

# EMPLOYMENT POLICIES AND STRATEGIES

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

**Ceppie K. Sumadilaga**

Deputy Minister of National Development Planning  
for Poverty, Labor and SMEs

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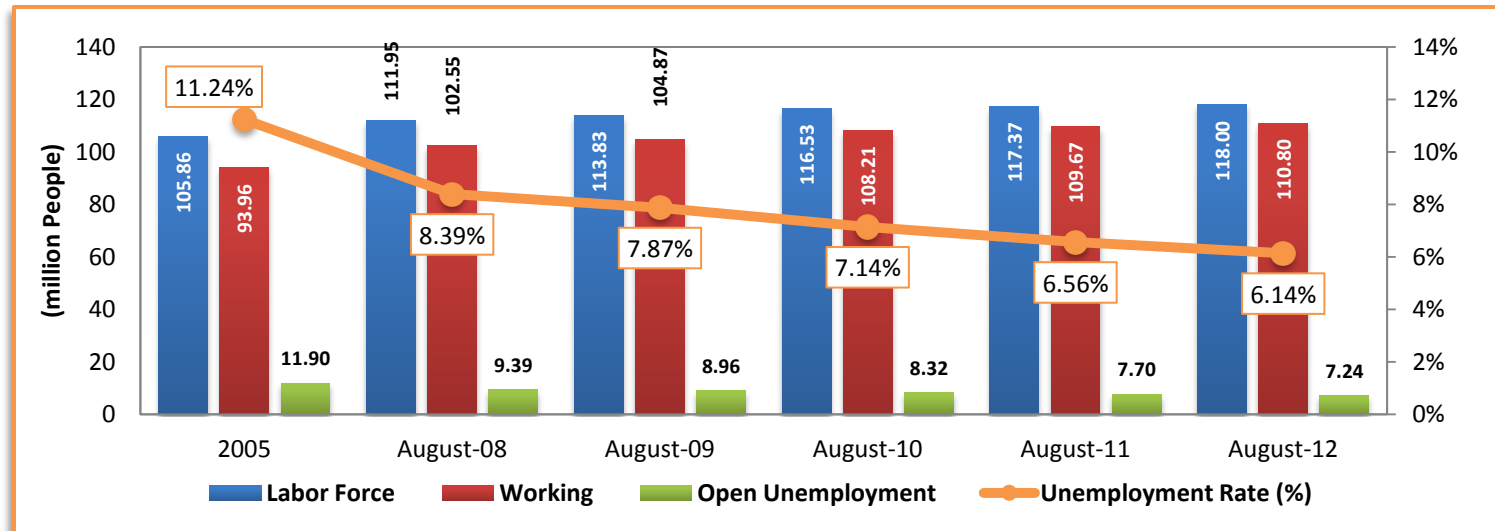
## BACKGROUND

