

## EXECUTIVE SUMMARY

### Macroeconomic Performance

Indonesia's economic development in 1993-1994 (constant price 1993) showed more real performance with GDP Growth 7.34 %, especially in enhancing macroeconomic stability through monetary and fiscal policy which could raise growth of business environment, employment, and manpower quality. The Indonesian Government controlled the economic development by deregulation on revenue, the result was the tax receipts increased from Rp 29.338 billion in 1993 to Rp 38.181 billion in 1994.

Another succession was the money circulation had been controlled through tightening the economic liquidity by keeping down the narrow money (M1) and large money (M2). Such as credit that had given implication on business expansion and increased employment. There had been also successes in trade policy and export, those had impacts on the positive trade balance which had seen an increase in non oil export such as industrial products that had competitive advantages and labor intensive.

The ASEAN Regional Cooperation and Development IMS-GT, IMT-GT, and BIMP EAGA has attracted the investors to invest their money in tourism sector such as hotels, restaurants (small and medium) that has the potential to create business and increase employment. The balance of payments position in 1993-1994 deteriorated by increasing deficit transaction caused by the balance of surplus commodity was smaller compared with the service.

## Population and Labor Force Growth.

The aggregate of the population growth in Indonesia has been declining. This situation changes the growth of working population (population aged 15 years and over). This change is affected by fertility decline (TFR) from 3,48 % in the period of 1985-1989 to 2,99 % in 1990-1995. This situation has influenced by the rapid mortality transition and by highly total and international migration.

The manpower condition of each Indonesian province shows the female proportion 15 more than male. It might be caused by the highly life expectancy of the female. Also the manpower is mostly in the rural areas even though the proportion becomes declining. The age structure of the population (manpower) tends to the ageing. Educational attainment of the labor force tends to rise to the middle and higher education.

The aggregate of the level of Labor Force Participation shows little increasing. For the young and aged groups tend declining. As seen on the gender aspect, the female participation rate is increasing compared by male. This has major implication for the growth of Indonesia's labor force, except for the young and aged groups are declining. The female labor force tends to increase for each period. It is important to note that the regional labor force proportionally decline in Java-Bali and increase in outer islands. Furthermore the educational attainment of the labor force is much better to rise to the higher level of education.

## Employment and Unemployment Trends.

There were two interesting evidence in the employment and unemployment trends. First, the employment proportion by education in the period of 1990-1994 for university graduates in Jakarta tended to decline comparing with the previous year. In contract the employment proportion for academic education (D III) tended to increase. It seemed that the employers prefer to employ the group with the background of academic education (D III). The employers motives might be based on the economical and practical considerations. From the economic side, the wage and benefits for the D III employees were much lower than for university graduates. In the practical considerations, the D III were more ready to work this because the school curriculum reflects to the practical work orientation. Second, the employment rates were high in the urban areas peaking for young people at age 15-34 with the background education of semi educated (Senior High School, D I and D II) and educated people (D III and University graduates). Also the urban areas were considered more attractive for the young semi educated and educated youth. The high competitive situation in urban areas, made the semi educated and educated youth withdraw from labor force, unemployed or become involved in the informal sector. Findings from some studies indicated that young educated people had longer duration of unemployment than other groups, because they came from the family that could afford their life expenses during unemployment periods. While the unskilled persons were rarely unemployed because most could not afford to be. The unskilled persons were generally coming from the family that can not afford their life expenses during their unemployment periods.

## **Labor Protection and Standards.**

The rapid growth of private industry has put strain on the supply of middle and upper managers. The Indonesianisation program or transferring knowledge and technology from expatriate workers to Indonesian workers has a lot of difficulties. The middle and lower occupations are still filled with expatriate workers. There have been increases in the number of extensions of work permits, approximately 12,000 persons each year. It could be seen that the expatriate workers in Indonesia were still filled the middle and the lower occupations around 53,4 % of the total expatriate workers in 1994.

Since 1 April 1995 the Regional Minimum wages has reached 108 % of the basic physical needs for single worker. However there have been some companies do not want to pay the minimum wage to their workers, the result were strikes occurred. The strike cases increasing. In 1993, 185 cases was happened and in 1994 was totally 296 cases with 1.4 million working hours lost.

The growth of coverage of the Social Insurance Program in 1990, there were 28.9 thousand enterprises with 3.8 million employees were covered by this program and in 1995 there were 55 thousand enterprises with 8.7 million employees were covered. In 1995 the payment for pension schemes was twice comparing with the payment in the previous year because there was a new policy that the pension money can be drawn after they worked for their companies at least 5,5 years, not waiting until the employees reached 56 years of age.

## TABLE OF CONTENTS

		Page
Minister's Foreword		iii
Director General's Preface		v
Executive Summary		vii
Table of Contents		xi
List of Abbreviations		xiv
List of Tables		xvi
List of Figures		xxii
<b>CHAPTER I. INTRODUCTION</b>		<b>1</b>
Background		1
Purpose		2
Scope		2
Method		3
Source Data		3
Systematic		3
<b>CHAPTER II. THE RECENT ECONOMIC DEVELOPMENT</b>		<b>5</b>
Economic Growth		5
Fiscal Policy		12
Monetary Policy		17
Trade and Export Policy		27
Tourism Policy		32
Balance of Payment		35
Regional Development		37
Indonesian Development Growth Triangle Area		
Malaysia and Thailand (IMT-GT)		38

The Development BIMP-EAGA	41
Indonesia, Malaysia, and Singapore (IMS) development	43
Eastern Area of Indonesia	45
<b>CHAPTER III. POPULATION AND LABOR FORCE</b>	<b>49</b>
Trend of Population Growth	50
Fertility Transition	50
Mortality Transition	55
Migration	60
Characteristic of Manpower	67
Manpower by Province and Sex	67
Labor Force by Age Group and Sex	70
Population by Education Attainment and Region	71
Population by Education and Sex	72
Labor Force	74
<b>CHAPTER IV. EMPLOYMENT AND UNEMPLOYMENT TREND</b>	<b>83</b>
Employment Trend	84
Employment by Main Industry, Sex and Region	84
Employment by Education, Main Industry and Region	88
Employment by Age Group, Main Industry and Region	99
Employment by Status, Main Industry and Region	105
Employment Monitored by Ministry of Manpower	
Registration (Labor Market)	116
Wages and Worker's Productivity	125
Wages	125
Productivity	128
Unemployment	131

Unemployment Condition	132
The Causes of Unemployment	142
<b>CHAPTER V. LABOR PROTECTION AND STANDARD</b>	<b>143</b>
Expatriate Workers	143
Industrial Relation	149
Minimum Wage	156
Safety dan Health	161
Social Security	164
Old Insurance Program	166
Pension Program	168
Social Insurance (Jamsostek)	171
<b>CHAPTER VI. CONCLUSION</b>	<b>179</b>
Bibliography	187
Team Work	193