

**“Policy and Strategy”:
Accelerating Poverty Reduction, Reducing
Unemployment, and Overcoming Vulnerability**

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ISSUES OF EMPLOYMENT

- High rate of youth unemployment;
- Quality of workers does not meet the requirement of demands;
- Income disparities among workers are still wide;
- Rise of income is not followed by higher productivity;
- Higher ratio of underemployment to open unemployment.

Medium Term Development Plan (RPJMN) 2010-2014

ECONOMIC DEVELOPMENT AGENDA AND IMPROVING THE PEOPLE'S WELFARE

Annual Plan 2010 → National Economic Recovery and Sustaining People's Welfare

Annual Plan 2011 → Accelerating Economic Growth with Equity Supported by Good Governance
and Central-Local Synergy

INDICATORS	Realization 2005	Realization 2006	Realization 2007	Realization 2008	Realization 2009	Realization 2010
Economic growth :	5,7%	5,5 %	6,3%	6,1%	4,5%	5,8%
Unemployment:	11,24%	10,28%	9,11%	8,39%	7,87%	7,14% (Augt)
Poverty rate:	15,97%	17,75 %	16,58%	15,42%	14,15%	13,33%

	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014
Economic growth:	5.5% -5.6%	6.0%-6.3%	6.4%-6.9%	6.7%-7.4%	7.0%-7.7%
Unemployment	7.6%	7.3%-7.4%	6.7%-7.0%	6.0%-6.6%	5%-6%
Poverty rate	12.0%-13.5%	11.5%-12.5%	10.5%-11.5%	9.5%-10.5%	8%-10%

Notes: The RPJM only indicates the end of period target (i.e. target 2014).

Poverty and Unemployment in Rural and Urban Areas

Areas	Poverty (2010)	Unemployment (2010)
Rural	19.93 millions (64.2%)	42.0 %
Urban	11.10 millions (35.8%)	58,0%
TOTAL	31.02 millions (13.3%)	8,3 millions (7.14%)

1. Not all unemployed are poor – DISCOURAGED WORKER
2. Those who work but poor: underemployed (<35 hour) and unpaid worker

Challenges:

1. Formal vs informal workers
2. Social protection for the poor
3. Labor protection, and
4. Due to urbanization: urban unemployment and urban poverty

Internal/Domestic Challenges

1. Positive economic growth but with increasing the vulnerability of the economy and poor population (need to improve the quality of growth)
2. Absorption of employment opportunities and poverty reduction has slowed down;
3. Urban poverty and urban unemployment due to urbanization.
4. Stagnant and declining economic productivity;
5. Institutional and governance → synergy in policies, multi-sector approaches, regulatory frameworks, and investment climate;
6. Limited infrastructures and environment deterioration;

Internal Challenges (continued)

7. Formal worker (32%) and informal worker (68%):

- **Needs higher economic growth (labor intensive industries) to absorb informal workers (to become formal workers), more decent jobs, better employment climate (industrial relations, protection for workers).**

