Understanding Children's Work
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Understanding children's work and youth employment outcomes in Indonesia

June 2012

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Country Report

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As part of broader efforts towards durable solutions to child labor, the International Labour Organization (ILO), the United Nations Children's Fund (UNICEF), and the World Bank initiated the interagency Understanding Children's Work (UCW) Programme in December 2000. The Programme is guided by the Oslo Agenda for Action, which laid out the priorities for the international community in the fight against child labor. Through a variety of data collection, research, and assessment activities, the UCW Programme is broadly directed toward improving understanding of child labor, its causes and effects, how it can be measured, and effective policies for addressing it. For further information, see the project website at www.ucw-project.org.

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EXECUTIVE SUMMARY

Overcoming the twin challenges of child labour and youth employment will be critical to Indonesia's progress towards the Millennium Development Goals. Estimates presented in this report indicate that some 2.3 million Indonesian children aged 7-14 years still work in employment. At the same time, almost one in five (19 percent of) Indonesian young people aged 15-24 years in the labour force is unemployed, a rate several times higher than that for adult workers. The effects of child labour and youth unemployment are well-documented: both can lead to social vulnerability and societal marginalisation, and both can permanently impair productive potential and therefore influence lifetime patterns of employment and pay.

The current report examines the related issues of child labour and youth employment in the context of Indonesia. Guided by observed outcomes in terms of schooling, work activities and status in the labour market, the report considers the economic as well as the social determinants of child labour and youth employment. The report was developed jointly by the Government and the three UCW partner agencies. As such, it provides an important common basis for action in addressing child labour and youth employment issues. Part 1 of the report focuses on understanding children's work and Part 2 on understanding youth employment outcomes. Part 3 of the report addresses national responses to child labour and youth employment concerns.

Part 1. Understanding children's work

Part 1 of the report addresses the involvement of children aged 7-14 in work and schooling. It indicates that children's involvement in employment remains an important policy concern in Indonesia. Over 2.3 million children aged 7-14 years, almost seven percent of this age group, were in employment[1] in 2009. Almost all of these children were also in illegal child labour in accordance Indonesian legislation and as many as half were exposed to hazardous conditions in the workplace. Data show an overall decline in children's employment, from 4.9 percent to 3.7 percent, for the narrower, 10-14 year-old, child population during the period from 2007 to 2010.[2]

There are several important characteristics of children's employment in Indonesia of relevance for policy. First, children's employment is mainly although not exclusively a rural phenomenon. In absolute terms, rural children in employment number almost two million while their counterparts in cities and towns number 386,000. Second, there are substantial regional differences in children's involvement in employment, underscoring the need for the geographic targeting of efforts against child labour. Only one percent of

[1] *Children in employment* is a broad concept covering all market production and certain types of non-market production (principally the production of goods for own use) (see also Box 1). It includes forms of work in both the formal and informal sectors, as well as forms of work both inside and outside family settings.

[2] The Indonesia National Labour Force Survey did not collect information on children aged less than 10 years. As the survey methodologies differed, caution should be exercised in comparing the results of the National Labour Force Survey and the Child Labour Survey. While data for the Indonesia Child Labour Survey, the primary reference survey used for this report, relate only to 2009, the data from the Indonesia National Labour Force Survey are available for a four-year period, 2007-2010, allowing some insight into children's employment trends for the 10-14 years age group.

children work in employment in Jakarta, for example, against eight and nine percent of children in Sulawesi and Eastern Indonesia, respectively. Third, there are differences in children's work by sex, suggesting that gender considerations play an important role in the assignment of children's work responsibilities in Indonesia.

The agriculture sector accounts for by far the largest share of children's employment in Indonesia. Fifty-eight percent of total employed children aged 7-14 years work in this sector, followed by services (27 percent) and manufacturing (seven percent). These figures are largely consistent with the sectoral composition of the Indonesian labour market as a whole. About one-third of children in the services sector (216,000 children in absolute terms) are in domestic service. The use of child labour in the domestic sector is subject to no regulation and is out of public view. Children, and especially girls, who live as domestic servants behind closed doors of private houses are particularly vulnerable to abuse, and therefore constitute a particular policy priority.

Almost all economically-active children work for their families as unpaid labour. In all, 96 percent of children in employment work within the family. Nonetheless, hazardous conditions are alarmingly common in the workplaces where children are found. In all, 985,000 children aged 5-14 years of age, or 44 percent of total children in employment, are exposed to hazardous conditions such as dangerous objects, dust or steam, cold or extreme heat, fire and gas, chemicals, dangerous heights and dangerous machinery and equipment. Exposure to hazard conditions appears to depend considerably on the sector in which children in are working. Exposure is highest among those in agriculture and manufacturing: around one in two children in these sectors are exposed to at least one hazardous condition.

Children's employment is associated with compromised education in Indonesia. Although most (87 percent) of children in employment also attend school, working children nonetheless lag nine percentage points behind their non-working peers in terms of school attendance, underscoring the link between child labour and Education For All. Not surprisingly, attendance is negatively correlated not only with involvement in work but also with the time children spend actually working. Children in employment also lag behind their non-working counterparts in terms of grade progression, presumably at least in part due to poor performance. This latter result points to the difficulty that working children face in keeping up in the classroom with children that are not burdened with work responsibilities.

There are large numbers of out of school children in Indonesia, in part due to the demands of work. Some one million children aged 10-14 years were out of school in 2009 and some reports suggest that their numbers increased further in 2010. Almost two-thirds work in some form of productive activity, i.e., in employment, household chores or both. Learning needs for this group are very significant: about one in four out-of-school children in the 10-14 years age group suffer what UNESCO terms "education poverty", i.e., possess less than four years of education, the minimum amount of school time considered by UNESCO as necessary for acquiring basic literacy skills. These figures underscore the importance of expanding and accelerating efforts in second chance education and in providing other services that enhance children's life options.

Not discussed up to this point is the extent to which children's work in Indonesia constitutes "child labour" for elimination. This question is critical for the purposes of prioritising and targeting policy responses to children's work. Child labour measured on the basis of a benchmark indicator constructed for global comparative purposes is very common in Indonesia. Almost 1.4 million children below the age of 13 years were in employment and an additional

almost 650,000 (13-14 year-old) children were in regular (non-light) employment in the 2008 reference year. A further two million older, 15-17 year-old children were at work in hazardous employment. Summing these three groups yields a total of over four million 5-17 year-old children in child labour.

What are the causes of child labour in Indonesia? Econometric evidence points to some of the factors influencing household decisions to involve their children in work or school:

- *Age.* The analysis shows that the probability of a child working increases with age. The available information is insufficient to provide a precise idea of the relative importance of the two most probable reasons for this, i.e., the rising opportunity cost of schooling as a child grows older, or the lack of access to schooling at the post-primary level.
- *Sex.* Parents' decisions concerning whether to involve their children in school or work also appear influenced by gender considerations in Indonesia. Holding constant household income, parents' education and other relevant factors, boys are more likely to work exclusively and less likely to attend school exclusively, than their female counterparts.
- *Education of household head.* Higher household head education levels make it more likely that a child attends school exclusively and less likely that he or she is in employment exclusively. One possible explanation is that more educated parents might have a better knowledge of the returns to education, and/or are in a better position to help their children exploit the earning potential acquired through education.
- *Household income.* The level of household income also appears to play a role in decisions concerning children's work and schooling. Children from better-off households are more likely to go to school and less likely to participate in employment. The results underscore that children's earnings or productivity can play an important role in household survival strategies among low-income families.
- *Place of residence.* Children's living location has an influence on their time use, highlighting the importance of targeted, area-specific approaches to reducing child labour and raising school attendance. Holding other factors constant, children living in urban areas are less likely to work and more likely to go to school. Region of residence also affects the division of time between work and school; children living in Jakarta face a lower risk of involvement in employment exclusively than children in other regions.

But children's employment is a complex phenomenon and the factors mentioned above clearly represent only a partial list of determinants. Better data and more in-depth analysis are needed for a more complete understanding of why children become involved in work. More information on availability of infrastructure, school quality, access to credit markets, coverage of social protection schemes, is especially needed. Decisions concerning children's work and schooling are driven by both economic and socio-cultural factors, and a better understanding is also needed of the role of the latter.

Part 2. Understanding youth employment outcomes

Part 2 of the report focuses on the labour market situation of young Indonesians aged 15-24 years. It highlights the many challenges faced by young people entering the labour market.

A very large share of Indonesian young people – and especially female young people – is neither in the labour force nor in education. Almost 19 percent of all youth is inactive and out of education, constituting important lost productive

potential and a constraint to growth. Over half of those inactive and out of school has at least a junior secondary level of education and a quarter has at least senior secondary education. This fact underscores the lost productivity represented by the inactive and not in education group.

Both rural and urban youth suffer very high rates of unemployment. In all, almost one in five (19 percent of) young people in the labour force is unemployed, a rate five times higher than that for adult workers About two-thirds of those looking for work are doing do for the first time, highlighting the particular difficulties that youth face in gaining an initial foothold in the labour market. Unemployment spells are also long for many youth. Over half of all unemployed youth has been unemployed for at least 12 months, rising to almost two-thirds for young people aged 20-24 years. Youth unemployment is not limited to urban locations. While unemployment in urban areas is about one-fourth higher than that in rural areas, the unemployment rate for youth living in the countryside nonetheless exceeds 16 percent. This points to the inability of the agricultural sector to fully absorb the youth labour force in rural areas in the Indonesian context.

Underemployment, defined as working less than 35 hours per week, is also a serious policy concern for youth. Almost one-third of all employed youth are underemployed according to this measure, pointing to the substantial underutilisation of the productive capacity of youth people. Underemployment is particularly pronounced in rural areas (45 percent of employed youth) and in the regions beyond Jakarta and West Java (at least 31 percent of employed youth). The rate of underemployment is by far the highest in the agriculture sector. This underscores the role of the sector in absorbing workers unable to secure better jobs elsewhere.

A large share of youth that succeed in securing jobs are working in insecure, unskilled jobs in the informal sector offering low pay and little in the way of social security or benefits. Fifty-six percent of working youth are found in the informal sector. However, youth nonetheless fare better in this regard than their adult counterparts. Informality is much more common in rural areas and in regions off Java, again underscoring the differences in the rural and urban labour markets and in labour market conditions across regions. Although recent trends have seen an increase in non-farm employment, the largest share of employed youth is still concentrated in the agricultural sector where productivity and returns to employment remain low. Again, this is especially the case off Java and in rural areas.

The balance of evidence points to substantial returns to education for young people in the Indonesian labour market. The employment situation of youth with intermediate or higher levels of education (accounting for about two-thirds of all youth) contrasts starkly with the employment situation of those with limited or no education (accounting for the remaining third). For the former group, education generates a substantial wage premium, and facilitates access to better jobs in the formal sector. Educated youth, however, face a longer transition from school to work and much greater difficulty in securing an initial foothold in the labour market. For the latter group, their lack of education means that they must accept low quality informal sector work, from which evidence from Indonesia shows it is not easy to exit.

A comparison of the results of the national labour force surveys for the 2007 to 2010 period permits a view of the trends underlying the static picture of the youth labour market presented above. These trends in aggregate labour market indicators for youth suggest an improving situation, despite the global economic downturn which occurred during the 2007-2010 period. Education participation has risen steadily and labour participation has fallen steadily over this period, indicating that Indonesian young persons are remaining in school

longer and joining the labour force later, with clear positive consequences for the level of human capital they bring to the labour force when they eventually do join it. At the same time, the share of those in the labour force seeking work has fallen consistently over the 2007-2010 period.

Part 3. Responding to child labour and youth employment concerns

Child labour and youth employment are closely linked, underscoring the importance of addressing the two issues hand in hand, following a lifecycle approach.

Figure 1. **An integrated response to child labour and youth employment problems**

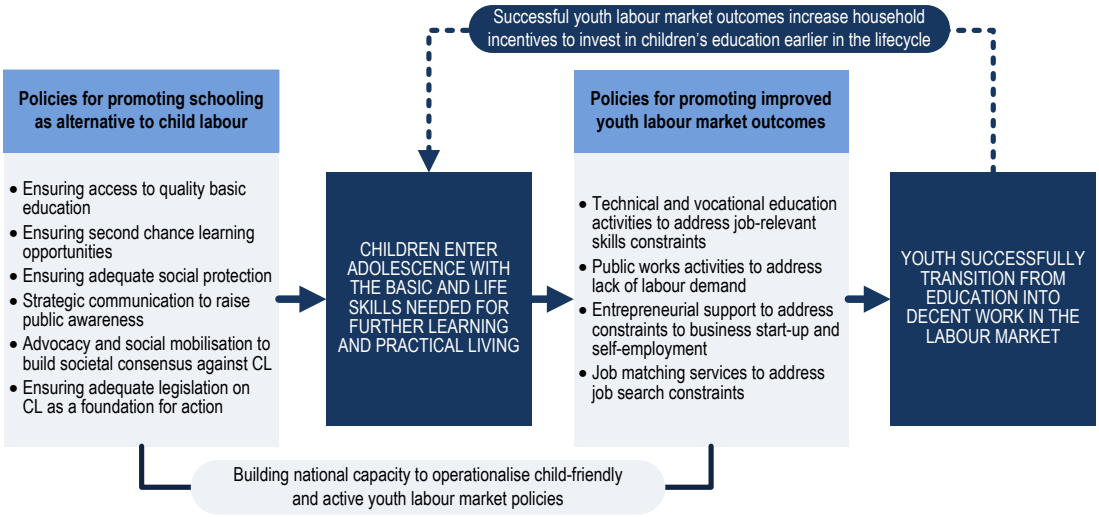


Figure 1 illustrates key components of an integrated response to child labour and youth employment concerns. A set of child-centred policies are needed to promote schooling as an alternative to child labour, and, following from this, to ensure that children enter adolescence with the basic and life skills needed for further learning and practical living. This foundation is turn crucial to the success of active labour market policies for promoting improved youth employment outcomes, and to ensuring that youth successfully transition from education into decent work in the labour market. This causal chain can also work in the opposite direction: successful youth labour market outcomes can increase household incentives to invest in children's education earlier in the lifecycle.

Child labour is a complex phenomenon requiring a policy response that is comprehensive cross-sectoral in nature. Evidence from Indonesia and elsewhere[3] suggests five policy pillars are of particular importance as part of an integrated response – basic education, second chance learning, social protection, strategic communication and social mobilisation/advocacy – while improved child labour regulation is needed as a foundation for an integrated policy response.

More accessible and better quality schools are important because they affect the returns from schooling vis-à-vis child labour, making the former more

[3] For a complete discussion of evidence relating to policy responses to child labour, see: UCW Programme, *Child labour: trends, challenges and policy responses – Joining Forces Against Child Labour*. Inter-agency report for The Hague Global Child Labour Conference of 2010, May 2010.

attractive as an alternative to the latter. “Second chance” learning opportunities are needed to reach the large numbers of out-of-school children with limited or no education. Adequate social protection helps households avoid having to rely on their children’s work to make ends meet. Strategic communication is important because if households are insufficiently aware of the benefits of schooling (or of the costs of child labour), or if prevailing socio-cultural norms favour child labour, they are less likely to choose the classroom over the workplace for their children. Advocacy and social mobilisation are needed in order to build broad-based consensus for action against child labour. Finally, strengthening child labour legislation is important as a foundation and guide for action.

The results presented in Part 2 of this report highlighted the challenges faced by young people entering the labour market. Both rural and urban youth suffer very high rates of unemployment, and unemployment spells are long in duration for many. Educated youth experience particular difficulties in securing work. Underemployment is also a serious issue, as many youth, unable to afford unemployment, are forced to accept occasional work, typically in the agricultural sector. A large share of youth, and especially of female youth, is outside the labour force and also not in education. A large share of youth that succeed in securing jobs are working in insecure, unskilled jobs in the informal sector offering low pay and little in the way of social security or benefits. This is particularly the case for female youth, rural youth and youth from regions off Java.

This discussion points to the need for active labour market policies aimed at promoting improved youth labour market outcomes, building on the knowledge foundation acquired during childhood through improved basic education and preventing child labour. Active labour market policies are designed to improve labour market outcomes for young people within existing institutional and macro-economic constraints; the broader structural economic reforms needed to reduce youth unemployment in the long run are beyond the scope of this report. Active labour market policies addressing both supply-side and demand-side constraints to employment are relevant to improving youth labour market outcomes.

Supply-side policies should be calibrated to the unique needs of youth with different education levels. For better educated youth, there is a need to ensure that the right skills are acquired, that skills mismatches within the labour market are reduced, and that labour market mechanisms are in place to facilitate matches between job seekers and employers. For less educated youth, second chance education in its various dimensions is necessary, in order to equip them with the life and job skills needed to exit from low quality and low productively informal sector work. Relevant demand-side policies include promoting youth entrepreneurship as part of a broader effort to address low labour demand and limited business opportunities for young workers. The employment outcomes for female youth are particularly poor and they therefore require special policy measures aimed at providing them equal opportunities in the labour market.

CHAPTER 1.

INTRODUCTION

1. Overcoming the twin challenges of child labour and youth employment will be critical to Indonesia's progress towards the Millennium Development Goals. Estimates presented in this report indicate that some 2.3 million Indonesian children aged 7-14 years still work in employment. At the same time, almost one in five (19 percent of) Indonesian young people aged 15-24 years in the labour force is unemployed, a rate several times higher than that for adult workers. The effects of child labour and youth unemployment are well-documented: both can lead to social vulnerability and societal marginalisation, and both can permanently impair productive potential and therefore influence lifetime patterns of employment and pay.

2. The issues of child labour and youth employment are closely linked, pointing to the need for common policy approaches to addressing them. Employment outcomes are typically worst for former child labourers and other early school-leavers, groups with least opportunity to accumulate the human capital needed for gainful employment. Indeed, today's jobless or inadequately employed youth are often yesterday's child labourers. The link between child labour and labour market outcomes can also operate in the other direction: poor future labour market prospects can reduce the incentive of households to invest in children's human capital.

3. The current report examines the related issues of child labour and youth employment in the context of Indonesia. Guided by observed outcomes in terms of schooling, work activities and status in the labour market, the report considers the economic as well as the social determinants of child labour and youth employment. The research is informed by the variety of existing research reports on child labour and youth employment in Indonesia. In particular, it builds on the 2009 report working children in Indonesia produced by Statistics Indonesia and ILO.[4] The Indonesia Child Labour Survey (2009) and the Indonesia National Labour Force Survey (Sakernas) (August 2010) are the primary data sources for the report.

4. The report was developed jointly by the Government and the three UCW partner agencies. As such, it provides an important common basis for action in addressing child labour and youth employment issues. Four related objectives are served by the report: (1) improve the information base on child labour and youth employment, in order to inform policy and programmatic responses; (2) promote policy dialogue on child labour and the lack of opportunities for decent and productive work for youth; (3) analyse the relationship between early school leaving, child labour and future status in the labour market; and (4) build national capacity for regular collection and analysis of data relating to child labour and youth employment.

5. The remainder of the report is structured as follows. Chapter 2 briefly describes the national context, including socio-economic trends and key human development challenges facing the country. Following this background, Part 1 of the report focuses on understanding children's work. Chapters 3 and 4

[4] Statistics Indonesia and ILO, *Working Children in Indonesia 2009*.

present descriptive data relating to the extent and nature of children's work, and to how children divide their time between work and school. Chapter 5 assesses the impact of children's work on their health and educational status. Chapter 6 employs econometric tools to assess key determinants of children's work and schooling and their implications for policy. Chapter 7 assesses the extent of child labour in accordance with national legislation.

6. Part 2 of the report focuses on understanding youth employment outcomes. Chapter 8 presents an initial descriptive overview of the activity status of young Indonesians, their situation in the labour market, and of how both have changed in recent years. Chapters 9 and 10 then look at indicators of the success of youth in the labour market. Chapter 9 addresses the issues of inactivity, unemployment and underemployment, while chapter 10 looks at job quality. Chapter 11 assesses links between human capital levels and youth employment outcomes, as part of a broader discussion on how child labour can affect employment outcomes during youth. Chapter 12 assesses the position of young Indonesians in the labour market vis-à-vis their adult counterparts.

7. Part 3 of the report addresses national responses to child labour and youth employment concerns. Chapter 13 reviews current policies and programmes relating to child labour and youth employment. Chapter 14 discusses future policy priorities for accelerating action in the areas of child labour and youth employment.

Panel 1. **Understanding Children's Work (UCW) programme**

The inter-agency research programme, Understanding Children's Work (UCW), was initiated by the International Labour Organisation (ILO), UNICEF and the World Bank to help inform efforts towards eliminating child labour.

The programme is guided by the Roadmap adopted at The Hague Global Child Labour Conference 2010, which laid out the priorities for the international community in the fight against child labour.

The Roadmap calls for effective partnership across the UN system to address child labour, and for mainstreaming child labour into policy and development frameworks. The Roadmap also calls for improved knowledge sharing and for developing further methodologies and capacity to conduct research on child labour.

Research on the work and the vulnerability of children constitutes the main component of the UCW programme. Through close collaboration with stakeholders in partner countries, the programme produces research allowing a better understanding of child labour in its various dimensions.

The results of this research support the development of intervention strategies designed to remove children from the world of work and prevent others from entering it. As UCW research is conducted within an inter-agency framework, it promotes a shared understanding of child labour and provides a common platform for addressing it.

CHAPTER 2.

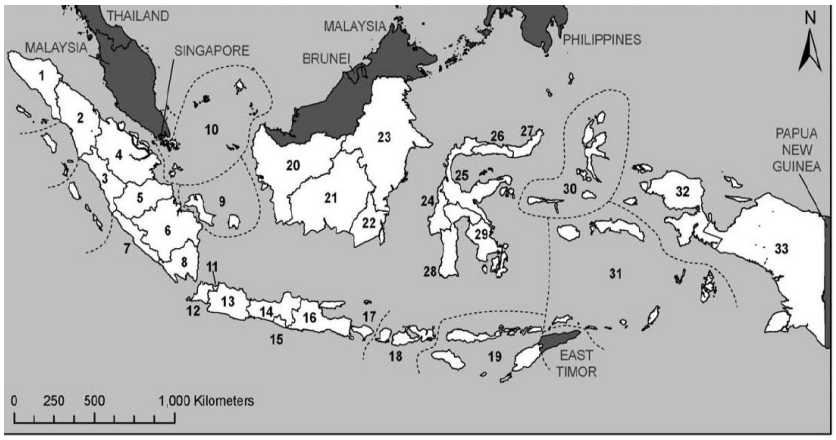
NATIONAL CONTEXT

Summary

- Many of the development challenges facing Indonesia have an important bearing on child labour and youth employment prospects.
- High levels of poverty and limited social protection coverage in particular often leave families dependent on their children's work.
- Challenges associated with school access and quality also play an important role.

8. Indonesia is Southeast Asia's largest country with a population of over 220 million. Administratively, Indonesia is divided into 33 provinces (Figure 2). Each province is subdivided into districts and municipalities. Altogether, there are 370 districts and 96 municipalities in the country. An important characteristic of Indonesia is the uneven distribution of the population among the islands and provinces. For instance, more than 50 percent of the country's population live in Java Island (which covers only seven percent of the area of Indonesia), while only 10 percent live in Maluku and Papua (Statistics Indonesia, 2010).

Figure 2. **Provinces of Indonesia**



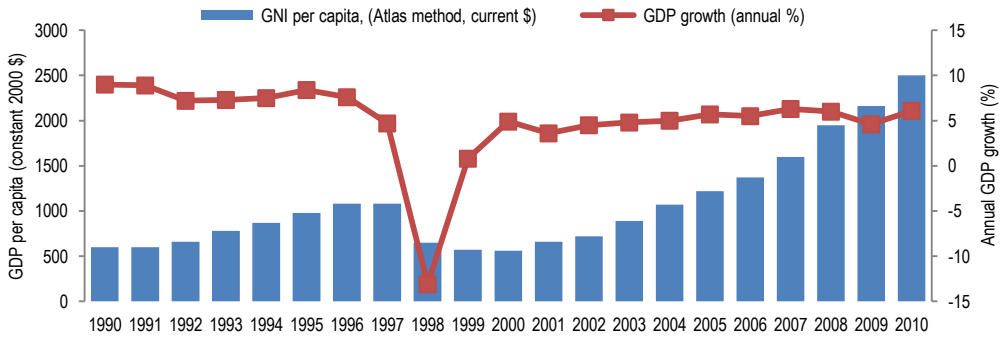
1	Nanggroe Aceh Darussalam	12	Banten	23	East Kalimantan
2	North Sumatera	13	West Java	24	West Sulawesi
3	West Sumatera	14	Central Java	25	Central Sulawesi
4	Riau	15	DI Yogyakarta	26	Gorontalo
5	Jambi	16	East Java	27	North Sulawesi
6	South Sumatera	17	Bali	28	South Sulawesi
7	Bengkulu	18	West Nusa Tenggara	29	Southeast Sulawesi
8	Lampung	19	East Nusa Tenggara	30	North Maluku
9	Bangka Belitung	20	West Kalimantan	31	Maluku
10	Riau Islands	21	Central Kalimantan	32	West Papua
11	DKI Jakarta	22	South Kalimantan	33	Papua

Source: Statistics Indonesia (BPS) and Macro International, 2008

9. Until the Asian financial crisis in 1997, Indonesia was considered to be one of the best-performing East Asian economies, with a growth rate of 7.1 percent between 1985 and 1995. The financial crisis in 1997 led to a slowdown in GDP growth, but since then the country has been recuperating and economic growth is once again strong. GDP growth has been around 5 percent per year since 2002. The Indonesia economy has also proved to be remarkably resilient to the

recent global economic turmoil, with GDP growing at 6.1 percent in 2010 thanks to strong domestic demand and less dependence on trade (Figure 3). Indonesia's growth is expected to accelerate to 6.4 percent in 2011 and to 6.7 percent in 2012, reflecting a pickup in private investment (IMF, 2010 and World Bank, 2010a).

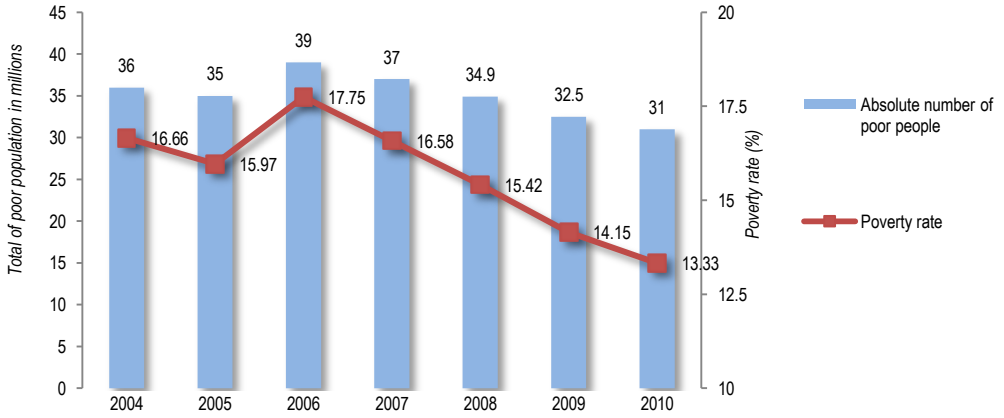
Figure 3. **GNI per capita[(a)] and annual GDP growth, 1990-2010**



Notes: (a) Atlas method (current US$). GNI per capita (formerly GNP per capita) is the gross national income, converted to US dollars using the World Bank Atlas method, divided by the mid-year population.
Source: World Bank World Development Indicators

10. Economic development has contributed to a reduction in the proportion of people living below the national poverty line. Poverty rates have fallen from 17.4 percent of population in 2004 to 14.2 percent in 2009 and to 13.3 in 2010 (Figure 4). However, the challenge of reducing poverty remains one of the most pressing issues in the country. Indeed, 31 million Indonesians currently live below the poverty line.[5] Moreover, even if the level of measured poverty is falling, income inequalities across Indonesia is increasing. The Gini Coefficient, a measure of consumption inequality, has increased from 31.7 in 1999 to approximately 35 in 2009. The government has laid out a comprehensive medium-term strategy for reducing poverty in its National Medium Term Development Plan (RPJMN) in an effort to meet its Millennium Development Goal (MDG) in the area of poverty reduction.

