

YOUTH LABOR AND POLICIES IN INDONESIA

Country Report

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Summary

The increasing number of unemployed youth is an intimidating problem faced by Indonesia and many other countries. Around the world, the average rate of unemployment among young people is higher than that of the general population. Based on the 2003 National Labor Force Survey, there are 9.5 million unemployed people in Indonesia, in which almost 60 percent of them are under 25 years old, even though this age group was composed by only 20 percent of the total labor force.

The majority of youth in Indonesia, most of them are females and who live in rural areas, have limited access to employment opportunities because of limited education, training, and experience. Furthermore, an average of 32.36 percent of employed youth is underemployed. This implies that they work less and do not earn sufficiently.

The problem of youth employment is a serious issue leading to situations of social, economic, and security unbalance which causes eventual marginalization and exclusion amongst youth. Youth unemployment has other national and global impacts notably increased violence, crime and political instability. These problems cause concern and solutions need to be found by making comprehensive policies.

Development strategies in this area can be broadly categorized into two groups, namely supply-side oriented approaches which attempt to improve the work competency of youth and demand-side-oriented approaches, which attempt to increase the labor demand towards the recruitment of younger people. These strategies should be considered and organized around the framework of youth development: employability, entrepreneurship, equal opportunity, and employment creation.

This country report explains briefly the situation of youth employment and the challenges of being unemployed and underemployed youth in Indonesia. This paper advances a number of policies regarding action in support of youth employment.

I. Introduction

Youth employment and globalization have been the most dynamic issue in Indonesia and other countries. One of the nation's serious and longstanding problems is providing adequate employment opportunities for our young people. Another problem is the low quality of labor force because of low education and limited training as well as work experience. All these problems can lead to high youth unemployment.

The problem of youth unemployment must be solved by making comprehensive policies that involves the demand and supply side approach.

II. Youth Labor Market

a. Limited Employment Creation

The Indonesian economic development has recovered after experiencing recession and stagnation. The economic growth improved by 4.0 percent in 2003 and is expected to rise to 4.5 percent in 2004. With such an economic growth, employment creation, particularly in the formal sector, is very limited and not considerable enough to accommodate the increasing labor supply including youth labor. Those who cannot be employed in the formal sector have to

continue being either unemployed or employed people in the informal sector that acts as the last resort.

The industrial structure of Indonesian employment has been changing profoundly and affects the youth employment. In the context of youth employment, it is no surprise that in most industries, the percentage of employed youth has been on the rise. However, there has been a decline in the proportion of youth who work in the agriculture and social service industries in the period 1990-2003. A clear result of the changing economy is that most of youth, both male and female, work in the agriculture, manufacturing, and trade industries (See table 1).

Although most of the youth work in the agriculture industry, the proportion of youth working in the agriculture industry is decreasing, from 55.2 percent in 1990 to 42.8 percent in 2003. The manufacturing sector marked as the second sector that is more likely to be occupied by youth and its proportion is increasing.

With respect to residential areas, urban youth have a different pattern as compared to rural youth. Urban youth mostly work in the manufacturing and trade industries, accounting for almost 57.9 percent of employed youth, while in the rural areas 64.2 percent of youth work in the agriculture industry (See Table 2).

b. Education Level

There have been major improvements in the education of total labor force, although the overall level of educational attainment is relatively low. Almost 55 percent of labor force has either an elementary school degree or even lower. The fraction of labor force with secondary education is 40.73 percent, while those with diploma and university degrees consist of only 4.62 percent.

Between 1990 and 2003, youth educational attainment figures show a turn down of the proportion of both male and female in the lower level education and relatively stable pattern in the higher level of education. Most of the youth have either elementary or general junior high school degree, accounting for 66.8 percent in 2003. Although the total percentage of both degrees are almost the same compared to 1990, however the proportion of youth with elementary degree decline from 42.2 percent in 1990 to 30.0 percent in 2003. In addition, the

proportion of youth with general junior high school degree increase from 25.12 percent in 1990 to 36.8 percent in 2003 (See Table 3).

It seems that the proportion of female young population achieve more compared to their counterpart in terms of education, except in general junior high school, general senior high school, and vocational senior high school. Meanwhile, in the higher level of education, the proportion of youth who hold either Diploma I/II/III, or University degree has not much changed between 1990 and 2003.

C. Youth Population

The 2003 Labor Force Survey counts about 39.80 million people who are youth aged 15-24 years where females account for 49.2 percent of total youth population and most of youth live in rural areas. This equates to 18.30 percent of the total population, which is slightly lower than the 21.60 percent record in the 1990. (See Table 4).

Compared to 1990, the number of people aged 15-24 years who live in urban areas increase by almost 11.9 percent, while youth who live in rural areas decrease by the same percentage. These differences are largely a reflection of an expectation of youth that in urban areas they will find more jobs and more youth who live in urban areas may also start actively looking for work in periods of abundant jobs.

Between 1990 and 2003, the proportion of youth in the total population aged 15-19 years decrease for both male and female by about three percent, while the proportion of youth in the total population aged 20-24 and 25-29 years have stable proportion (See Table 5).

