

CHALLENGES OF UNEMPLOYMENT IN INDONESIA: TRENDS, ISSUES AND POLICIES¹

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Abstrak

Merosotnya kondisi ekonomi Indonesia selama krisis tahun 1997-1998, berpengaruh luas terhadap kualitas hidup masyarakat, akibat pengangguran massal, merosotnya kesempatan kerja formal dan menurunnya daya beli masyarakat. Indonesia, sebagai negara surplus tenaga kerja, masih terus menghadapi masalah pengangguran, akibat terbatasnya lapangan kerja produktif dibandingkan masuknya angkatan kerja baru di pasar kerja. makalah yang menggunakan data sekunder ini khususnya data Sakernas 1996-2004 dari BPS, bertujuan untuk menjelaskan isu-isu dan tantangan pengangguran di Indonesia, yang menekankan pada ilustrasi tingkat pengangguran (terbuka dan terselubung), beberapa isu terkait pengangguran dan bagaimana mengembangkan kebijakan untuk mengatasi pengangguran. Tingkat pengangguran terbuka terus meningkat, hingga mencapai 10% pada tahun 2004, sejalan dengan pertumbuhan ekonomi yang hanya mencapai 4—5% . Pengangguran terbuka lebih menonjol pada kelompok perempuan, terdidik, dan di daerah perkotaan serta isu terkait lain pada kelompok rentan seperti perempuan, pemuda dan pekerja migran. Pengangguran terselubung merupakan isu lebih serius, karena mengindikasikan kurang dimanfaatakannya potensi penduduk, dan faktor utama penyebab pekerja miskin. Hampir separuh pekerja terlibat dalam pekerjaan yang kurang produktif/ sektor informal, dilihat dari lamanya jam kerja maupun rendahnya penghasilan. Indonesia menghadapi tantangan besar dalam upaya mengurangi tingkat pengangguran maupun kemiskinan. Kebijakan sebelumnya yang menekankan pada pertumbuhan ekonomi tinggi tidaklah cukup, tanpa diimbangi dengan penciptaan iklim yang kondusif melalui kebijakan, peraturan dan kelembagaan yang baik. Kebijakan ketenagakerjaan perlu difokuskan pada penciptaan pekerjaan yang lebih produktif, disertai perlindungan yang lebih memprioritaskan pada kelompok-kelompok penduduk rentan.

Kata kunci: pengangguran, pengangguran terselubung, kelompok rentan, kebijakan ketenagakerjaan.

A rapid decline of Indonesia's economy during the crisis of 1997-1998, has widely affected the quality of people life, including the declining labour demand, massive lay-offs, and shrinking formal employment. This situation will continue confirming Indonesia as a labour surplus

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country, due to limited productive working opportunities can be created by slower economic growth against the growing of new entrance in the labour market. This paper which is based on the secondary data mainly SAKERNAS data (1996–2004) from BPS Statistics Indonesia, describes issues and challenges of unemployment in Indonesia, with focus on the illustration of the unemployment trends, some issues on unemployment and related aspects, and how the development policies address the challenges of unemployment. The official open unemployment rate has been slowly increasing, even during the economic boom (1995–1996), and continues rising up to about 10% in 2004. The incidence of open unemployment has been more pronounced among women, more educated, and in the urban areas. Other issues concerning unemployment deal with particularly vulnerable groups such as women, youth and migrant workers. Underemployment is more serious concern which is indicated as underutilizing people's potential, and the main factor of working poor. Almost half of Indonesia's labour force has involved in low productive works, either with low work hours or low income. Indonesia has faced big challenges to find way out in reducing the unemployment rate as well as poverty. The employment policy should focus on creating more full productive jobs and priorities the policy and protection for the more vulnerable groups.

Keywords: unemployment, underemployment, vulnerable groups, employment policy

1. INTRODUCTION

Indonesia has a high growth of labour force but majority of the labour force were graduated from elementary school or below. This condition occurred as a consequence of rapid population growth and limited development of social and human resources during the past decades. Moreover, a rapid decline of Indonesia's economy during the crisis of 1997-1998, had widely affected the quality of people life, including the declining labour demand, massive lay-offs, and shrinking formal employment. This situation will continue confirming Indonesia as a labour surplus country, due to limited productive working opportunities can be created by slower economic growth against the growing of new entrance in the labour market.

Indonesia has faced continually rising unemployment rate. The official open unemployment rate has been slowly increasing since the economic boom 1990-1995, and had remarkable increased during the crisis. It was reported recently (BPS, 2005), that more than 10% total Indonesia's labour force was unemployed. However in Indonesia's case, open unemployment rate is only part of the problems. Another serious issue is underemployment, which affects a much larger part of the population and triggers poverty among labour force. Continued high rate of underemployment is indicated by insufficiency of empowered people's potential and the working poor. The main issue concerning underemployment deals with high percentage of people involved in informal sectors that has expanded during the recession, whilst employment in the formal sector is declining. Open unemployment also consists of a large extent of youth

who are mostly looking for their first work. Other issues concerning unemployment deal with particularly vulnerable groups, such as women, youth and migrant workers.

Based on the complex matters of unemployment and related aspects, Indonesia confronts big challenges to find ways in reducing unemployment as well as poverty. Policies that support productive jobs creation and effective human resources development are essential for Indonesia to overcome the problems. This paper analyses the issues and challenges of unemployment in Indonesia and focus on three objectives. The first one is to illustrate the growth of labour force and unemployment trends (open and underemployment) during pre and post crisis, with concern to some dimensions such as age, gender, educated, and regional differential (rural urban). The second objective is to demonstrate some issues on unemployment and related aspects. The third objective is to describe how the development policies address the challenges of unemployment.

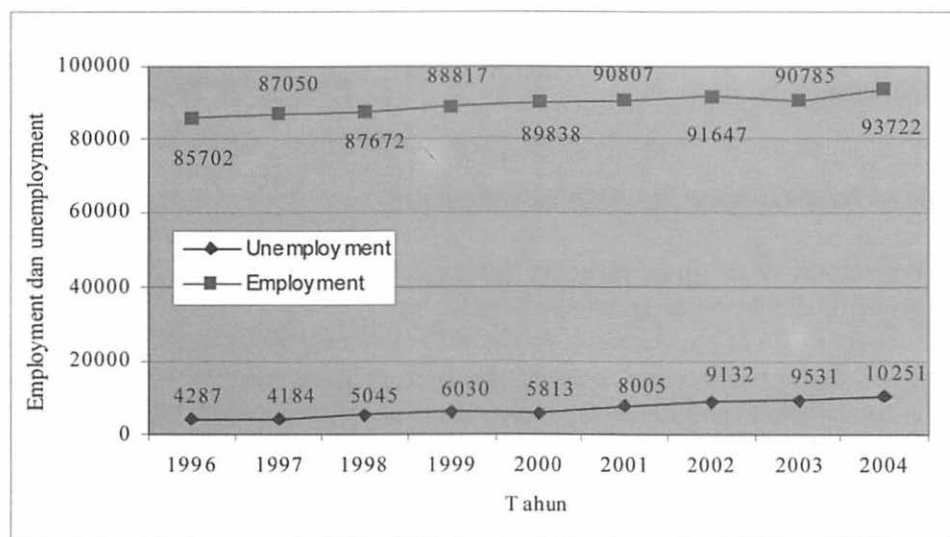
2. OPEN UNEMPLOYMENT AND UNDEREMPLOYMENT

Prior to the crisis, Indonesia was categorized as a country with relatively low level of open unemployment rate compared to some developing and developed countries. The level of 4 to 5% of open unemployment rate before the crisis is usually categorized as normal value or is still tolerated as full employment. After the crisis, unemployment growth has largely been influenced by economic and labour market situation which was also heavily affected by the crisis. Open unemployment trends in Indonesia from 1996 to 2004 can be viewed in Figure 1. Limited working opportunities during the crisis unavoidably caused significant escalation of open unemployment rate. The declining number of open unemployment in 1996–1997 from 4.41 to 4.28 million people, as mentioned above, was more likely due to the territorial adjustment (without East Timor) and the amendment to age restriction concept for labour force. As an outcome of the said changes, open unemployment rate during 1998–2000 rose from 5.06 to 5.81 million people. The increasing rate of open unemployment in 1998–1999 was notably due to the crisis' impact whose hardest hits were taking place in the mentioned years. Numerous labour forces that could not penetrate the market turned out to be full or half jobless.