Figure 4. **Poverty in Indonesia**



Source: RPJMN 2010-2014, Ministry of National Development Planning, National Development Planning Agency (Bappenas) and Badan Pusat Statistik (BPS)

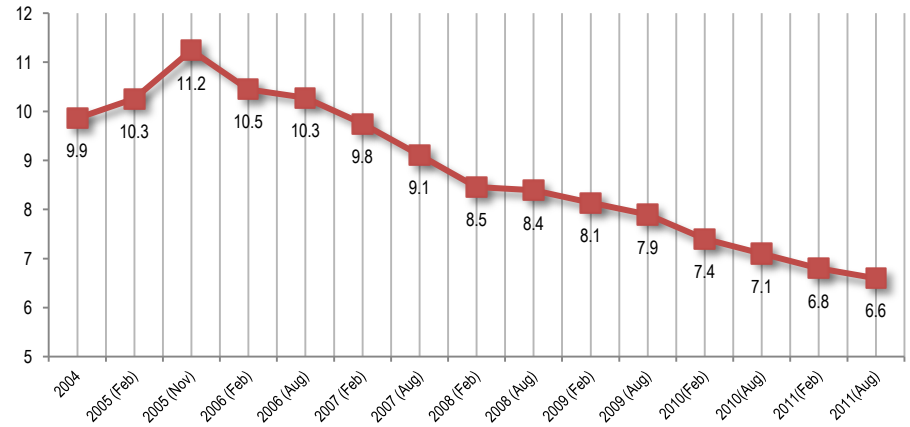
[5] To measure poverty, Statistics Indonesia (BPS) has used the concept of basic needs approach in which poverty is viewed as economic inability to fulfil food and non-food basic needs measured by consumption expenditure. The method has been applied by BPS since 1984.

11. The challenge remains also to ensure that the benefits of economic growth are broad based and contribute to increased poverty reduction rates and rising living standards, especially in rural areas. Indeed, in Indonesia, poverty has been consistently higher in rural areas than in the urban areas. In 2009 poverty in rural areas is 17 percent compared with 10 percent in urban areas. Given the vast size and different conditions in Indonesia, regional disparities are also important, eastern Indonesia lagging behind the other parts of the country. Some provinces have much higher poverty rates than others (Bappenas, 2009). For instance, in 2009, the poverty rate is over 20 percent in West Nusatengarra Province (22.8 percent) and in East Nusatengarra Province (23.3 percent) compared with poverty rates of around 5 percent in DKI Jakarta Province (3.6 percent), in Bali Province (5.1 percent) and in Banten Province (7.6 percent).

12. Another salient feature of poverty in Indonesia is the many Indonesians living just above the poverty line. There is a large group of "near-poor" people – variously estimated at between one-third and one-half of the population –who are vulnerable to aggregate and idiosyncractic shocks such as food price increases or health shocks. According to the World Bank (2006a), there is little that distinguishes the poor from the near-poor: while only 16.7 percent of Indonesians surveyed were poor in 2004, more than 59 percent had been poor at some time during the year preceding the survey. These vulnerable households could easily fall below the poverty line at any point (World Bank, 2009a).

13. Despite strong economic growth Indonesia has suffered from slow job creation, pervasive informality and persistently high unemployment since the 1997-1998 census. The rebound in economic growth since 2004 has failed to deliver an improvement in labour market performance (OECD, 2008). The official unemployment rate which was 9.9 percent in 2004, rose further to 11.2 percent in 2005 before falling to 7.9 percent in 2009 (Figure 5). This trend is mostly driven by young people aged 15 to 24, who make up over half of the unemployed. Youth are much more likely than adults to be unemployed (International Labour Organisation, 2009) and have currently have an unemployment rate of almost 22 percent. Unemployment is especially high among people under the age of 25 with senior secondary school degrees (Suryadarma, Suryahadi and Sumarto, 2007).

Figure 5. **Unemployment rate in Indonesia (2004-2011)**

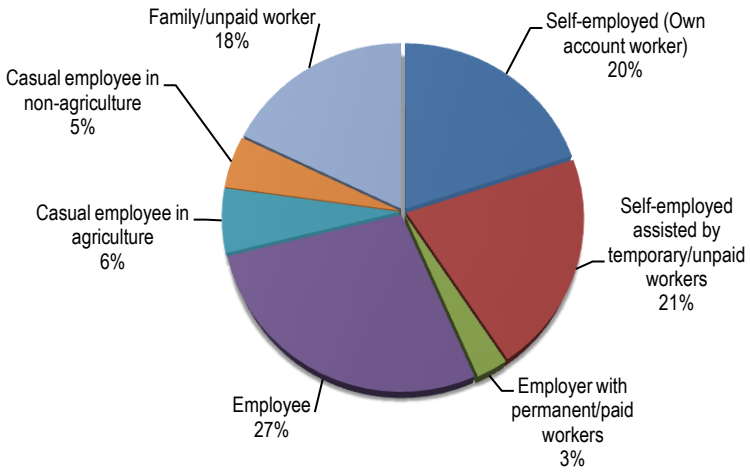


Source: Badan Pusat Statistik Republik Indonesia – Statistics Indonesia (BPS), 2011

14. The continued fall in unemployment rates even in the global turmoil is an important achievement and highlights the underlying strength of the Indonesian economy (The Economic Intelligence Unit, 2010). However, in 2009, 69 percent of the employed workforce in Indonesia is working in the informal

sector (Figure 6).[6] Despite several years of economic growth in the country, there is only a very weak trend toward increasing formality in the workforce. The level of formality has barely changed in the past two decades in Indonesia. Most informal workers are employed in agriculture in rural areas. Over 60 percent of these rural informal workers are poor or near-poor and more than 70 percent have only elementary education or less. Urban informal workers are more skilled and likely to be employed in sales, transportation, domestic service and as construction labourers. Although better off than rural informal workers, they face a larger wage gap compared with formal workers. Informal workers are more likely to be female and living in eastern Indonesia (World Bank, forthcoming).

Figure 6. **Distribution of main employment status of working population (15 years and over)**



Source: Badan Pusat Statistik Republik Indonesia – Statistics Indonesia (BPS), 2009

15. Given the important role played by human resources in maintaining growth and stability, the Government has been allocating additional resources in public service provision to address poor human development outcomes. The progress in a number of education and health outcomes is mirrored by the progress of Indonesian Human Development Index (HDI). The HDI indicates that social welfare has been improving in Indonesia since 1980s. In 2007, Indonesia scored 0.734, ranking 111th of the 182 countries listed in the index.

16. Child health and nutrition outcomes have improved. Infant mortality rates declined from 79 deaths per 1,000 live births in the 1980s to 34 in 2009. The prevalence of child malnutrition (based on weight for age in children under 5) has also declined slowly but steadily from 38 percent in 1989 to 18 in 2009. Life expectancy at birth (years) has also shown an upward trend and is 70.5 years as of 2008.

17. In particular, expanding and improving education is a major aim of Governmental medium-term development planning. The Government has made a concerted effort to invest in education, doubling education spending between 2000 and 2006. In 2009, spending on education was estimated to be greater than any other sector, reaching an equivalent of US$20.9 billion (World Bank 2010b), or approximately 20 percent of total government expenditure.

[6] Formal and informal sector can roughly be approached with employment status. From seven main employment status category, formal workers include employers and employees. Informality is then proxied by the sum of own-account workers and family workers (Badan Pusat Statistik Republik Indonesia – Statistics Indonesia, 2009).

18. Since the 1970s, enrolment rates have increased significantly. The net enrolment rate (NER) for primary education increased from 72 percent in 1978 to almost universal coverage by 1995 and remained high even through the 1997 financial crisis (World Bank, 2007). Table 1 indicates that in 2009, the NER for primary education stands at 94 percent (while the gross rate is around 110 percent).[7] The NER for junior secondary education has been also consistently rising, starting from a low level of 18 in the 1970s. The NER for junior secondary is only 67 percent in 2008 (with a gross enrolment rate of 81 percent). The important overall educational expansion has also reduced the education gap by gender. Gender parity at almost all education level is achieved since boys and girls are enrolled in equal proportion at the primary level while at the junior secondary level, girls' GER outstands that of boys (UIS, 2010).

Table 1. **Gross and Net Enrolment rates in Indonesia, by sex and education level (2000-2010)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross enrolment rate											
Primary	107,7	107,2	106,0	105,8	107,1	106,6	110,0	110,4	109,4	110,4	111.6
Junior secondary	77,6	78,1	79,8	81,1	82,2	82,1	81,9	82,0	81,4	81,1	80.3
Senior secondary	50,2	46,5	48,0	50,9	54,4	55,2	56,7	56,7	57,4	62,4	62.5
Tertiary	10,3	10,4	10,5	10,8	10,7	11,1	12,2	13,3	14,4	14,6	16.3
Net enrolment rate											
Primary	92,3	92,9	92,7	92,6	93,0	93,3	93,5	93,8	94,0	94,4	94.7
Junior secondary	60,3	60,5	61,6	63,5	65,2	65,4	66,5	66,6	67,0	67,4	67.6
Senior secondary	39,3	37,1	38,1	40,6	43,0	43,5	43,8	44,6	44,8	45,1	45.5
Tertiary	8,0	8,0	8,1	8,6	8,6	8,7	8,9	9,6	10,1	10,3	11.0

Source: Badan Pusat Statistik Republik Indonesia – Statistics Indonesia (BPS)

19. Beyond basic education[8], enrolment rates are still low in Indonesia. Although the NER for senior secondary enrolment rate has expanded steadily, it reaches only 45 percent in 2009. The tertiary NER remains around 10 percent. Key constraints to enrolment in senior secondary and tertiary level education include high costs, particularly for the poor, the perceived low quality of schooling and lack of benefit from attaining higher degrees. A lack of schools, particularly in secondary system, also remains a major problem (World Bank, 2006a). To address this issue, the Government of Indonesia implements a major school construction programme to increase the number of places available in the existing schools (*one-roof* school programme). The one-roof school programme is particularly focused on remote areas where they are existing primary schools but not enough junior secondary school to accommodate all graduates from primary schools.

20. Relatively favourable enrolment figures for basic education mask some discrepancies. Indonesian children's opportunities to participate in the education system differ significantly between the richest and the poorest children. Disparities in education between the lowest and highest income groups remain important, especially in the advanced levels of education (junior

[7] The NERs are significantly different from the GERs, indicating a high percentage of under-age (under seven years of age) and over-age pupils (over 12 years of age). According to UNESCO Institute for Statistics, in 2008, 12.8 and 3.8 percent of primary school students are under-age and over-age respectively.

[8] Indonesia defines basic education as nine years: six years of primary education (ages 7 to 12 years) and three years of junior secondary education (ages 13 to 15 years).

and senior secondary education). In 2006, net primary school enrollment across quintiles ranged from 92 to 94.5 percent. The gap between income groups appears more striking at the junior secondary school level: a child coming from a poor family is 20 percent less likely to be enrolled in junior secondary school than a non-poor child (World Bank, 2006a).

21. The gap in educational participation between provinces is still quite large (Statistics Indonesia, 2010). In 2008, Papua lags behind significantly for primary education, while other provinces have similar performance in terms of net primary enrolments. The differences among provinces in net enrolment ratios become wider at higher levels of education. For instance, at the junior secondary level, a higher number of provinces lag, most notably Papua (48.6 percent), East Nusatengarra (49.6 percent), West Sulawesi (51 percent).

22. Moreover, the success in increasing school attendance in both primary and secondary education has not yet been accompanied by satisfactory graduation rates. Only 80 percent of children enrolled in primary school reach the final grade of primary school in 2008 (UIS, 2010). this can result from high dropout rates and the large number of students who have to repeat classes.

23. Although access to basic education has improved in recent decades, education quality remains an important challenge. The Indonesian educational system has not consistently produced graduates with high-quality knowledge and skills (World Bank, 2008a). Indonesia still ranks low in international standardized tests. For instance, according to the results of the Third International Mathematics and Science Study (TIMSS), the performance of Indonesian eighth-grade students' in both fields is quite poor. In terms of performance in mathematics, Indonesian students ranked 36 out of 49 countries surveyed in 2007. In science, Indonesian students were ranked 35 out of 49 countries surveyed in 2007. The poor performance of Indonesian students was also highlighted by the 2006 Programme for International Student Assessment (PISA). PISA assesses the performance of 15-year old students in science, reading and mathematics. From 57 countries surveyed, Indonesia ranked 52 for science, 48 for reading and 51 for mathematics. Even after taking family socioeconomic status into account, student outcomes in Indonesia were lower than those of neighboring countries, which suggests that there are deficiencies in the classroom experiences that teachers are providing for their students (Jalal et al., 2009).

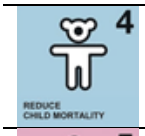
24. Teachers are one of the most important factors in education quality. In Indoneasia, teacher education levels tend to be low. At the primary and junior secondary levels, only 18 percent and 67 percent of the teachers respectively have the four-year degree qualification. These figures are particularly significant, given the passage of the Teacher Law in December 2005, which requires that all teachers have a qualification of a bachelor's degree or four year diploma. Teachers in remote areas tend to have the lowest education levels, while those in urban areas tend to have the highest levels (World Bank, 2006b).

25. Student-teacher ratios (STR) are often used to measure the quality and efficiency of an educational system.[9] Indonesia's STRs at both the primary and secondary levels appear to be surprisingly low by international and regional standards. The average STR in Indonesia's primary education is 17:1. At the secondary school level, the result is even more striking. Indonesia's STR is 11:1

[9] A high STR can be an indicator of poor quality because students are not given as much individual attention. A low STR, on the other hand, can be an indicator of inefficiency and low marginal returns and can result in a significant burden on an education system, given that teacher salaries typically comprise a high proportion of an overall education budget.

(UIS, 2010). Such a low STR might be a strong indicator of systematic inefficiency. In the Indonesian context, the oversupply can be encouraged by the method of determining teacher supply requirements. Under the current system, the schools and districts tend to claim undersupply and request additional resources (World Bank, 2008a). High teacher absenteeism (teacher absence in primary school is 19 percent) may in part explain why many schools feel they are undersupplied (World Bank, 2007a). There is also a need to consider Indonesia's large percentage of part-time teachers. It is also worth mentioning that despite the teacher oversupply at an aggregated level, some schools in remote areas have serious teacher shortages. For instance 68 percent of urban schools and 52 percent of rural schools have a teacher oversupply while two-thirds of schools in remote areas have few teachers.

Table 2. **Status of Millennium Development Goals in Indonesia**

	**Goal 1: Eradicate Extreme Poverty and Hunger** **MDG 1** – The proportion of people having per capita income of less than US$1 a day has declined from 20.6 percent in 1990 to 5.9 percent in 2008. **MDG 1 -** The prevalence of underweight children under-five years of age decreased almost 50 percent from 31 percent in 1989 to 18.4 percent in 2007. The target of 15.5 percent by 2015 is estimated can be achieved. **MDG 1 -** Indonesia has raised the targets for poverty reduction and is committed to give special attention to reducing poverty levels as measured against the national poverty line from the level of 13.33 percent in 2010 to 8 to 10 percent in 2014.
	**Goal 2: Achieve Universal Primary Education** **MDG 2** - The net enrollment rate for primary education has almost reached 100 percent and the literacy rate of the population reached 99.47 percent in 2009.
	**Goal 3: Promote Gender Equality and Empower Women** **MDG 3 -** Gender equality in all types and levels of education have almost been achieved as indicated by the net enrollment ratios (APM) of girls to boys in SD/MI/Paket A and SMP/MTs/Paket B of 99. 73 and 101.99 respectively, and the literacy rate of women to men among 15-24 year olds of 99.85 in 2009. **MDG 3 -** The net enrollment ratios (NER) of girls to boys in secondary education (*SMA/MA/*Package C) and higher education in 2009 were recorded to be 96.16 and 102.95 respectively. Thus, it is expected that the 2015 target of 100 can be achieved.
	**Goal 4: Reduce Child Mortality** **MDG 4** - The mortality rate of children under-five years of age decreased from 97 per 1,000 live births in 1991 to 44 per 1,000 live births in 2007 and is expected to reach the target of 32 per 1,000 live births in 2015.
	**Goal 5: Improve Maternal Health** **MDG 5 -** The maternal mortality rate has fallen from 390 in 1991 to 228 per 100,000 live births in 2007. Hard work is needed to achieve the 2015 target of 102 per 100,000 live births.
	**Goal 6: Combat HIV/AIDS, Malaria and other diseases** **MDG 6 -** The prevalence of tuberculosis decreased from 443 cases in 1990 to 244 cases per 100,000 populations in the year of 2009. **MDG 6 -** The proportion of people with HIV/AIDS has increased, particularly among high risk groups such as injecting drug users and sex workers.
	**Goal 7: Ensure Environmental Sustainability** **MDG 7 -** Indonesia has a high level of greenhouse gas emissions, but the country remains committed to increase forest cover, eliminate illegal logging and implement a policy framework to reduce carbon dioxide emissions by at least 26 percent over the next 20 years. Moreover, currently only 47.73 percent of households have sustainable access to improved drinking water, and 51.19 percent of households have access to basic sanitation. Special attention is required to achieve the MDGs targets for Goal 7 by 2015.
	**Goal 8: Develop a Global partnership for Development** **MDG 8** - Indonesia has managed to develop open, rule-based, predictable, non-discriminatory trading and financial systems – as indicated by the positive trends in indicators related to trade and the national banking system. At the same time, significant progress has been made in reducing the ratio of foreign debt to GDP from 24.6 percent in 1996 to 10.9 percent in 2009. The Debt Service Ratio has also been reduced from 51 percent in 1996 to 22 percent in 2009.

Source: Republic of Indonesia, *Report on the achievement of the Millennium Development Goals 2010*. Ministry of National Development Planning, National Development Planning Agency (BAPPENAS).

26. Much effort is still required to ensure that Indonesia meets all MDG targets (Table 2). In particular, a number of critical challenges remain in terms of reducing the proportion of the population without access to safe water and adequate basic sanitation facilities. The coverage of sanitation services in Indonesia is low, with less than one percent of all Indonesians accessing piped sewerage systems. An estimated 50 million rural poor are not connected to piped water. In urban areas, levels of access to utility supply are lower in the poorest quintile, but the district water utilities (PDAM) service to all households is also limited. In practice, the urban poor obtain their water from many sources, primarily non-network water and self-supply. Survey data show that 80 percent of the rural poor and 59 percent of the urban poor have no access to adequate sanitation. Access of households in urban areas to piped drinking water has been consistently higher compared to the access of households in rural areas.

PART 1.

Understanding children's work

CHAPTER 3.

CHILDREN'S INVOLVEMENT IN WORK AND SCHOOLING

Summary

- Over 2.3 million Indonesian children aged 7-14 years are were in employment in 2009, with significant variation by age, and place of residence.
- Children's involvement in employment has fallen since 2007, but this has not been matched by progress in raising school attendance.
- Almost nine out of ten children perform household chores as part of their daily routines, adding to their total work burden.

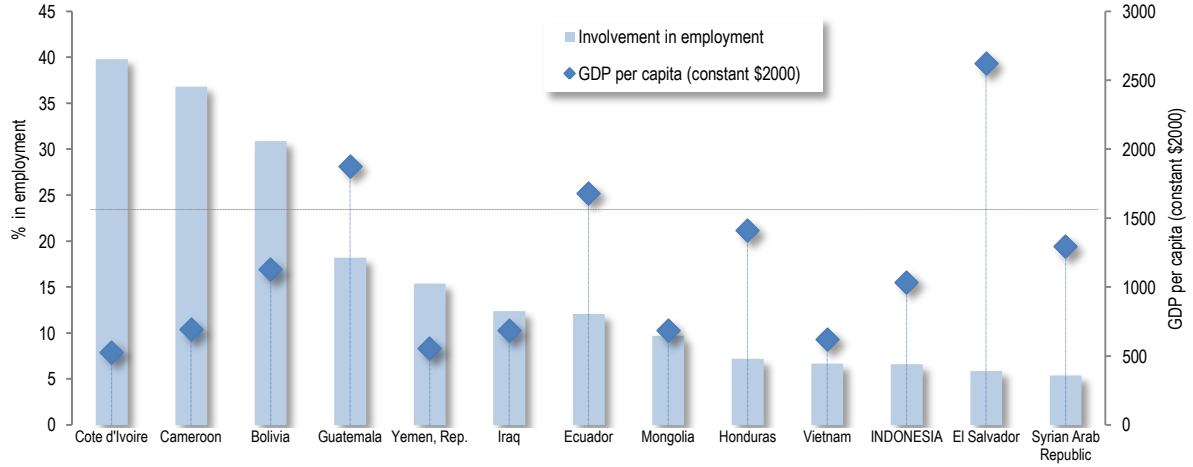
27. This chapter looks at the time use patterns of children in Indonesia, focusing in particular on the extent of children's involvement in work and schooling. The analysis in this and the remaining chapters of Part 1 is based primarily on data from the 2009 Indonesia Child Labour Survey (ICLS 2009), a nationally representative household-based survey designed to study the extent and nature of child labour in the country. The survey collected information on the work and other time uses of children, including children's involvement in employment and household chores, working hours, workplace hazards and ill health.

3.1 Involvement in employment

28. Children's involvement in employment remains an important policy concern in Indonesia. Over 2.3 million children aged 7-14 years, almost seven percent of this age group, were in employment[10] in 2009. Almost all of these children were also in illegal child labour in accordance Indonesian legislation (see discussion in Chapter 7 of this report). Numbers of older, 15-17 year-old, children in employment were much higher, about 3.3 million in absolute terms, although a smaller share of this group is in illegal child labour (again, see discussion in Chapter 7 of this report). Youth employment outcomes are discussed in more detail in Part 2 of this report; this and the remaining chapters of Part 1 focus on children below the age of 15 years.

[10] *Children in employment* is a broad concept covering all market production and certain types of non-market production (principally the production of goods for own use) (see also Box 1). It includes forms of work in both the formal and informal sectors, as well as forms of work both inside and outside family settings.

Figure 7. **Child involvement in employment[(a)] and per capita income,[(b)] Indonesia and other selected lower middle income countries**



Notes: (a) Estimates of children's employment do not all relate to the same reference year and are derived from different survey instruments; cross-country comparisons are therefore indicative only; (b) GDP per capita estimates are for 2007.

Sources: (1) GDP per capita estimates: World Bank, World Databank. (2) Children's involvement in employment: UCW calculations based on ***Bolivia****, Encuesta de Trabajo Infantil (Simpoc) 2008;* ***Cameroon****, Troisième Enquête Camerounaise Auprès des Ménages (ECAM 3) 2007;* ***Côte d'Ivoire****, MICS-3 2006;* ***Ecuador****, (Simpoc) 2006;* ***El Salvador****, Encuesta de Hogares de Propósitos Múltiples (EHPM) 2007;* ***Guatemala****, Encuesta Permanente de Hogares de Propositos Multiples (EPHPM) 2007 (Simpoc);* ***Honduras****, Encuesta Permanente de Hogares de Propositos Multiples (EPHPM) 2007 (Simpoc);* ***Indonesia****, Child Labour Survey, 2009;* ***Iraq****, MICS-3 2006;* ***Mongolia****, LFS 2006−07;* ***Syria****, MICS-3 2006;* ***Vietnam****, Living Standard Survey (VLSS) 2006; and* ***Yemen****, MICS-3 2006.*

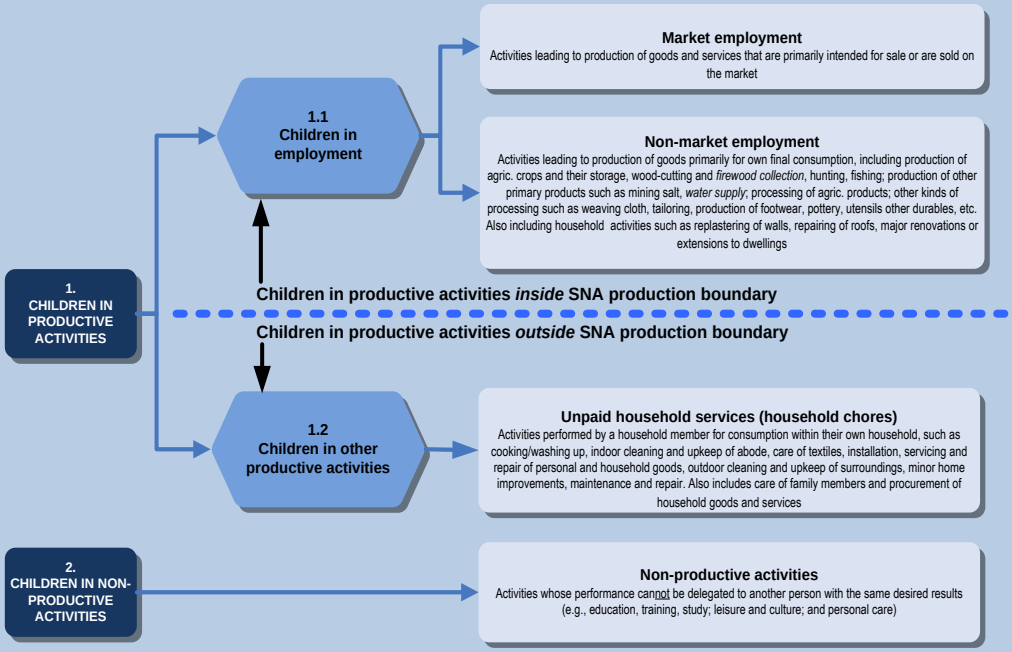
29. Children's employment is associated with compromised education in Indonesia. Although most (87 percent) of children in employment also attend school, working children nonetheless lag nine percentage points behind their non-working peers in terms of school attendance. And the negative educational impact of work extends well beyond school attendance, as the time and energy required by work can impede school performance among those working children managing to attend school. The link between children's employment and their education underscores the fact that policy efforts towards Education for All and the progressive elimination of child labour should go hand in hand. Children's work and education are discussed further in Chapter 5 of this report.

30. Another way of viewing the interaction between children's employment and schooling is by disaggregating the child population into four non-overlapping activity groups – children in employment exclusively, children attending school exclusively, children combining school and employment and children doing neither (Table 3 and Table 4). This disaggregation shows that 90 percent of all children aged 7-14 years attended school exclusively in 2009 while almost six percent of all 7-14 year-olds attended school and worked in employment at the same time. Less than one percent of children were in employment without also going to school, while the remaining four percent of 7-14 year-olds were not involved in employment or in schooling (but were likely involved in other productive activities).

Panel 1. **Children's work and child labour: A note on terminology**

Terminology and concepts used for categorising children's work and child labour (and in distinguishing between the two) are inconsistent in published statistics and research reports, frequently creating confusion and complicating cross-country and longitudinal comparisons. In this study, "**children's work**", is used broadly to refer to all productive activities performed by children. Productive activities, in turn, are defined as all activities falling within the general production boundary, i.e., all activities whose performance can be delegated to another person with the same desired results. This includes production of all goods and the provision of services to others within or outside the individual's household.

In accordance with the standards for national child labour statistics set at the 18th International Conference of Labour Statisticians (Res. II), the study distinguishes between two broad categories of child workers – children in employment and children in other productive activities. The definition of **children in employment** in turn derives from the System of National Accounts (SNA) (Rev. 1993), the conceptual framework that sets the international statistical standards for the measurement of the market economy. It covers children in all market production and in certain types of non-market production, including production of goods for own use. **Children in other productive activities** are defined as children in productive activities falling outside the SNA production boundary. They consist mainly of work activities performed by household members in service to the household and its members, i.e., household chores.