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

## BACKGROUND

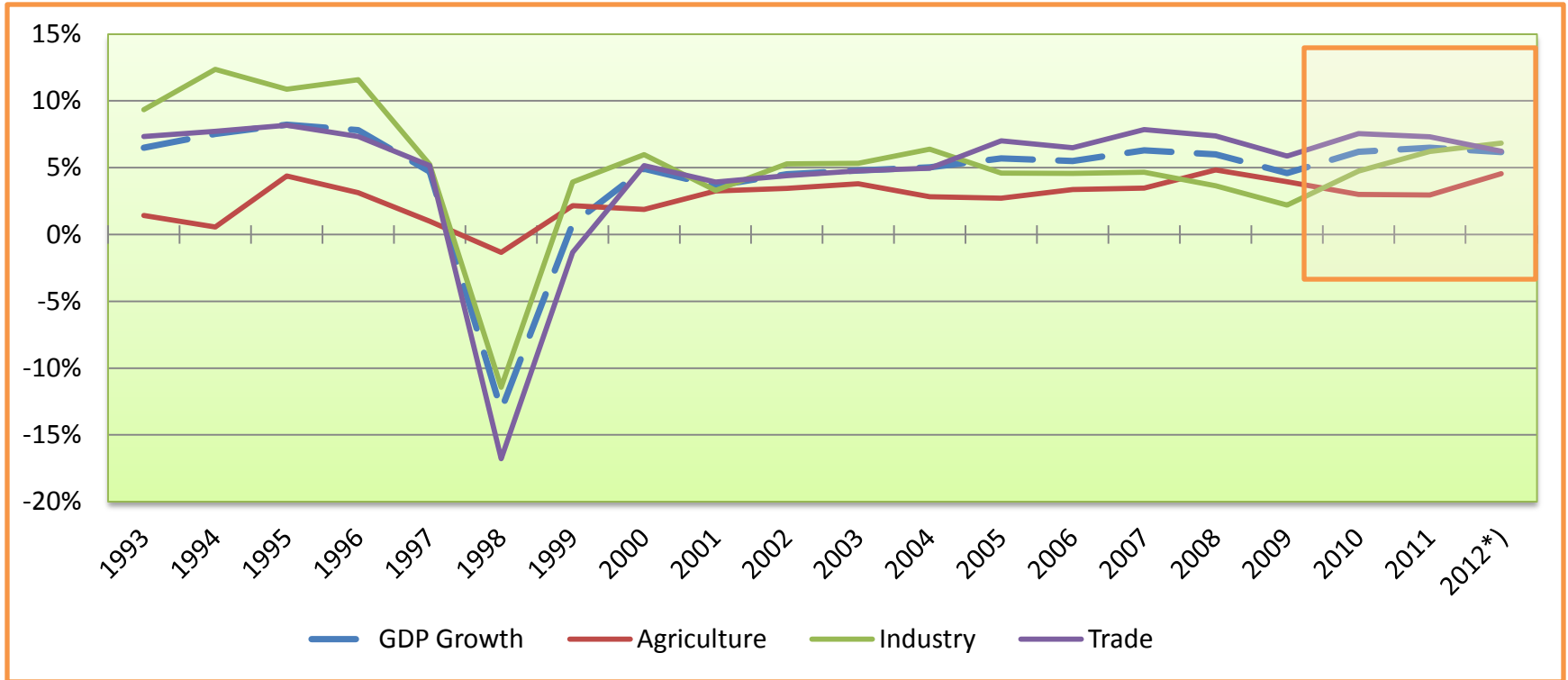
- The economic growth mostly came from service sector, which created most of employment.
- In 2009 the global economic crisis slowed down the economy, but the Government of Indonesia has responded quickly by introducing fiscal stimulus packages to increase aggregate demand and create jobs.
- The Government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