Another thing which relates to unemployment issue is the inclusion of 'discouraged workers' in unemployment grouping. People that fall into this category are those who do not work and are not seeking job because of desperation, hence was positioned as 'non-labour force'². This issue has brought in implication towards the level of greater

² Suhaimi and Jammal (2001), p163. "By using the extended definition of open unemployment concept, there was an increase of LFPR for the period of 1996–2000. Open unemployment rate jumped significantly to 2,4 % and 2,1 % in 1999 and 2000 respectively, which signified improved number of discouraged job seekers as a result of the crisis"

participation of the labour force group when the non-labour force group joins the labour force category. Based on the extended concept of unemployment, number of open unemployment during the period of 2001–2004 kept rising from 8.01 million in 2001 to 10.51 million people in 2004. The trend of increasing open unemployment rate has actually taken place since 1993; either in absolute or in relative measurements compared with the labour force growth, and ultimately arrived at its highest point of 10.3% of the total population in the beginning of 2005 (Lindenthal, R, 2005). Based on the national planning agency (Bappenas) projection, open unemployment rate during 2005–2009 is still high (more than 10%), even though economic growth will gradually increase up to 7% in 2009.³



Sources: BPS= Statistics, varied years (data processed)

Figure 1. Trends of employment and open unemployment in Indonesia 1996–2004 (in thousands)

Another labour problem that draws more serious attention is the high percentage of workers who do not engage in full-time job or underemployed. This fact signifies a large number of workers who undertake unproductive work whatever available just to survive. They work for long hours with less wages and retain their poor living condition (the working poor). On the other hand, real jobless people are not always considered poor, since in the case of Indonesia which does not impose jobless security, people must work to make a living.⁴

³ Kompas, 2004. noted by this prospect economic growth, the excessive labour force will be 11.79 million or 10.2 % in 2009.

⁴ Mubyarto, 2004, p403. "Kemiskinan, Pengangguran, dan Ekonomi Indonesia", *Jurnal Dinamika Masyarakat*: He noted that "the working poor was a more serious problem than open unemployment because it has caused many full-time working people live under poverty".

Underemployment rate in Indonesia jumped sharply in 1998 and 1999 as a result of the economic crisis, which reduced the absorption of labour force. Because of the crisis, plenty of enterprises were collapsed and imposed a policy to reduce workers or cut down working hours for efficiency. It is the policy that cutbacks working hours which leads to the high rate of underemployment in Indonesia. In 2002–2004, number of underemployment was gradually dropping but the rate remained quite high which was around 30%. If the two types of unemployment (open and underemployment) combined, the total number of jobless people would reach almost 40 million people. This figure shows that underemployment rate in Indonesia is about 4 times higher than that of open unemployment. Those who work part time are noticeably different than that in full-time workers. Majority of part-timers work in agricultural sectors in rural villages. Another important thing is that female workers form over 50% of the part-timers, whereas they accounted for just 30% of full-time workers (Danani, 2004).

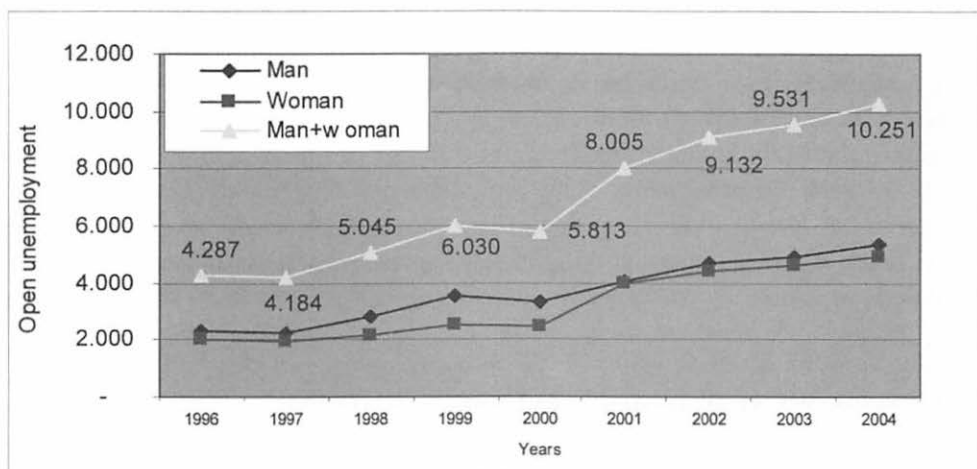
3. DIMENSION OF UNEMPLOYMENT AND UNDEREMPLOYMENT

a. Gender Disparity

The labour market remains gender-segregated, although female participation rate has been slightly rising. Male LFPR is much higher than female one. In developed countries, the difference between male and female LFPR is found lower. Despite lower participation of female labour force, the difference between male and female in open unemployment rate is not critical. This fact demonstrates that more female labour force confronts difficulties in obtaining job than male one. Quantity of unemployed labour force by sex can be viewed from Figure 2. Statistic data during last several years pointed out that female open unemployment rate was higher than that from male. This situation can be seen in 1996 when female open unemployment rate reached 10.3% while male rate only reached 7.1%. The continuing trends in following year of 1997, also highlight existing female-segregated in the labour market which leads to poor participation of female workers compared with that of male workers. Factors like limited employment opportunities and local culture that centers women to only domestic activities may cause the above condition.

In 1996–2000, the growth of open female unemployment rate was lower than male figure indicated by more flattened line in the graphic. Nevertheless, in 2001, there was substantial growth of open female unemployment rate, which was also influenced by the use of extended definition of open unemployment by the BPS Statistics Indonesia. A woman is more vulnerable to be ‘discouraging’ in seeking a job than a man. By this extended definition, urban women do not only account for highest rate of unemployment but also highest rate of discouraged workers. Women have been more influenced by the definition change, especially after crisis that was 3–4 times male figure. Female open unemployment rate increased to 3.8 % and 2.9 % in 1999 and

2000, while male only about 1%. The ratio of open unemployment trend according to applicable definition was female 55% and 44% respectively in 1999 and 2000, while male around 26 % in 1999 and 2000 (Suhaimi and Jammal, 2001).



