



# Youth Employment Policy Summary

## INDONESIA



International  
Labour  
Organization

### Background Figures:

**Total population:**  
2560.0 million  
(2016)<sup>1</sup>

**Youth population (%  
total):**  
42.4 million (2014);  
16.8%<sup>2</sup>

**GDP (USD\$):** 861.9  
billion (2015)<sup>3</sup>

**GDP growth:** 4.8 per  
cent (2015)<sup>3</sup>

**Urban-rural  
breakdown:**  
53.7/46.3 per cent  
(2015)<sup>4</sup>

**Net migration rate  
(per 1000):**  
-0.6 (2010-2015)<sup>4</sup>

**Employment by  
sector:**  
35.9 agriculture; 20.6  
industry; 43.5  
services (2011)<sup>5</sup>

**% earning less than  
\$2/day:**  
43.3 (2011)<sup>5</sup>

Source:  
1. Worldometers  
2. ILOSTAT;  
3. World Bank  
4. UNESCAP  
5. KILM



Source: Infoplease.com

## Labour Market Situation of Young People

The Government of Indonesia has made a concerted effort to translate its high economic growth rates into employment generation. This is made evident in the impressive decline of the youth unemployment rate from 32.7 per cent in 2005 to 21.6 per cent in 2013. However, the economic downturn experienced in 2013 and comparatively low growth rate in 2015 of 4.8 per cent puts these positive developments at risk.

The challenges facing young people are multiple, ranging from informality (approximately 50 per cent work in the informal economy), inactivity (19 per cent are not in the labour force or education) and long-term unemployment (those without employment for more than 12 months account for 42 per cent of unemployed youth) ([ILO, 2015](#)).

There remains a gender divide in addition to an urban-rural divide in employment outcomes. Young women are more likely than young men to be inactive and unemployed. Rural youth are more likely to be in informal employment than their urban counterparts ([ILO, 2015](#)).

There are also positive trends, namely that young people are staying in the education system longer which is reaping benefits on employment outcomes. Secondary school enrolment has increased from 50.2 per cent in 2001 to 76.1 per cent in 2012, and tertiary enrolment has doubled from 14.4 per cent in 2001 to 31.5 per cent in 2012 ([UNESCAP](#)).

**Table 1: Youth Employment Indicators**

Indicator	%
Labour Force Participation Rate, ages 25+ (2013) <sup>1</sup>	72.6
Youth Labour Force Participation Rate, ages 15-24 (2013) <sup>1</sup>	48.3
Youth Unemployment Rate (2013) <sup>2</sup>	20.29
Youth Unemployment Rate in South East Asia & Pacific Subregion (2016) <sup>3</sup>	13.6
Enrolment in secondary education (2013) <sup>4</sup>	75.0
Enrolment in tertiary education (2012) <sup>5</sup>	31.5

Source: 1. ILOSTAT; 2. ILO Calculations; 3. ILO 2016, WESO; 4. World Bank; 5. UNESCAP

## Youth Employment Policy Approach

Youth are defined in the 2009 *Law on Youth* as those between the ages of 16 and 30. Youth are generally not targeted in Indonesia's national development frameworks but are assumed to benefit implicitly. Through its *National Mid-Term Development Plan 2010-2014*, the Government has demonstrated its commitment to pro-growth and pro-employment strategies which also include provisions in the realms of education and poverty alleviation. The *Vice President's Job Creation Plan* also tackles employment creation through entrepreneurship, a major area that needs encouragement among youth. In addition, it targets better labour market information and services and better matching of labour supply and demand. Another priority of the Government has been to improve the quality of general education and vocational education and training. The Government has put in place several reforms, particularly of the vocational education system and established a new curriculum in 2013. It also is legally required to allocate 20 per cent of its budget to education ([ILO, 2015](#)).

## Policy and Legal Measures\*

\*Unless otherwise cited, information comes from the ILO's 2015 *Jobs and Skills for Youth: Review of Policies for Youth Employment of Indonesia*.

**Enterprise Development:** Approximately 90 per cent of businesses in Indonesia are micro, small and medium-sized enterprises (MSMEs). However, entrepreneurship among youth is not seriously considered as a viable career path and is discouraged by parents. To remedy this, the *Vice President's Job Creation Action Plan* targets young entrepreneurs in **access to credit, business development support and entrepreneurship training**. In 2000, the Ministry of Cooperatives and Small Medium Enterprises and the Ministry of National Education and Culture agreed to include entrepreneurship in the education system. *Law No. 20/2008* places the weight of responsibility on the Government to provide incubator and business development services, along with other measures such as training and coaching, to create a business-friendly environment. In addition, *Law No. 40/2009 on Youth* enables youth entrepreneurship by training, access to finance, coaching and allows any level of government to allocate its budget to encourage youth entrepreneurship.

