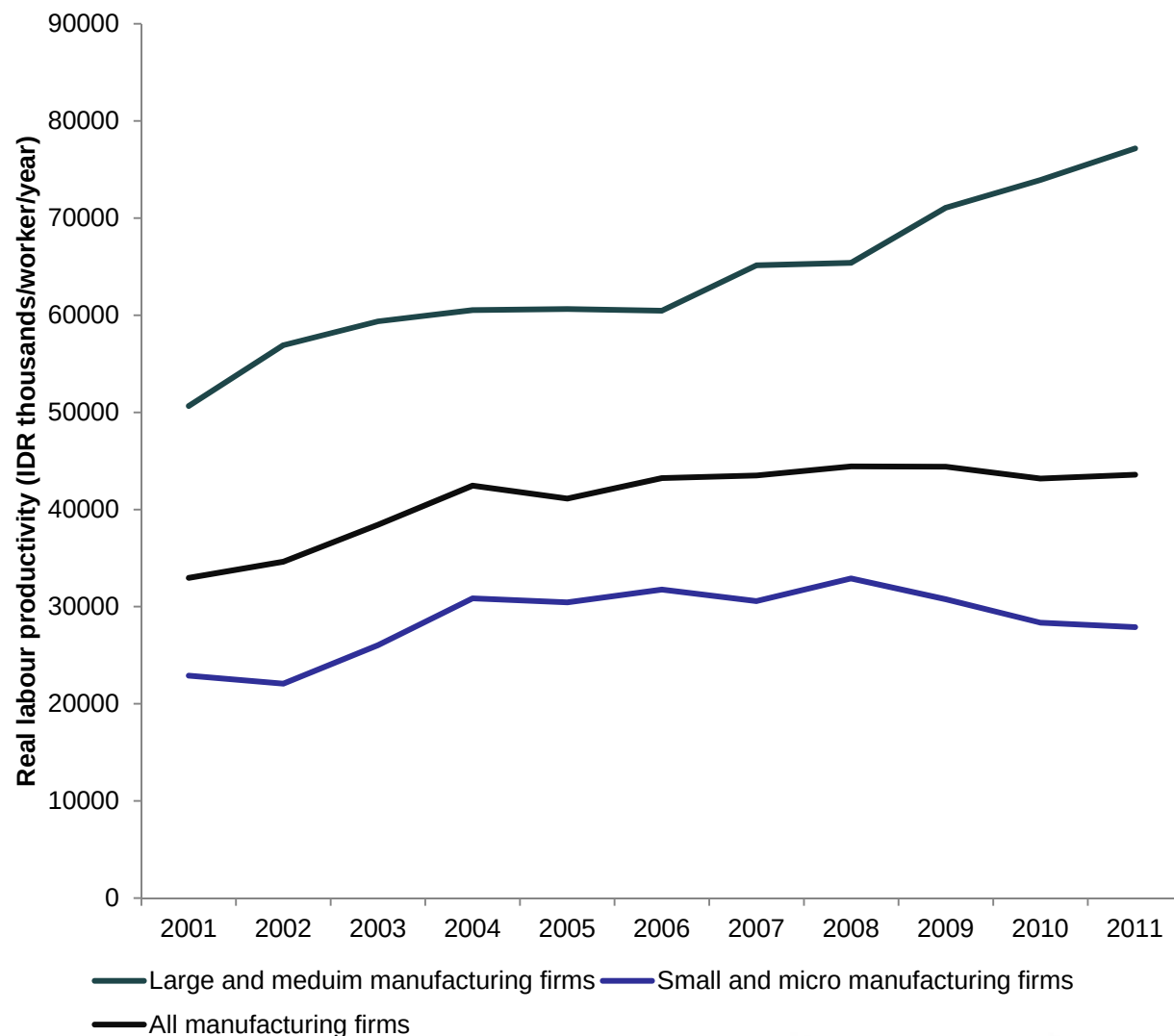


ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015

Real labour productivity for the manufacturing sector, 2001-2011



International
Labour
Organization



ASIA-PACIFIC
DECENT WORK
DECADE
2006
2015



DECENT WORK

A better world starts here.

DECENT WORK

A better world starts here.



International
Labour
Organization

Sound industrial relations

- Labour inspection

Labour inspection can improve the monitoring of working conditions and help to identify the most effective ways to improve the workplace and the productivity of firms.



ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015

The role of labour market institutions

Textile and products of textile industry is one of the major contributors to growth in Indonesia as well as the largest employer within the manufacturing sector.

However, growth in the sector has been slow and solutions are needed to increase competitiveness. One strategy is to improve working conditions to support productivity growth.

Research finds that the sector faces decent work deficits which are reflect in high stress among employees (physical aches and pains, as well as harassment), and may reduce firm productivity.

Understanding working conditions and how factors such as occupational health and safety impact on productivity is an important element for accelerating the growth of the sector.

Labour inspection can improve the monitoring of working conditions and help to identify the most effective ways to improve the workplace and the productivity of firms.