Sources: BPS= Statistics, varied years (data processed)

Figure 2. Trends of open unemployment by sex In Indonesia 1996-2004 (in thousands)

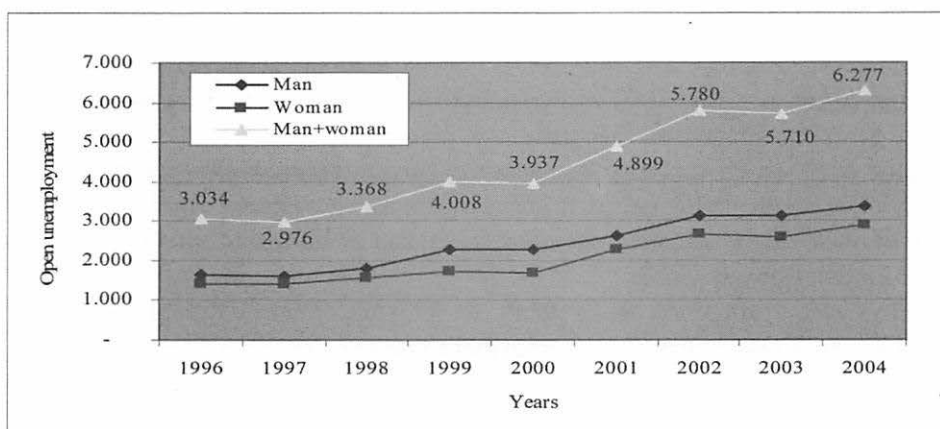
The difference between male and female in employment can also be identified from a degree of comparison between male and female underemployment (Appendix 1). In spite of lower female participation in employment than male, the rate of female underemployment was always higher than male's for the period of 1997-1999. Since 1999, the disparity between male and female unemployment rate has decreased and has never signified any significant raise starting from 2002 to 2004. The highest disparity rate happened in 1997-1998. With lower quantity of female workers, their underemployment rate always far surpasses that of male. This proves that economic crisis brings more impact to female workers than male workers.

b. Youth Unemployment

Totally, the youth open unemployment rate increased during the period of 1997-2004. But it was lower than the rate in 1996 due to East Timor's being excluded from Indonesia's territorial statistic. Meanwhile the increasing growth of youth 'open unemployment rate in 1997-1999 was more likely because of the economic crisis' impact. Based on the above analysis, youth is very vulnerable to economic crisis on account of lacking experience and working period. Working period is one of the factors that companies usually consider when dismissal is taking place. The increasing growth

of unemployment belongs to male workers since they dominate the job market. During the period of 1999–2000, there was no radical leap of youth employment rate as in the past years because the crisis was weathered and many of open unemployed people preferred to work in informal sectors to survive.

During 2000–2001, open youth unemployment showed relatively high because among others, the new definition of open unemployment that has been employed by BPS since 2001. The number of youth unemployment increased from 4.89 million to 5.39 million people during 2001–2002, and climbed up again to 6.28 million people in 2004. The trends of youth unemployment growth (15–24 years old) in fact, has been ongoing for long time but had its drastic jump since the 1997 economic crisis (Figure 3). Youth open unemployment ratio in 1996–1997 increased from 16.1 to 21.4% (increase by 30%). Afterward, the rate tended to keep on increasing until it reached 36.7% in 2002. Overall, the youth unemployment rate was almost four times higher than the adult rate (Media Indonesia, 2005). It means that the growing demand for employment by young people seems to exceed any other age group's needs. This condition became clearer when we see the ratio of youth unemployment that tended to increase as a percentage of total unemployment population since the 1970 era. It became even more obvious after the crisis, especially in rural areas.⁵ According to Sakernas data since 1996–2004, the highest ratio happened in 1996–1997, in which more than 70% from total open unemployment was youth (15–24 years old). This ratio tended to decrease since 1998 and reached 61% in 2004.



Sources: BPS- Statistics, varied years (data processed)

Figure 3. Trends of youth open unemployment (15–24 years) by sex in Indonesia 1996–2004 (in thousands)

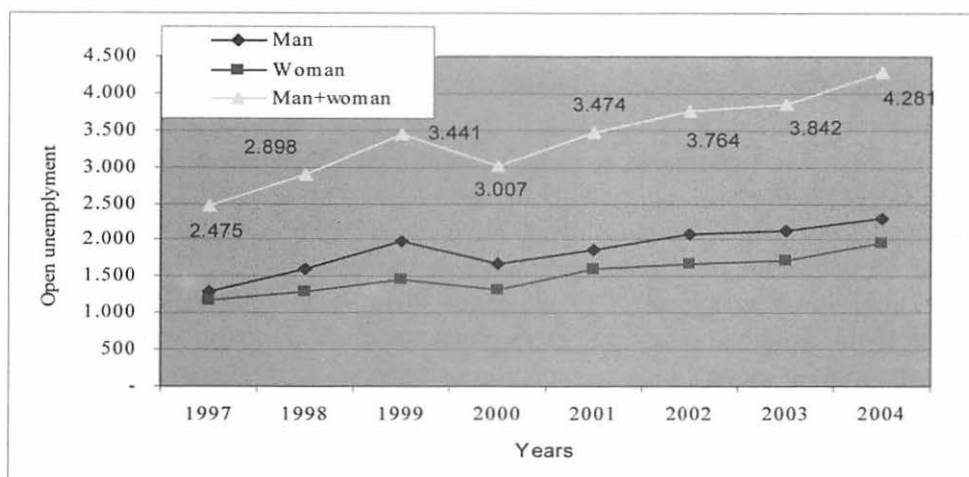
⁵ Soeprbo, 2002, 'Indonesia Youth Employment', pp22-3. "in about 30 years (1971–2000) the ratio of youth unemployment were continue increasing, which the rising in rural areas more impressive (from 30 to 75%), than in the urban (from 40 to 60%)".

Beside youth open unemployment problem, another highlighted issue is the high of underemployment among the youth (15–24 years old). They are who work below standard working hours (less than 35 hours per week) and classified to underemployment or disguised unemployment groups. As junior and less experienced workers, the youth are not as competitive as their older compatriot. In total, number of youth underemployment increased drastically from 5.7 to 10.99 million people during 1997–1998. This significant increase was a result of the economic crisis which more severely struck youth workers rather than adult workers. In 1998, youth underemployment contributed to 34.41% from total underemployment in Indonesia. This condition reveals youth vulnerability to company's dismissal and working hour's reduction. The number of youth underemployment had a tendency to decline since 1999. It moved from 6.44 million (20.52%) in 1999 down to 4.64 million people (16.60%) in 2004. This decline was taking shape along with the confidence for national economic recovery in Indonesia. Nevertheless, youth open unemployment rate is still high and consequently will have an effect on youth livelihoods and wealth. They are commonly engaged in unproductive work with low income generation.

c. Educated Unemployment

Based on statistics data (BPS, 2004), more than half (56,5%) of the labour force were elementary school graduate or even less, only about 3% had a university education, or about 4% included diploma graduated. However, the highest rate of unemployment was from the labour force with high education. Number of educated unemployment is increasing from year to year. During 1997–2004, the number of educated unemployment continued to increase from 2.48 million people in 1997 to 4.28 million people in 2004 (Figure 4). A significant increase also took place in 1998 and 1999 because of the economic crisis which provoked businesses to cut down their employees and working hours. Unlike the unemployment data in general, in which women workers were heavily affected by the crisis, educated unemployment data demonstrates that male workers suffered much from the crisis.