The term "**child labour**" is used to refer to the subset of children's work that is injurious, negative or undesirable to children and that should be targeted for elimination. It can encompass both children in employment and children in other productive activities. Three main international conventions – the UN Convention on the Rights of the Child (CRC), ILO Convention No. 182 (Worst Forms) and ILO Convention No. 138 (Minimum Age) – provide the main legal standards for child labour and a framework for efforts against it.

Child labour in the context of Indonesia is defined primarily by Law No.13 of 2003 concerning manpower. The specific statistical definitions employed to measure child labour in the context of Indonesia are discussed in Chapter 7 of this report.

Table 3. **Child activity status, 7-14 years age group, by sex**

Activity status	*Male*		*Female*		*Total*	
	No.	*%*	*No.*	*%*	*No.*	*%*
Only employment	168,653	0.9	88,172	0.5	256,825	0.7
Only schooling	16,120,508	89.3	15,610,517	90.4	31,731,025	89.9
Employment and schooling	1,101,120	6.1	984,917	5.7	2,086,037	5.9
Neither activity	653,208	3.6	586,329	3.4	1,239,537	3.5
Total in employment[(a)]	**1,269,773**	**7.0**	**1,073,089**	**6.2**	**2,342,862**	**6.6**
Total in school[(b)]	**17,221,628**	**95.4**	**16,595,434**	**96.1**	**33,817,062**	**95.8**
Total out-of-school children[(c)]	**821,861**	**4.5**	**674,501**	**3.9**	**1,496,362**	**4.2**

Notes : (a) Refers to all children in employment, regardless of school status; (b) refers to all children attending school, regardless of employment status; and (c) refers to all children out of school, regardless of employment status.
Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Table 4. **Child activity status, 7-14 years age group, by sex**

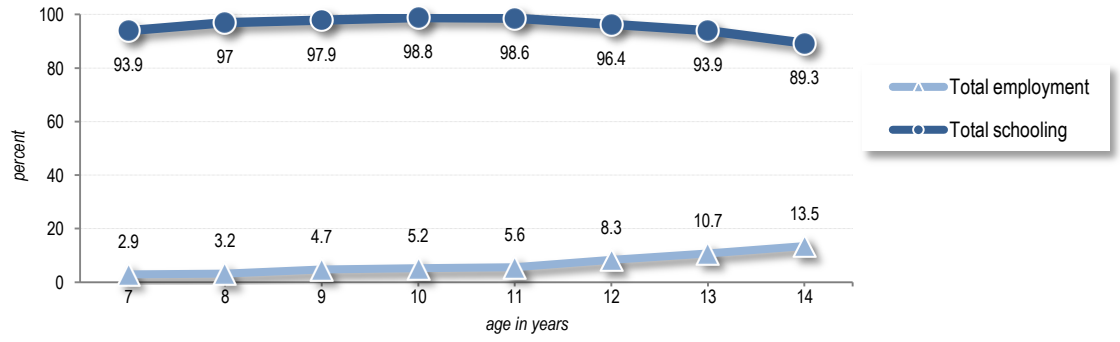
Activity status	*Urban*		*Rural*		*Total*	
	No.	*%*	*No.*	*%*	*No.*	*%*
Only employment	43,245	0.4	213,580	0.9	256,825	0.7
Only schooling	11,418,666	94.4	20,312,359	87.5	31,731,025	89.9
Employment and schooling	342,699	2.8	1,743,338	7.5	2,086,037	5.9
Neither activity	289,441	2.4	950,096	4.1	1,239,537	3.5
Total in employment[(a)]	**385,944**	**3.2**	**1,956,918**	**8.4**	**2,342,862**	**6.6**
Total in school[(b)]	**11,761,365**	**97.2**	**22,055,697**	**95.0**	**33,817,062**	**95.8**
Total out-of-school children[(c)]	**332,686**	**2.8**	**1,163,676**	**5.0**	**1,496,362**	**4.2**

Notes : (a) Refers to all children in employment, regardless of school status; (b) refers to all children attending school, regardless of employment status; and (c) refers to all children out of school, regardless of employment status.
Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

31. Aggregate estimates of children's activities mask important differences by age and sex, residence (Table 3, Table 4, Figure 8 and Figure 9). The main patterns are discussed below. (Note that child-, household- and community-related *determinants* of child labour are discussed in Chapter 6 of this report).

- **Age**: Children's involvement in work rises with age (Figure 8). This pattern is undoubtedly in large part the product of the fact that children's productivity (and therefore the opportunity cost of keeping them in school) rises as they grow older. But it is worth noting that numbers of even very young working children are far from negligible.

Figure 8. **Child activity status by age group**



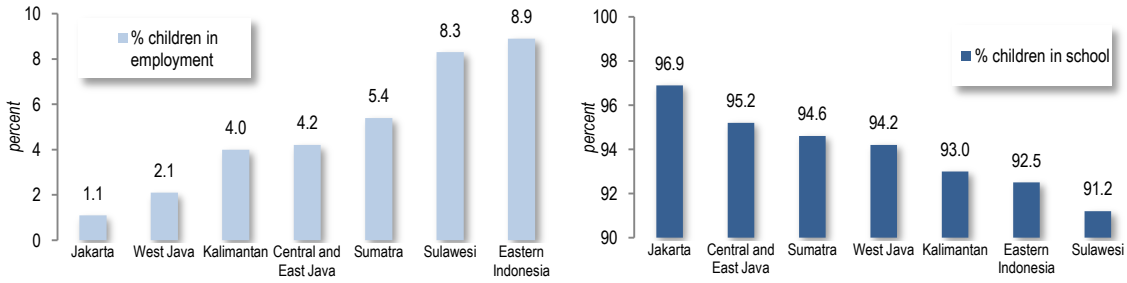
Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Almost 600,000 children aged less than 10 years were already at work in employment in 2009. These very young working children constitute a particular policy concern, as they are most vulnerable to workplace abuses, at most at risk of work-related ill-health or injury and are most affected by compromised education. Involvement in schooling peaks at

the age of 11 years at almost 99 percent and decreases thereafter as children drop out to work in employment and/or to undertake a greater share of household chores. By the age of 14 years, almost 11 percent of children are out of school.

- **Sex**: Girls are slightly less likely to work in employment and slightly more likely to attend school than their male peers. It is worth recalling, however, that household chores, such as child care and household chores performed within one's own home, where girls typically predominate, were not considered in the estimates. The issue of children's involvement in household chores is taken up in Section 3.3 of the report. It is also worth underscoring that girls are often disproportionately represented in less visible forms of child labour such as domestic service in a third party household which can be underestimated in household surveys.
- **Place of residence**: Children's employment in Indonesia is primarily, but not only, a rural phenomenon. Over eight percent of rural children were in employment in 2009 against only three percent of their peers in cities and towns. Seen in absolute terms, differences by residence in involvement in employment are even more stark: rural children in employment numbered almost two million while their counterparts in cities and towns numbered 386,000 in 2009. The school attendance rate of rural children was about two percentage points less than that for urban children in 2009. The fact that differences by residence in involvement in employment are larger than differences by residence in school attendance is accounted for by the greater share of rural children that combine school and work.

Figure 9. **Children in employment and in schooling, 10-14 years age group, by region[(a)]**



Note : (a) The primary dataset used for this report, Indonesia Child Labour Survey (2009), does not provide sub-national information on children's employment and schooling. For this reason, estimates in this figure are based instead on data from the Indonesia National Labour Force Survey (2009). The latter survey does not provide information on children aged less than 10 years, and the estimates therefore refer only to children aged 10-14 years of age.
Source: UCW calculations based on Indonesia National Labour Force Survey, 2009.

- **Province of residence**: The level of children's involvement in employment is closely linked to where they live. Sub-national data reported in Figure 9 (drawn from the 2009 Indonesia National Labour Force Survey rather than the 2009 Indonesia Child Labour Survey[11]) point to large differences in children's employment for the 10-14 years age group[12] across provinces, underscoring the need for the geographic targeting of child labour elimination efforts. Only one percent of children

[11] Sub-national data are not available for the 2009 Indonesia Child Labour Survey.

[12] The narrower, 10-14 years, age range is used here because the 2009 Indonesia National Labour Force Survey did not collect data for children aged less than 10 years.

worked in employment in Jakarta in 2009, for example, against eight and nine percent of children in Sulawesi and Eastern Indonesia, respectively. Variations by province in terms of school attendance are also large, with again Sulawesi and Eastern Indonesia (in addition to Kalimantan) lagging the furthest behind national progress.

3.2 Trends in children's involvement in employment

32. The question of most interest in terms of policy, not captured by the static picture of children's employment presented above, is the direction in which Indonesia is moving in terms of children's employment, i.e., whether a greater or lower proportion of children are working over time. While data for the Indonesia Child Labour Survey, the primary reference survey used for this report, relate only to 2009, the data from the Indonesia National Labour Force Survey are available for a four-year period, 2007-2010, allowing some insight into children's employment trends for the 10-14 years age group.[13] The 2007-2010 period is of particular relevance because it coincides with the outbreak of the global financial crisis; estimates covering this period therefore provide an indication of how well children have been shielded from the impact of the crisis.

Table 5. **Child activity status, 10-14 years age group, 2007-2010(a)**

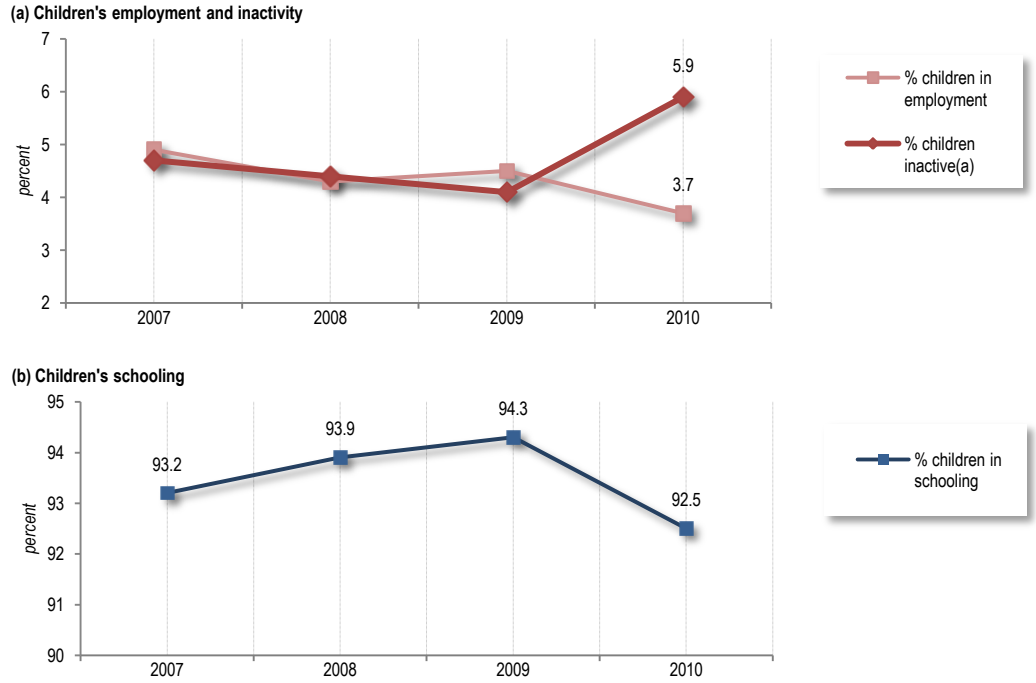
Activity status	*Reference year*							
	2007		*2008*		*2009*		*2010*	
	No.	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*
Only employment	443,241	2.1	367,357	1.8	343,350	1.7	362,075	1.7
Only schooling	18,672,849	90.4	19,102,481	91.4	18,873,923	91.4	19,733,201	90.4
Employment and schooling	568,678	2.8	530,578	2.5	595,764	2.9	454,288	2.1
Neither activity	979,838	4.7	911,999	4.4	847,984	4.1	1,290,557	5.9
Total in employment[(b)]	**1,011,919**	**4.9**	**897,935**	**4.3**	**939,114**	**4.5**	**816,363**	**3.7**
Total in school[(c)]	**19,241,527**	**93.1**	**19,633,059**	**93.9**	**19,469,687**	**94.2**	**20,187,489**	**92.4**
Total out-of-school children[(d)]	**1,423,079**	**6.9**	**1,279,356**	**6.1**	**1,191,334**	**5.8**	**1,652,632**	**7.6**

Notes: (a) The primary dataset used for this report, Indonesia Child Labour Survey (2009), does not provide information on children's employment and schooling for previous reference years. For this reason, estimates in this table are based instead on data from the Indonesia National Labour Force Survey (2009). The latter survey does not provide information on children aged less than 10 years, and the estimates therefore refer only to children aged 10-14 years of age. As survey methodologies differ, the estimates are not strictly comparable with those from the Indonesia Child Labour Survey (2009) presented in Section 3.1 of the report; (b) refers to all children in employment, regardless of school status; (c) refers to all children attending school, regardless of employment status; and (d) refers to all children out of school, regardless of employment status.
Source : UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August).

33. A comparison of the estimates over the four year period shows a significant overall decline in children's employment, from 4.9 percent to 3.7 percent of the 10-14 year-old population (Table 5 and Figure 10). But progress was not even over the period. The overall decline disguises a slight *reversal* in progress during 2008-2009, the period coinciding with the outbreak of the global financial crisis, followed by a further sharp decline during 2009-2010. It is worth noting, however, that the decline in children's employment during 2009-2010 was accompanied by a sharp rise in "inactive" children, i.e., children neither in employment nor in schooling. This raises the possibility that the putative progress against children's work during 2009-2010 was in part simply a shift in children's work from categories of production measured by the surveys (i.e., employment) to categories of production that were not measured (i.e., household chores).

[13] The Indonesia National Labour Force Survey did not collect information on children aged less than 10 years. As the survey methodologies differed, caution should be exercised in comparing the results of the National Labour Force Survey and the Child Labour Survey.

Figure 10. **Changes in the children's involvement in employment and schooling, 10-14 years age group, 2007-2010**



Notes: (a) Inactive refers to children neither in school nor in employment.

Source : UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August).

34. School attendance rose during 2007-2009, but there was a surprising *reversal* of progress in school attendance during 2009-2010, despite the fact that this latter period also saw a decline in children's employment. Attendance fell from 94.3 to 92.5 percent during 2009-2010, translating to an additional almost half a million out-of-school children. Why was the fall in children's employment during 2009-2010 accompanied by a decline in school attendance? A detailed analysis of factors underlying these trends is beyond the scope of the current report, but the effects of the global financial crisis undoubtedly played a role. Again, it is also worth recalling that much of the putative decline in children's work may have in fact merely been a shift in children's production from employment to household chores.

3.3 Involvement in household chores

35. Employment in economic activity is not the only category of work involving children. An even larger proportion of Indonesian children is engaged in other productive activities, and specifically household chores, which fall outside the international System of National Accounts (SNA) production boundary and are typically excluded from published estimates of child labour (see Panel 2 on terminology).

Almost two of every five children aged 7-14 years (13.8 million children in absolute terms) performed household chores as part of their daily lives in the 2009 reference year (Figure 11). Involvement in household chores tends to start earlier than employment but is less time-intensive. Indeed, less than one percent of 7-14 year-olds performed household chores in excess of 28 hours per week, a commonly-used threshold for categorising household chores as child labour (see Panel 2). The share of girls performing chores is greater than that of boys, with the difference in involvement by sex rising with age, and ignoring this form of work therefore biases estimates of involvement children's

work in "favour" of boys. The nature and time intensity of children's household chores are discussed further in Chapter 5 of this report.

Panel 2. **Household chores and the measurement of child labour**

Children's involvement in household chores is also important to the discussion of child labour. While boys tend to outnumber girls in employment, this pattern is reversed when looking at household chores. The gender implications of these differing patterns for child labour measurement are clear – excluding household chores from consideration as child labour understates girls' involvement in child labour relative to boys.

But how should child labour in household chores be measured? There are unfortunately no clear measurement criteria yet established. The resolution on child labour measurement emerging from the 18th ICLS recommends considering hazardous household chores as child labour for measurement purposes, and, in line with ILO Recommendation No. 190., cites household chores "performed (a) for long hours, (b) in an unhealthy environment, involving unsafe equipment or heavy loads, (c) in dangerous locations, and so on" as general criteria for hazardousness.

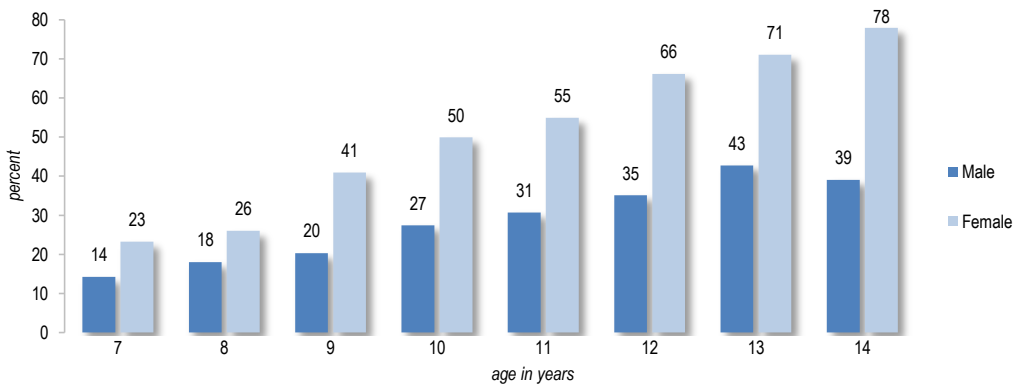
But the resolution contains no specific guidance in terms of what, for example, should constitute "long hours" or "dangerous locations" for measurement purposes, and states that this as an area requiring further conceptual and methodological development.

Some published statistics on child labour apply a time threshold of 28 hours, beyond which household chores are classified as child labour. But this threshold, while useful in advocating for the inclusion of household chores within statistical definitions of child labour, is based only on preliminary evidence of the interaction between household chores and school attendance, and does not constitute an agreed measurement standard.

At the same time, considering all children spending at least some time performing household chores as child labourers would clearly be too inclusive, as helping out at home for limited amounts of time is considered a normal and beneficial part of the childhood experience in most societies.

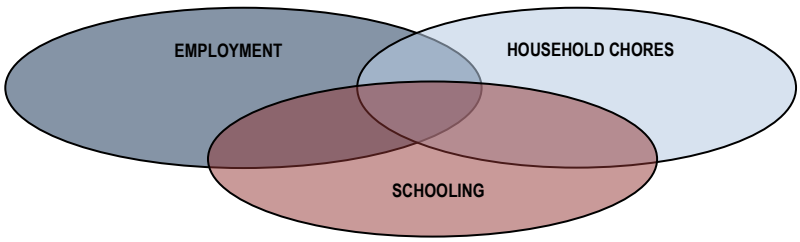
Source: UCW, 2010. Joining forces against child labour: Inter-agency report for The Hague Global Child Labour Conference of 2010. Understanding Children's Work (UCW) Programme – Geneva: ILO, 2010.

Figure 11. **Participation in household chores, by sex and age**



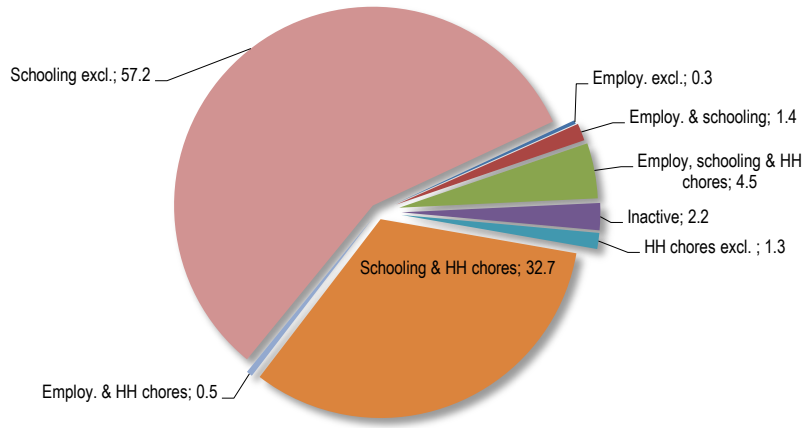
Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Figure 12. **Overlapping child activities**



36. Considering household chores adds another layer of complexity to the discussion of children's time use, as children may perform chores in combination with school, employment or in combination with both school and employment (Figure 12).

Figure 13. **Child activity status when household chores also considered, 7-14 years age group, by sex**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

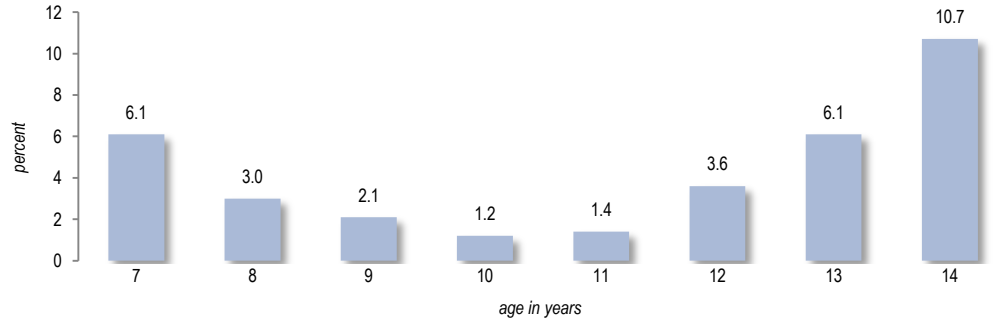
37. This more complex – but also more complete – picture of children's activities is depicted in Figure 13. It shows that a little over half (57 percent) of children succeeded in attending school unburdened by any work responsibilities in 2009. At the other extreme, a small but by no means insignificant proportion of children (five percent) had the triple burden of performing both employment and household chores while also attending school, with obvious consequences on their time for study, rest and leisure. One-third of 7-14 year-olds combined school with household chores and 1.5 percent combined schooling and employment. Very few children performed employment (0.3 percent) or household chores (1.3 percent) exclusive of any other activity. About two percent of Indonesian children were completely inactive, i.e., not attending school or performing any form of productive activity.

38. Differences by sex in terms of activity status relate primarily to the interplay between household chores and schooling: girls were much more likely to have to combine the two activities while boys were more likely to attend school unencumbered by household chores duties.

3.4 Out-of-school children and "second chance learning needs"

39. Out of school children constitute another important related policy priority in Indonesia. Some 1.5 million children aged 7-14 years, 4.2 percent of this age group, were out of school in 2009. Many of these children are simply late entrants, i.e., children who will eventually enter school but have not yet done so. But even narrowing the age range to 10-14 years, and thereby excluding the group of younger children most likely to eventually enter school, out-of-school children still numbered almost one million in 2009, and some reports suggest that their numbers increased further in 2010 (see Section 3.2).

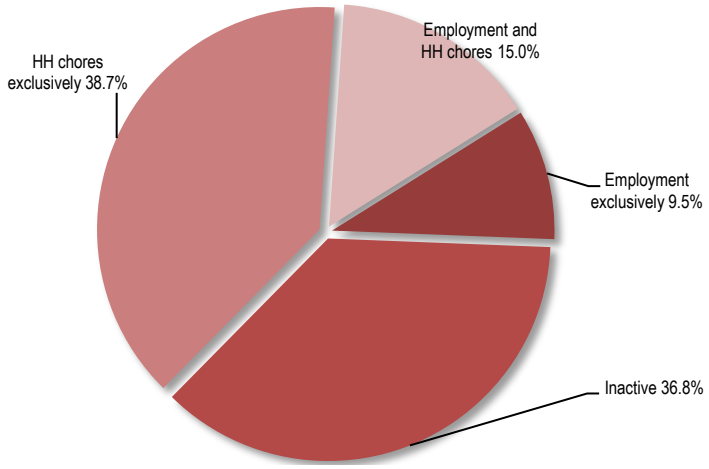
Figure 14. **Out-of-school children, by age**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

40. What are these out of school children doing? Almost two-thirds work in some form of productive activity, about 10 percent in employment exclusively, 39 percent in household chores exclusively and 15 percent in both, again underscoring the close link between getting children out of work and getting them into school (Figure 15).

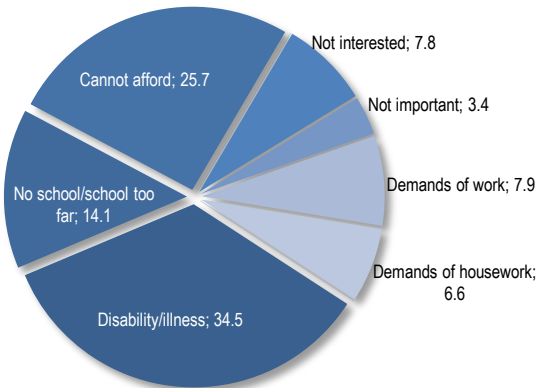
Figure 15. **Activity status of out-of-school children, 10-14 years age group**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

41. The demands of work, however, are not the only reasons for children's absence from school. Among children never entering school,[14] for example, a group that accounts of 14 percent of all out-of-school children in the 10-14 years age group, the demands of housework or employment together were only cited by 15 percent of respondents as the reason for not being in school. School-related supply-side factors, and specifically school access and school costs were much more important, cited by 40 percent of respondents. Disability and illness were other important factors, cited by over one-third of respondents, raising questions about the ability of the education system to accommodate children with special needs. Finally, 11 percent of respondents cited lack of interest or importance in explaining why they were not in school.

Figure 16. **Reasons for never entering school, children aged 10-14 years**



Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

[14] The Indonesia Child Labour Survey question on reasons for absence from school was only addressed to children that had never entered school.

42. Reaching the group of out-of-school children with second chance educational opportunities is important to ensuring that these children do not graduate into adulthood lacking the basic skills needed for work and life. Assessing the second chance learning needs of out-of-school children requires information not only of total numbers of children out-of-school, but also of their ages, previous schooling experience and literacy levels. The first indicator offers a measure of the total *extent* of the second chance learning needs, while the interaction of the latter three indicators provides a general idea of the *nature* of these learning needs.

Table 6. **Out-of-school children aged 7-15 with less than 2 and 4 years of education**

Age	*Education poverty (OOSC with <4 years of education)*		*Extreme education poverty (OOSC with <2 years of education)*	
	No.	*% of total OOSC*	*No.*	*% of total OOSC*
10	39,936	87.5	29,359	64.3
11	30,931	57.8	27,857	52
12	45,363	29.2	20,015	12.9
13	67,048	25.2	29,030	10.9
14	80,364	17.9	48,288	10.8
15	141,580	16.3	68,235	7.8
16	145,239	12.6	85,008	7.4
17	108,633	6.6	48,863	3
Total	659,094	14.2	356,655	7.7

Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

43. Table 6 looks in more detail at the second chance learning needs of children aged 10-17 years.[15] It suggests that second chance learning needs are very significant: some 660,000, or 14 percent, of out-of-school children in the 10-17 years age group suffer what UNESCO terms "education poverty", i.e., possess less than four years of education, the minimum amount of school time considered by UNESCO as necessary for acquiring basic literacy skills. Of this group, 360,000, or seven percent, suffer and "extreme education poverty", i.e., possess less than two years of schooling (Table 6).

44. It is likely that the education poverty indicator actually underestimates the second chance learning needs of out-of-school children, for two reasons. First, levels of illiteracy among out-of-school children outstrip levels of education poverty among this group (not shown). Secondly and even more importantly, basic literacy skills alone are less and less adequate for successful entry into the Indonesian labour market. Rather, higher-order technical, vocational and reasoning skills, requiring education well beyond the primary level, are increasingly needed.

[15] Younger, seven to nine year-old, children are excluded from consideration because many from this age group that are out of school are likely to enrol as late-entrants, as discussed above. Older, 15-17 year-old, children are included because many from this group have also had their education compromised by premature involvement in work and therefore are also relevant to the discussion of school chance learning needs.

CHAPTER 4.