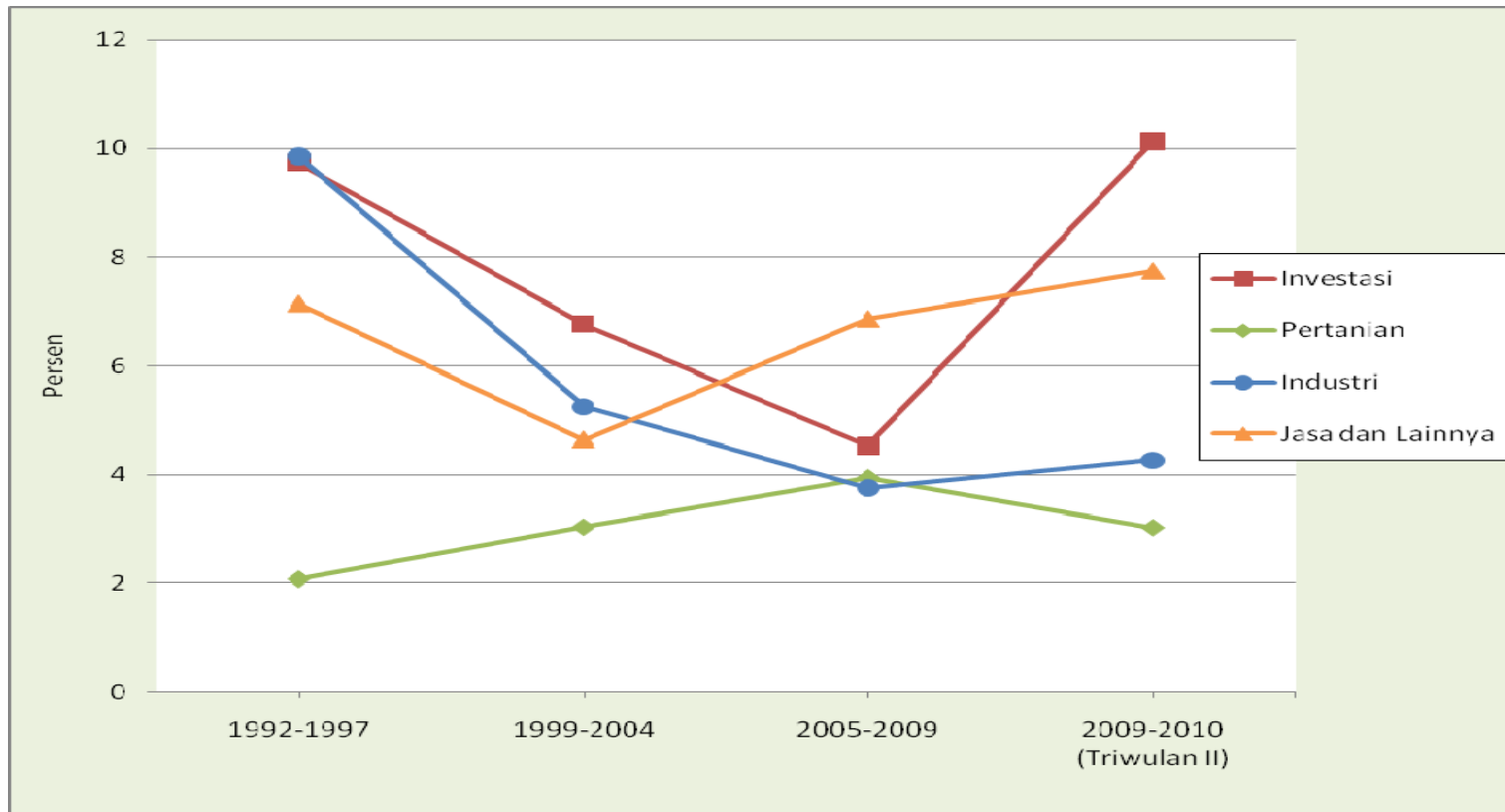
8. Spatial situation:

- Although poverty rate in Java is lower than the national average, the highest concentration of poor population is still in Java.
- How then decentralization (regional autonomy) may respond to these four (4) problems: poverty, unemployment, and vulnerability

Critical Problems

1. Continuous and high economic growth is needed to achieve significant poverty reduction.
2. High growth occurs in sectors with low labor absorption (manufacturing, trade, and services such as finance), while sectors with the highest labor absorption (informal and agriculture) experience lower growth.
3. Economic growth driven by consumption is not matched by the growth in domestic production capacity, which can absorb more labor.
4. Poor population are concentrated in agriculture sector, which experiences relatively stagnant growth.
5. Rural economy is still being dominated by on farm activities, while the expansion of off farm businesses (trade, postharvest processing and handling, agro-industry), which have the potential to increase rural employment and income, are still limited.
6. Program effectiveness declines due to the influence of:
 - a. Decentralization → uncertainty in the relationship between national and local institutions.
 - b. Decentralization → requires governance and improved capacity for creating an enabling environment for businesses, including for micro, small and medium enterprises (MSMEs).