However, its proportion against total unemployment rate was dropping drastically. From 1997 to 2004, educated unemployment rate (Senior High School above) fell from 59.16 (1997) to 57.44 (1998) and then dropped to around 41.76% in 2004 (Figure 4). The extended definition of unemployment has minor impact on the number of educated unemployment. This signifies that there are not many of educated workers are discourage ones. From ILO study (year 2000), the high level of unemployment in educated society is due to the fact that they are used to have family that could support them while they are unemployed. While in the less educated society, they have to work immediately to be able to survive (Irawan et. al). Among the youth (15–24 years old), unemployment rate has a tendency to increase along with the level of schooling and the worst part is that more than half of the youth unemployment (51.6%) are Senior High School (or above) graduates (Suprobo, 2004).



Sources: BPS- Statistics, varied years (data processed)

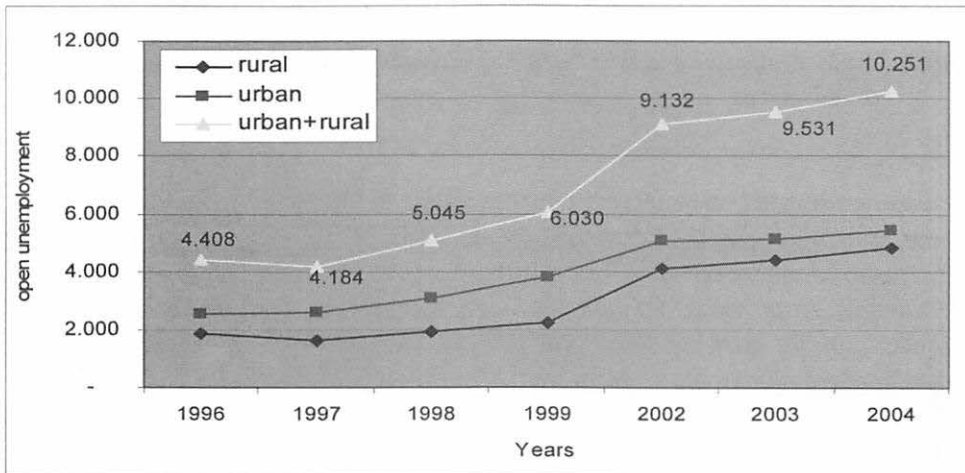
Figure 4. Trends of educated unemployment (SMTA and over) by sex in Indonesia 1996-2004 (in thousands)

Beside educated open unemployment matter, another more serious issue is high percentage of educated underemployment. In 1997, the number of educated underemployment reached 3.43 million people (around 12.24% of the total underunemployment rate). The quantity and percentage of this unemployment type have been rapidly growing from year to year. During 1997–1999, the number of educated underemployment went up from 3.4 million (12.24%) to 4.27 million people (13.63%) in 1999. The 1997 economic crisis also brought impact on the increased number and percentage of educated underemployment although it was found minor for youth workers. Yet during 2002–2003, the number of educated underemployment again decreased from 3.7 million people (12.66%) to 3.62 million people (12.72%) in 2003, and increased again to 3.87 million people (13.85%) in 2004.

Educated unemployment is one of many indications that reflects productivity of educated labour force in Indonesia. The higher level of educated underemployment ratio, the lower level of educated people who work full time or who work productively. This high rate of educated underemployment has been a distinctive challenge. It generates widespread poverty among labour force in Indonesia. They are workers with minimum income and scarce working condition. There was around 19.85% of educated underemployment rate in 1997. This figure increased to 23.50 and 22.43% in 1998 and 1999 respectively, and it tended to go down in 2004 (17.46%) .

d. Urban-Rural Unemployment

The imbalanced development between rural and urban in Indonesia causes migration flow to urban cities, primarily to find a job. Other supporting factor is bigger wage in urban cities compared to wage in rural areas. This case encourages rural people to get a better work opportunity in urban cities. This is one of the causes why open unemployment rate in urban is higher than in rural (Figure 5). In general, agriculture section dominates the rural economy. However, the low productivity of traditional sector causes low wages received in this sector; therefore it is not sufficient to make a worth living. In the contrary, the service and trade sectors that dominate jobs in urban areas can provide a higher income in comparison to rural areas. As a result, there are many villagers migrate to the cities because they are more interested in working in these sectors. This is due to the more flexibility they will have compared to formal sector that needs specific requirements such as education and work experience.



Source: BPS- Statistics, varied years (data processed)

Figure 5. Trends open unemployment by rural/ urban In Indonesia (1996–2004)
(in thousands)

Although the open unemployment rate in rural is smaller than in urban, it experiences bigger issues because of the high level of underemployment compared to urban. This is due to the involvement of villagers in traditional sectors, especially agriculture, while the land is lacking and village community is growing. Therefore, it causes most of farmers in villages becomes ‘dull’ farmers with less than one hectare land. One of the factors that causes the slow development of jobs outside agriculture sector is lacking investment that flows in to villages. Underemployment rate in rural is always higher than urban areas. It reaches more than 75% from total underemployment. The 1977–2004 data shows that underemployment rate in rural areas was relatively

high, even though it slightly decreased from 79.91% (1997) to 77.40% in 2004 (Appendix 4).

The relatively high number of underemployment in rural, showing that they are working poor, and they are generally involved in informal sector, that generates low wages. This condition forces the migration flow from rural to urban and continues to overseas (working immigrant) in hope that they will earn better than in Indonesia (Wiyono, 2003). The 1997 crisis increased the migration flow abroad and used by women from villages to work abroad particularly as maid. The increase of migration work force is due to the extending poverty in the country after crisis, not only because of wider opportunity to work abroad.⁶

4. ISSUES AND DILEMMA OF UNEMPLOYMENT

a. Conceptual Problem and Accuracy of Data

Principally, Indonesian unemployment rate has been measured base on the ILO standard, particularly in the concept of work and unemployment, but has changed overtime either in age ranges of labour force or definition of seeking for work. The difference of work type between Indonesia and developed countries makes the result of unemployment rate measurement could not portray the reality. This is due to the difference of work type in developed countries and developing countries, including Indonesia. Work opportunity in developed countries is wage-employment, while in Indonesia is self-employment. In western countries, the calculation of unemployment can be done in a more accurate way, because the labour force that are unable to work/ find a work receives unemployment benefits. While in Indonesia, most of the labour force are involved in informal sectors (farmers, fishermen, small and family businesses). In practice, it is very difficult to measure the different types of these informal jobs, unlike the formal jobs (wage-employment).⁷ With the above differences, even though with very slight definition (working for one hour in the past week), there are many of them that cannot be considered as unemployed. As a result, the unemployment rate that is officially registered in statistic could not portray the real condition (under reporting).

The use of unemployment definition which says 'looking for a job in the past week' is very difficult to be adapted into the Indonesian labour market where supply and demand are unequal. What happen is many of the labour force are not actively looking for a job because they feel discourage; therefore it could not be categorized as unemployment according to the old concept. The number of discourage workers that

⁶ Romdiati et .al. (1998): p 33. "working migrants mainly female who were working overseas as PRT, during the time of crisis as 'a coping strategis mechanism' for surviving.

⁷ cited in Mubyarto, 2004, p 403. "One mayor paractical problem of measuring employment is that an important section of the unemployed labour force is unenumerated"

keeps increasing due to limited productive work opportunities, has never been included as unemployed workers but more as 'not in the labour force'. The standard definition from ILO includes the discourage unemployment as unemployed. This condition causes the comparison of unemployment rate between developed and developing countries becomes unrealistic.