**Education and Training:** Indonesia passed a constitutional amendment in 2002 to apportion at least 20 per cent of the Government **budget** for the purposes of education. A **new curriculum** was implemented in 2013 with compulsory subjects and electives, the latter act as specialisation courses enabling students to determine whether they would like to pursue vocational or general education. The curriculum also mandates two hours of **counselling** per study week for students, providing students with career information and creating a smoother transition from school to work. For poor students, the Government has implemented a scholarship scheme, renamed in 2012 to **Subsidies for Poor Students** where poor students from primary to university

### Documents containing youth employment policy provisions:

- Law No. 20/2003 Law on the National Education System
- Law No. 20/2008 on Micro, Small and Medium Enterprise
- Law No. 40/2009 on Youth
- Manpower Act 13/2003
- Vice President's Job Creation Action Plan

levels of education are directly transferred subsidies several times a year to enable them to attend school ([ILO SECSOC](#)).

**Vocational training** is handled by the Ministry of National Education and Culture (MoEC) and the Ministry of Manpower (MoM). The former provides vocational training through formal education; most vocational education occurs through **vocational secondary schools** (VSS) which are linked to industry and enables students to have on-the-job work experiences. In 2010 there were more than 3.3 million VSS students. The curriculum is developed by curriculum centres which are made up of representatives from the education system, workers and employers. The MoM is responsible for the **BLK centres** - technical training centres which operate on a smaller scale than the VSS. Since 2001, most operate at the provincial and district levels and provide training along with job placement services. In 2009, 89 per cent of graduates were able to find jobs in the labour market. The Ministry has tried to revitalise the BLK centres, which face budgetary shortages.

Regarding **recognition of skills**, the National Professional Certification Board (BNSP) was established in 2004 and provides certification of professions and occupations – primary those most in demand – through applying standards. It is funded by the MoM (ILO, 2015). In 2012, Indonesia's *Presidential Decree no. 8/2012* supports the creation of the **Indonesian Qualifications Framework** which is in its phases of implementation managed by the Indonesian Qualifications Board. The IQF consists of 9 levels, from Year 9 through to TVET and higher education ([UNESCO 2014](#)).

### **Did you know?**

**Indonesia has ratified [19 ILO Conventions](#), including **8 Fundamental and 2 Priority Conventions**:**

#### **Fundamental Conventions:**

- Forced Labour Convention (No. 29)
- Freedom of Association and Right to Protection of the Right to Organise Convention (No. 87)
- Right to Organise and Collective Bargaining Convention (No. 98)
- Equal Remuneration Convention (No. 100)
- Abolition of Forced Labour Convention (No. 105)
- Discrimination (Employment and Occupation) (No. 111)
- Minimum Age Convention (No. 138)
- Worst Forms of Child Labour Convention (No. 182)

#### **Priority Conventions:**

- Labour Inspection Convention (No. 81)
- Tripartite Consultation Convention (No. 144).

In terms of **apprenticeships**, Indonesia does not have a single coordinated policy but rather different ministries run their own programmes separately. The MoM runs an Enterprise-Based apprenticeship system which is for 3-6 months between an apprentice and employer, while the MoEC has apprenticeship schemes for 2-4 months generally through non-accredited training providers.

**Labour Law and Legislation:** Indonesia's *Manpower Act No. 13/2003*, or **labour law**, regulates all aspects of employment relationships including the employment of children, apprenticeship agreements, dismissals and severance pay. Those aged between 13 and 15 can perform light work up to 3 hours per day, as long as there is parental/guardian consent and the work does not disturb their schooling. Apprenticeships are a means of job-training and can take place in or outside of Indonesia, and those who have completed apprenticeships are entitled to have their qualification recognised by a certification agency or enterprise. Regarding severance payments, after a four-month probation period, all employees have the right to a termination payment, whose amount depends on the length of employment ([NATLEX 2014](#)).

**Labour Market Policies:** The *Vice President's Job Creation Action Plan* targets youth in its measures related to **employment service**

**centres.** These centres receive support in the development of job profiles for youth, school-to-work transition training and career counselling. Through the Ministry of Manpower, the employment services also offer an **online system** which connects jobseekers with employers. This operates in approximately 100 offices, but mainly in urban centres. There are also several BLK centres which operate “**three-in-one kiosks**” providing vocational training, skills certification and job placement services.

Given that 25 per cent of migrants are young people, **labour migration** policies are also particularly relevant. There is a compulsory scheme for private insurance that migrants must have before they can go overseas, and the Government has initiated measures to regulate the recruitment process and provide protection to Indonesians abroad. In terms of **minimum wages**, Indonesia fixes its minimum wages across provinces and sectors through a process of surveys, tripartite wage committees and employer objections. However, due to the informal economy many workers receive less than the minimum wage.

## Structure of Governance and Main Actors

The 2009 *Law on Youth* established the **Ministry of Youth and Sports** as responsible for an array of youth-related services including skills training, youth empowerment, capacity development and coordination of youth-related policies across different ministries, NGOs and district governments. The provision of education falls under the remit of the **Ministry of National Education and Culture** and the **Ministry of Religious Affairs**. The former is also involved in the provision of vocational education. The **Ministry of Manpower’s** portfolio covers vocational training, apprenticeships (skills training providers must register with the MoM), and employment services. The **Indonesian Youth Employment Network (IYEN)** gathers different actors involved in youth employment issues together – including civil society, academia and the private and public sector. It has been active in the country since 2003 and produced the *Indonesian Youth Employment Action Plan 2004-2007*. After some inactivity, it is currently hosted by National Development Planning Agency.

### References:

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Source: [www.travel.nationalgeographic.com](http://www.travel.nationalgeographic.com)