# LABOR FORCE, WORKING, AND UNEMPLOYMENT RATE



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

# GDP GROWTH BY SECTOR

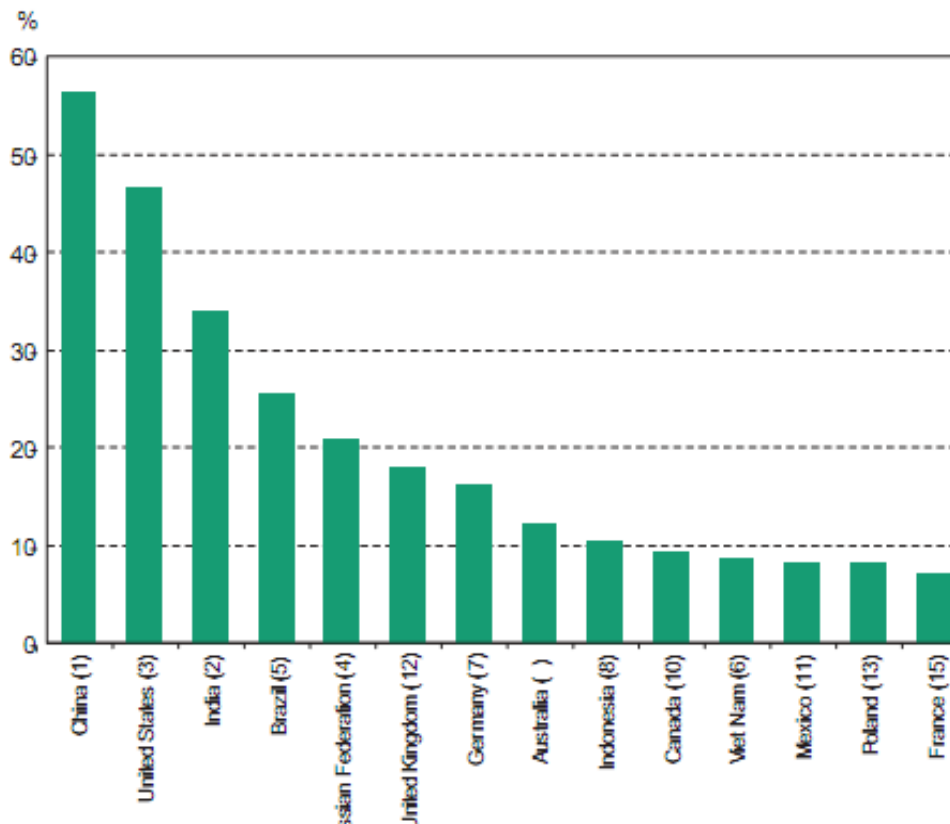


Source: Statistics Indonesia; \*) Quarter III/2012

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

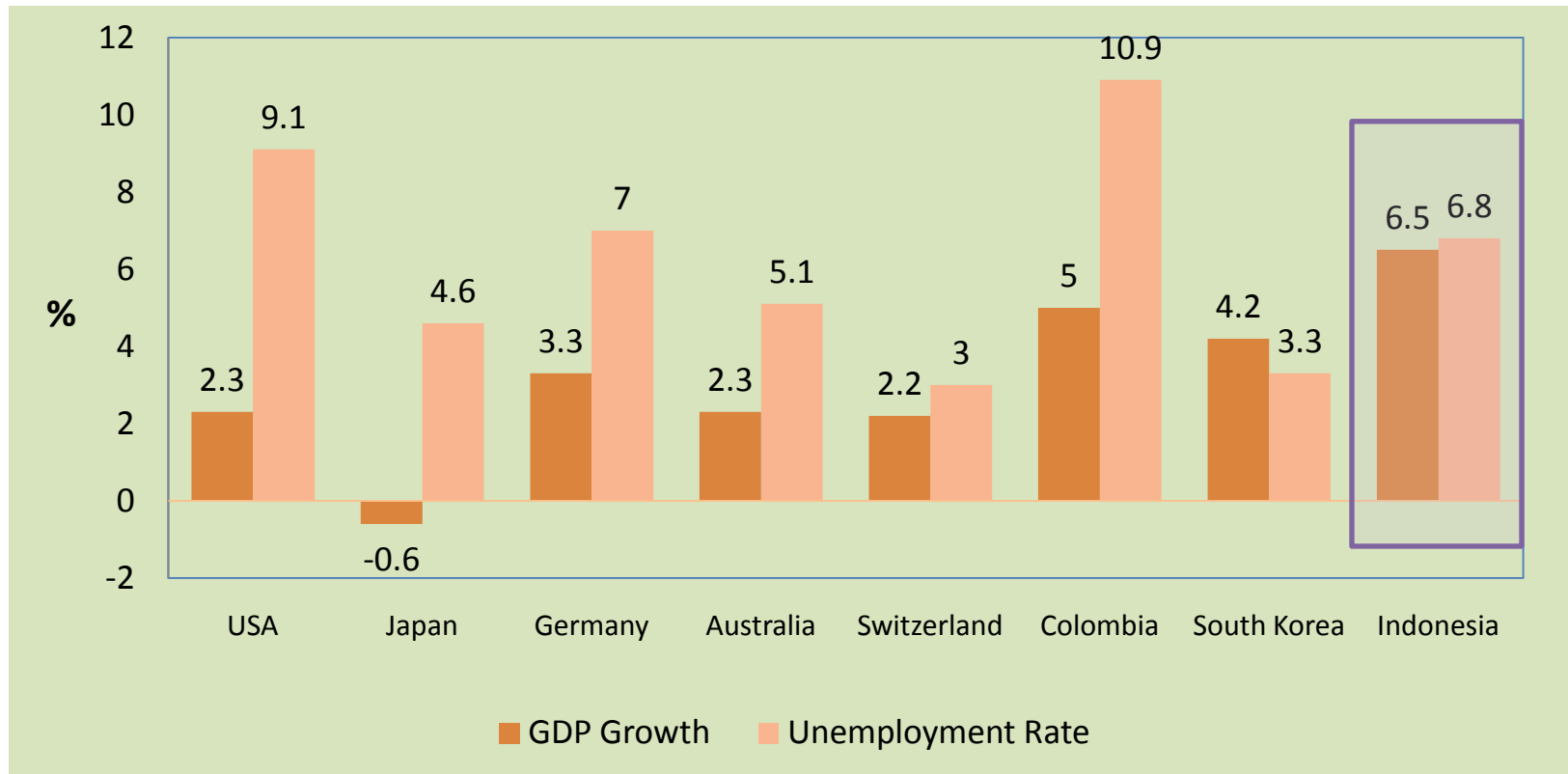
# INDONESIA AMONG 14 MOST COMPETITIVE COUNTRIES