Another issue was in determining one's work status whether it is formal or informal. There are many concepts or definitions being used and then modified by each country according to the job condition in its region. However, there are still some questions related to job categorization that are difficult to understand using the existing concept or definition. It is even more complex because the policy makers are not that interested in statistics data. So far, the accuracy of data from the BPS Statistics Indonesia, as the body that is responsible for providing data for policy making base, is mostly doubted because of the weakness in the field execution. This case is affected by the wide coverage of regions and the difficulty level to reach all regions in Indonesia. This statistic data is very important as a policy base by the policy makers, even though in practice it's less favored by them.⁸

Beside several weaknesses of the concepts and definitions, the macro data – with all the limitation – has never been successful in portraying the real condition of society, especially related to poverty. The drastic increase of income per capita in the new order was in fact clearly depicting the uneven income distribution between the society groups, rather than being used as an indication of prosperity increase. Similar to unemployment issue, if only referring to concepts and definitions used by developed countries, therefore the result would be misleading. This is because the term unemployed in the industrial countries meant economic burden (because they have to pay employment dole), while in Indonesia case where the type of work is generally self employed, the more serious problem is working poor. Therefore the use of macro data by the policy makers has to be balanced with a deep survey to understand the real condition of different society groups.

Some issues that are related to concepts or dimension used and the changes made, required a deeper and careful understanding of the statistic data usage to find out the comparison/trend in unemployment between time period and region/countries. A closer look is needed to know if the data differences reflect the real changes or just a matter of conceptual or definition change or region coverage change (e.g. East Timor case) or the issue of correct data source usage. These changes would affect the comparison result between regions, between time periods and even between countries.

⁸ Mishra, 2004. 'On Unemployment: Squaring the Circle II'. He noted that "three problems concerning data on unemployment: problem of definition, pitfalls of measurement and policy makers who are little enamored with labour force statistics".

b. Issues Related to Youth Unemployment

Indonesia is the world's fourth largest youth population, with over 39 million young women and men or 25,5% of its total population are people with ages of 15–24 years old. This can be either a huge potential or a serious problem for future growth and development of the country. In spite of improved formal education among the youth in the last three decades, Indonesian youth quality is still left behind by their fellows from other countries including ASEAN. Based on a National Labour Force Survey (Sakernas) in 2004, one third of Indonesian youth population were elementary school graduates or less, whilst university graduates counted only 1%. Moreover, young educated people face threat of poor education quality because of inappropriate target of education system. In fact, knowledgeable personnel is critically required to scale up productivity level and competitive appeal of Indonesian manpower at the global market. The downturn economic condition and expensive education can create a serious problem which will threaten development of the youth as a nation asset.

Another crucial issue is the higher rate of open unemployment and underemployment among the youth compared to that of adults group. Currently the youth unemployment rate has already surpassed 60 % of the total unemployment. As part of prospective group which acts as development engine, youth unemployment (15–24 years old) has always been an interesting issue to discuss for the following reasons. *Firstly*, the number of youth labour will continue to grow in the next few years as a result of previous high birth rate. Available work opportunities cannot accommodate rapid growth of youth workers. The youth unemployment population will leverage number of open unemployment and hamper work opportunities of next jobseekers. This condition will enforce labor force to work within unproductive sectors which eventually may generate another problems of disguised unemployment and poverty. These two problems will definitely disrupt economic growth including the expansion of sustainable and productive work opportunities.

Secondly, there is a non-linear relation between work age and productivity. It is in the form of reverse U letter. This brings an implication that market must fully utilized youth labour before their productivity declines. Productivity can be improved through formal education, training and work experience. The earlier they work the more productive they will be. A study analysis by Ngadi (2004) on wage transformation pattern by education level, concluded that the culmination point of labour wage is distinctive by gender and living area.⁹ A number of issues pertaining to youth unemployment according to Turin (2004) include the following: serious under

⁹ Ngadi. 2005. "Pendidikan, Jam Kerja dan Upah Tenaga Kerja di Indonesia.", *Warta Demografi* :p 17
The research showed that 'female workers had the highest wage at 47 years in rural, and 51 years in urban areas whilst male workers were 48 and 53 years old (rural and urban areas respectively)

employment/low level of productivity, long working hours, unsaved and unhealthy work, discrimination at work and no career advancement opportunities¹⁰.

This continue high rate of youth unemployment is also indicates government fails to anticipate the bulk of job seekers that enter the market. Meanwhile youth labour group also deals with dilemmatic choices of either continuing their study or getting to work earlier. Labour circumstances like readiness prior to work, current work and future career largely depend on family economy, area of origin (rural or urban) and overall economic situation.

Unless the fulfillment of the two opportunities (study and work) is obtained, the youth would be potential to become a burden rather than an asset for the development. Youth unemployment including underemployment is believed as the impact of the non-matching condition between the excessive supply of youth labour and the availability of work. Those who are trapped in such a disadvantage condition would be potential to seek other way to exercise their youth potential, such as unhealthy and socially unacceptable activities¹¹. A study by UNSFIR reveals a positive correlation between youth unemployment rate and the emergence of conflicts in different regions in Indonesia. For example, in 2002, West Java province had the highest youth unemployment rate (34.46 %) and conflict (24.2 and 31.5 %). In West Kalimantan province which had the lowest youth unemployment rate (14.48%), recorded only small percentage of conflict (less than 1 %)¹².

c. Issues Related to Educated Unemployment

Employment cannot be separated from labour capacity. Labour productivity is weighed by labour capacity which will determine to labour demand. High productive work will definitely boost economic growth which subsequently will stimulate extensive labour openings. Manpower's competence in the market can be observed from the proportion of education level which has been actually dominated by lower educated graduates. Up to 2003, more than half of the total labour force population (55%) were lower educated workers while higher educated workers only shared 3 to 7%. This indication highlights a disadvantaged condition of labour force in Indonesia that shows lack of human resource capacity and discourages any improvement towards work productivity. To some extent, this will affect Indonesia's competency at the global

¹⁰ Turin 2004 cited by Aloewie, 2005:2. The Indonesian Youth Employment Network (IYEN) also identified some main problems of youth unemployment, one of them was “:lack of aggregate demand : the number of available decent jobs generated in the economy is insufficient to absorb those entering the labour market”

¹¹ Soeprbo., op cit 2002: p25. ‘in 1998, more than 40 % of the in-patient young people were involved in drug problems (excluded the outpatients and unreported cases). See also ILO, 2002: p6

¹² Media Indonesia, op cit, 2005: Table 2

level, which has been reported to continue declining due to less conducive economic climate.¹³

Despite increasingly improved proportion of higher educated workers during the last three decades, the problem apparently just begins as they enter the labour market. There are several reasons which can be elaborated as follows. *First*, higher educated workers do not always mean skilled workers who are competent to deliver good quality and productive work. As available work opportunities in the formal sector are limited, many of them are compelled to take non-matching type of work opposite their skills background and are unable to attain expected work outputs. In order to address this problem, two essential issues which require critical attention are quantity and quality of education. Education quantity can be measured from school participation and number of school graduates, while education quality can be weighed from the level of productivity these graduates be able to produce.

Second, it has to do with inadequate number of work opportunities which accommodate job seekers. The increasing rate of educated unemployment (especially among the youth) indicates a degree of difficultness for educated people to work. The proportion of supply and demand of educated workers becomes more imbalanced. The speedy growth of educated unemployment in the previous decades was not anticipated by the existing supply of productive work. In fact, educated unemployment is a distinct notion that measures underutilization of labour force.