NATURE OF CHILDREN'S WORK

Summary

- Children's employment is concentrated in the agriculture sector and within the family unit.
- Children's work is time-intensive, limiting children's time and energy for study and for leisure.
- While more children perform household chores than economic activity, they do so for less time each week on average.
- Almost half of all children in employment are exposed to hazardous conditions in the workplace.

45. Information on the various characteristics of children's work is necessary for understanding the nature of children's work as well as for locating where child workers are found in the economy. This chapter presents descriptive data on a number of broad work characteristics that are useful in this context. For children's employment, the breakdown by industry[16] is reported in order to provide a standardised picture of where children are concentrated in the measured economy. A breakdown by children's status in employment is also reported to provide additional insight into how children's work in employment is carried out. For children's household chores, a breakdown by major tasks is reported. Average working hours, an indirect indicator of the possible health and educational consequences of children's work, is reported for both children's employment and household chores. The hazardousness of children's work is looked at as part of the broader discussion of child labour in Chapter 7 of the report.

4.1 Sector and status in employment

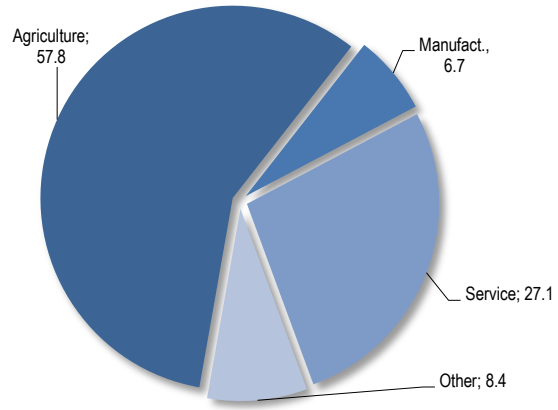
46. The agriculture sector accounts for by far the largest share of children's employment in Indonesia. Fifty-eight percent of total employed children aged 7-14 years worked in this sector, followed by services (27 percent) and manufacturing (seven percent) in 2009 (Graph (a), Figure 17). The remaining eight percent of employed children were in mining, electricity/gas/water and construction. These figures are largely consistent with the sectoral composition of the Indonesian labour market as a whole (Graph (b), Figure 17).

47. About one-third of children in the services sector (216,000 children in absolute terms) were in domestic service. The use of child labour in the domestic sector is subject to no regulation and is out of public view. Children, and especially girls, who live as domestic servants behind closed doors of private houses are particularly vulnerable to abuse, and therefore constitute a particular policy priority.

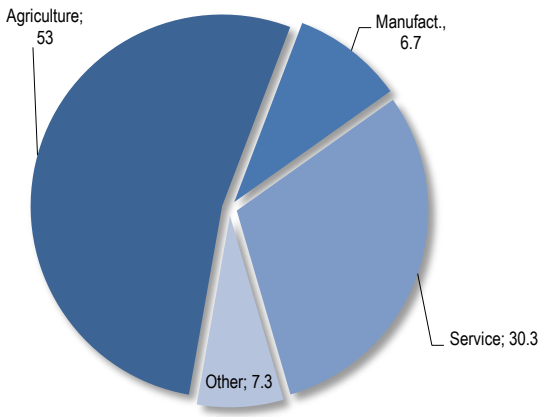
[16] Based on the International Standard Industrial Classification of All Economic Activities (ISIC Rev. 3)

Figure 17. **Sector of children in employment, 7-14 years age group**

(a) 7-14 years



(b) 15-64 years

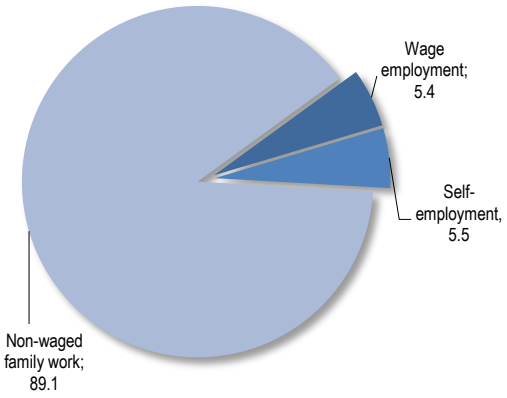


Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

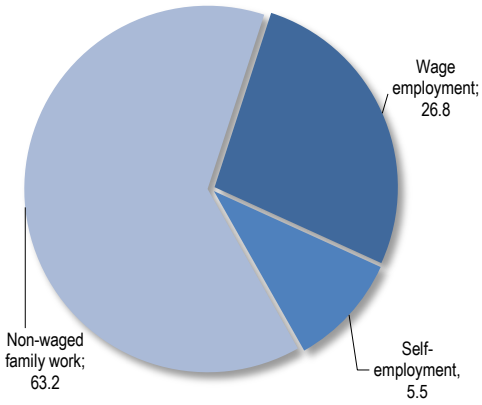
48. Children's sex, age and place of residence appear to play important roles in the determining the type of work they perform (Annex Table A3). Boys were much more likely to be found in agriculture, and girls in services and manufacturing, in the 2009 reference year. Older working children were less likely to be in agriculture and more likely to be in services, than their younger counterparts. Agricultural work was not surprisingly much more common in rural contexts than in urban ones, while the opposite pattern prevailed for manufacturing and services.

Figure 18. **Status of children in employment, 7-14 years age group**

(a) 7-14 years



(b) 15-64 years



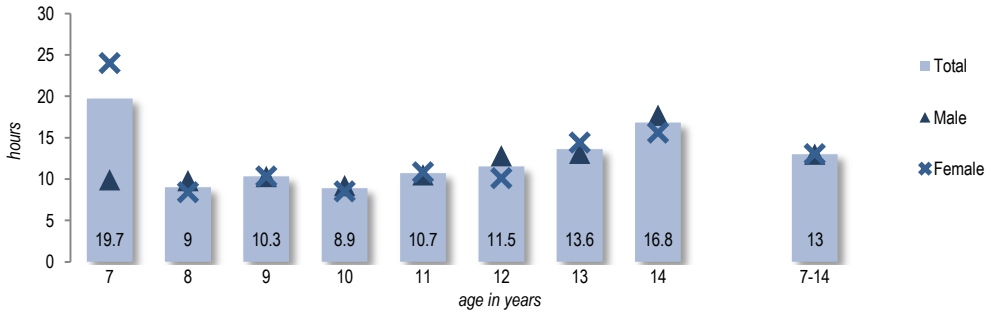
Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

49. Almost all economically-active children work for their families as unpaid labour, with little variation by age, place of residence or sex (Graph (a), Figure 18, Annex Table A4). In all, 96 percent of child in economic activity work within the family. Most of the remaining economically active children are self-employed (three percent). Very few economically active children (less than one percent) work as paid employees in formal entities. This is important because children in the formal sector are the only ones typically accessible to labour inspection regimes. Inspection capacity, however, is low, and systematic inspections do not occur even in the formal sector (see Section 8). Non-waged family work also predominates in the adult labour force, although a much large proportion of adults compared to children are in waged employment and self-employment (Graph (b), Figure 18,).

4.2 Time intensity of employment

50. Not considered thus far in the discussion of children's work is the question of how much time they actually spend performing it. Hours worked provide insight into the possible health and educational consequences of work. While limited light work is not necessarily bad for a child's health, and need not interfere with formal education, long working hours, on the other hand, are likely to have more serious health and developmental consequences on the child. Long hours mean greater exposure to workplace hazards and less time available for children to exercise rights to education and leisure. Figure 25 in Chapter 5 illustrates the strong negative relationship between school attendance and working hours.

Figure 19. **Average weekly working hours, by age and sex**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

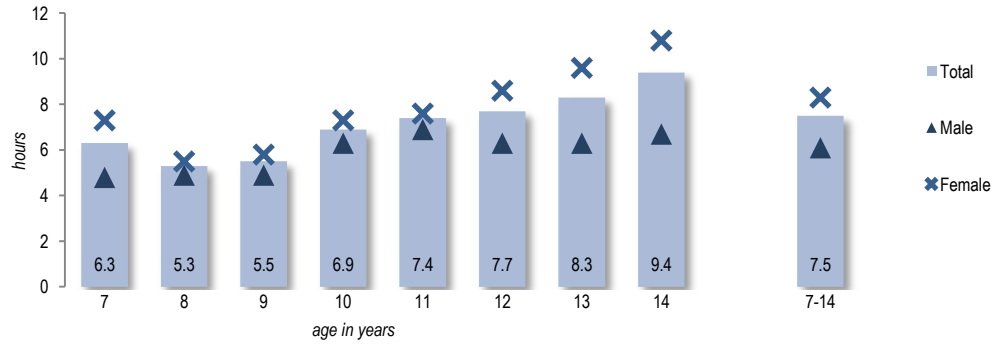
51. Data from the Indonesia Child Labour Survey suggest that employment is not overly time intensive for most Indonesian children. Children aged 7-14 years in employment logged an average of 13 hours each (Figure 19) in the 2009 reference year. Not surprisingly, working hours were strongly negatively correlated with school attendance: non-students put in two times more working hours each week (25 hours) than students in employment (11 hours). Differences in the time intensity of work were not large between male and female children in employment, or between rural and urban children in employment (Annex Table A5). Time intensity did, however, vary across work sectors and work modalities. Average working time in manufacturing (21 hours) was about two times that of other sectors, while average time spent in non-waged family work (11 hours) was less than half that spent in waged and self employment (Annex Table A5).

Figure 20. **Distribution of children in employment by working hours, child and adult workers**

Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

52. But masked by these aggregate statistics on working hours was a non-negligible number of children putting in extremely long hours. This point is illustrated by Figure 20, which reports the distribution of working children by working hours. The figure shows that while most working children were concentrated in the range of around 8-12 hours per week, there was also a significant proportion of children in the "tail" of the distribution performing exceptionally long working hours. In absolute terms, about 90,000 children aged 7-14 years logged 40 or more hours per week, and about 30,000 children in the same age group put in 50 or more hours per week. These are among the worst off working children, as their work responsibilities completely preclude their rights to schooling, study, leisure and adequate rest. Their prolonged exposure to workplace risks also undoubtedly increases their susceptibility to work-related sickness and injury.

Figure 21. **Average weekly working hours in household chores, by age and sex**



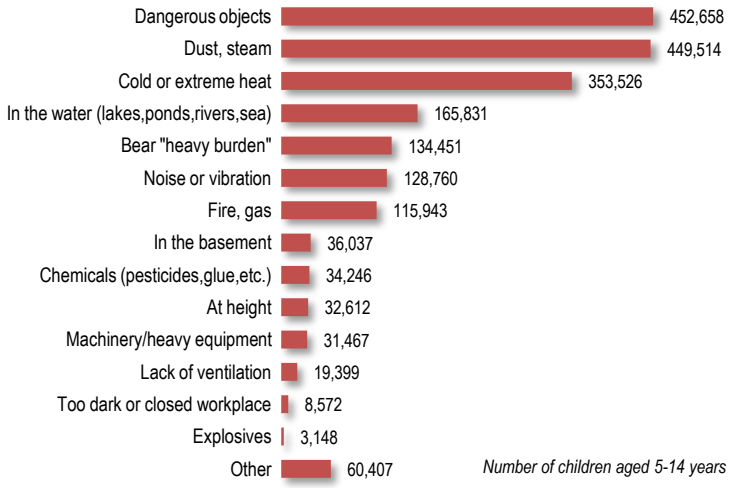
Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

53. Many children also spent a non-negligible amount of time each week performing household chores, adding to the overall time burden posed by work. Children aged 7-14 years performing household chores did so for almost eight hours a week on average in 2009 (Figure 21). Girls were more likely to have to perform chores than boys (see previous discussion), and girls spent on average over two hours more per week on them than boys. Household chores were somewhat less burdensome for young children than for their older counterparts. Children aged seven years logged an average of six hours of chores each week, while children aged fourteen years spend an average of over nine hours each week performing chores.

4.3 Hazardousness

54. The hazardousness of children's work is the most important criterion in determining its likely impact on children's health and safety. Information from the national child labour survey suggests that hazardous conditions are alarmingly common in the workplaces where children are found. In all, 985,000 children aged 5-14 years of age, or 44 percent of total children in employment, were exposed to at least one of the hazardous conditions listed in Figure 22. Hazardous work is discussed further under the broader discussion of child labour in Chapter 7 of this report.

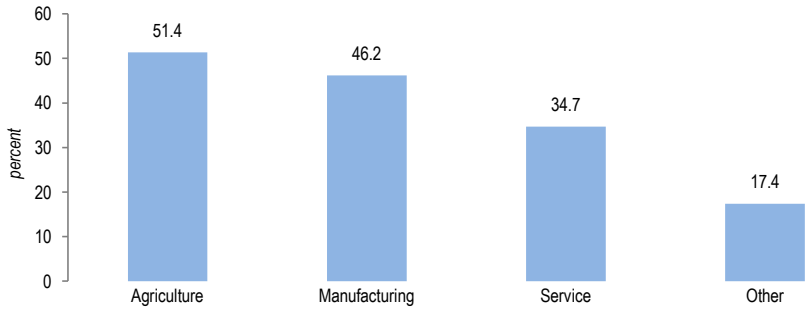
Figure 22. **Number of children exposed to specific work hazards, by age group and type of hazard**



Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

55. Exposure to hazard conditions appears to depend considerably on the sector in which children in are working. Exposure is highest among those in agriculture and manufacturing: around one in two children in these sectors are exposed to at least one hazardous condition (Figure 23).

Figure 23. **Children aged 5-14 in employment with hazardous conditions, by sector**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

CHAPTER 5.

IMPACT OF CHILDREN'S WORK

Summary

- Child labour and education are largely incompatible activities – in other words, child labour cannot be associated with successful education.
- Work is associated with lower levels of attendance and school survival.
- Working children lag behind their peers in terms of grade progression, suggesting that work also negatively impacts school performance.

5.1 Children's work and educational marginalisation

56. The degree to which work interferes with children's schooling is one of the most important determinants of the long-term impact of early work experience. Reduced educational opportunities constitute the main link between child labour, on the one hand, and youth employment outcomes, on the other. Clearly, if the exigencies of work mean that children are denied schooling altogether or are less able to perform in the classroom, then these children will not acquire the human capital necessary for more gainful employment upon entering adulthood. Links between child labour, human capital levels and *youth employment* outcomes in Indonesia are explored in more detail in Part 2 of this report.

57. This section presents evidence showing that child labour and education are largely incompatible activities – in other words, evidence indicating that child labour cannot be associated with successful education. Achieving Education for All and eliminating child labour are therefore closely linked objectives – attempts to achieve one without addressing the other are unlikely to be successful. Data from national child labour survey permit the generation of three core education indicators – school attendance rate, school life expectancy and average grade-for-age. When disaggregated by children's work status, these indicators point to important differences between working and non-working children in terms of their ability to participate in school, and to progress through the school system once there.[17]

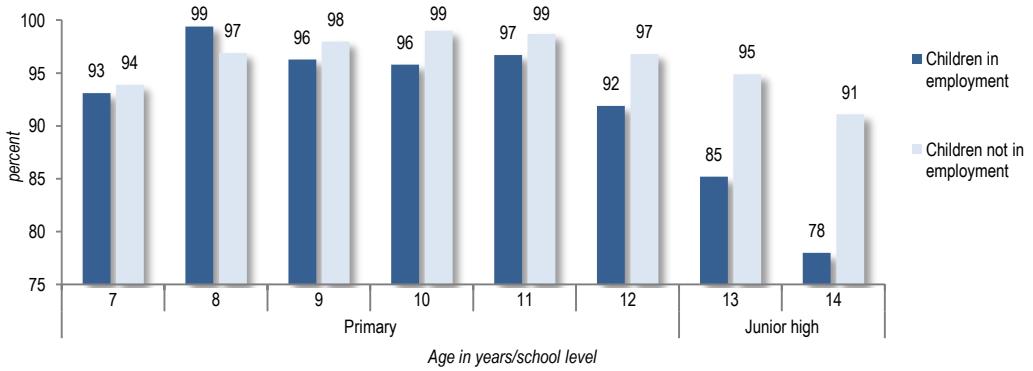
58. The school attendance[18] of children in employment lags behind that of their non-working counterparts at every age, although the attendance gap is not large until the final year of primary school and beyond. Data are not available in Indonesia on the *regularity* of school attendance, i.e. the frequency with which children are absent from or late for class, but attendance regularity is also likely

[17] While suggestive, a causal relationship between child labour and school cannot of course be asserted from descriptive data on these indicators. Establishing causality is complicated by the fact that children's employment and school attendance are usually the result of a joint decision on the part of the household, and by the fact that this decision may be influenced by possibly unobserved factors such as innate talent, family behaviour and or family preferences.

[18] School attendance refers to children attending school at the time of the survey. As such it is a more restrictive concept than enrolment, as school attendance excludes those formally enrolled in school according to school records but not currently attending.

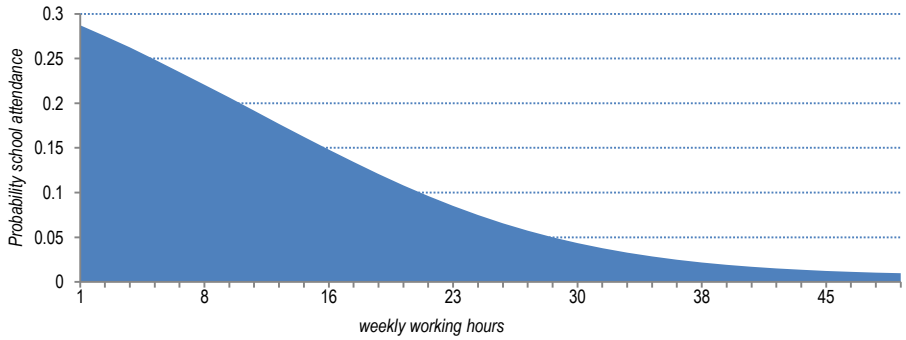
adversely affected by involvement in employment. Not surprisingly, attendance is negatively correlated not only with involvement in work but also with the time children spend actually working (Figure 25). The school attendance of working children varies somewhat by work sector; children working in the agriculture sector are least likely to attend school (Figure 26).

Figure 24. **School attendance rate, by work status and age**



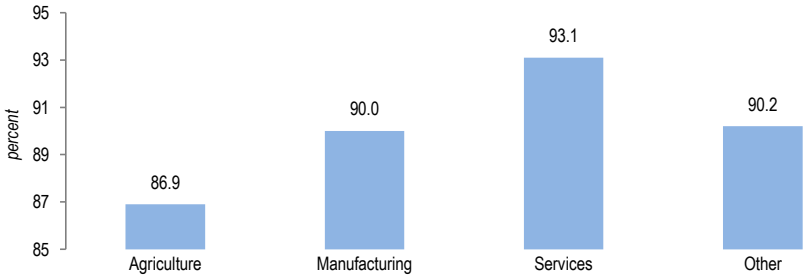
Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Figure 25. **Working hours and school attendance (non-parametric estimates)**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Figure 26. **School attendance, by sector**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

59. School life expectancy (SLE) provides a measure of the total number of years of education that a child can be expected to complete.[19] Relatively higher

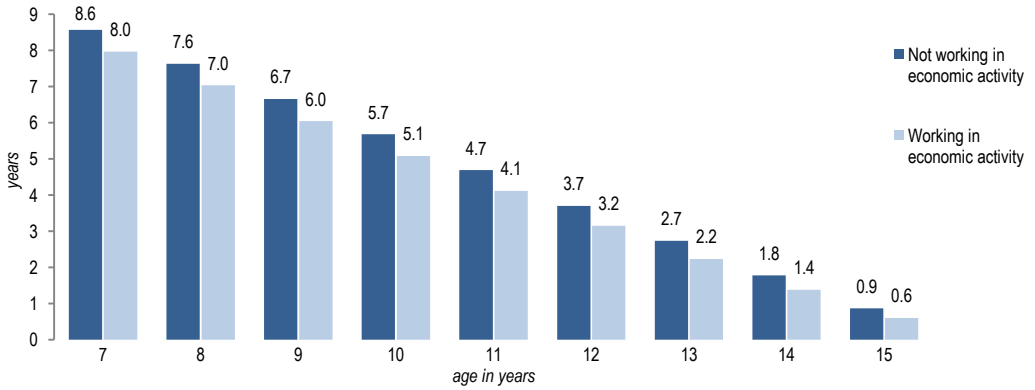
[19] SLE at an age *a* in year *t* is calculated as follows:

$$SLE_a^t = \sum_{i=a}^{i=n} \frac{A_i^t}{P_i^t}$$

where: A_a^t - attendance of the population of age *i (i=a, a+1,…,n)* in school year *t*; *n* – the theoretical upper age-limit of schooling; P_i^t - population of age *i* in school-year *t*.

school life expectancy indicates greater probability of achieving a higher level of education.[20] SLE, reported in Figure 27, indicates that working children entering schooling can expect to remain there for less time than non-working children. At each age up to the age of 11 years, the difference in school life expectancy is about half a year. Differences in school life expectancy diminish after this age, but nonetheless continue to favour non-working children.

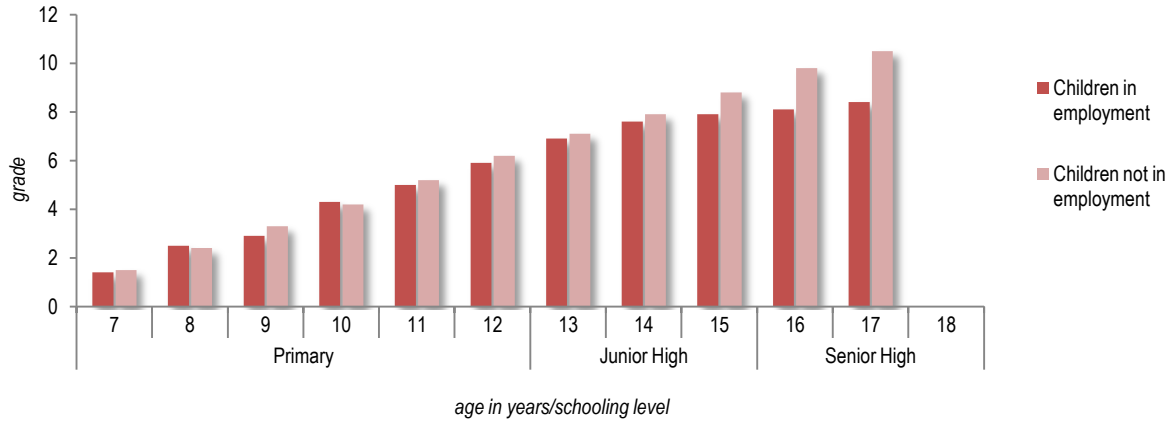
Figure 27. **School life expectancy in compulsory education (children aged 7-15 years) in years, by age and involvement in economic activity**



Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

60. Not discussed thus far is the possible impact of child labour involvement on the ability of children to learn effectively once in the classroom. It stands to reason that the exigencies of work limit the time and energy children have for their studies, in turn negatively impacting upon their academic performance.

Figure 28. **Highest grade attained, by work status and age**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

61. Data on average grade-for-age show that children in employment lag slightly behind their non-working counterparts in terms of grade progression, presumably at least in part due to poor performance (Figure 28).[21] But because child workers are more likely to drop out at early ages, and because drop outs are presumably those with higher accumulated delay, the gap in reported in Figure 28 is likely to underestimate the true gap in completed grades, i.e., the

[20] Although expected number of years does not necessarily coincide with the expected number of grades of education completed, because of grade repetition.

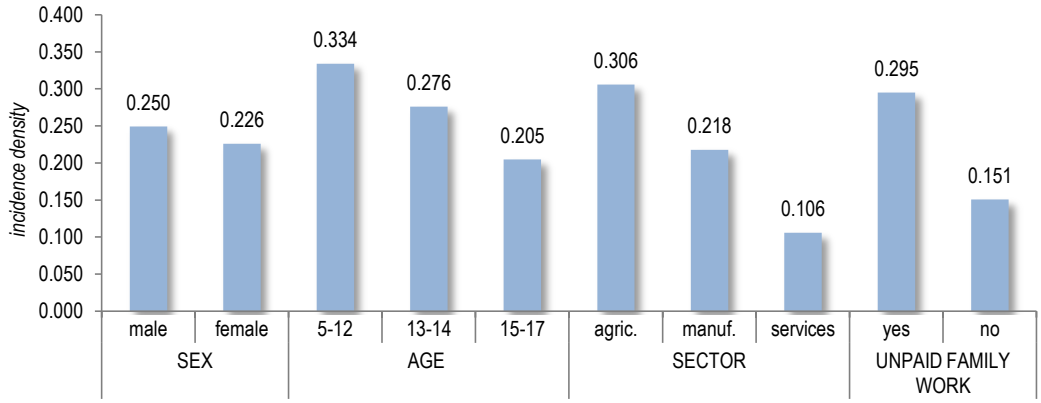
[21] The lags in progression might also be due to higher incidence of late entry among children who are identified as workers, or to higher absenteeism among child labourers in turn leading to grade repetition.

gap that would be observed in the absence of selective drop out. Information on learning achievement scores is needed to obtain a more complete picture of the impact of work on children's ability to benefit from their time in the classroom.

5.2 Children's work and health

62. Reported work-related ill-health and injury constitutes one common measure of health impact. Incidence densities[22] suggest that working children face about a 25 percent chance of suffering ill-health related to work over the course of a 12-month period. [23] Younger children are at much greater risk of work-related illness and injury than their older counterparts, underscoring that young children in employment constitute a particular policy priority. The risk of ill-health among child workers appears to depend on the type of work they are involved in; incidence densities for ill-health are highest for the agriculture sector and, perhaps surprisingly, for unpaid work within the family unit.

Figure 29. **Incidence of work-related disease and injury, by sex, age, sector, and family work, 5-17 year-olds**



Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

63. But the relationship between child work and health is complex, and often difficult to disentangle empirically, and this and other similar indicators are imperfect at best. The negative impact of child work on health, for example, may be obscured by the selection of the healthiest children for work. Health perceptions may also differ across population groups, and levels of reported illness among working children and non-working children may be affected by different perceptions of illness. Much of the relationship between child health and work is dynamic (i.e., current health is affected by past as much as present work, and current work affects future as much as present health), a fact not captured by measuring reported illness over a short period. This is an area where further methodological work is required.[24]

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[22] The occurrence rate does not take into consideration that differences in observed occurrence can be due to differences in exposure. To take exposure into consideration, a standard *incidence density* is computed as follows:

$$Incidence\ Density = \frac{\text{children injured during a specified period of time}}{\text{total person time}}$$

where "total person-time" is cumulated exposure for all the individuals considered. In our case, it should be defined as average weekly working hours multiplied by the number of weeks worked during the reference period (assumed to be one year). We had to assume, however, constant weekly hours of work for the whole reference period.

[23] The general ill health variable reflects illnesses (such us skin problems, lung problems, allergies, diarrhoea, fatigue, or other illnesses) or injuries (such as back/muscle pain, wounds/deep cuts, eye/sight problems, hearing problems or other injuries) in the last 12 months. The work-related ill-health variable reflects illnesses/injuries in the last 12 months and, that, in the opinion of the respondent, occurred because of work.

[24] For a more complete discussion of measurement issues around child labour and health, see: O'Donnell O., Rosati F. and Van Doorslaer E. *Child labour and health: evidence and research issues*. UCW Working Paper, Florence, January 2002.

CHAPTER 6.

DETERMINANTS OF CHILD LABOUR

Summary

- Poverty is an important but by no means the only determinant of parents' decisions concerning their children's schooling and work.
- The education and employment status of the household head have a significant impact on children's probability of working.
- Household access to water and place of residence are other important determinants of children's work and schooling.

64. As most children (excluding those that live on their own) exercise little control over their time allocations, determining why children work requires investigating why parents choose to engage their children in work rather than sending them to school or leaving them idle at home. Both socio-cultural and economic considerations are important in this context. Households are influenced by the perceived costs of child labour and benefits of schooling. But factors which influence decisions concerning children's schooling and child labour can extend well beyond economics. Social norms, cultural attitudes and perceptions, e.g., regarding girls' schooling or early marriage, also direct household decisions on children's school and work.