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



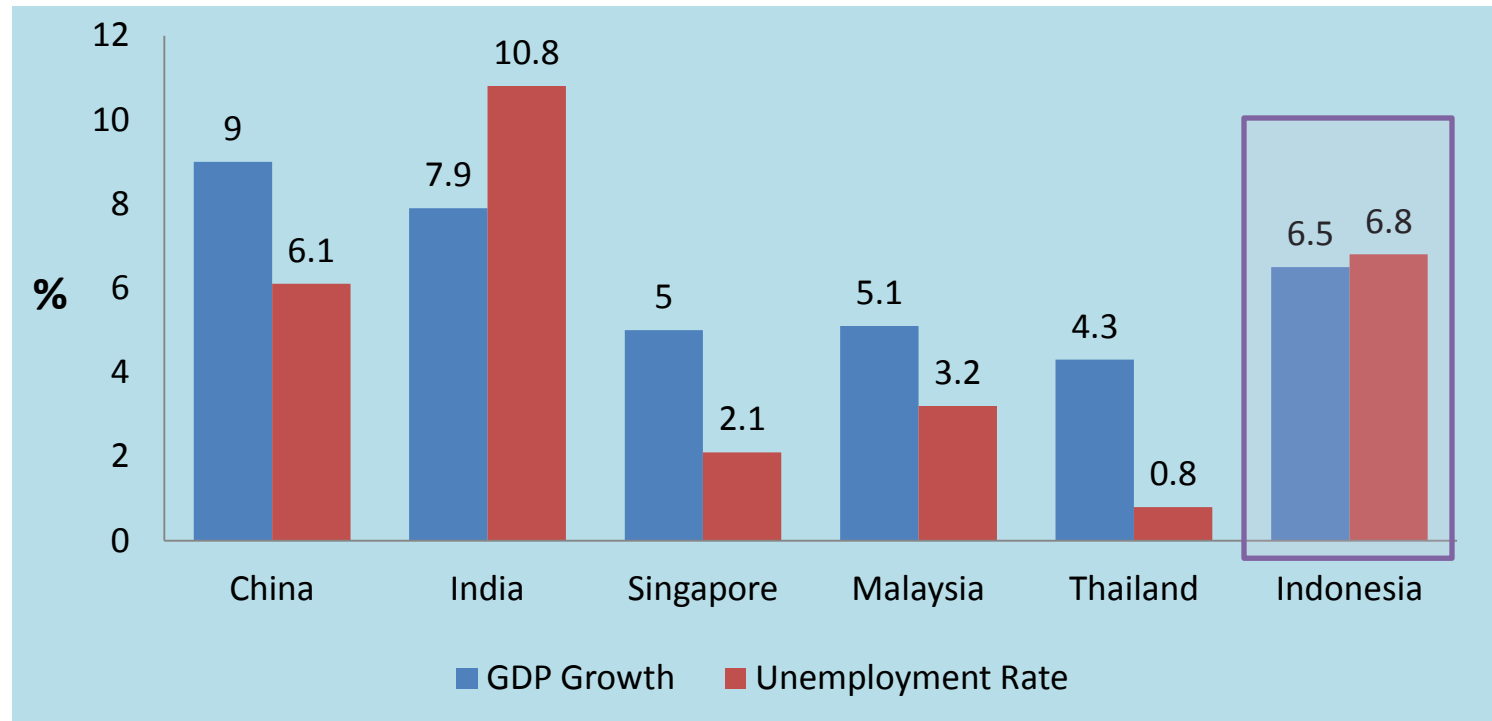
- Indonesia is posted in 8th rank for business prospective, mostly supported by market growth, size of local market, access to natural resources, yet remains bellow China, India, dan Vietnam position.
- China has higher scores on market growth, size of local market, presence of supplier and partners,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