On the other side, many people doubt educated unemployment as an issue in Indonesia¹⁴. As explained before, open unemployment issue concentrates on educated youth and particularly who live in urban areas. In Indonesia's case which does not espouse unemployment benefit mechanism, unemployed people who survive the living are those who usually receive regular support from their families. They are most likely from good economy class background.¹⁵ Meanwhile higher educated people are generally not from poor family because they can afford relatively money-consuming education. They can survive the period of unemployment stage until they find suitable jobs. On the contrary, lower educated people who are not able to do so will usually decide to start working earlier even for an unsuitable job. For these people, the informal sector will be the first choice since it does not require specific qualifications.

d. Informal Sectors and Working Poor

The Indonesian labour market is dualistic. On one side, it provides formal work (typically modern) while on the other side, it provides informal work (typically traditional).

¹³ Kompas, 2005. 'The latest report from World Economic Forum (WEF) conveys that of 117 countries, Indonesia's global competency ranks no.74 in 2005, shrinking from the previous rank of 69 which was obtained in 2004.

¹⁴ Dhanani, op cit 2004.

¹⁵ Mubyarto, op cit 2004; Hatmadji and Wiyono, 2004:p418.

Informal workforce in rural areas are three to four times larger than those in urban areas. Due to the crisis, the number of informal workforce rocketed from 47 million people in 1997 to 58 million people in 2002. Although it tended to decline in numbers during the later years, it remains around 65.8% of the total employment in 2004 (reference).

The drastic development of the informal sectors since the crisis have not been followed by the increment of wage. The wage difference between both sectors remains high.¹⁶ The gap of informal workers' proportion significantly vary between regions in Indonesia and from gender perspectives disparity. There are more women dominate informal sector than men, high proportion workers of informal sectors in rural than urban areas. DKI Jakarta has the lowest rate with 27.3 % while Nusa Tenggara Timur (NTT) has the highest rate with 86 %. This high proportion of informal sector in rural areas, is believed to be the primary cause of the flowing surge of migrants from villages to cities to seek better work and wage.

The increasing rate of underemployment in the post crisis apparently has strong relation to the development of the informal sector which expands poverty. A study by ILO in 2002 noted *"Before the crisis, underemployment declined steadily in line with the declining importance of agriculture and of non-wage employment. During the crisis, underemployment increased while the opportunity to work overtime, and earn extra income declined"*. Whereas open unemployment which increased during the crisis and focused on educated and urban based workers seems to have minor impact on poverty rate.¹⁷

The important discourse regarding the high rate of underemployment is the emergence of working poor. They commonly work in the informal sectors such as sub-system based farmers, family based workers and self employed workers who work below standard working hour. Many more work in the informal sector which is classified as marginal sector. The marginal sector represents poor pattern of work in terms of intensity and productivity which entails long working duration and less incomes. They are street vendors, traveling salesmen, *becak* drivers and house maid and are mostly present at urban areas. The decline of employment in the formal sector, due to either the crisis or efficiency, significantly upgrades the role of the informal sector in absorbing excessive supply of labour force from the formal sector which then affects the working length and income conditions in the informal sector. This is in line with a data that displays increasing number of people trapped in poverty using domestic and international poverty line measurements.¹⁸

¹⁶ Kompas, 2003. Widiyanto (official of Bappenas) noted that "real wage in informal sector was only 80% prior to the crisis, while real wage in heavy industries was 20% higher than it was before the crisis".

¹⁷ ILO.2002.:p4, 'Employment Policies for Poverty Reduction during Indonesia's Economy Recovery' Geneva, Nov.

¹⁸ See a number of ILO studies, in particular Dhanani and Islam (2002), Islam (2002).

Oil prices which hiked up to more than 100% in 2005 has absolutely brought about even much larger impact on employment sector and community's wealth. High inflation in October 2005 (around 17%) with considered potential to trigger more open unemployment and reduce purchasing power of low class society resulting in more families trapped in poverty. This situation can also be potential to drag more people to become vulnerable to poverty. What government confronts is dilemmatic. On one side, employment owes much to the strong presence of the informal sector due to the stagnancy of the formal sector in absorbing labour force especially after the crisis. On the other side, the extensive quantity of people working in the informal sector shows indication of government's incompetence in creating more lucrative jobs for the people hence it remains a major constraint in poverty reduction efforts.

The informal sector which pulls people in poverty is more perceived as a destructive device rather than a safeguard to socio-economic development. The main challenge of labour force in Indonesia is that they are in need of more productive work which can contribute to better living earn. This is in line with Mubyarto (2004), who urged that issues like poverty and disparity of income distribution are more critical than that of open unemployment. In open unemployment, educated labour force who are more dominant, manage to survive in the absence of work because of family support.

e. Gender Discrimination and Migrant Workers

Gender is still an interesting issue particularly in its relation to employment. Several cases provide evidence that discrimination between male and female workers in terms of work participation, type of work and treatment at work site is still taking place. Social culture which places women as men's sub-ordinates also contributes to broadening gap between men and women relationship. The said discrimination can be seen from poor work participation of female workers compared to male workers. They are also, to a large extent, contributing family workers. The most influential case of gender discrimination is unfair treatment female workers often receive. Average female income, for example, is only about 68% of average male income. BPS data in 2004 showed that female university graduates receive around 72% from their male counterparts, and much lower for the basic level of education (around 63%)¹⁹.

As noted before, the official open unemployment and underemployment rate are always higher for women than for men. Although the difference of underemployment rate between male and female workers declined in 2002–2004, female underemployment rate is still higher than the male due to low work participation. It also signifies that female workers are more affected by the crisis than male workers,

¹⁹ BPS.2004., 'Labour Force Situation in Indonesia', August 2003: p

therefore are riskier to become working poor. Underemployment has been a national concern after the crisis, influencing the change in socio-economic life of the society.

It also stimulates the swift flow of people's migration between cities, islands and even between countries. Limited domestic opportunity, poor income and widespread of poverty are the reasons behind people who move overseas particularly to where promising work with higher income can be pursued.²⁰ Like the Philippines and Sri Lanka, feminization of migrant workers also takes place in Indonesia in terms of quantity and quality. Female migrant workers are dominant in the informal sector particularly as housemaids, thus holding more risk of discriminative treatments from placement process, during work until returning process to home country.

The phenomenon of a great number of female migrants who work outside the country specifically in relation to emerging women trafficking and disguised slavery cases are issues that deserve number one priority.²¹ Research by PPK-LIPI noted that the increasingly higher number of workers seeking work abroad in the post crisis (1998/1999) than in the previous years is considered as "a coping strategy mechanism" to handle crisis²². Recapitulation data on Indonesian Manpower (TKI) placement in 2004 showed that women migrant workers contributed around 77 % from total migrant workers and around 68 % from total migrant workers working in the informal sectors. Most of migrant workers (94%) who work in the informal sectors are female housemaids, particularly to Saudi Arabia and Malaysia.²³

Unemployment and poverty are issues that motivate individuals to migrate abroad to work and earn better. Besides, high labour demand from foreign countries and less restricted trans-boundary between countries because of the globalization are the intriguing factors for domestic workforce to move abroad²⁴. However, majority of Indonesian migrant workers particularly female workers remain involved in informal sectors and placed at the lowest structure level of the global market, which is less productive and protective.

²⁰ Wiyono (2003), p20. *Warta Demografi*, th ke 33, No4.

²¹ Palupi and Yasser. 2002, p60 'Buruh Migran Indonesia (TKI) di Nunukan: Potret Sistem Perbudakan Terselubung Indonesia-Malaysia. Jaringan Relawan Kemanusiaan Nunukan; see also Haris, 2005.