65. This chapter makes use of econometric evidence from the Indonesia National Socioeconomic Survey (SUSENAS, 2008) to identify some of the factors influencing parents' decisions concerning their children's time use.[25] Results of the econometric analysis are reported in Table 7; some of the key qualitative inferences from the analysis are presented below.

66. **Age**. The analysis shows that the probability of a child working increases with age. The available information is insufficient to provide a precise idea of the relative importance of the two most probable reasons for this, i.e., the rising opportunity cost of schooling as a child grows older, or the lack of access to schooling at the post-primary level.

67. **Sex**. Parents' decisions concerning whether to involve their children in school or work also appear influenced by gender considerations in Indonesia. Holding constant household income, parents' education and other relevant factors, boys are more likely to work exclusively and less likely to attend school exclusively, than their female counterparts. But it is worth noting that these results to not extend to involvement in household chores, a variable not included in the multivariate analysis. The descriptive evidence presented above suggests that gender considerations are an important factor in the assignment

[25] A bivariate probit model was used to jointly determine the correlated decisions on child schooling and work. A simple economic model of household behaviour is used to guide the empirical specification. For detailed information on the model, see Cigno, Rosati and Tzannatos, *Child Labour Handbook*, May 2002. The analysis carried out in this section is, obviously, conditioned by the information available. Notwithstanding the extensiveness of the survey utilised, potentially important variables are missing. In particular, information on the relative price of child work is difficult to capture: indicators for returns to education, work and household chores are not easily available (for a discussion of the role played by unobservables refer to Deb and Rosati, *Determinants of Child Labour and School Attendance: The Role of Household Observables*, December 2002).

of responsibility for chores in the household – a greater proportion of girls than boys perform chores at almost every age.

Table 7. **Determinants of children's employment and schooling, marginal effect after biprobit estimations, 10-14 year-olds**

Explanatory variables		Only employment		Only schooling		Both activities		Neither activity	
		dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z
Child age and sex	Age	0.0112	5.5	-0.0473	-3.9	-0.0275	-3.2	0.0636	8.8
	Age squared	-0.0002	-2.0	0.0002	0.4	0.0019	5.2	-0.0019	-6.4
	Male	0.0030	11.6	-0.0230	-14.6	0.0203	17.6	-0.0004	-0.4
Household characteristics	Ln household expenditure p.c.	-0.0035	-12.3	0.0209	12.1	-0.0074	-6.1	-0.0099	-10.0
	Access to tap water	-0.0017	-4.6	0.0123	5.1	-0.0100	-5.7	-0.0006	-0.4
	Household size	-0.0009	-8.3	0.0062	9.2	-0.0042	-8.6	-0.0010	-2.8
	Number of children aged 0-4	0.0017	7.2	-0.0121	-8.3	0.0092	8.6	0.0013	1.5
	Number of children aged 5-14	0.0025	14.3	-0.0182	-17.4	0.0146	19.2	0.0011	1.8
	Male household head	-0.0029	-5.4	0.0224	7.3	-0.0201	-8.3	0.0006	0.4
Education of household head	Primary	-0.0037	-13.0	0.0247	13.7	-0.0143	-10.9	-0.0067	-6.9
	Junior	-0.0064	-22.3	0.0405	20.9	-0.0142	-9.3	-0.0199	-20.7
	Senior	-0.0080	-26.0	0.0519	26.9	-0.0197	-12.9	-0.0241	-24.7
	Higher	-0.0078	-25.9	0.0599	24.6	-0.0306	-15.8	-0.0215	-17.3
Residence	Urban	-0.0047	-15.4	0.0359	18.8	-0.0338	-25.0	0.0026	2.2
	West Java	-0.0037	-3.7	0.0270	3.8	-0.0228	-4.5	-0.0006	-0.1
	Central and East Java	-0.0028	-2.6	0.0116	1.4	0.0051	0.7	-0.0139	-4.5
	Sumatra	-0.0004	-0.3	-0.0138	-1.5	0.0317	3.8	-0.0175	-5.3
	Kalimantan	-0.0019	-1.7	0.0063	0.7	0.0066	0.9	-0.0109	-3.5
	Sulawesi	0.0060	3.3	-0.0498	-4.3	0.0471	4.6	-0.0033	-0.9
	Eastern Indonesia	0.0053	2.9	-0.0460	-3.9	0.0446	4.3	-0.0039	-1.0

Note: The reference categories: Education of household head: uncompleted primary or less; Region: Jakarta

Source: UCW calculation based on Indonesia National Socioeconomic *Survey* (SUSENAS), 2008.

68. **Education of household head**. The effect of an increase of parents' education levels on the reduction of child labour is significant but not large. Higher household head education levels make it more likely that a child attends school exclusively and less likely that he or she is in employment exclusively. It is worth reiterating that these results are obtained holding income constant, i.e., independent of any disguised income effect. One possible explanation is that more educated parents might have a better knowledge of the returns to education, and/or are in a better position to help their children exploit the earning potential acquired through education.

69. **Household income**. The level of household income also appears to play a role in decisions concerning children's work and schooling. Children from better-off households are more likely to go to school and less likely to participate in employment. The results underscore that children's earnings or productivity can play an important role in household survival strategies among low-income families.

70. **Place of residence**. Children's living location has an influence on their time use, highlighting the importance of targeted, area-specific approaches to reducing child labour and raising school attendance. Again holding other factors constant, children living in urban areas are less likely to work and more likely to go to school. Region of residence also affects the division of time between work and school; children living in Jakarta face a lower risk of involvement in employment exclusively than children in other regions.

71. But children's employment is a complex phenomenon and the factors mentioned above clearly represent only a partial list of determinants. Better data and more in-depth analysis are needed for a more complete understanding of why children become involved in work. More information on availability of

infrastructure, school quality, access to credit markets, coverage of social protection schemes, is especially needed. As stated as the beginning of this section, decisions concerning children's work and schooling are driven by both economic and socio-cultural factors, and a better understanding is also needed of the role of the latter. Studies indicate, for instance, that early marriage is an important factor in decisions regarding girls' schooling in rural Indonesia. The unique circumstances causing children's involvement in worst forms of child labour other than hazardous, not captured by traditional household surveys, is an area requiring particular research attention.

CHAPTER 7.

CHILD LABOUR

Summary

- Most children in employment are also in illegal "child labour" in accordance with Indonesian legislation and international labour standards.
- Children aged 5-14 years in child labour number over two million, or almost five percent of this age group.
- A further two million 15-17 year-olds, or 13 percent of this age group, are in hazardous forms of work.

72. Before leaving the discussion of children's work, it is worth addressing one final question – the extent to which this work constitutes "child labour" for elimination in accordance with national legislation and international labour standards. This question is critical for the purposes of prioritising and targeting policy responses to child labour. Estimates of child labour are presented below following the new global guidelines for child labour measurement[26] and with reference to national child labour legislation.

7.1 Definition of child labour

73. According to Law No. 13 Concerning Manpower,[27] children below the age of 13 years are prohibited from work, and children aged 13-15 years are allowed to perform only "light work" [28] that does not disrupt their physical, mental and social development (Art. 69).[29] All children are proscribed from performing "worst forms" of child labour (Art. 74).[30] Worst forms were elaborated in the

[26] Global guidelines for child labour statistics are set out in Resolution II (2008) of the Eighteenth International Conference of Child Labour Statisticians (ICLS). For further details, see: Resolution II, Resolution Concerning Statistics of Child Labour, as cited in: International Labour Organization, *Report of the Conference, 18th International Conference of Labour Statisticians, Geneva, 24 November–5 December 2008. Resolution II.* Rpt. ICLS/18/2008/IV/FINAL, International Labour Office, Geneva, 2009.

[27] Indonesia, Act of the Republic of Indonesia Number 13 Year 2003 Concerning Manpower, 2003 (Act No. 13 of 25 March 2003), http://www.ilo.org/dyn/natlex/docs/WEBTEXT/64764/65275/E03IDN01.htm#c1.

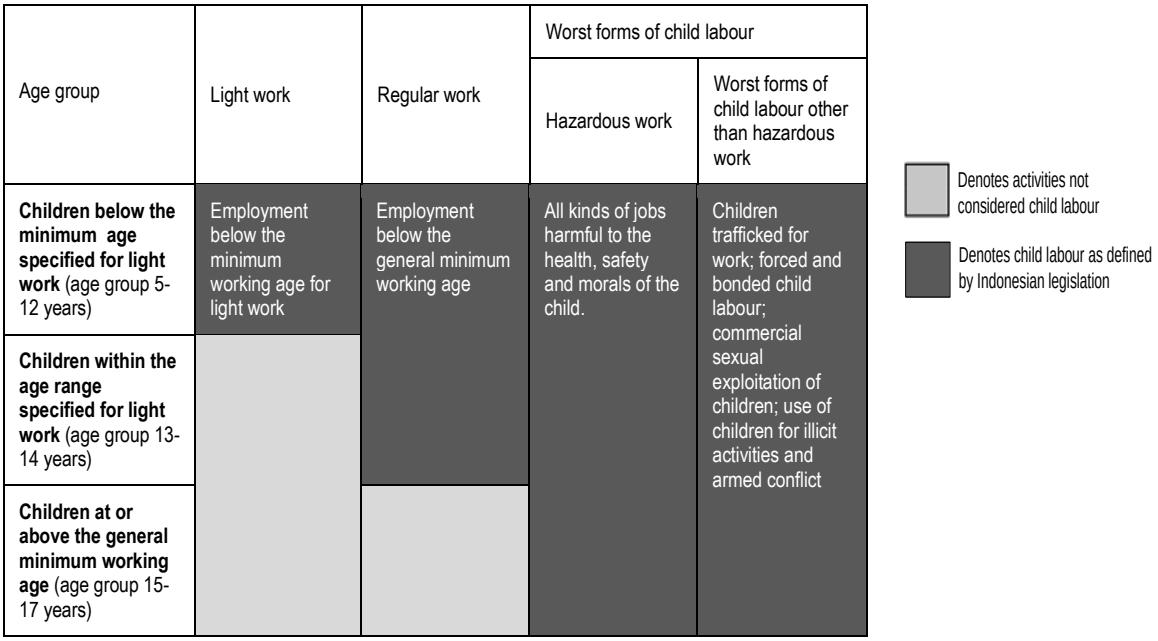
[28] Article 69 of the Law No.13 concerning Manpower states conditions for light work as follows; (a) The entrepreneurs must have written permission from the parents or guardians of the children, (b) There must be a work agreement between the entrepreneur and the parents or guardians of the children, (c) The entrepreneurs must not require the children to work longer than three hours [a day], (d) The entrepreneurs shall employ the children to work only at day or during the day without disrupting their schooling. (e) [In employing the children, the entrepreneurs shall meet] occupational safety and health requirements, (f) A clear-cut employment relation [between the entrepreneur and the child worker/ his or her parent or guardian] must be established, and (g) The children shall be entitled to receive wages in accordance with valid rulings.

[29] Other exemptions are provided for children aged 14 years or older in work relating to school or training (Art. 70) and for children in work in order to develop their talents and interests (Art. 71). The latter is dealt with further in Ministerial Decree No. 115 of 2004 on protection of children undertaking jobs to develop talent and interests.

[30] Article 74 of the Law No.13 concerning Manpower lists the following as worst forms: (a) All kinds of job in the form of slavery or practices similar to slavery; (b) All kinds of job that make use of, procure, or offer children for prostitution, the production of pornography, pornographic performances, or gambling; (c) All kinds of job that make use of, procure, or involve children for the production and trade of alcoholic beverages, narcotics, psychotropic substances, and other addictive substances; and/or (d) All kinds of jobs harmful to the health, safety and morals of the child. Article 74 also states that the types of jobs that damage the health, safety or moral of the child shall be determined and specified with a Ministerial Decision.

subsequent ministerial decree concerning jobs that jeopardize the health, safety and morals of children (Decree No. Kep.235/MEN/2003).[31]

Figure 30. **Framework for statistical identification of child labour in Indonesia**



74. Therefore, for a complete estimate of child labour in accordance with national legislation, it is necessary to look at all children aged 5-12 years in employment, as well as all 13-14 year-olds in regular (i.e., non-light) employment and all 15-17 year-old children in worst forms of child labour (Figure 30).

7.2 Incidence of child labour

75. Owing to data constraints and the nature of the language contained in Law No. 13 Concerning Manpower, translating this law into statistical terms for measurement purposes requires several simplifications:

- First, light work is measured only on the basis of the hours threshold contained in Law No. 13 (Art. 69) (i.e., three or less hours per day) and not on the basis of the other light work criteria contained in the law.[32]
- Second, exemptions for work related to school or training (Art. 70) and for work undertaken to develop their talents and interests (Art. 71), are not considered in the statistical measure of child labour.

[31] Minister of Manpower and Transmigration Decree No. Kep.235/MEN/2003 concerning Jobs that Jeopardize the Health, Safety and Morals of Children. The types of jobs listed include work with machines, engines, heavy duty equipment, jobs where there are physical hazards, chemical hazards, biological hazards or that by nature are hazardous. Jobs that harm the moral of children include jobs in bars, discotheques, etc. places that may be used for prostitution, promotion of alcohol, drugs to arouse sexual desire or cigarettes.

[32] Entrepreneurs who employ children for light work as referred to under subsection (1) must meet the following requirements: a. The entrepreneurs must have written permission from the parents or guardians of the children; b. There must be a work agreement between the entrepreneur and the parents or guardians of the children; c. The entrepreneurs must not require the children to work onger than 3 (three) hours [a day]; d. The entrepreneurs shall employ the children to work only at day or during the day without disturbing their schooling; e. [In employing the children, the entrepreneurs shall meet] occupational safety and health requirements; f. A clear-cut employment relation [between the entrepreneur and the child worker/ his or her parent or guardian] must be established; and g. The children shall be entitled to receive wages in accordance with valid rulings.

- Third, worst forms of child labour (Art. 74) are limited for measurement purposes to only jobs harmful to the health, safety and morals of the child, a category referred to by ILO as "hazardous work". Other worst forms listed in Article 74,[33] collectively referred by ILO as "worst forms other than hazardous" are not considered in the child labour estimates.
- Fourth, hazardous work is measured only in accordance with physical hazardous conditions set out in Decree No. Kep.235/MEN/2003 (i.e., jobs involving working with machines, engines, heavy duty equipment, jobs where there are physical hazards, chemical hazards, biological hazards or that by nature are hazardous)[34] and not in accordance with the moral hazards listed in the same decree.

76. Child labour based on these measurement criteria is common in Indonesia. Almost 1.4 million children below the age of 13 years were in employment and an additional almost 650,000 (13-14 year-old) children were in regular (non-light) employment in 2009 (Table 8). A further two million older, 15-17 year-old children were at work in hazardous employment. Summing these three groups yields a total of over four million 5-17 year-old children in child labour. The younger, 5-12 year-old, children in child labour include a significant number of children in *hazardous* forms of child labour as discussed in Section 7.3; these children face particular threats to their health, safety and morals, and constitute an especially important policy priority.

Table 8. **Estimates of child labour involvement, based on national legislation and international statistical methods and standards for measuring child labour)**

	(A)		*(B)*		*(C)=(A)&(B)*		*(D)*		***(E)=(A)&(B)&(D)***	
	Children aged 5-12 years in employment		*Children aged 13-14 years in regular (non-light) employment[a]*		***Children aged 5-14 years in child labour***		*Children aged 15-17 years in hazardous employment[b]*		***Children aged 5-17 years in child labour***	
	%	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*
Male	3.8	694,385	8.6	369,237	4.8	1,063,622	16.1	1,249,632	7.7	2,313,254
Female	4.0	682,432	6.6	277,641	4.5	960,073	10.5	759,350	6.0	1,719,423
Urban	1.7	186,223	3.7	126,934	2.2	313,157	9.7	639,576	4.5	952,733
Rural	4.9	1,190,594	10.2	519,944	5.8	1,710,538	16.3	1,369,406	8.2	3,079,944
Total	3.9	1,376,817	7.6	646,878	4.6	2,023,695	13.4	2,008,982	6.9	4,032,677

Notes: (a) Children in regular employment (i.e., in non-light-work) includes children working more than 15 hours per week and children involved in hazardous occupation irrespective of working hours. (b) Includes children working more than 40 hours per week and children exposed to hazardous conditions described in
Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

77. It should be stressed that child labour figures presented in Table 8 are lower bound estimates, as they do not include worst forms of child labour other than hazardous work or some forms of hazardous work, as discussed above.

7.3 Hazardous child labour

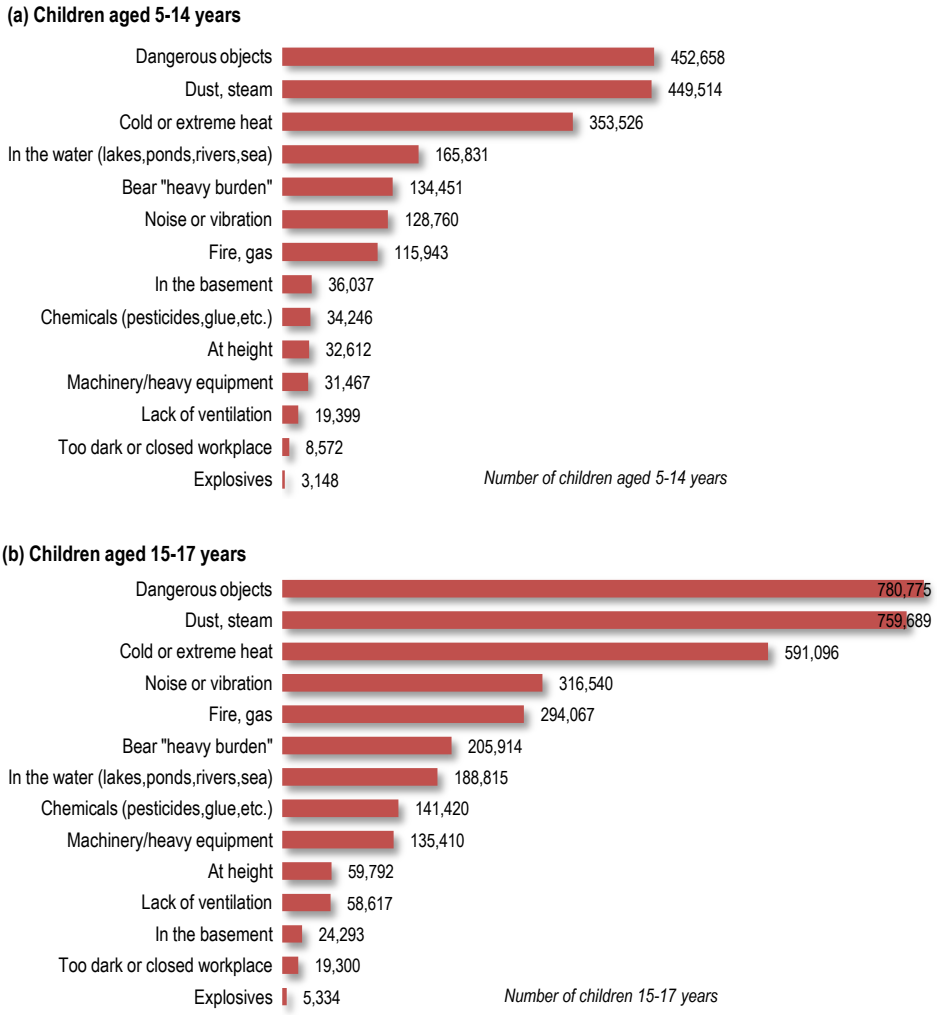
78. Information from ICLS 2009 on working conditions suggests that hazardous work is common among child labourers across the 5-17 age spectrum in Indonesia. Hazardous work among younger stands out as a particular concern. Indeed, an alarmingly high number of 5-14 year-olds – over 985,000 in absolute terms, or almost half of all child labourers in this age group – were exposed to

[33] Worst forms of child labour other than hazardous include: (a) All kinds of job in the form of slavery or practices similar to slavery; (b) All kinds of job that make use of, procure, or offer children for prostitution, the production of pornography, pornographic performances, or gambling; and (c) All kinds of job that make use of, procure, or involve children for the production and trade of alcoholic beverages, narcotics, psychotropic substances, and other addictive substances (*Article 74 of the Law No.13)*.

[34] Minister of Manpower and Transmigration Decree No. Kep.235/MEN/2003 concerning Jobs that Jeopardize the Health, Safety and Morals of Children.

at least one of the hazardous conditions listed in Figure 31. Exposure to dangerous objects (affecting 453,000 children), dust or steam (450,000 children) and cold or extreme heat (354,000 children) were the most common hazards. Smaller, but by no means negligible, numbers of children in this age group were exposed to other serious hazards such as fire and gas (116,000), chemicals (34,000), dangerous heights (33,000) and dangerous machinery and equipment (32,000).

Figure 31. **Number of children exposed to specific work hazards, by age group and type of hazard**



Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

PART 2.

Understanding youth employment outcomes

CHAPTER 8.

YOUTH ACTIVITY STATUS

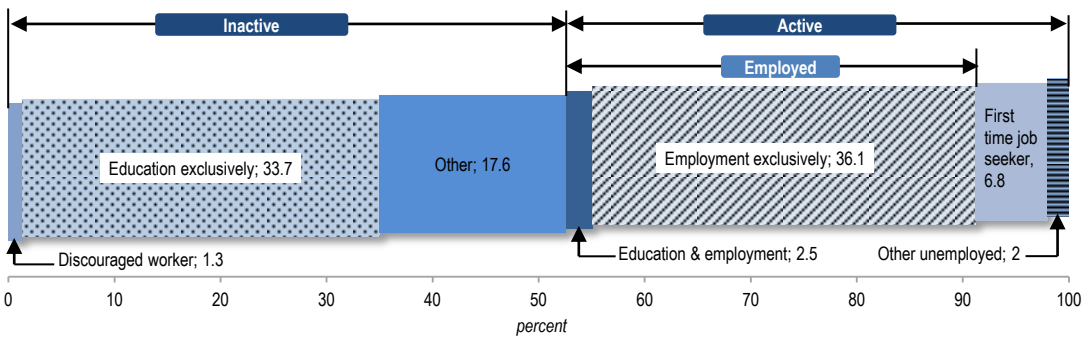
Summary

- Young Indonesians aged 15-24 years are divided almost equally between those in the labour force and those outside of it.
- Aggregate national estimates of young person's activity and labour market status mask large variations by age, sex and place of residence..
- Trend data suggest that young Indonesians are staying in education longer and entering the labour force later, with clear positive consequences for the level of human capital they bring to the labour force when they eventually do join it.

79. This chapter provides an initial descriptive overview of the activity status of young Indonesians, their situation in the labour market, and of how both have changed in recent years. It serves to introduce and motivate the more detailed discussion of these issues in the subsequent chapters of the report.

80. **Young Indonesians aged 15–24 years are divided almost equally between those in the labour force and those outside of it.** Figure 32, which summarises the activity status of persons in this age group, indicates that while the largest share of inactive youth (34 percent of all youth) is in education exclusively, the group that is inactive and out of education is also very high (19 percent of all youth). Only a small share of the latter group is made up of discouraged workers (two percent of all youth), indicating that most young people desiring work are in the labour market and actively seeking it. Among active youth, the largest proportion (36 percent of all youth) is in employment exclusively. Those that are unemployed, however, are by no means negligible (nine percent of all youth). By far the biggest share of unemployed youth (seven percent of all youth) is first time job seekers. Finally, Figure 32 indicates that employment and education are largely mutually exclusive activities: only share (three percent) of youth combines the two. These issues are returned to in the subsequent chapters of this report.

Figure 32. **Decomposition of youth population by activity status**



Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

Table 9. **Decomposition of population, persons aged 15-24 years, by residence, sex and age range**

Category		Decomposition of labour force (% population)							
		Inactive			Active				
					Employed		Unemployed		Total
		Discouraged worker[a]	Student	Other inactive	Student	Not student	In search of first job	Previously employed	
Residence	Urban	0.8	39.8	12.5	2.1	34.7	7.5	2.5	100
	Rural	1.7	28.5	22.1	2.8	37.3	6.2	1.6	100
Sex	Male	1.8	33.7	8.6	2.8	43.1	7.5	2.5	100
	Female	0.7	33.8	26.8	2.2	28.9	6.0	1.6	100
Age range	15-19	1.3	52.4	14.4	3.2	21.1	6.6	1.1	100
	20-24	1.2	10.5	21.7	1.7	54.7	7.1	3.2	100
Total		**1.3**	**33.7**	**17.6**	**2.5**	**36.1**	**6.8**	**2.0**	**100**

Notes: (a) Discouraged workers are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel discouraged about their prospects for success, but would accept a job if offered.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

Table 10. **Aggregate labour market indicators, persons aged 15-24 years, by residence and sex**

Population category		Labour mkt. participation (% pop.)	Education participation (% pop.)	Inactive and out of school (% pop.)	Employment rate (% active)	Unemployment rate (% active)	Relaxed unemployment rate[a] (% expanded active)
Residence	Urban	46.9	42.6	13.3	78.5	21.5	22.8
	Rural	47.8	31.6	23.7	83.9	16.1	19.0
Sex	Male	55.9	36.9	10.5	82.1	17.9	20.4
	Female	38.7	36.5	27.5	80.4	19.6	21.1
Age range	15-19	31.9	56.0	15.6	76.1	23.9	26.9
	20-24	66.6	12.6	22.9	84.6	15.4	16.9
Total		**47.4**	**36.7**	**18.9**	**81.4**	**18.6**	**20.7**

Notes: (a) Relaxed unemployment considers both unemployed workers and discouraged workers who are available to work. The relaxed unemployment rate is the sum of unemployed workers and discouraged workers available to work expressed as a percentage of the expanded active population. Discouraged workers are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel discouraged about their prospects for success, but would accept a job if offered. The expanded active population comprises discouraged workers and the active population.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

81. Table 9 and Table 10 report the activity status decomposition and the main aggregate labour market indicators, respectively, for young Indonesians. They highlight the significant variation in the labour market situation of young persons by their age, sex, residence and location, as discussed below and in the subsequent chapters of this report.

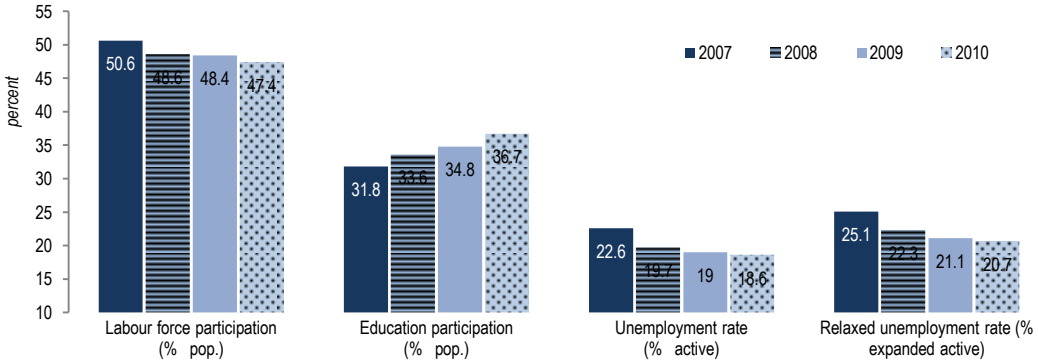
- **Age.** The overall labour market indicators mask large variations in labour market status by age. This is not surprising, as the 15–24 age range is a period of transition. A comparison of teenagers (15-19 year-olds) and young adults (20-24 year-olds) reveals large differences in involvement in education, with relatively few people continuing education beyond their teens into young adulthood. Young adults are more much represented in the labour force (although teenagers in the labour force are more likely to be without work), are also more likely to be inactive and out of school.
- **Sex**. The largest difference between male and female youth is the extent of their participation in the labour force. Male youth are much more likely to be economically active, while a much larger share of female youth are inactive and out of education, presumably undertaking domestic responsibilities typically assigned to females in Indonesian society. Other differences in the status of male and female youth are smaller. The share of male and female youth in education is roughly

equal, and, for economically active female and male youth, labour market outcomes do not vary markedly (female youth face a slightly greater risk of unemployment).