DECENT WORK

A better world starts here.



International
Labour
Organization

Social protection for all

- A social protection floor

Social protection floors are nationally defined sets of basic social security guarantees that aim to prevent or alleviate poverty, vulnerability and social exclusion.

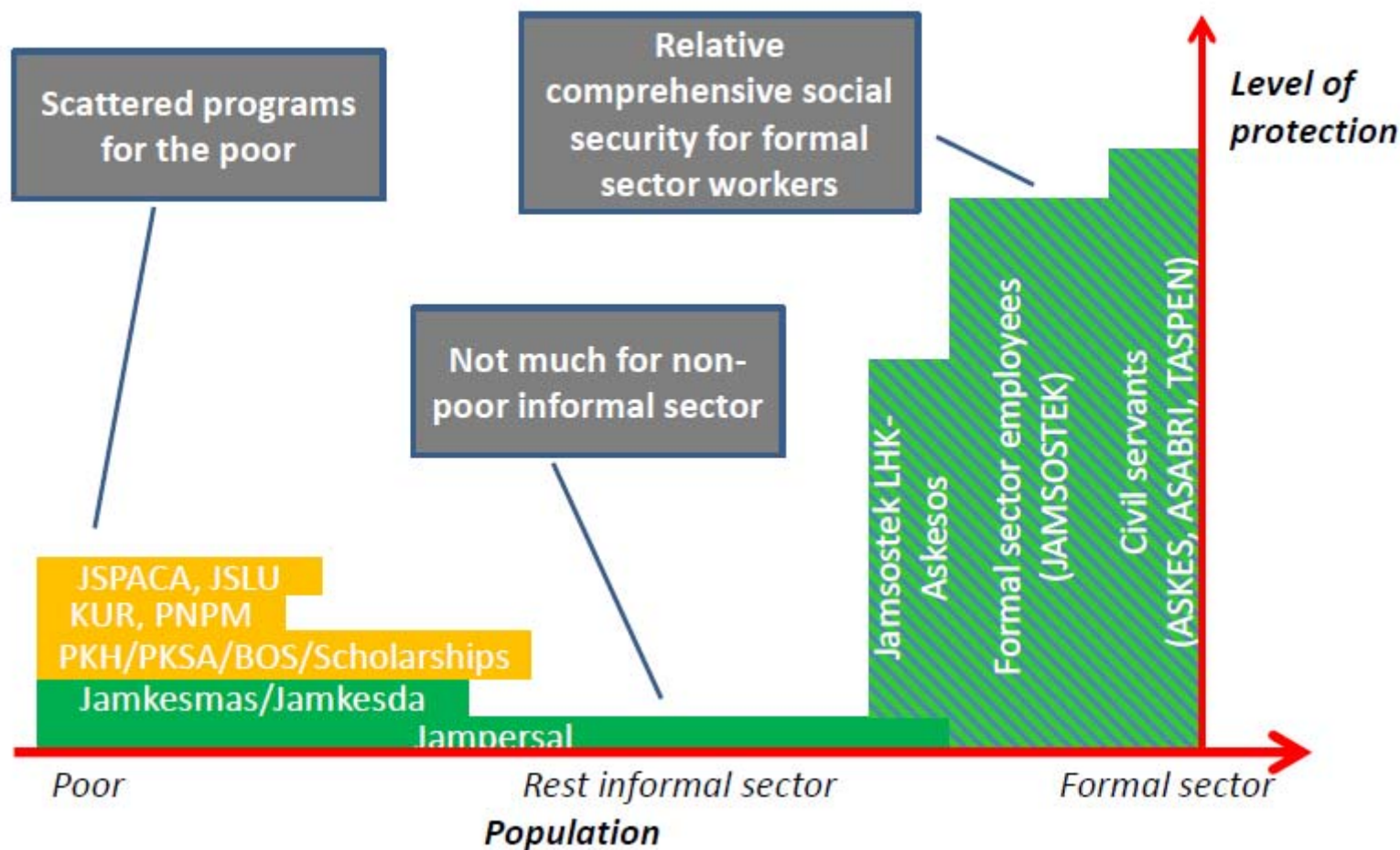


ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015

Social protection floor assessment



International
Labour
Organization



Key “takeaways”



International
Labour
Organization

1. Employment is one of the most important issues in developing the Indonesian economy. Further efforts are needed to ensure that the Government's pro-jobs, pro-poor, pro-environment and pro-growth development policy realises its job-rich growth objective.
2. With the slowing of economic growth, Indonesia is now facing a situation of jobless growth. Income inequality has also been on the rise, despite the strong labour force participation of poor households. The situation highlights an urgent need to focus on decent work and equitable growth.





ASIA-PACIFIC
DECENT WORK
DECADE 2006
2015



Thank you

For more information, please contact:

Emma Allen

E-mail: allen@ilo.org

Phone: 081385661374

www.ilo.org/jakarta