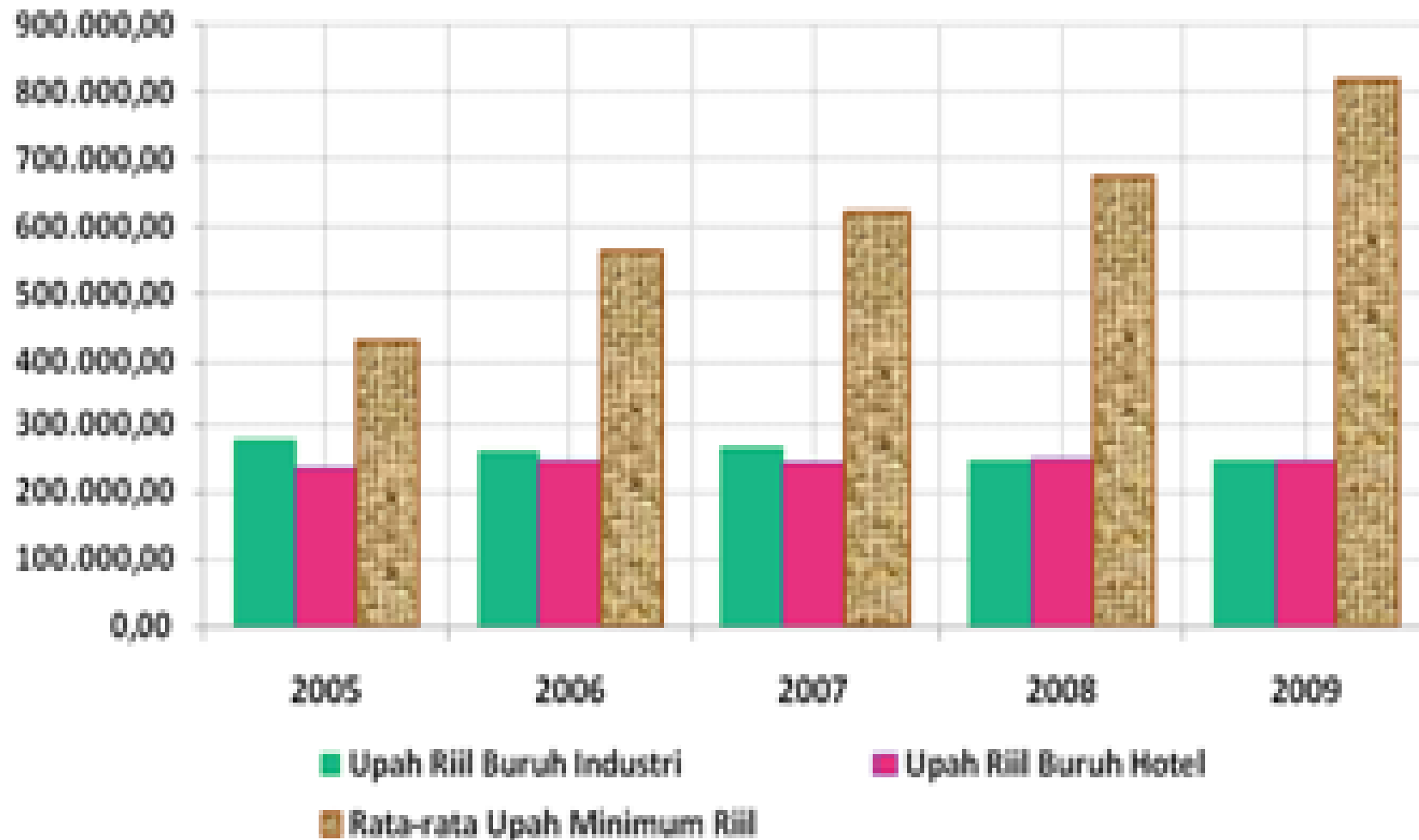
“Existing” Kondisi di INDONESIA



Minat investasi untuk sektor jasa tumbuh lebih cepat dibandingkan dengan sektor manufaktur.