- **Residence.** Labour market status varies considerably by place of residence, reflecting important underlying differences in the nature of the urban and rural labour markets. While youth participation in the labour market differs little between rural and urban areas, active urban youth face a significantly greater risk of unemployment. Unemployment in rural areas, however, is also relatively high. Differences in the status of rural and urban youth *outside* the labour market are even greater. Inactive urban young persons are much more likely to be continuing with their education, while their rural peers are more likely to be both outside the labour and out of school.

82. **Regional differences in the activity status of young persons are also important in Indonesia** (Annex Table A9). Jakarta stands out as the region where young persons are most likely to be both economically active and to be continuing with the education, and as the region where youth are *least likely* to be inactive and out of education. Among active youth, West Java stands out as having by far the highest level of youth unemployment. There are also important differences by region in the term of the quality of jobs held by young persons, with the Java regions generally faring better in this regard than the other regions, as discussed further in Chapter 10.

Figure 33. **Trends in aggregate labour market indicators, 2007-2010**



Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August).

83. **Trends in aggregate labour market indicators for youth suggest an improving situation.** A comparison of the results of the national labour force surveys for the 2007 to 2010 period permits a view of the trends underlying the static picture of the youth labour market presented above. These trends, reported in Figure 33, appear positive, despite the global economic downturn which occurred during the 2007-2010 period. Education participation has risen steadily and labour participation has fallen steadily over this period, indicating that Indonesian young persons are remaining in school longer and joining the labour force later, with clear positive consequences for the level of human capital they bring to the labour force when they eventually do join it. At the same time, the share of those in the labour force seeking work has fallen consistently over the 2007-2010 period.

CHAPTER 9.

YOUTH INACTIVITY, UNEMPLOYMENT, AND UNDEREMPLOYMENT

Summary

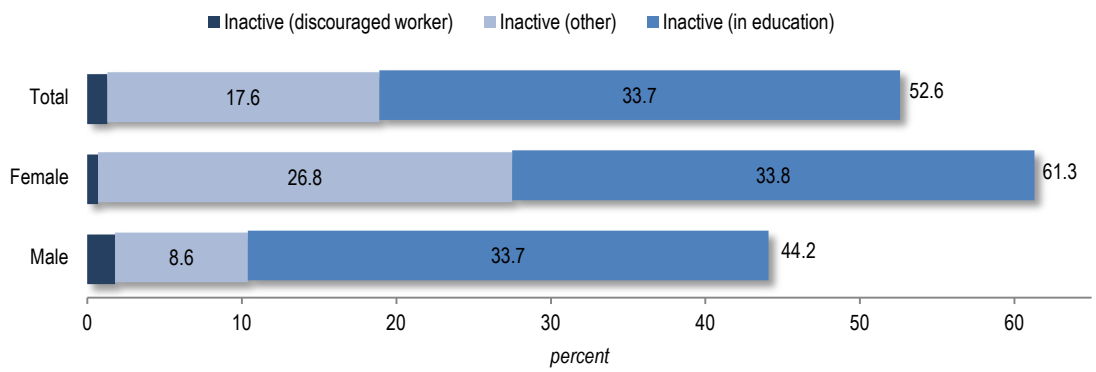
- A large share of young Indonesians is neither in the labour force nor in school.
- Unemployment affects one-fifth of young Indonesians in the labour force, although the youth unemployment rate has declined in recent years.
- Unemployment affects rural as well as urban youth, indicating that agricultural activities are insufficient to absorb the rural youth labour force.
- Most unemployed youth are first time job seekers, underscoring the challenge posed by gaining an initial foothold in the job market.
- About one in three employed youth is *under*employed, pointing to substantive underutilised productive capacity in the youth labour force.

84. This chapter presents descriptive evidence concerning the extent and nature of youth inactivity, unemployment and underemployment as part of the larger discussion of the labour market challenges faced by young Indonesians. The effects of prolonged unemployment early in a person's working life are well-documented: it may permanently impair his or her productive potential and therefore influence lifetime patterns of employment, pay and unemployment. Research also points to links between youth unemployment and high risk behaviours. High levels of youth underemployment also point to difficulties in securing an adequate place in the labour market, as well as to underutilised productive capacity.

9.1 Inactivity

85. A very large share of Indonesian young people – and especially female young people – is neither in the labour force nor in education. As reported in Figure 34, almost 19 percent of all youth is inactive and out of education, constituting important lost productive potential and a constraint to growth. Inactivity is particularly high for female youth: the share of female youth that is inactive and not in education is three times that of male youth. This difference is *not* a product of more female youth being out of education: rates of education participation are virtually equal for male and female youth. Nor is the difference a product of higher levels of discouragement among female youth (Table 9). Rather, the greater share of female youth who are inactive and out of education appears more related to the culturally-driven tendency for them to stay out of the labour force in order to perform domestic duties and rear children.

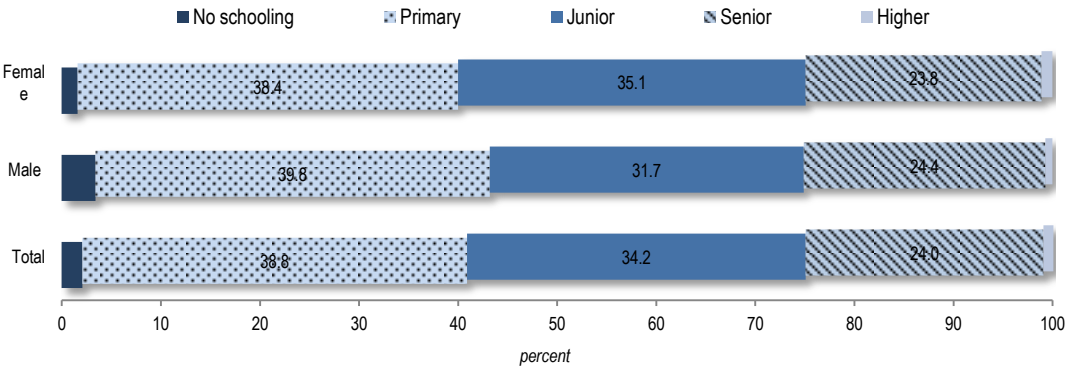
Figure 34. **Inactivity (% of 15-24 years population), by status and sex**



Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

86. Many youth are inactive and out of education despite having high levels of human capital. This fact underscores the lost productivity represented by the inactive and not in education group. As reported in Figure 35, over half of this group has at least a junior secondary level of education and a quarter has at least senior secondary education. Inactive and out of school youth female youth, who, again, form by largest share of total youth in this group, do *not* have lower levels of educational attainment than their male counterparts.

Figure 35. **Inactivity and human capital (decomposition of inactive and out of education youth population by education level), by sex**

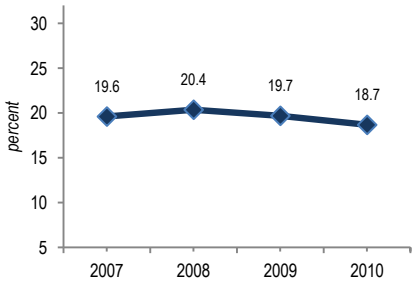


Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

87. The proportion of inactive youth does *not* appear to be declining appreciably over time. As reported in Figure 36, inactivity as a proportion of the youth population declined only very slightly from 2007-2010. Among two sub-groups – female youth and youth aged 20-24 years – levels of inactivity actually rose slightly over this period.

Figure 36. **Trends in youth idleness (% of total youth population), 2007-2010**

(a) Total



(b) By residence

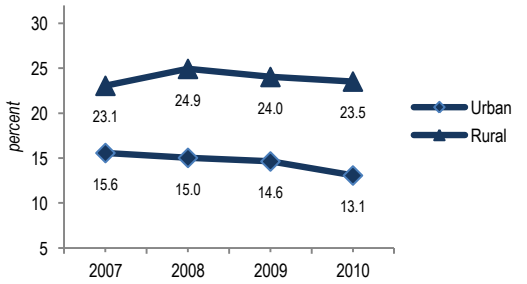
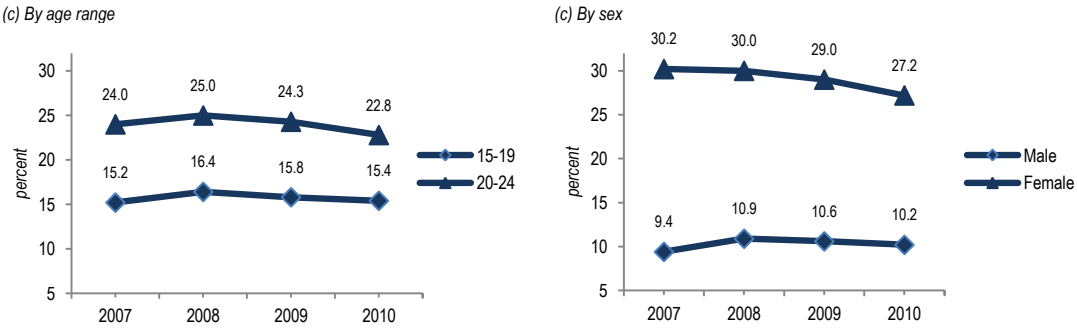


Figure 36. **Trends in youth idleness (% of total youth population), 2007-2010**

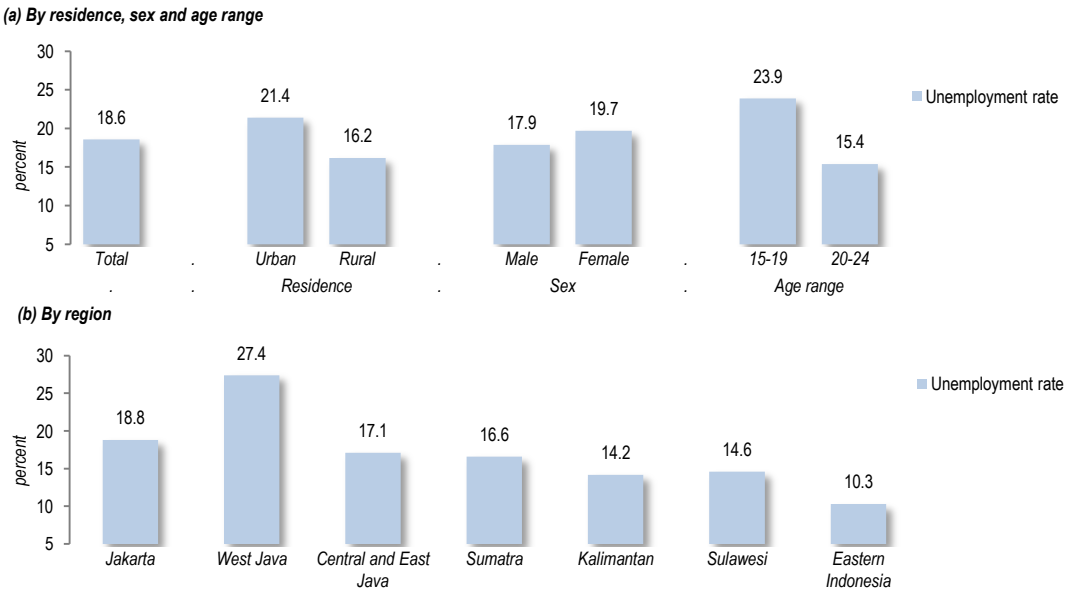


Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

9.2 Unemployment

88. Rates of measured unemployment among Indonesian young people are high. In all, almost one in five (19 percent of) young people in the labour force is unemployed, a rate several times higher than that for adult workers (see discussion in Chapter 12). About two-thirds of those looking for work are doing do for the first time (Table 9), highlighting the particular difficulties that youth face in gaining an initial foothold in the labour market. Unemployment rates, however, understate the full extent of problems in securing full-time jobs because they do not consider young persons who have given up looking for work or young persons who are technically employed but work only occasionally. The issues of discouraged workers and underemployment are taken up in Sections 9.3 and 9.4, respectively, of this report.

Figure 37. **Unemployment rate (percentage of active population aged 15-24 years), by residence, sex and age range**

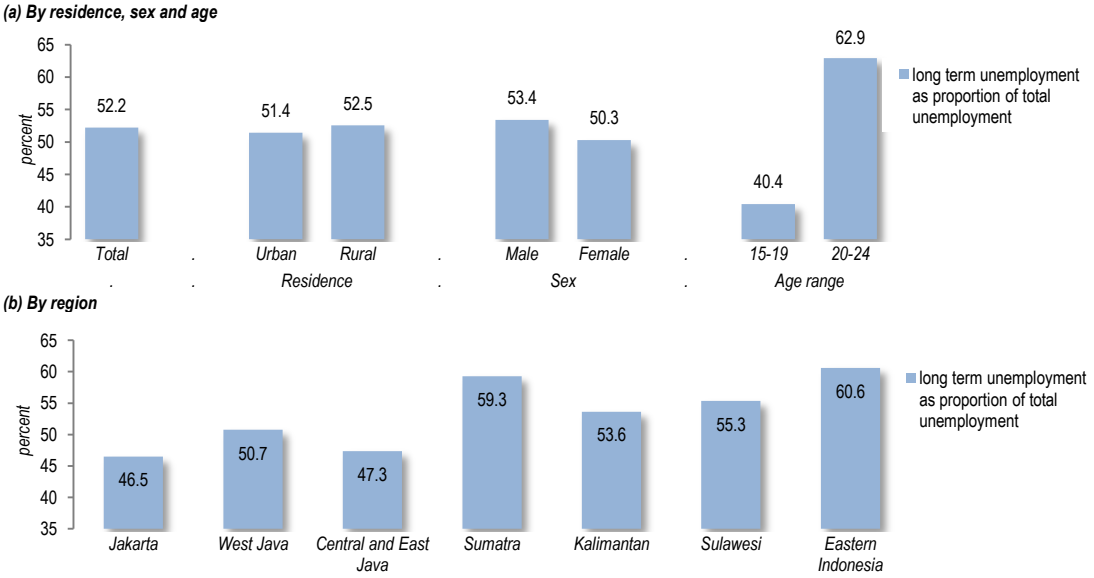


Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

89. Youth unemployment is *not* limited to urban locations. While unemployment in urban areas is about one-fourth higher than that in rural areas, the unemployment rate for youth living in the countryside nonetheless exceeds 16 percent (Figure 37). This points to the inability of the agricultural sector to fully absorb the youth labour force in rural areas in the Indonesian context. There are also large differences in youth unemployment levels by age and location. Unemployment is much higher for 15-19 year-olds compared to 20-24 year-olds, not surprising in that the former have been in the labour

market for less time. Regional disparities in youth unemployment are very large, with young people in West Java facing a particular challenge in securing a place in the labour market, highlighting geographic differences in youth labour market conditions.

Figure 38. **Long term unemployment[(a)] as a proportion of total unemployment, young persons aged 15-24 years**



Notes: (a) Short-term unemployment refers to unemployment spells of less than 12 months; long-term unemployment refers to unemployment spells of 12 months and over.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

90. Unemployment spells are long for many youth. Figure 38, which reports long term unemployment as a share of total youth unemployment, indicates that over half of all unemployed youth has been unemployed for at least 12 months, rising to almost two-thirds for young people aged 20-24 years, and to 60 percent for young people in Sumatra and Eastern Indonesia. The length of unemployment spells are important to determining the likely harm caused by unemployment. High outflows and short spell durations may merely reflect active search on the part of youth for their "preferred" work, while the consequences of longer unemployment spells are likely to constitute a more serious policy concern.

91. Econometric evidence largely confirms these youth unemployment patterns (Table 11). Controlling for other factors, the probability of unemployment is influenced by age, residence and region. Married youth also face a lower risk of unemployment. Econometric evidence also indicates a strong *positive* link between education levels and the risk of unemployment, i.e., more education increases the probability of unemployment, raising the possibility of skills mismatches and of the need for mechanisms to bring together qualified youth and employers. The issue of human capital and youth employment is returned to in Chapter 11 of this report.

Table 11. **Determinants of youth unemployment, marginal effects after probit estimation with robust standard errors**

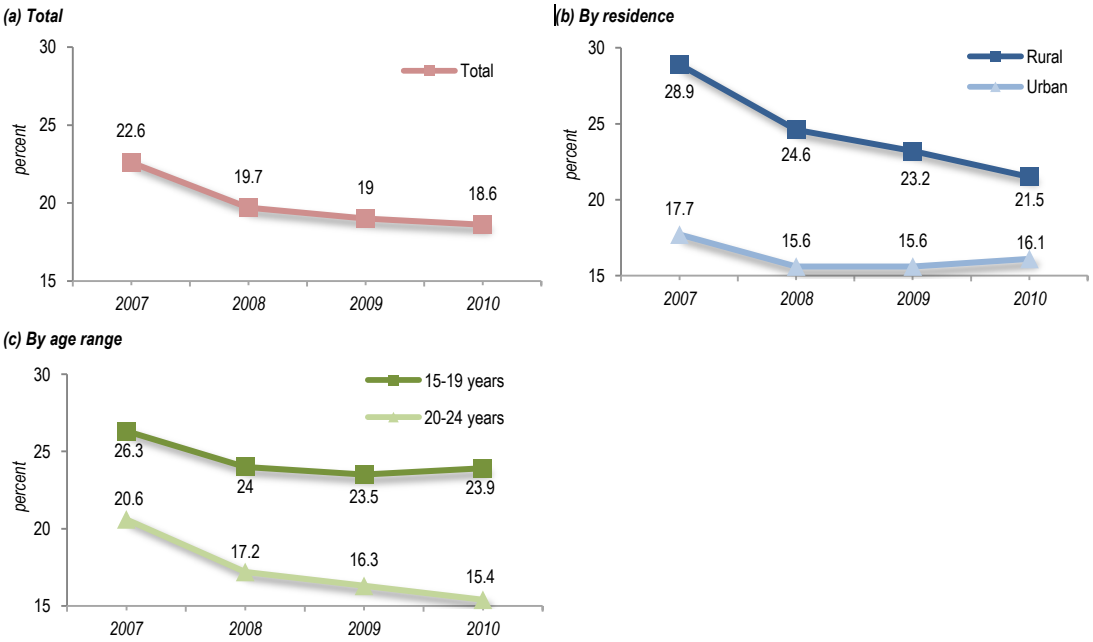
Explanatory variables		dy/dx	z
Age range[a]	15-19 years	-0.0089	-6.7
Sex[b]	Male	0.0053	4.9
Marital status[c]	Married	-0.0330	-26.1
Education attainment[d]	**Primary education**	0.0554	5.2
	Junior Education	0.0435	4.6
	Senior education	0.1757	11.4
	Higher education	0.3072	11.7
Residence[e]	Urban	-0.0020	-1.7
Region[f]	West Java	0.0394	7.7
	Central and East Java	-0.0041	-1.2
	Sumatra	-0.0131	-3.9
	Kalimantan	-0.0067	-1.9
	Sulawesi	-0.0147	-4.6
	Eastern Indonesia	-0.0209	-6.9

Notes: (a) Reference category is 20-24 years; (b) Reference category is female; (c) Reference category is single; (d) Reference category is no schooling; (e) Reference category is rural; and (f) Reference category is Jakarta.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

92. Youth unemployment has fallen in recent years. A comparison of the results of the national labour force surveys for the 2007 to 2010 period permits a view of unemployment trends. These trends, reported in Figure 39, show a consistent and significant fall in unemployment for the active youth population as a whole and for most youth population sub-groups. This downward trend is especially noteworthy in light of the global economic downturn which occurred during the 2007-2010 period. The decline in the unemployment rate among rural youth and among older youth is especially striking; in both cases, the youth unemployment rate fell by around one-fourth between 2007 and 2010.

Figure 39. **Trends in unemployment (% of active population), 2007-2010**



Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

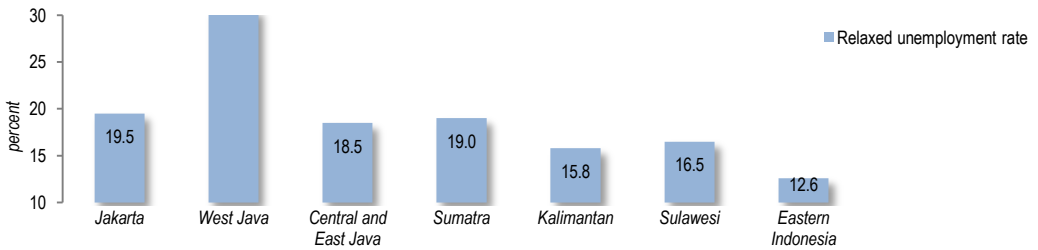
9.3 Relaxed unemployment rates

93. Levels of "relaxed" unemployment among youth are higher, but not markedly so. The "relaxed" youth unemployment rate[35] is a more complete measure of the youth unemployment problem because it also captures discouraged workers, i.e. those willing to work but who have given up actively seeking work because they are pessimistic about their employment prospects. The relaxed unemployment rate stands at almost 21 percent for the 15-24 years population as a whole, while the "strict" unemployment rate, reported above, which captures only active job seekers, stands at about 19 percent for the same age group. Numbers of discouraged youth workers, it follows, are not large in Indonesia. Most young people desiring work are in the labour market actively seeking it, while those outside the labour market and not in school are explained primarily by reasons other than discouragement.

Figure 40. **Relaxed unemployment rate(a) (percentage of expanded active population aged 15-24 years)**

(a) By residence, sex and age range

(b) By region



Notes: (a) The relaxed unemployment rate is the sum of unemployed workers and discouraged workers available for work expressed as a percentage of the expanded active population. The expanded active population, in turn, comprises discouraged workers available for work and the active population. Discouraged workers available for work are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about their job prospects, but would accept job if offered.
Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

9.4 Underemployment

94. It is important to note that neither the strict nor the relaxed youth unemployment provide a full description of youth difficulties in securing a place in the labour market in Indonesia. Why? In countries such as Indonesia where poverty remains common, many youth simply cannot afford to remain unemployed for long and are forced to accept occasional work, usually in the agriculture sector. In these circumstances, difficulties in the labour market are often better reflected by measures of *under*employment (and job *quality*, as discussed in Chapter 10 of this report).

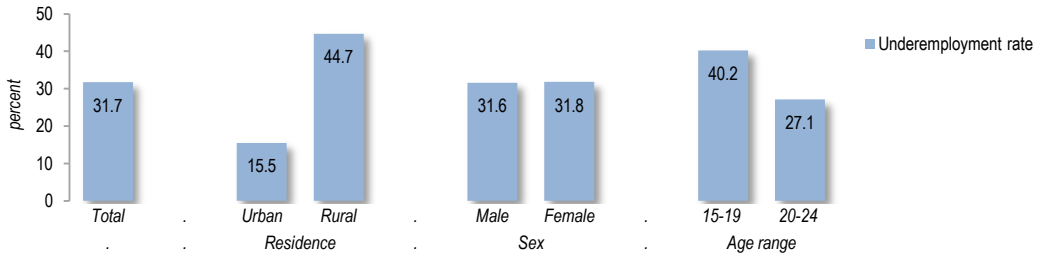
95. Underemployment, defined as working less than 35 hours per week, is very common for Indonesian young people. As reported in Figure 41, almost one-third of all employed youth are underemployed according to this measure.

[35] The relaxed unemployment rate is the sum of unemployed workers and discouraged workers available for work expressed as a percentage of the expanded active population. The expanded active population, in turn, comprises discouraged workers available for work and the active population. Discouraged workers available for work are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about their job propects, but would accept job if offered.

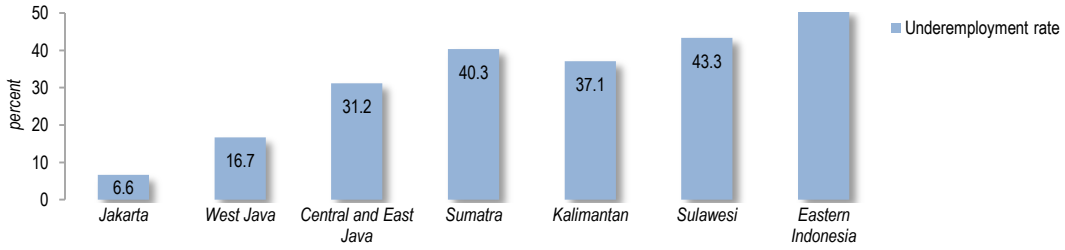
Underemployment is particularly pronounced in rural areas (45 percent of employed youth) and in the regions beyond Jakarta and West Java (at least 31 percent of employed youth), pointing to the substantial underutilisation of the productive capacity of youth people in these geographical areas.

Figure 41. **Underemployment rate[a] (percentage of employed population aged 15-24 years), by residence, sex and age range**

(a) By residence, sex and age range



(b) By region

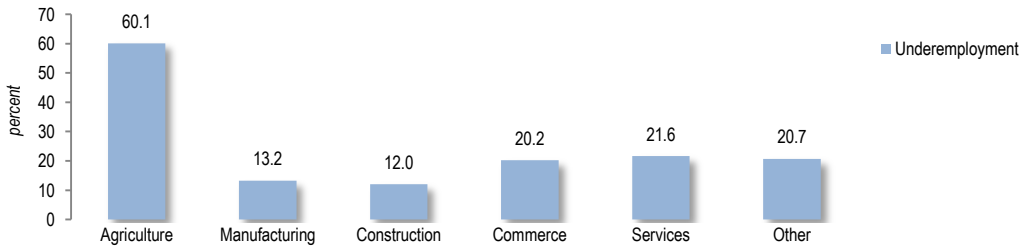


Notes: (a) The underemployment rate is the number of employed persons in situations of under-employment expressed as a percentage of total persons in employment. A person is considered in a situation of under-employment, in turn, if he/she works less than 35 hours a week.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

96. The rate of underemployment is by far the highest in the agriculture sector (Figure 42). This underscores the role of the sector in absorbing workers unable to secure better jobs elsewhere.

Figure 42. **Underemployment rate by sector[a] (percentage of employed population aged 15-24 years), by sector**

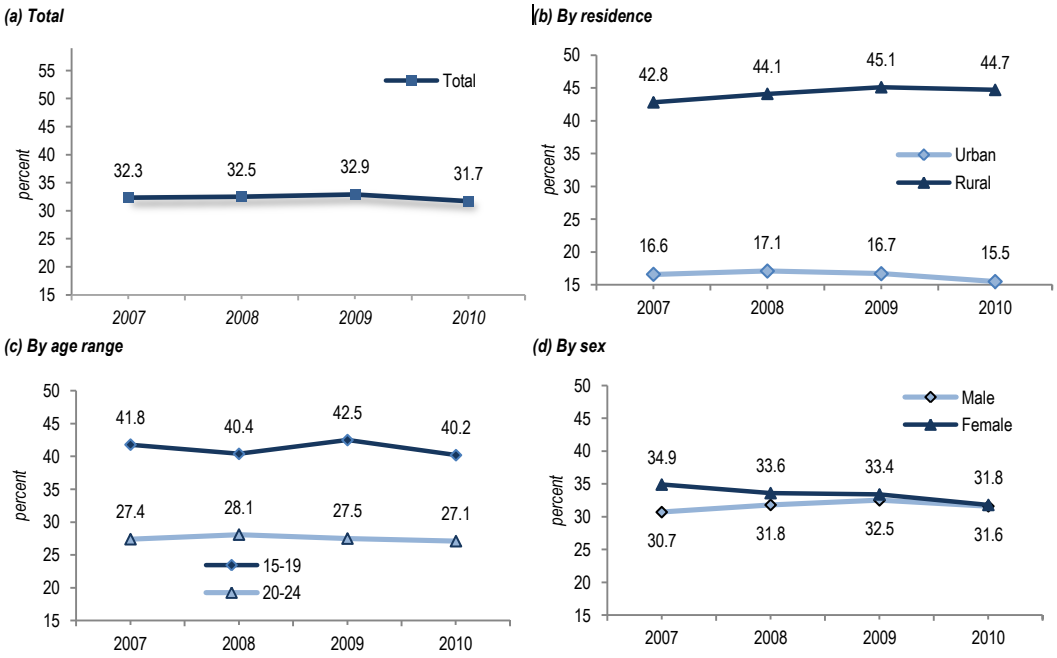


Notes: (a) The underemployment rate is the number of employed persons in situations of under-employment expressed as a percentage of total persons in employment. A person is considered in a situation of under-employment, in turn, if he/she works less than 35 hours a week.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

97. Unlike unemployment, the proportion of underemployed youth does *not* appear to be declining appreciably over time. As reported in Figure 43, underemployment as a proportion of total employment was largely unchanged for employed youth overall, and for most sub-groups of employed youth.