# INDONESIA AMONG OTHER COUNTRIES IN 2011



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

# INDONESIA AMONG ASIAN COUNTRIES IN 2011



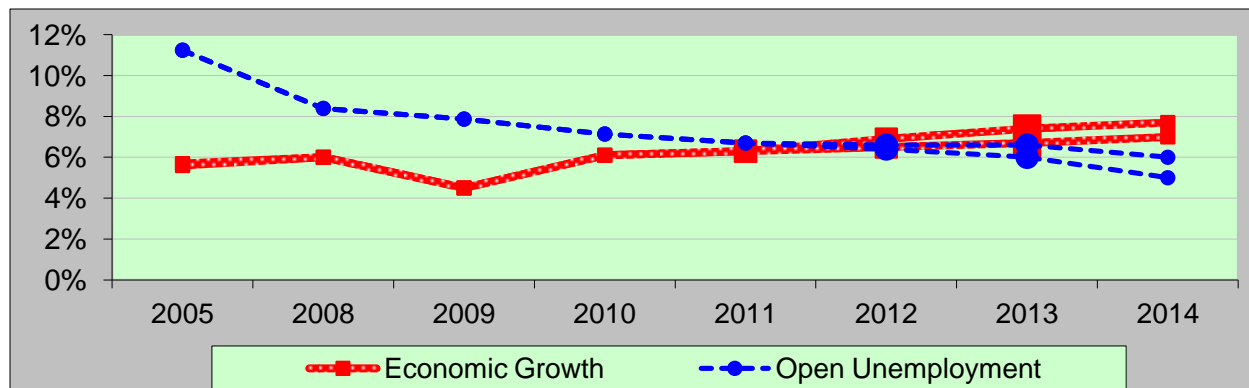
- Compared to other Asian countries, such as Singapore, Malaysia, and Thailand, Indonesia's economic growth was the lowest.
- China and India grew 9.0 percent and 7.9 percent respectively, although their unemployment rates were relatively higher than Indonesia's.
- Indonesia still faces challenges on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



# POLICY DIRECTIONS

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

## ECONOMIC PROSPECTS



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

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

# CHALLENGES

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

# POLICY DIRECTIONS (1)

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

## POLICY DIRECTIONS (2)

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

## POLICY DIRECTIONS (3)

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

# EMPLOYMENT CREATION STRATEGIES

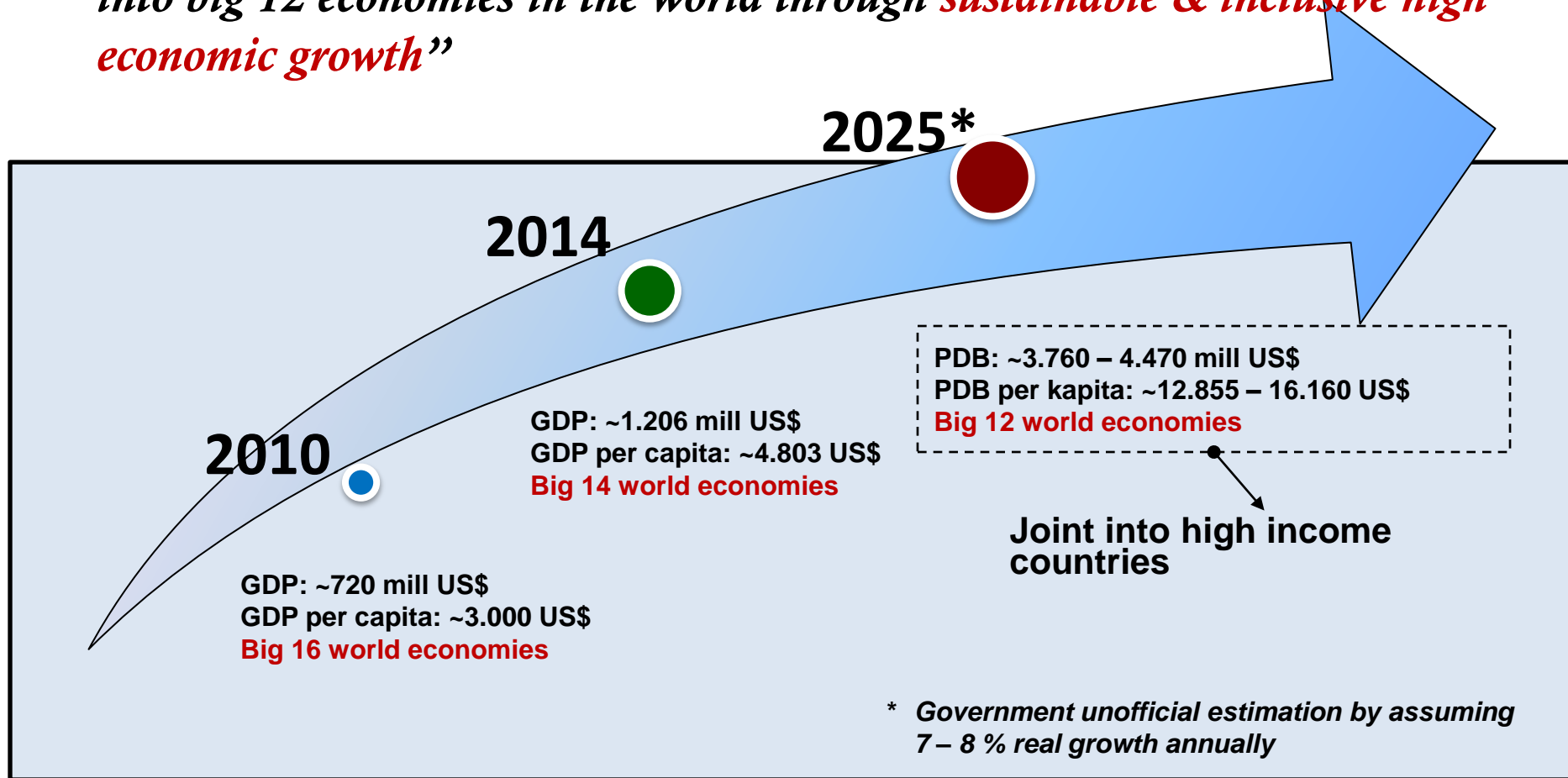
**Although the labor market shows improvement, its condition is still portrayed by:**