D. Labor force

As the fourth most populous country in the world, Indonesia has abundant labor force, including youth labor force. This force can be turned into a potential strength in producing goods and services, which in turn will contribute to the national economic development.

Of a total population of 39.80 million youth in 2003, approximately 20.48 million are in the labor force, increased from 17.29 million in 1990 (See Table 6). Youth labor force participation is around 51.5 percent in 2003 up from 50.93 percent in 1990, which is below the total labor force, 65.7 percent (See Table 7). The participation rates of youth in the 15-19 age group are lower than those in the 20-24 age group between 1990 and 2003. In addition, youth participation in the 15-19 age group have a decreasing trend while those in the 20-24 age group have an increasing trend.

In general, male youth have a higher participation rate than female youth. The participation rate for the 15-24 age cohorts for males showing an increasing trend while for females showing a decreasing trend. Since 1990 up to 2003, female participation rates decrease from 41.20 percent to 40.5 percent. By contrast, male participation rates increase about 1.77 percentage from 60.97 percent to 62.7 percent.

E. Youth Employment to Population Ratio

The number of employed youth in the 15 to 24 years age group is 14.77 million in 2003 decrease by 1.13 million from 1990 with male and female employed youth having a decrease of 0.22 million and 0.91 million, respectively. The decrease of employment in the 15-24 age group can be accounted for by the decrease of the employment in the age group of 15-19. The number of male employed youth, aged 15 to 19 years decrease from 4.38 million in 1990 to 2.78 million in 2003, while that of female employed youth decrease from 3.01 million in 1990, to 1.80 million in 2003. Meanwhile, the number of youth employment for other age groups, 20-24 and 25-29 are showing an increasing pattern. In addition, the ratio of youth to population has decreased from 46.86 percent in 1990 to 37.12 percent in 2003 (see Table 9).

F. Youth unemployment

Unemployed youth form a large proportion of the total unemployed population. Of the 9.5 million unemployed people in 2003, about 5.7 million or almost 60 percent are of the aged 15 to 24 years, with the most being in the 20-24 age group. This can be considered as a waste of an important national

resource, especially since these youth are supposed to have the most up-to-date skills needed in a technologically fast-moving economy (See Table 10).

Between 1990 and 2003, the youth unemployment rate has been much higher than the total unemployment rate, and over all the unemployment rates are higher for females than for males (See Table 11). Unemployment rates have increased more notably amongst females. In 2003, the youth unemployment rate is 27.88 percent compared to an overall unemployment rate of 9.50 percent, almost three times the national rate. Youth aged 15-19 years have the highest rate of unemployment in any of the youth age group, followed by youth in the 20-24 years age group.

G. Underemployment

Based on the 2003 National Labor Force Survey, out of employed people there are more than 28 million categorize as underemployed based on working less than 35 hours of work per week. The underemployed youth constitute an estimated 4.78 million or almost 16.80 percent of the total underemployed people in 2003, decreased by 2.06 million compared to 1990. This decline is mostly accounted for by the decrease of youth in the 15-19 age group from 3.81 million in 1990 to 1.87 million 2003. Among underemployed youth, male and female account for 56.70 percent and 43.30 percent, respectively in 2003 (See Table 12).

According to the data from the survey on labor force, between 1990 and 2000 the number of youth underemployment is much greater than that of youth unemployment. However, that trend is turned around in the year 2003, where the number of youth underemployment is lower than that of youth unemployment (see table 12).

H. Duration of Youth Unemployment

The job search strategies of youth job seekers vary according to age group, suggesting a certain degree of labor market segmentation. The mean job search duration for youth job seekers, aged 15-24 years, is about seven months in 2003 decrease from nine months in 1990 (See Table 13). In addition, job search process took considerably less time for youth than for general people.

The mean job search duration of male and female are almost similar, however they vary according to age group. The different between age group with respect to the mean job search duration are just two months. Job seekers in the 15-19 years age group have shorter job search duration than any other youth group. They are more likely to make use of informal channels, including contacting relatives and friends. This process take considerably less time than those apply to establishments and register their names in employment service offices, a time-consuming process.

III. Youth Employment Policies

The role of young people in Indonesia's development is considered strategic by the government. This important issue has long been concerned and stated in the national policies that consider youth as one of the nation's resources of development that needs to be taken care of; young generation, who will become the nation future leaders, need to be of high quality; and the importance of developing interest and spirit of entrepreneurship among the youth people, who are expected to be ready in the world work.

Efforts and measures in developing youth require attention and should be properly handled by making comprehensive employment strategies and programs which is principally aimed to:

1. Employ and utilize youth optimally and humanly,
2. Accomplish an even distribution of youth employment creation and provide youth labor force which fulfills the needs of national and regional development,
3. Provide labor protection for youth,
4. Increase the welfare of youth labor.

The strategies to overcome the unemployment youth can be broadly categorized into:

1. supply-side-oriented approaches, which attempt to develop the chances of younger people by increasing their work competency for getting jobs.
2. demand-side-oriented approaches, which attempt to increase the labor demand that can provide young people with more jobs.