Figure 43. **Trends in underemployment (% of employed population), 2007-2010**



Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

CHAPTER 10.

YOUTH JOB CHARACTERISTICS

Summary

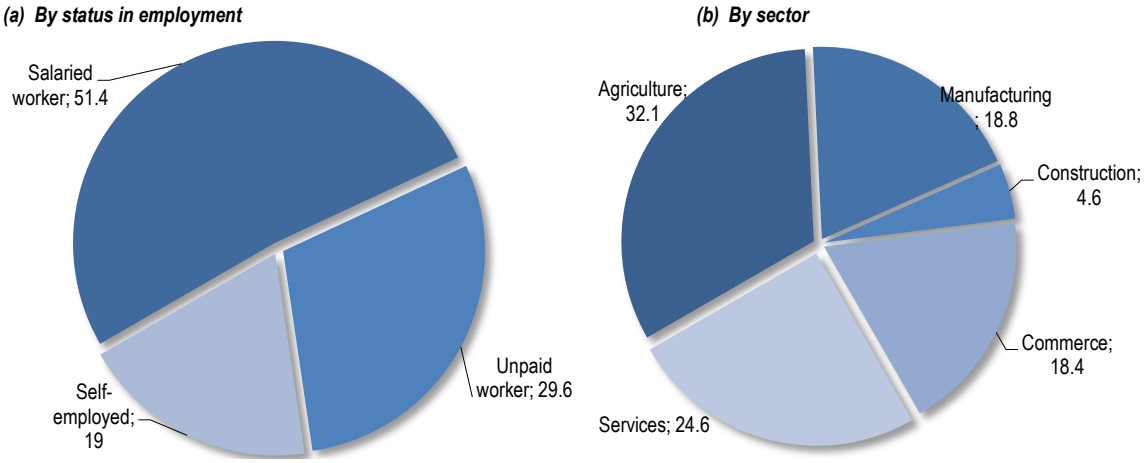
- Still more than half of youth work in the informal sector; levels of informality are especially high in rural areas and in regions off Java.
- Low productively agricultural employment still predominates in rural areas and in regions off Java.
- Trend data show a gradual shift away from employment in the primary agricultural sector towards employment in the tertiary sectors.

98. Obtaining employment *per se* is of course an insufficient condition for successful labour market outcomes. Indicators reflecting the *quality* of employment are also critical to assessing the labour market success of young people. This chapter examines some of the key characteristics of youth jobs. Data for a range of descriptive indicators relating to youth employment are reported, in order to develop a statistical profile of the quality of jobs secured by young Indonesians.

10.1 Status and sector and of youth employment

99. The proportion of employed youth who are salaried employees, one important proxy of job quality, is relatively high in Indonesia. Figure 44, which reports the employed youth population by employment status, indicates that about half of employed youth are paid employees, a share somewhat higher than that of adult workers (see Chapter 12). A little less than one-third of employed youth, on the other hand, still works in low productivity non-wage labour, typically within the family unit. But national averages mask a clear

Figure 44. **Decomposition of youth employment**



Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

dichotomy by residence. While salaried employment predominates in urban areas, non-waged employment accounts for the largest proportion of employed youth in the countryside. Salaried employment is also much more important in Jakarta and West Java than in other regions (Table 12).

Table 12. **Status in employment, percentage of employed persons aged 15-24 years, by residence and region**

Category	Residence		Region						
	Urban	Rural	Jakarta	West Java	Central and East Java	Sumatra	Kalimantan	Sulawesi	Eastern Indonesia
Salaried employee	68.0	38.1	73.9	64.2	54.0	44.6	47.0	40.4	25.6
Unpaid worker	11.7	44.0	5.6	11.1	29.8	37.7	35.1	40.4	56.6
Self-employed	20.3	17.9	20.5	24.7	16.3	17.7	18.0	19.2	17.8
Total	100	100	100	100	100	100	100	100	100

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

100. Involvement in tertiary sector employment is also relatively high among young workers. In all, about 43 percent of employed youth are in either the services (25 percent) or the commerce (18 percent) sectors, while about one-third is in agriculture and about one-fifth is in manufacturing (Figure 44). Again, however, differences by residence and region are large. While agriculture not surprisingly predominates in rural areas, the services and commerce sectors are the most important source of youth employment in cities and towns, together accounting for almost two out of every three employed youth. By region, Jakarta stands out for the relative important of the service sector, and all three Java regions stand out for the relative importance of the manufacturing sector. Youth living off Java, by contrast, are much more likely to be found in agriculture.

Table 13. **Sector of employment, percentage of employed persons aged 15-24 years, by residence and region**

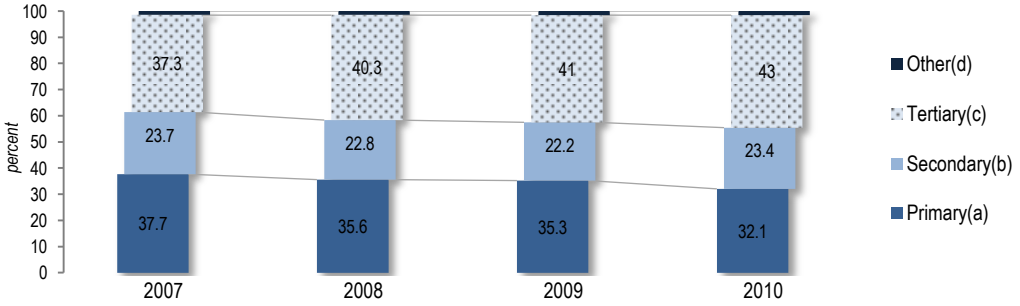
Category	Residence		Region						
	Urban	Rural	Jakarta	West Java	Central and East Java	Sumatra	Kalimantan	Sulawesi	Eastern Indonesia
Agriculture	5.5	53.4	0.3	9.7	27.4	47.3	45.2	47.0	62.7
Manufacturing	25.9	13.2	20.4	36.5	23.9	7.5	6.8	6.2	6.7
Construction	4.4	4.7	2.0	3.7	5.5	4.8	4.5	5.7	3.1
Commerce	27.0	11.5	28.5	21.1	19.4	16.7	17.1	15.8	9.1
Services	36.2	15.3	48.2	28.2	23.0	21.9	19.8	23.5	16.7
Other[a]	1.0	2.0	0.5	0.8	0.9	1.8	6.6	1.8	1.8
Total	100	100	100	100	100	100	100	100	100

Note: (a) The category "Other" includes mining and quarrying, electricity, gas and water supply and extraterritorial organizations and bodies.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

101. Trend data show a gradual shift away from employment in the primary agricultural sector towards employment in the tertiary sectors. A comparison of the results of the national labour force surveys for the 2007 to 2010 period permits a view of how the sectoral composition of youth employment is changing over time. These changes, reported in Figure 45, show a gradual shift away from employment in the primary agricultural sector towards employment in the tertiary sectors over this period. These shifts, however, have not been matched by similar changes in employment arrangements: the share of youth in salaried employment rose only very slightly, and the share of youth in self-employment fell only very slightly, over the 2007-2010 period (Figure 46).

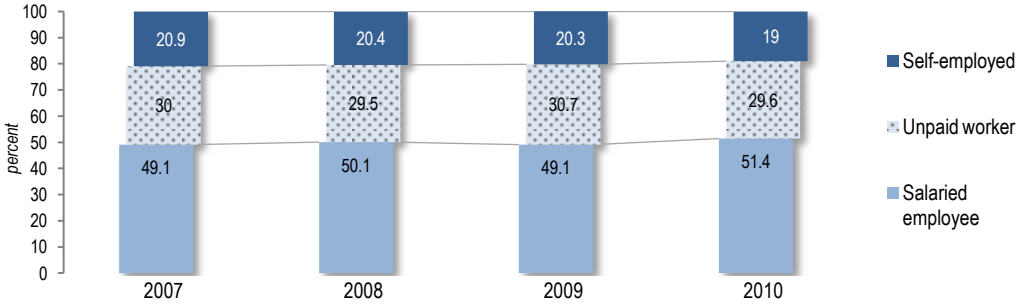
Figure 45. **Changes in the sectoral composition of youth employment (% of employment youth), 2007-2010**



Notes: (a) "Primary" refers to agriculture sector; (b) "Secondary" refers to manufacturing and construction sectors; (c) "Tertiary" refers to services and commerce sectors; and (d) "Other" includes mining and quarrying, electricity, gas and water supply and extraterritorial organizations and bodies

Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

Figure 46. **Changes in status in employment (% of employed youth), 2007-2010**



Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

10.2 Employment formality

102. The largest share of employed youth in Indonesia remains in work *outside* the formal sector. Table 14, which decomposes youth employment by formality (as defined by Sakernas),[36] indicates that 56 percent of working youth are found in the informal sector. However, youth nonetheless fare better in this regard than their adult counterparts (Chapter 12). The formality of employment is perhaps the best proxy for job quality. Formality is generally associated with more job stability, higher income (see econometric evidence of wage determinants, Table 19) and access to other benefits such as pensions and health care. Employment in the informal sector in Indonesia, on the other hand, is associated with significantly worse labour market outcomes on average.[37]

103. Informality is much more common in rural areas and in regions off Java. This again underscores the differences in the rural and urban labour markets and in labour market conditions across regions. Three out of every four employed youth in the countryside are in informal work, while in the regions of Sumatra, Kalimantan, Sulawesi and Eastern Indonesia at least three out of every five young workers find themselves in informal work. Gender-related differences in the formality of youth employment are also large. Male youth are considerably worse of in this regard: overall, they are 16 percentage points more likely to be in informal work than their female peers (Table A16).

[36] Definition is based on the concept of informal sector in Indonesian Labour Force Survey (Sakernas). For details, see BPS-Statistics Indonesia, Indonesian Country Paper on Informal Sector and its Measurement, May 2008.

[37] World Bank, Indonesia Jobs Report 2009.

Table 14. **Employment formality,[a] percentage of employed persons aged 15-24 years, by residence and region**

Category	Total	Residence		Region						
		Urban	Rural	Jakarta	West Java	Central and East Java	Sumatra	Kalimantan	Sulawesi	Eastern Indonesia
Formal[b]	**44.3**	68.2	25.4	80.2	60.5	46.2	33.4	38.2	31.3	18.3
Informal[c]	**55.7**	31.8	74.7	19.8	39.5	53.8	66.6	61.8	68.7	81.7
Total	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes:
(a) Definition is based on the concept of informal sector in Indonesian Labour Force Survey (Sakernas). For details, see BPS-Statistics Indonesia, *Indonesian Country Paper on Informal Sector and its Measurement,* May 2008.

(b) *Formal employment* includes the following categories: (1) Own account workers who are in professional, technical and related; administrative and managerial, clerical and related occupations; (2) Employers assisted by temporary worker or unpaid worker , who are in professional, technical and related; administrative and managerial, clerical and related, sales, services, production and related, transport equipment operators and labourers occupations; (3) All employers assisted by permanent workers; (4) All employees and casual employees in agriculture who are professional, technical and related workers; administrative and managerial workers; clerical and related workers; sales workers; production and relative workers; transport equipment operators workers and labourers; (5) Casual employees in non-agriculture who are in professional, technical and related; administrative and managerial, clerical and related occupations.

(c) *Non-formal employment* includes the following categories: (1) Own account workers who are not in professional, technical and related; administrative and managerial, clerical and related occupations; (2) Employers assisted by temporary worker or unpaid worker , who are not in professional, technical and related; administrative and managerial, clerical and related, sales, services, production and related, transport equipment operators and labourers occupations; (3) All employees and casual employees in agriculture, who are in agricultural, animal husbandry, forestry, fishery and hunting occupations; (4) Casual employees in non-agriculture who are not in professional, technical and related; administrative and managerial, clerical and related occupations; (5) All unpaid workers.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

104. The degree of formality is closely linked to the sector of youth employment in Indonesia (Table 15). Virtually all youth in agricultural employment are in informal work arrangements, highlighting the importance of expanding job opportunities in rural non-farm enterprises as part of broader efforts towards improving youth employment conditions in rural areas (see next section). By contrast, almost three of every four youth jobs in the services sector, the next most important employer of youth in Indonesia, are formal in nature. Manufacturing jobs are also associated with a high degree of formality.

Table 15. **Employment formality by sector,[a] percentage of employed persons aged 15-24 years**

	Agriculture	Manufacturing	Construction	Commerce	Services	Other[a]
Formal	1.2	70.2	40.6	55.3	72.7	55.6
Informal	98.8	29.8	59.4	44.7	27.3	44.4
Total	100	100	100	100	100	100

Notes: (a) See Table 14.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

105. As expected, formality is associated with higher wages. Table 16 compares the returns to formal and informal work in terms of average wages. It indicates that the earnings of young persons in formal work are almost one-fifth higher than those of youth working in the informal sector. The table also indicates that the returns to formal vis-à-vis informal work are slightly higher in urban than in rural contexts. These results are confirmed by the econometric evidence of wage determinants presented in Table 19 in Chapter 11.

Table 16. **Average wages[a] (in Rp.) and employment formality,[b] employed persons aged 15-24 years, by residence and sex**

Category	Total	Residence		Sex	
		Urban	Rural	Male	Female
Formal[b]	888,187	951,284	747,608	934,561	840,618
Non-formal[b]	721,431	819,976	664,272	742,558	658,841
Difference (in Rp.)	166,756	131,308	83,336	192,003	181,777
Difference (%)	18.8	13.8	11.1	20.5	21.6

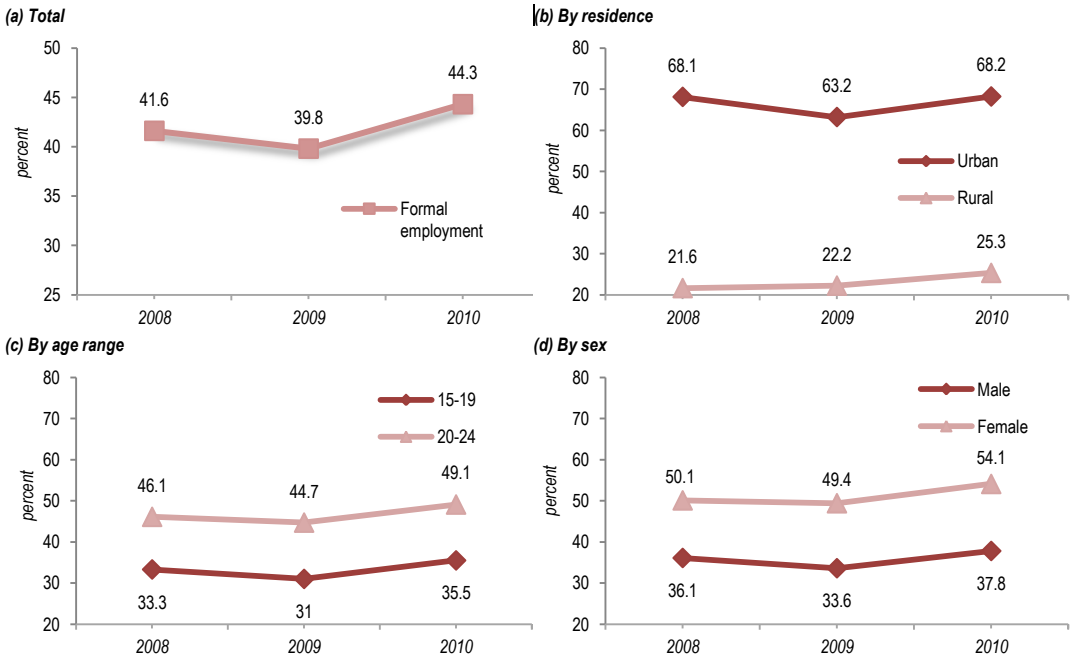
Notes: (a) Average wage is calculated for all employed youth with non-zero wage; (b) See Table 14.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

106. The share of employed youth in formal work arrangements rose slightly during the 2008 to 2010 period in rural areas (Figure 47). Formality remained

unchanged in urban areas over the same period, falling during 2008-2009 before recovering in 2009-2010.

Figure 47. **Trends in formality (formal employment as % of total employment), 2008-2010**



Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

10.3 Rural farm employment and non-farm enterprise employment

107. More than one out of every two youth workers in rural areas is found in the agriculture sector. Involvement in agricultural employment is especially high in the regions off Java (i.e., Sumatra, Kalimantan, Sulawesi and Eastern Indonesia), where the share on youth working in agriculture ranges from 62 to 76 percent (Table 17). At the same time, a wide body of evidence indicates that the productivity and profitability in the *non-farm* sector is generally better than in the farm sector, as are average wages and working conditions.

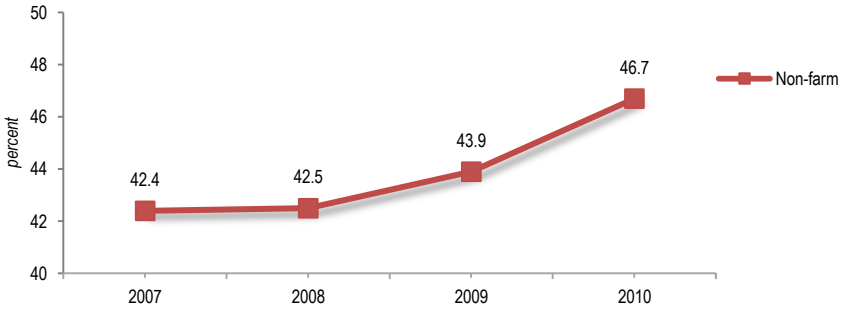
Table 17. **Non-farm[a] enterprise employment, percentage of employed rural residents aged 15-24 years, by sex**

Category	*Total*	*Region*						
		Jakarta	*West Java*	*Central and East Java*	*Sumatra*	*Kalimantan*	*Sulawesi*	*Eastern Indonesia*
Non-farm	**46.7**	-	79.6	55.3	35.4	35.5	38.2	24.4
Farm	**53.3**	-	20.4	44.7	64.6	64.5	61.8	75.6
Total	**100**	-	100	100	100	100	100	100

Note: (a) Non-farm workers are defined as those working outside the agriculture sector.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

Figure 48. **Changes in involvement in non-farm employment[a] (% of total employment), 2007-2010**



Notes: (a) Non-farm workers are defined as those working outside the agriculture sector.

Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

108. Expanding *non-farm* enterprise employment for the large proportion of rural youth in agriculture will therefore be critical to improving their employment outcomes. Data from the Indonesia National Labour Force Survey for the 2007 to 2010 reference years suggests that this is gradually happening. Non-farm enterprise employment increased from 42 to 47 percent of total rural youth employment over this period, with the sharpest rise occurring during the 2009 to 2010 period after the global economic downturn (Figure 48). This shift mirrors a broader move towards diversification of the rural employment during the period.

CHAPTER 11.

HUMAN CAPITAL AND YOUTH EMPLOYMENT OUTCOMES

Summary

- More than one-third of youth enters the labour market with primary education or less.
- Higher education levels are associated with higher levels of unemployment, suggesting the need for a better skills matching.
- Higher education levels are also associated with a greater likelihood of a salaried job and of formal sector employment generally, underscoring the important link between education and job quality.
- Returns to education in terms of earnings are significant at all levels of educational attainment.
- The wage premium associated with education is greater for male youth than for female youth.

109. The most obvious connection between child labour and poor youth labour market outcomes is through compromised education. Earlier in the extended version of this report,[38] evidence was presented indicating that child labour and education are largely incompatible activities – in other words, evidence indicating that child labour cannot be associated with successful education. This chapter, in turn, looks at the role of educational levels on youth labour market outcomes.[39]

11.1 Youth education levels

110. Many Indonesian young people have had little opportunity to acquire significant human capital: over one-third of 15-24 year-olds have primary or less education, while only four percent possess higher education (Table 18). Low human capital is a particular concern in rural areas, where 43 percent young persons has primary or less education and only two percent has education beyond the high school level. What is the impact on low human capital on youth employment outcomes? The descriptive evidence presented below suggests that more educated young people may face greater difficulty securing jobs, but that the quality of the jobs they eventually do secure are often better.

[38] This overview on youth employment forms part of an extended report addressing child labour and youth employment outcomes in Indonesia.

[39] A lack of longitudinal data and/or of retrospective questions on involvement in work as children prevents exploring the link between youth employment outcomes and child labour involvement directly.

Table 18. **Educational attainment, non-student population aged 15-24 years, by residence and sex**

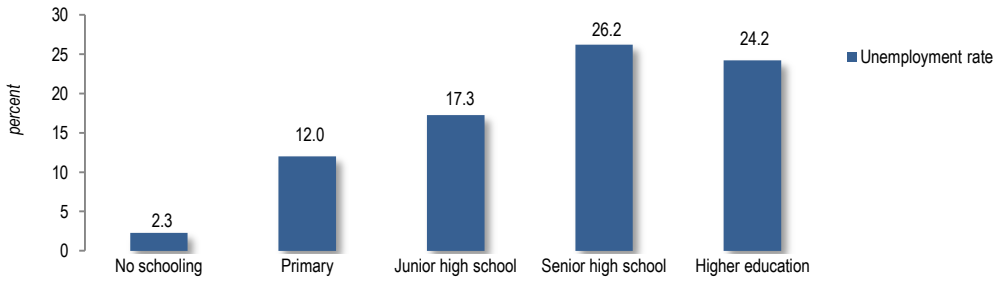
Categories	Total	Residence		Sex	
		Urban	Rural	Male	Female
No schooling	**1.4**	0.5	2.1	1.3	1.5
Primary	**32.5**	20.6	41.2	34.5	30.5
Junior high school	**29.1**	25.8	31.5	27.6	30.6
Senior high school	**33.4**	47.2	23.4	34.1	32.8
Higher education	**3.5**	6.0	1.8	2.4	4.6
Total	**100.0**	100	100	100	100

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2009.

11.2 Education levels and unemployment

111. Youth unemployment increases with education level, peaking among those with senior high school or higher education at about 25 percent (Figure 49). This is partially the product of the fact that less-educated young people by definition begin their transition to work at an earlier age, and therefore have had a greater length of exposure to the labour market and more time to secure employment. But the strongly positive link between unemployment and education levels is also likely at least in part the reflection of mismatches between the skills produced by the education system and those needed in the labour market, and of the need for better mechanisms for bringing together skilled job seekers and employers.

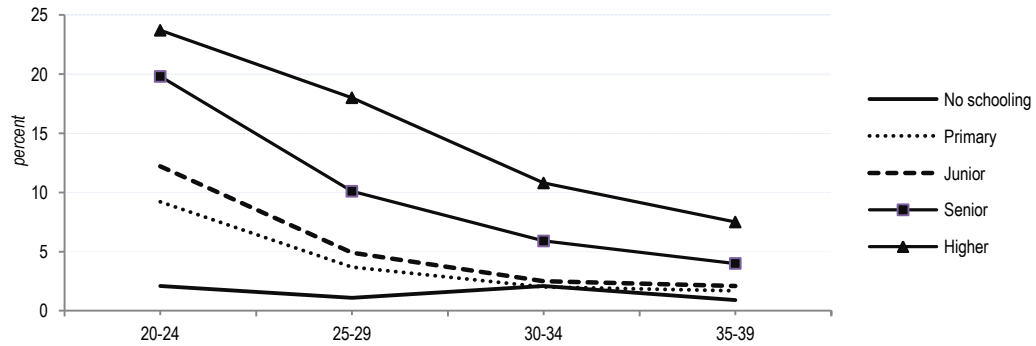
Figure 49. **Unemployment rate, young persons aged 15-24 years not currently in education, by level of education attained**



Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2009.

112. Figure 50 indicates that the differences in unemployment by level of education persist for older age cohorts. This suggests that skills mismatches are not limited to the youth labour market, but rather are a structural phenomenon affecting the labour market as whole.

Figure 50. **Unemployment rate, persons not currently in education, by age group and level of education**

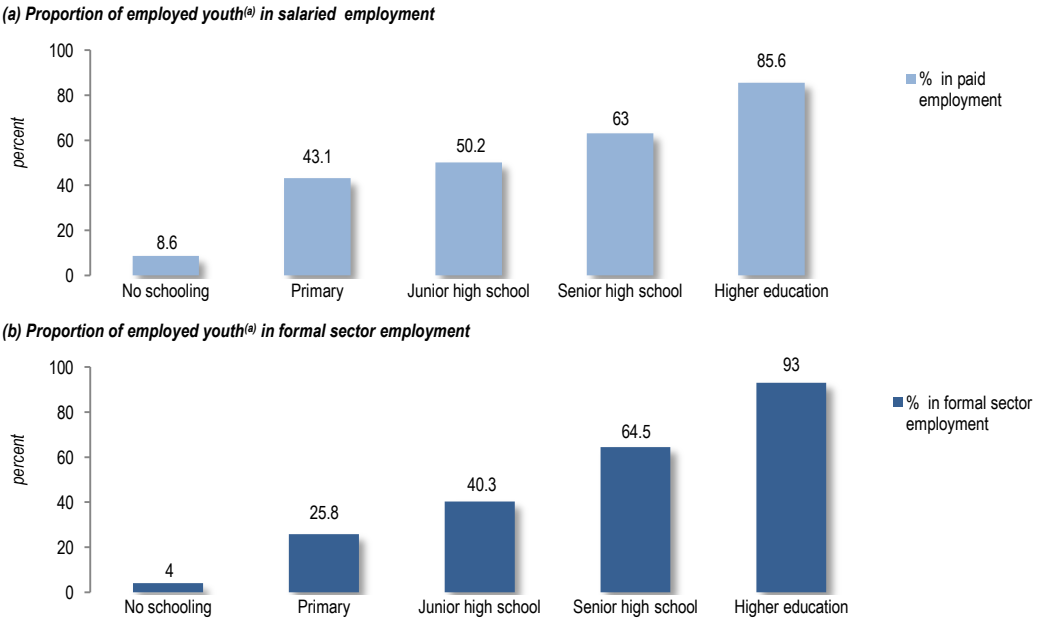


Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

11.3 Education levels and job quality

113. Job quality is closely correlated with level of education. Figure 51 looks at the links between job quality and level of education for employed youth (only those no longer in education are included). Two proxies for job quality are considered – salaried employment and formal employment (see previous discussion). The figure highlights that the likelihood of securing both salaried and formal employment rises dramatically with education. The figure also indicates the even a small amount of education is relevant in this regard: those with primary education are five times more likely to be salaried employment than those with no education.

Figure 51. **Education level and job quality**



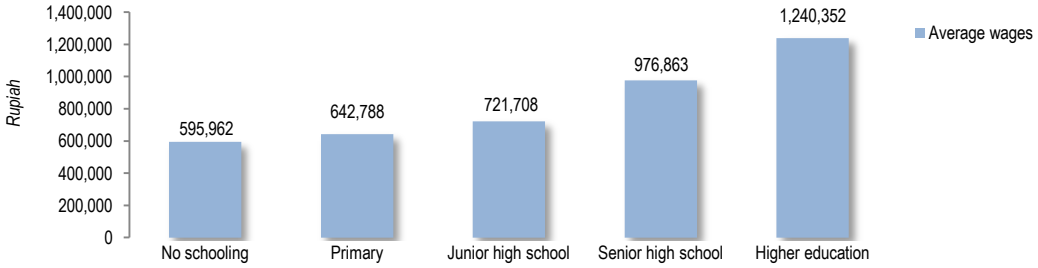
Notes: (a) Only employed youth not in education are considered.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2009.