²² Romdiati; Handayani. Rahayu, 1998, p33. 'Aplikasi Jaring Pengaman Sosial Bidang Ketenagakerjaan: beberapa isu penting dari hasil kajian cepat di Propinsi Jawa Barat'. See also Ananta and Arifin (eds.,2004), pp 203-207

²³ Department of Manpower and Transmigration, 2004, pp144-46; Wiyono (2003), p22.

²⁴ Hugo. 2004, p37, Skeldon 1998, p32 in Ananta, A. and Arifin, E.N (eds.). *International Migration in South East Asia*, Singapore, ISEAS.

5. POLICY OPTIONS

a. Improving Concept and Measurement

In order to avoid several weaknesses on the concept and measurement of unemployment, Indonesia has to strive to follow the international standard, either by changing the definition of labour force (from 10 years becomes 15 years and above), or by widening the definition of 'seeking for work' that is allowed by lower developing countries (LDC's). According to ILO's definition "seeking work is essentially a process of searching for information in the labour market". In this sense, it is particularly meaningful as a defining criterion in situations where the bulk of the working population is skewed towards paid employment and where channels for exchange of labour market information exist and widely used. This definition is difficult to apply in LDC's because most workers are self employed in household enterprises.²⁵

For the period of year 1996–1999, the definition of open unemployment used in Indonesia's statistic was a person that is included in working age group and is looking for work. In this definition, 'willingness' criterion to accept work is not included because of the notion that a person who is looking for work is a person who is willing to accept the work. This definition is based on one question in the Sakernas (question 5): "*are you looking for work?*" If the answer is 'yes' then the respondent is considered to be in open unemployment. The working age group population in the 1996 was those with age 10 years old and above whereas since 1997, it was changed to 15 years old and above.

In the year 2001–2004, the definition of open unemployment experienced a broadening concept based on the answer "main reason not to look for work". One of the answers of that question (answer 1) was "feel impossible to find work". The respondent group with this answer is usually included in the "discouraged workers". While in the old concept, that answer was included in the "not in the labour force" because they were considered inactive in looking for work. Based on extended concept of open unemployment, those answers would be included as open unemployment hence the open unemployment rate increased significantly. Although there was a change in concept, it did not mean that the issue of open unemployment rate measurement was totally solved. BPS data (2004) showed that the significant increase of the number of "housewives" was probably affected by the existence of women who was desperate in looking for work and compelled to be unemployed.²⁶

In order to get a better unemployment data, a further survey is needed to be able to apply concept and unemployment measurements more realistically. In order to understand the circumstances in the society, a quantitative and qualitative study cases

²⁵ Suhaimi and Jammal, op cit, 2001:p161-2

²⁶ Hakim, 2005. he argued that "it could be caused by improving economy or the competition to get a job has become so tight, so it has discouraged women to look for work".

are needed to obtain more realistic picture of unemployment and poverty as a basis for policymaking.

b. Economic Growth and Job Creation

The Government of Indonesia's fundamental policy concerning people employment is based on National Constitution (UUD 1945). Article 27 point 2 states: "Every body is entitled to have job and a proper live in accordance with well human being". Followed by article 28 D, point 2 which states: "Everybody is entitled for work and get compensation and treatment fairly and appropriately in the working relations for their welfare".

Having a work with worth income is an essential factor to attain prosperity as mandated in the development. However, Indonesian economy has recently suffered from low economic growth, high open unemployment, unequal income distribution and increasing number of people under poverty line. The policy to reduce unemployment should not be separated from the effort to mitigate poverty. Therefore, Indonesia also works with some other countries in the Millennium Development Goals Program which sets a target of reducing poverty by 50% within the period of 2002–2015. The Indonesian government has also gained a positive image because it has ratified all the ILO's conventions which are considered 'fundamental principles and right work', in which one of them is 'elimination of discrimination of employment'. In this context, based on some experiences, ratification alone is not enough as it needs courage to implement the program and enhance the supervision in the implementation.²⁷

However, efforts to reduce poverty level and overcome unemployment issues are often not concerted, even contradictive one another in several points. This is due to open unemployment is not always identical with poverty. In fact, poverty is much more obvious in the underemployment. A more pro-people planning is needed to overcome poverty by determining clearer target group and reduction rate gradually, especially for the marginal groups such as farmers, fishermen, small-medium enterprises and informal sectors. Based on international experience on employment action plan, Islam (2005) proposed some key points for Indonesia's basic framework such as an employment-focused development agenda for poverty reduction, high and sustainable economic growth; employment intensity growth; and capacity of the unemployment and underemployment to access more productive employment.²⁸

Under the new government, the economic development planning is more focused. However, a more specific target to complete the employment policy does not yet exist. In the 100-day program, the new government has formulated only one employment

²⁷ ILO, 2002, p18. 'Employment Policies for Poverty Reduction during Indonesia's Economic Recovery':

²⁸ Islam, 2005, Box 17. 'Toward an Employment Action Plan for Indonesia: A Framework Based on International Experience'.

target that is the reduction to 5.1% of open unemployment by 2009. Whereas the policy that prioritizes employment matter in the development requires a clear statement from the government, a clear quantitative and qualitative target as well as clear indicative period. Likewise, specific regional employment indicator or specific target groups such as the youth, women and migrant workers are important to be considered.

Increasing economic growth is one of major concerns in macroeconomics. Theoretically, the job creation is possible if there is an economic growth. Based on the empirical study, the estimation of average employment elasticity is 300,000 per one per cent economic growth. However, previous data showed that additional job created during high economic growth (1991–1996) was not much different with the situation during low economic growth period in 1997–2003.²⁹ A lesson from the previous policy, it was not sufficient to have high economic growth without conducive climate created by good policies, laws and institutions, improved quality of human resources as well as infrastructure rehabilitation. By concern on economic growth, it is possible to create productive jobs which may increasing income of the workers and family wealth. According to Adioetomo (2005), Indonesia will be possible to get benefit of ‘demographic bonus’ that may opening the “window of opportunity”, if the development policy consistence in improving the quality of human resources, create more productive jobs for young labour force and improving a conducive climate for infestation³⁰.

In view of the current condition, the target of reducing unemployment by 50 % within five year period seems to be a tough challenge for the government. To improve the quality of economic growth, a conducive environment for investment is definitely required. Yet the crisis has not been fully recovered and Indonesia has continued experiencing many capital flights, massive lay-offs and exodus of huge-capitalized companies resulting in a collective perception that Indonesia is not a conducive place for investment. In the global competition, Indonesia is seen incompetent for it has no such efficient and transparent economic climate. The new labour regulation (No 13/2003) is considered not favorable to the labour market flexibility hence it creates difficulty for investors in the global competition. The drastic increase of oil price and high inflation in October 2005 have worsened the situation for businesses especially the non-export ones. The challenge is getting harder because the economic growth post-crisis was merely supported by the people’s consumption without adequate absorption of the labour force. At present, it is estimated that every 1% of economic growth can only absorb around 200,000-300,000 workforce, much lower than the figure prior to the crisis which was around 400,000-500,000 workforce in 1996 (Lindenthal, 2005). It means that the development programs need to focus on sectors that possess

²⁹ Ninasapti, 2005, p2 ‘Active Labor Market Policies Priority for the Poor: Myth vs. Reality?’