These policies must be associated with employability, entrepreneurship, employment creation, and equal opportunities that are closely interlink.

The policies can be broken down as follows: employment creation policy which is aimed to overcome the problem of youth labor surplus, unemployment, and underemployment through macro, regional, sector, and special policies. The expansion of employment creation can be undertaken in labor-intensive or self-employed programs, small and medium enterprises, and cooperatives. Second, development of labor quality and productivity policy is carried out to develop work competency of youth in order to increase capability and productivity. Third, labor protection policy is aimed to create a peaceful and harmonious industrial relation between employers and youth employees. It is also aimed to create better working conditions, welfares, and social security systems for the youth employee.

Based on those policies on combating youth unemployment, the Government of Indonesia has carried out efforts to set up action-programs. Most of the programs involve various stakeholders including the government, private sector, non-government organization, and other concerned parties.

Below are some of the programs that have been done:

1. Indonesian Youth Employment Network

In order to coordinate and harmonize all youth policies and programs, the Government of Indonesia has already set up Indonesia Youth Employment Network. (Indonesian YEN). This is aimed to set up networks and partnerships among governments, employers' organizations, trade unions, youth organizations and other civil society groups to pool

efforts and resources in alleviating youth unemployment. The broad objectives of the Network are to formulate a set of recommendations on youth employment; to disseminate information on good practices; and to promote and sponsor the creation of jobs for young people. The main points of the I-YEN are to: (i) prepare a National Plan of Action on Youth Employment; (ii) guide and support the preparation and implementation of action programs including those at the regional and local levels; (iii) facilitate partnership with the private sector and among network members; and (iv) monitor, evaluate and provide feedback on action to the Government through the Coordinating Ministry on Economic Affairs.

2. Training Development

The most common and continuous programs provided by the government in conjunction with youth unemployment alleviation are those programs relating with training. The problem of unemployment is partly attributable to the fact that training and education systems often offer curricula that are not related to the world of work.

A vast variety of training programs have been developed to increase the work competency of youth that can be used in the labor market. This involves the development program of a national professional qualification framework. Such programs have been carried out by Department of Manpower and Transmigration, Department of National Education, other government institutions, Employers Association, and Trade Union. Some training that has been carried out is as follows:

- a. The government is in the process of reforming the technical and vocational training system. This effort is aimed to ensure that the training meets the needs of development and must respond to conditions in the labor market. The government currently operates about 153 vocational training centers located in all provincial and most of district capital, including six big vocational training centers under the management of central government. These training

centers provide a variety of training such as mechanic, automotive, welding, electric, and commerce.

- b. Training to become self-employed, usually involving a combination of training in business methods, facilitated access to credit or grants and access to work space.
- c. Training to become entrepreneurship that involves the development of entrepreneurial talent which is important to sustaining a competitive advantage in a global economy. Entrepreneurship training generally refer to programs that promote entrepreneurship awareness for career purposes and provide skill training for business creation and development.

3. Expansion of job opportunities

Program of job creation are also carried out through special programs for a certain group of the labor force such as the unemployed and underemployed youth in rural areas that are designed not only to reduce youth unemployment but also to create permanent jobs. The program is implemented through labor intensive project that are mostly tied to district development programs.

Program measures are also made to develop job creation through the utilization of volunteer workers. Youth are mobilized to become volunteer workers to work side by side with young people that they guide, supervise, and be trained to be self employed.

4. Development of Public Employment Service

In a labor surplus economy, like Indonesia, the incidences of labor market mismatches are high. Simple indications of this are reflected in the high rate of youth unemployment and underemployment. One of the main problems of labor market with respect to unemployment is imperfect information. Youth job seekers could not find a job while users of labor could not find youth job seekers, causing frictional unemployment. The effort in strengthening employment service is seen as a key instrument in addressing the youth unemployment problems of the labor market.

Establishing the Indonesian-Jobnet, an automated job and applicant matching system as an employment service online, is one of our priorities.

5. Job Fair

The Department of Manpower and Transmigration has carried out a National Job Fair last May 2004 that brought together prospective employers in a particular profession or industry with prospective employees, particularly youth job seekers, who were interested in that field. About 45 local and national employers had representatives available to talk with 44,000 job seekers mostly youth job seekers.

Through this job fair youth aged 15-24 years took advantage of one-on-one job information meetings, as well as participate in multiple on-the-spot interviews for many time positions. This job fair will be expanded in December 2004 with the collaboration between the central government and several provinces government to carry out job fair in their area at the same time.

6. Strengthening Career Guidance At Schools

The Department of Manpower and Transmigration and Department of National Education support career guidance teachers and counselors in secondary schools. The efforts are made to improve knowledge of new entrant or student the principles of labor market and to facilitate the transition from educational system to the work world prior to their employment.

These are several major features of youth employment and labor policies that has been briefly explained. It is expected that it will help us understand better the perspective towards youth labor market issues in Indonesia.