➔ **Karena daya saing industri padat tenaga kerja turun akibat kenaikan tingkat upah relatif dibandingkan dengan negara lain.**

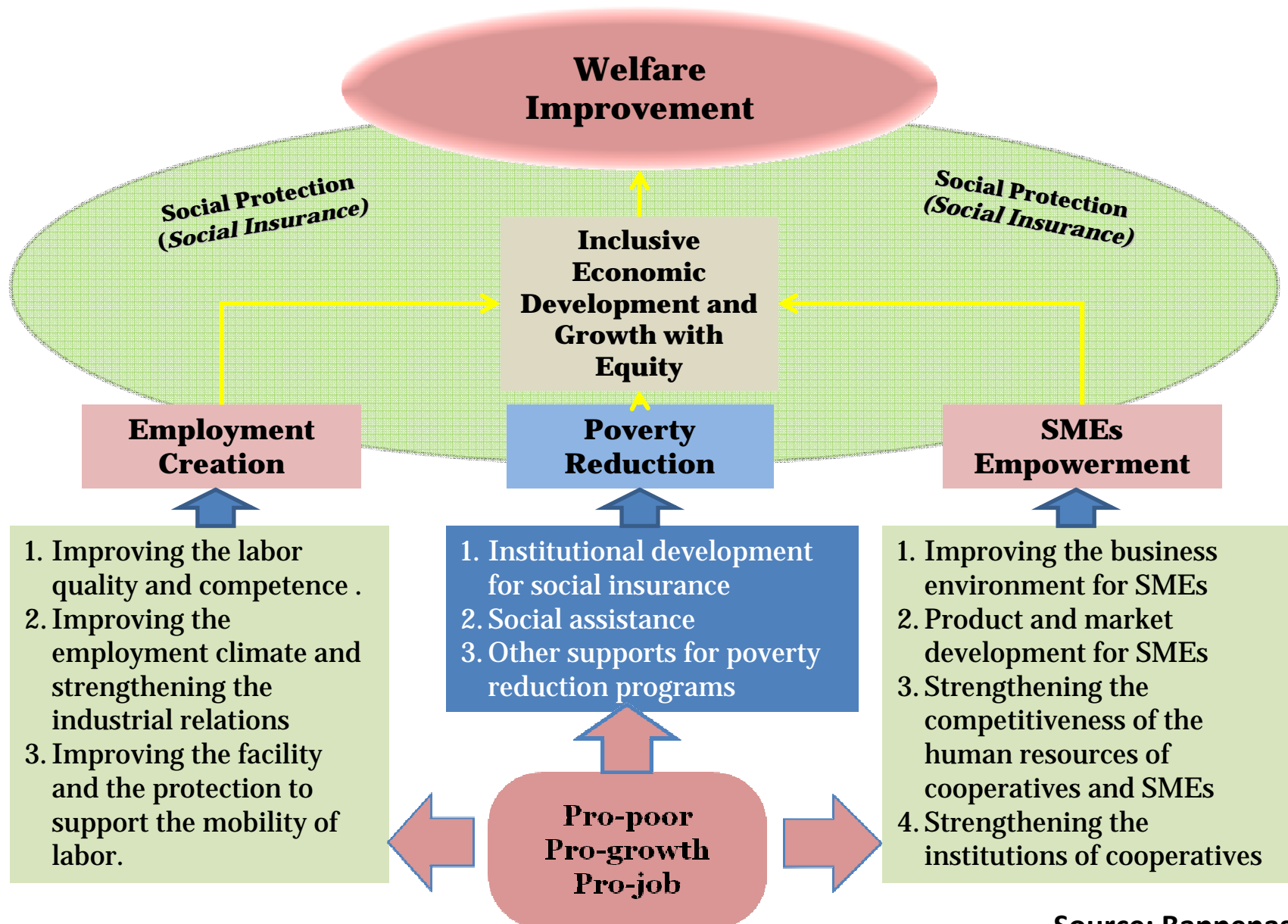
Rata-Rata Upah Buruh dan Rata-Rata Upah Minimum Riel Tahun 2005-2009



POLICY DIRECTIONS

1. Creating employment by means of investment and business expansions;
2. Improving condition and mechanism of industrial relation to promote wider business opportunities and employment;
3. Implementing core labor standards and enforcing labor rule of law;
4. Improving quality and competency of workers;
5. Creating employment by means of employment-generating government infrastructure projects;
6. Empowering informal workers;
7. Promoting labor support program by means of labor market information;
8. Adopting migration and development policy.

Strategy to Improve the People's Welfare



Source: Bappenas

Job Strategy