³⁰ Adioetomo, 2005, p52. The ‘window of opportunity’ which is estimated would be happened in 2020–2030 as a consequence of demographic transition that occurred in Indonesia.

high elasticity of absorbing labour force such as construction sector, farming and small-medium enterprises.

c. Youth Employment Policy

Indonesia as a labour surplus country has the biggest share of youth unemployment amongst the general unemployment groups. However, the policy on unemployment does not distinguish the policy on youth specifically but becomes part of the overall employment policy. The Ministry of Manpower and Transmigration (Depnakertrans) is responsible for any program concerning employment policy and nearly most of the youth employment activities are part of adult employment program.³¹ Other programs related to the youth unemployment have also been carried out by Ministry of National Education (Depdikbud). This department facilitates youth and students exchange programs with other countries which sometimes provides job-training program for young people. The department also coordinates some trainings such as training to develop youth business and management skills, training on income generating activity for youth and leadership and management trainings.

In its implementation, the department also develops partnerships with several large private companies in order to enhance workforce's capacity through job-training program held in countries where these companies are located. In reality, overseas job training program for the youth sometimes becomes bias with any effort to make use of the youth as cheap workforce without proper capacity building. Poor coordination among concerned instances on youth program is an obstructive factor for any endeavors to consolidate national youth concerns and necessities. Being aware of this matter, one of the points in 'Ingredients of an Employment Action Plan for Indonesia on Youth' is "Recommendations of the Indonesia Youth Employment Action Plan (2004–2007)."³²

Youth employment issue has increasingly withdrawn major attention since IYEN (Indonesia Youth Employment Network) under the coordination of the Ministry of Manpower and Transmigration launched Youth Employment Action Plan on 12nd August 2004. The IYEN is part of the global youth employment program initiated by the UN, ILO and the World Bank in 2000. Indonesia was one of the first nations to volunteer to be a 'lead' country to "prepare reviews and action plans" on youth employment. There are some major programs on youth employment under the Ministry of Manpower and Transmigration, which IYEN is one of the programs. The declaration of youth employment action plan, is only one step forward for Indonesian policy on youth

³¹ Soeprbo, 2002, p35. Those activities (for youth and adult) related to employment include the following: information provision on employment opportunity, facilitation of training center for those looking for particular job, including foreign employment'.

³² Islam, 2005, *ibid* : Box 23

employment. However, as a new program, IYEN needs courage to implement the program and enhance the supervision in the implementation.

d. Globalisation and Working Migrant Policy

Indonesia as a labour surplus country is of deep concern in efforts to strive for progressive labour force's sending to overseas, particularly when the country suffers from severe economic downturn like now. Larger-scale external migration could be an instrument to solve the unemployment problem within the country and to generate income. Both unemployment and poverty are potential sources of social and political unrest. Another important reason which has been explicitly included in the government policy is to qualify workers for overseas jobs with the objective of rising foreign exchange through remittances.³³ This is supported by global revolutionary transportation and communication facilities which provide easy access for surplus labour countries to benefit labour opportunities from labour shortage countries. The significantly increasing number of migrant workers from Indonesia since 1980s has encouraged Indonesian government to take up an initiative to improve regulation concerning placement for overseas labour. In this context, the Ministry for Manpower launched a regulation to administer the arrangements of Indonesian migrant workers coordinated by a single company, namely PT Bijak which was appointed by the Ministry. This regulation has replaced the old regulation which was attached in the policy for migrant workers' placement.³⁴

Although there has been increasing problems concerning migrant workers, particularly female workers, labour force placement is progressively growing under the coordination of the Ministry of Manpower and Transmigration in partnerships with private sectors as the implementing agency for placement arrangement of Indonesian migrant workers (PPTKIS). Up to 2002, the implementation of the migrant worker policy was undertaken at the highest level which was at the Ministry level. Since 2004, the policy has been improved with stronger political-contained regulation, namely '*Undang-Undang No. 39 tahun 2004 tentang Penempatan dan Perlindungan Tenaga Kerja Indonesia (TKI) di Luar Negeri*' (Regulation No. 39 on Arrangement and Protection of Indonesian Overseas Workers year 2004).³⁵ Despite weaknesses found in the said regulation, it is expected that this regulation can optimally contribute to enhancing protection for overseas migrant workers in particular female workers. The main criticism rendered to this regulation is that it does not clearly stipulate substantial protection mechanism especially for female migrant workers. Moreover,

³³ Ananta and Arifin (eds., 2004). *International Migration in South East Asia* :p105

³⁴ Firdausy (ed., 1996): *Movement of People Within and From The East and Southeast Asian Countries: Trends, Causes, and Consequence* p146

³⁵ Depnakertrans, (2004). *Undang-undang Republik Indonesi No 39 tahun 2004 tentang Penempatan dan Perlindungan TKI di Luar Negeri*.

Indonesia has been left behind by the Philippines in the migrant worker's protection issue, either in ratifying 'the International Convention Protection of the Right of all Migrant Workers and Members of Their Families' or in occupying other overseas protection instruments.

The ratification is essential though it does not guarantee good implementation. There is still so much to do for Indonesian government to improve ways to protect and defend its overseas migrant workers including the placement system and Indonesia's bargaining position at the global labour market.

The Government of Indonesia (GOI) should listen to any constructive initiatives and comments with regard to placement and protection regulations for the overseas migrant workers. It also needs to pay attention to the policy implementation including its supervision in order to obtain better performance in protecting overseas migrant workers, particularly female workers (Nagib, ed, 2001).

6. CONCLUSION

As a consequence of highly birth rate during the last few decades, the number of labour force in Indonesia tends to rise continuously every year although with lower growth in the future. It could be positive for Indonesian economic growth if the productive jobs can absorb new supplies of workforce in the labour market. In contrast, they will be a serious burden for the economic development if government fail to create more productive jobs in the country. However, the terrible economic recession in 1998 continued to confirm Indonesia's reputation as a labour surplus country due to the excessive number of new labor force entrance in the market in opposition to the lower demand of labour force.

These worsening conditions lead Indonesia to continue facing a serious problem of high level of unemployment, both open unemployment and underemployment and a continual increase in unemployment rate in the future under slow economic growth. The incidence of open unemployment has continued to be more pronounced among women, educated workforce and the youth then among men, less educated workforce and older group. More open unemployment incidence has also continued to take place in urban areas then in rural areas, in contrast with underemployment. Incidence, which is more pronounced in rural areas. High underemployment rate is more serious problem because it underutilizes people's potential and becomes the main factor of working poor. Almost half of Indonesia's labour force have involved in informal sectors which are regarded as poor productive work and women ranks in the highest percentage. This condition will create problems of low quality jobs and discrimination at the workplace, especially for the vulnerable groups such as women and the youth. These problems are aggravated by unpopular policy of cutting down oil subsidy, which declining purchasing power and increasing the incidence of poverty.

Based on the complex matters of unemployment and related aspects, Indonesia confronts big challenges to find ways in reducing unemployment as well as poverty. The employment policy should focus on more productive jobs creation and underline priorities, effective policy for human development resources and policy and protection for the more vulnerable groups. It will be difficult to do so unless employment concerns are reflected in macro-economic policy. This policy includes to improve a conducive climate created by good policies, laws and institutions, as well as rehabilitation of infrastructure. Hence, Indonesia needs to have a comprehensive policy and strategy to increase the number of productive jobs based on the best possible options. As a surplus labour force country, Indonesia will continue to be as an exporting country and will attempt to take benefit from overseas employment, but without laying down protection scheme for the working migrants. In this case, Indonesia needs to joint actively in 'develop a global Partnership for Development' with other relevant nations to improve its bargaining position in the global labour market.

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