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

# **OVERVIEW OF INDONESIA'S LONG-TERM DEVELOPMENT STRATEGY**

# INDONESIAN VISION 2025

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

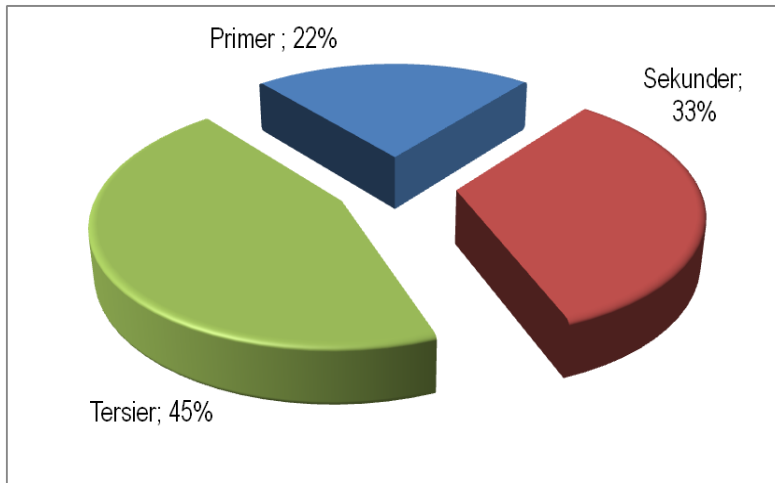




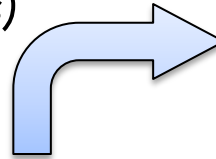
# INDONESIAN VISION 2025

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

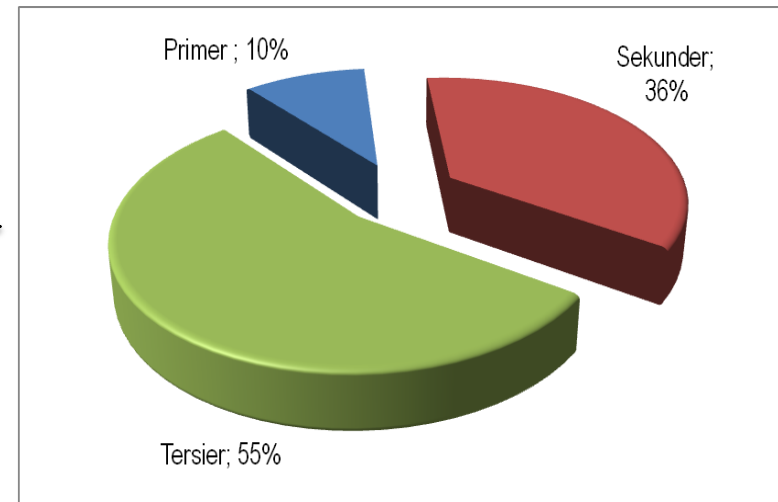
*Lower middle income country*



**Indonesian Economic Structure in 2009**



**Developed Countries Economic Structure in 2025**



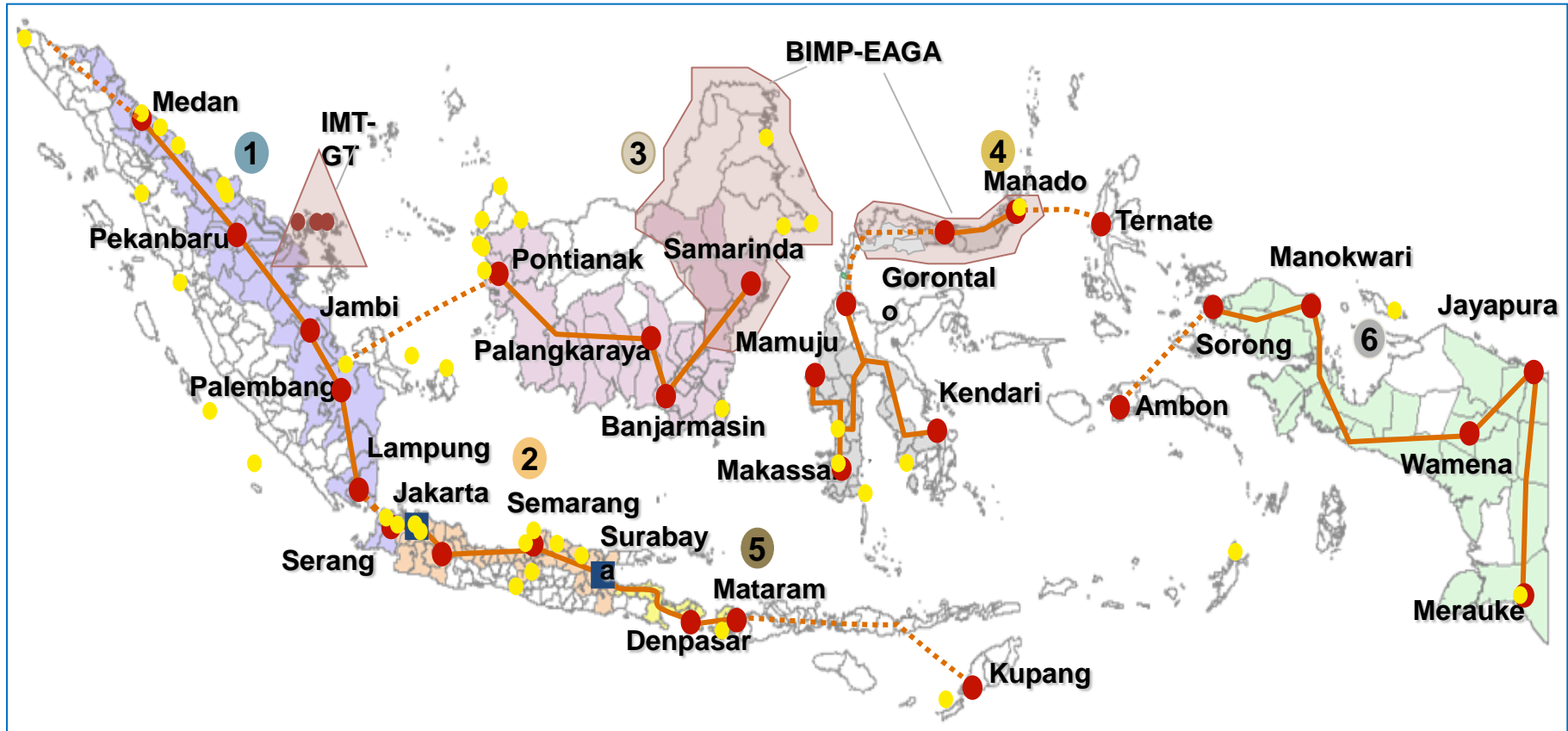
*High income country*

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

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

# SIX CORRIDORS OF ECONOMIC PRIORITY:

## CONSIST OF ECONOMIC CLUSTERS & SPECIAL ECONOMIC ZONES (SEZ)



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

1 Sumatera EZ

2 Java EZ

3 Kalimantan EZ

4 Sulawesi-Malut EZ

5 Bali-Nusa Tenggara EZ

6 Papua-Maluku EZ

# INDONESIAN VISION OF 2025

Related to **labor market policies**:

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

Thank You  
Maraming Salamat  
Terima kasih