11.4 Education level and wages

114. Wage levels offer a more direct indicator of returns to education. Figure 52, which reports average wages by education level, again indicates that the wage premium associated with successive levels of education is very high. Returns to even small amounts of education are substantial: a young person with primary education earns eight percent more on average his or her peer with no education. Returns to each subsequent level of education are even more noteworthy: average wages are 12 percent higher for junior high school graduates compared to primary graduates, 35 percent higher for senior compared to junior high school graduates and 27 percent higher for those with higher education compared to those with only high school education.

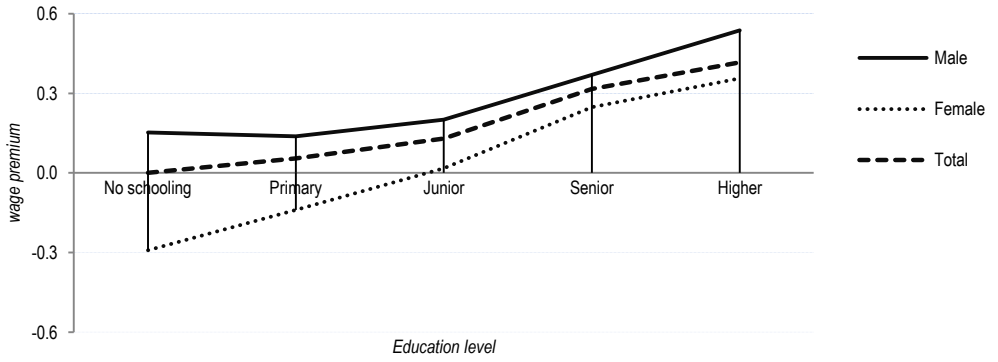
Figure 52. **Average wage (in Rupiah)[a] of employed youth,[b] by level of education attained**



Notes: (a) Average wage is calculated for all non-student employed youth with non-zero wage*; (b) Only employed youth not in education are considered.*
Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2009.

115. Figure 53 illustrates the wage premium associated with successive levels of education disaggregated by sex. It illustrates that wage premiums associated with education enjoyed by male youth are much higher than those enjoyed by female youth, another indicator of the relative disadvantage that female youth face in the labour market.

Figure 53. **Wage premium by sex, youth 15-24, with respect to total without schooling**



Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2009.

116. Econometric evidence confirms the importance of education as a determinant of wages. As reported in Table 19, the wage premium associated with education rises with each level of education. Being male is associated with higher wages, although the wage gap between males and females grows smaller at each additional level of education. Table 19 also reports other important determinants of wage. Informal work arrangements are not surprisingly associated with lower wages. Relative wage levels also depend significantly on the sector of employment. Finally, Table 19 suggests that wages are rising over time.

Table 19. **Determinants of youth wages,[a] results of OLS estimation with robust standard errors**

Explanatory variables		Coeff.	z
Age	Age	0.1781	11.1
	Age squared	-0.0035	-8.9
Sex[b]	Male	0.4436	5.9
Education attainment[c]	Primary education	0.1516	2.3
	Junior education	0.3087	4.6
	Senior education	0.5389	8.1
	Higher education	0.6474	9.5
Sex and education attainment	Male with primary educ.[d]	-0.1658	-2.2
	Male with junior educ.[e]	-0.2602	-3.4
	Male with senior educ.[f]	-0.3215	-4.3
	Male with higher educ.[g]	-0.2631	-3.3
Employment sector[h]	Manufacturing	0.1082	10.6
	Construction	0.2176	21.6
	Commerce	0.0332	3.5
	Service	-0.0491	-5.5
	Other[m]	0.3113	18.9
Employment formality[i]	Informal	-0.1238	-19.6
Residence[j]	Urban	0.1786	32.0
Region[k]	West Java	-0.2987	-32.3
	Central and East Java	-0.5520	-64.8
	Sumatra	-0.3017	-34.5
	Kalimantan	-0.1212	-12.1
	Sulawesi	-0.4481	-44.0
	Eastern Indonesia	-0.4424	-37.2
Year[l]	2009	0.0269	4.7
	2010	0.0947	17.2
Constant		10.5252	60.4

Notes: (a) Dependent variable is logarithm of real wage (Rp. in 2005 prices); (b) Reference category is female; (c) Reference category is no schooling; (d) Reference category is female with primary education; (e) Reference category is female with junior education; (f) Reference category is female with senior education; (g) Reference category is female with higher education; (h) Reference category is agriculture; (i) Reference category is formal; (j) Reference category is rural; (k) Reference category is Jakarta; (l) Reference category is 2008; and (m) "Other" includes mining and quarrying, electricity, gas and water supply and extraterritorial organizations and bodies.
Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2009.

117. In summary, the balance of evidence points to substantial returns to education in the Indonesian labour market. While high unemployment levels indicate that educated young people have greater initial difficulty in securing jobs, the jobs that they do eventually secure are likely to be of better quality and significantly better paid, particularly in the case of male youth. This in turn has important implications in terms of trade-offs between child labour and education earlier in the lifecycle. Theory and evidence suggests that positive returns to education can have an important feedback effect on parents' decisions to invest in children's education.[40] In situations where there are opportunities for better paid jobs for educated young persons, parents have greater incentive to invest in their children's schooling, and to *not* send their children to work prematurely.

[40] See, for example, the discussion on this point in: UCW programme, *Joining Forces Against Child Labour. Inter-agency report for The Hague 2010 Global Child Labour Conference*. Rome, May 2010.

CHAPTER 12.

RELATIVE POSITION OF YOUTH IN THE LABOUR MARKET

Summary

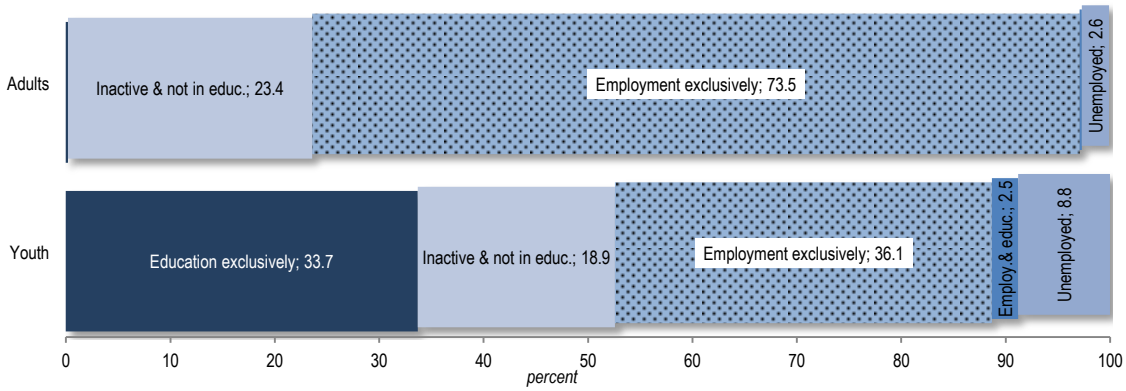
- Young workers are much more likely than their adult counterparts to be unemployed, underscoring the challenge faced by young persons in gaining an initial foothold in the job market.
- A higher share of young workers compared to adult workers is in salaried jobs and in formal sector employment generally, suggesting that young people are not disadvantaged in terms of job quality.

118. This chapter explores the relative position of youth in the labour market. It compares the labour market status and job characteristics of young persons and adults in order to provide an indication of the extent to which young workers are disadvantaged in relation to their adult counterparts in securing quality jobs.

12.1 Labour market participation of youth and adult workers

119. As expected, young persons and adults differ considerably in terms of their activity patterns. Figure 54, which reports the decomposition of the youth and adult populations by activity status, illustrates this point. While, as discussed earlier, youth are divided almost equally between those inside and outside the labour force, there are roughly three adults in the labour force for every one that is not. Among those outside the labour force, substantial numbers of young Indonesians are still studying but almost none continue their education beyond the youth period. Among those in the labour force, a much larger share of young persons is without a job, as discussed further below.

Figure 54. **Decomposition of the youth and adult populations by activity status**



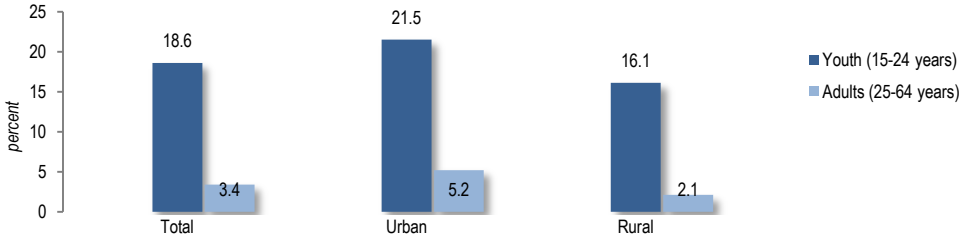
Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

120. The unemployment rate of youth is more than *five times* that of their adult counterparts (Figure 55). It is a common international trend that youth unemployment is higher than unemployment for older generations, but the size of the difference in Indonesia is nonetheless striking. Most unemployed youth

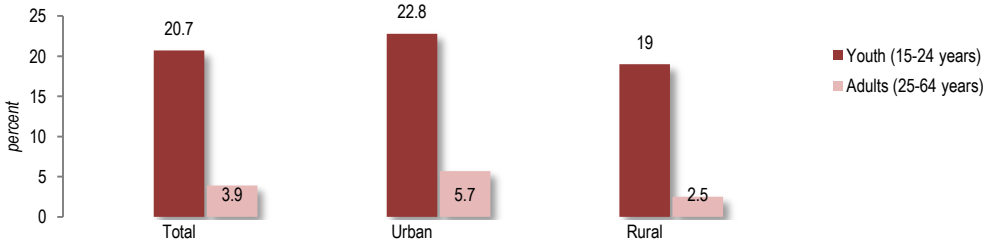
are first time job seekers and their high unemployment levels relative to adult workers point to substantial barriers in gaining an initial foothold in the job market. Discouraged workers are few in both the youth and adult populations (Annex Table A34), and therefore differences between youth and adult unemployment rates do not change appreciably when discouraged workers are also considered in the calculation of unemployment (Figure 55).

Figure 55. **Differences in unemployment, youth and adult workers**

(a) Unemployment rate (percentage of active population)



(b) Relaxed unemployment rate (percentage of expanded active population)[a]

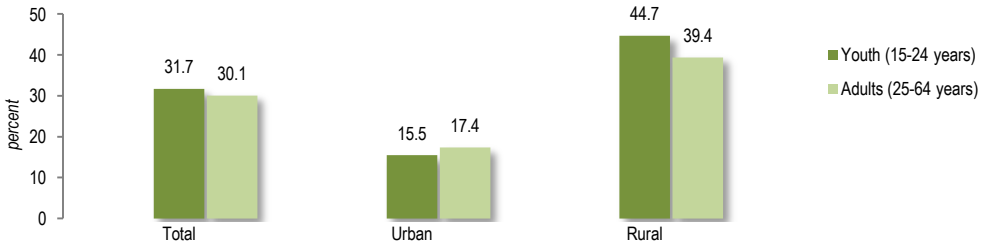


Notes: (a) The relaxed unemployment rate is the sum of unemployed workers and discouraged workers available for work expressed as a percentage of the expanded active population. The expanded active population, in turn, comprises discouraged workers available for work and the active population. Discouraged workers available for work are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about their job prospects, but would accept job if offered.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

121. Levels of underemployment are very high for youth and adult workers alike. Again, this points to substantial underutilised productive capacity in the Indonesian labour force. Underemployment (calculated as the share of employed persons working less than 35 hours per week) is an especially important issue for rural workers, where involvement in low productivity smallholder farming remains common. Young workers are slightly more likely overall than adult workers to be underemployed, but this overall figure masks different patterns by place of residence. Underemployment is more of an issue for young workers than adult workers in rural areas, but in urban areas the opposite holds true (Graph (c), Figure 55).

Figure 56. **Differences in underemployment[a] (percentage of employed population), youth and adult workers**



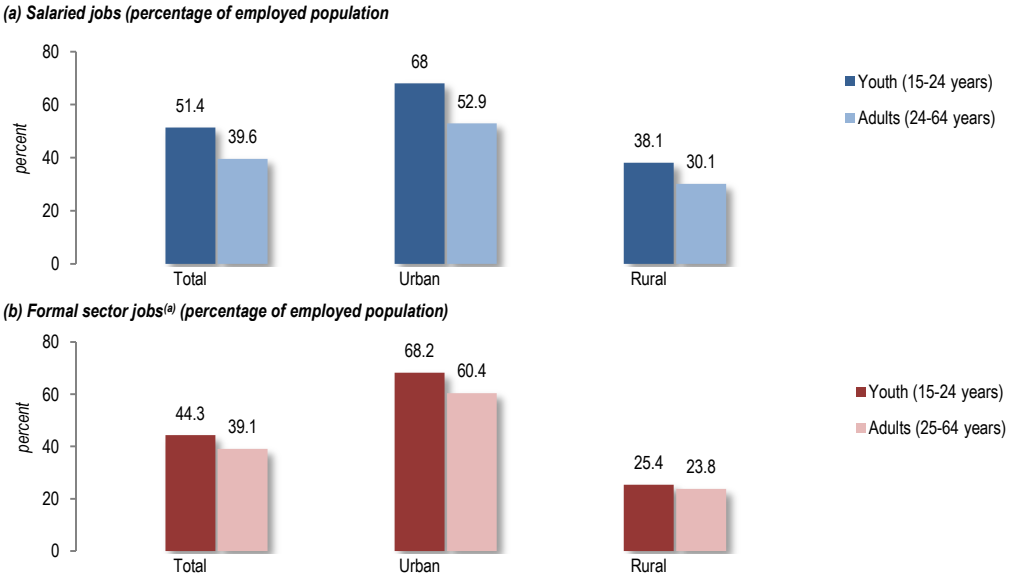
Notes: (a) The underemployment rate is the number of employed persons in situations of under-employment expressed as a percentage of total persons in employment. A person is considered in a situation of under-employment, in turn, if he/she works less than 35 hours a week.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

12.2 Job characteristics of youth and adult workers

122. Young persons do not appear disadvantaged in terms of access to decent work. Differences in the job characteristics of young persons and adults represent another indicator of the disadvantage, if any, faced by youth in the labour force. While, as seen above, youth appear to having greater initial difficulty securing jobs, the job quality proxies reported in Figure 57 do *not* suggest that young people are disadvantaged in terms of the quality of jobs that they eventually secure. Indeed, if anything, the job quality proxies point to the opposite conclusion. Young workers are significantly more likely than adult workers to be in salaried jobs (Figure 57), which, as discussed above, constitutes one important indicator of job quality. A separate analysis based on Sakernas data indicates that most new salaried jobs are filled by young workers, while, at the same time, the probability of leaving salaried employment rises as workers age.[41]

Figure 57. **Differences in job quality indicators, youth and adult workers**



Notes: (a) For definitions of formality, see Table 14; (b) Average wage is calculated for employed population youth and adults with non-zero wage.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

123. Young workers are also more likely than adult workers to be in formal sector jobs generally.[42] This pattern is particularly pronounced in urban areas (Figure 57). Informal self-employment, on the other hand, is much more common for older workers. A separate analysis indicates that for most self-employed workers, having access to formal paid jobs would lead to much better wages and benefits than self-employment,[43] underscoring the close link between formality and job quality.

[41] World Bank, *Education, Training and Labour Market Outcomes for Youth in Indonesia*. Human Development Department, East Asia and Pacific Region. Report No. 54170-ID, Jakarta, August 2010.

[42] The definition of formality used here is based on the concept of informal sector in Indonesian Labour Force Survey (Sakernas) and is broader than salaried employment. For details, see BPS-Statistics Indonesia, Indonesian Country Paper on Informal Sector and its Measurement, May 2008.

[43] World Bank, Indonesia Jobs Report (2009), as cited in World Bank, *Education, Training and Labour Market Outcomes for Youth in Indonesia*. Human Development Department, East Asia and Pacific Region. Report No. 54170-ID, Jakarta, August 2010.

Figure 58. **Differences in average wages[(a)](in Rupiah), youth and adult workers, by residence and status in employment**

Notes: (a) Average wage is calculated for employed population youth and adults with non-zero wage.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), August 2010.

124. Wage levels for young workers are nonetheless considerably lower than for their adult counterparts, in urban and rural areas alike (Figure 58). The wage differential is accounted for primarily by earnings in salaried jobs: although a smaller share of adults than youth holds these jobs, their average wage level in them is much higher than that of younger workers. This is undoubtedly one important reason that new salaried jobs are awarded overwhelmingly to young workers, and that the probability of transitioning between salaried jobs for those changing jobs declines as workers grow older. The difference in average wages between youth and adults groups in self-employment is much smaller, but also favours adults (Figure 58).

PART 3.

Responding to child labour and youth employment concerns

CHAPTER 13.

CURRENT POLICY RESPONSES TO CHILD LABOUR AND YOUTH EMPLOYMENT CONCERNS

125. Policies designed to eliminate child labour and promote improved youth employment outcomes are undertaken within the broad framework of the Long Term Development Plan (RPJPN) 2005-2025. The Medium Term Development Plan (RPJMN) is the second phase of the RPJPN. The RPJMN is guiding sectoral and regional development plans as well as budgets for the 2010-2014 period (see Box 1 for further details on RPJMN 2010-2014).

Box 1: Some key features of the Government of Indonesia's Medium Term Development Plan (RPJMN) 2010-2014

The RPJMN 2010-2014, which is stipulated through Presidential Decree No. 5/2010, provides policy direction and strategy and underlines national priorities to guide Indonesia's development for the next 5 years.
It sets broad guidelines for line ministries in formulating their strategic plans (Renstra-KL) and for provincial and district governments in the formulation and revisions of their medium term development plans in support of national development targets.
The current RPJMN 2010-2014, the second phase of the Long Term Development Plan (RPJPN) 2005-2025, is a translation of the vision and mission of the President and is guided by the general policy directions of the overall RPJPN. Since both the sectoral plans and the annual budget for the next five years will be guided by the RPJMN, it is important to understand the priorities and policy directions outlined in the current RPJMN.
The RPJMN consists of three books. These outline national and sectoral priorities, and regional development strategies. In general, the plan is a comprehensive document which details programme priorities for the 20010-2014 period along with the expected outputs/outcomes and indicative budgets for each priority and sector. The key features of the three books are:

Book I outlines the strategy, general policy, and macroeconomic framework which reflect the vision, mission, and 11 national development priorities of the RPJM. These, in turn, reflect priorities set out by the President-Vice President team of Susilo Bambang Yudhoyono-Boediono. The overriding vision is "to realize an Indonesia that is prosperous, democratic, and just".
Book II outlines sectoral development plans based on the RPJPN 2005-2025 with the theme "to strengthen the synergy across development sectors" in order to accomplish the national development vision in Book I.
Book III outlines regional development plans by island: Sumatera, Java-Bali, Kalimantan, Sulawesi, Nusa Tenggara, Maluku, Papua with the theme "strengthen the synergy between central and regional and inter-regional governments" to accomplish national development vision in Book I.

Source: World Bank, 2010a; Republic of Indonesia, 2010.

126. The 11 national priorities highlighted in the RPJMN are i) bureaucracy and governance reform, ii) education, iii) health, iv) poverty reduction, v) food security, vi) infrastructure, vii) investment and business climate, viii) energy, ix) environment and disaster management, x) least developed, frontier, outer and post conflict areas, and xi) culture, creativity and technological innovation. Education, infrastructure and poverty reduction receive the largest budget allocations, representing two-thirds of the total budget allocated to these 11 national priorities (World Bank, 2010a). Most programmes set out under the heading of poverty reduction, education and health are a continuation or expansion of existing development programmes. Selected key development targets of the RPJMN 2010-2014 are summarised in Table 20.

Table 20. **Selected key development targets of the RPJMN 2010-2014**

Selected key development targets		2008/09	2014
Unemployment and poverty	Unemployment rate (%)	7.9	5.0 – 6.0
	Poverty rate (%)	14.15	8.0 – 10.0
Education	Increasing gross enrolment rate for senior secondary education (%)	64.28	85
	Increasing gross enrolment rate for tertiary education (age 19 -23, %)	21.26	30
Health	Improving life expectancy (year)	70.7	72
	Reducing malnutrition (< 5 years infant, %)	18.4	<15
	Reducing infant mortality per 1,000 deliveries	34	24

Source: RPJMN 2010-2014, Ministry of National Development Planning, National Development Planning Agency (BAPPENAS)

127. Given the large number of national/regional policies and programmes in place, the remainder of this chapter will not be exhaustive and consider only the main ones. Section 13.1 briefly discusses the main education system reforms aimed at improving access and quality by establishing minimum public education standards and levelling the disparities among various regions in the country. Section 13.2 discusses the evolution of the social protection programmes in Indonesia. Section 146 reviews major policies and programmes related to the elimination of child labour. Section 13.4 summarises mainly policy measures aimed at improving youth employment outcomes.

13.1 Education policies and programmes

128. The Government of Indonesia has given high priority to improving access and quality in education, as outlined in the RPJMN 2010-2014. The 2010-2014 plan emphasises repositioning the education and training system to enable Indonesia to improve its regional and international economic competitiveness (Asian Development Bank, 2010). This will done in various ways including, among others, providing scholarships for the poor, implementing teacher key performance indicators, balancing teacher-pupil ratios, and achieving a national education standard by 2013.

129. The two phases of education reform, as set out in the education strategic plans, Renstra 2005-2009 and Renstra 2010-2014, reflect this vision. The first reform period 2005-2009 focused on "improvement in capacity and modernisation" to ensure a better match between supply and demand, reduce service access disparities, and modernise programme delivery. The second reform period 2010-2014 focuses on service empowerment and is designed to sustain capacity improvements and strengthen public accountability mechanisms for assuring access and improved quality standards (European Commission, 2009). Most existing education reform policies and strategies and targets are being incorporated into Renstra 2010-2014.

130. Overall, progress in implementing the Renstra 2005-2009 education reform policies and targets have been successful, reflecting operational improvements within the MONE and the MORA as well as progress in putting in place a comprehensive and regulatory framework (European Commission, 2009). Access within all sub-sectors has expanded significantly and education quality and standards have also shown an upward trend. Nonetheless, important challenges remain to achieving Education for All (EFA) in Indonesia. Reducing inequalities in enrolment levels across income levels and regions and improving education quality are foremost among these challenges.

131. In order to face these challenges, the Government of Indonesia has initiated a number of reforms including: (a) the amendment of the constitution to guarantee a minimum spending level on basic education everywhere in the country; (b) the support for a law that sets the standards redefining the roles and responsibilities of each government level; (c) implementing a programme

to directly transfer funds to the schools, in an effort to increase school autonomy and effectiveness; (d) improving school quality through increasing teacher qualifications; and (e) increasing investment in early childhood development programmes

132. National Education System Law No. 20/2003 claims that every child aged 7 to 15 must attend basic education. This law implies that the Government should provide free educational services to all pupils at the basic level of schooling. Moreover, National Education System Law No. 20/2003 states that "the state shall prioritise the budget for education to a minimum of 20 percent of the State Budget and of the Regional Budgets to fulfil the needs of implementation of national education". Although there has been an intensive debate[44] on how to interpret this "20 percent rule", since 2009 it is interpreted such that it includes all government spending on education and estimates of sub-national spending on education funded from central transfers, such as teacher salaries (World Bank, 2010b).

133. Since 2001, the fuel subsidy reductions have allowed the Government to reallocate public resources to education spending. Accordingly, the Government (Central, Provincial and District) has been allocating an increasing percentage of its budget towards education. Public expenditure on education has increased rapidly from 2.5 percent of GDP in 2001 to 3.8 percent in 2009, indicating the commitment to improve education services. Aggregate spending in education achieved the "20 percent rule" once teacher salaries are included in the estimation. As a share of GDP, education expenditure compares favorably to similar lower middle-income countries (World Bank, 2010b). However, as shown in Table 21, Indonesia spends significantly less on education than some of its East Asian neighbours, particularly Malaysia and Thailand. [45]

Table 21. **Education public expenditures in Indonesia and its neighbours**

	Malaysia	Thailand	Indonesia	Philippines	Lower-middle income countries
Education expenditure as % of GDP	4.7	4.0	3.8	2.5	5.4
Education expenditure, %	25	21	20	15	16
GDP per capita, PPP (constant 2005 int.$)	12,766	7,682	3,506	3,217	--
Population (million)	27	65	237	91	---

Source: World Bank, 2010b

134. The Government has adopted a number of institutional, organisational and financing reform strategies for quality improvement since 2004. The Board of National Education Standards (BNSP)[46], established in 2005 (Regulation 19/2005), aims to define standards, ensure the security of examination systems and the governance of education standards and ensure public dissemination of examination results.

[44] The 2003 Law narrows the range of spending items that count toward the 20 percent target by excluding salaries: Funds for teacher salaries were transferred by the central government to district government budgets through general allocation transfers (DAU). However, as stated in the World Bank (2008b), implementing the current interpretation of the constitutional "20 percent" rule (excluding teacher salaries from this benchmark) seems unrealistic since central government would need to more than double existing spending levels and spend the increment on non-salary expenditures. In 2007, the Constitutional Court specified that teacher salaries would be included in the 20 percent budget allocation to education.

[45] It is important to note that relevant assessment and performance measurement systems are essential to support efficient and effective use of the increased resources. More funds will not necessarily lead to an improved education system, and hence the funds must be properly targeted.

[46] The BNSP is an independent body consisting of national experts from universities, professional organizations and community groups who work mainly on a voluntary basis to help uphold Indonesian education standards.

135. The BNSP has developed eight national standards (see Table 22) for basic and secondary education to provide the criteria and foundation for planning, resourcing, management, implementation and evaluation of education in Indonesia. All teachers, principals, supervisors and other educational personnel are required to (a) implement activities and programs to achieve the eight National Education Standards; (b) monitor and evaluate their progress in achieving the National Education Standards; and, (c) report on their progress in achieving the National Education Standards. These standards underpin the instruments to be used for teacher certification as well as the design of the additional training to be undertaken by under-qualified teachers.

136. In accordance with the national education standards and its guidelines, the school community, under the supervision of the local government, designs the curriculum for its own schools. The school-level curriculum consists of several components: vision, mission, and objectives of school education, structure and content of curriculum, calendar of education, and compilation of syllabus and lesson plans for each course. This curriculum development strategy aims to guarantee that the curriculum is relevant with the needs and conditions of the students.

Table 22. **Clusters of national education standards**

Graduate competency standards	This concerns the qualification and competencies of graduates in relation to their attitude, knowledge and skills.
Learning content standards	This includes the materials and competencies required, i.e. the competency criteria of graduates, specific subject competency, basic frame and structure of the curriculum, load of learning, curriculum within the units of education, academic calendar and learning syllabi that the learners need to complete in every level and type of education.
Learning process standards	This includes the conduct of learning in a unit of education to achieve the standard of competencies for graduates.
Teachers and education personnel standards	This includes the pre-service criteria and physical and mental eligibility of teachers and education personnel and in-service education.
Equipment and infrastructure standards	This covers the minimum criteria for a classroom, library, sport center/hall, praying room/venue, playing space and working laboratories, workshop and other learning resources which are needed to support learning, including the use of information and communication technology.
Education management standards:	This relates to the planning, implementation and monitoring of education activities in every unit of education, district, province or national level to achieve efficiency and effectiveness in the conduct of learning.
Cost and finance standards	This concerns the component and amount of operational costs of education units in one year.
Educational assessment and evaluation standards	This is the national education assessment standard on the mechanism, procedure and instruments of assessing learners' outcomes.

Source: Jalal et al., 2009.

137. In 2004, the Government established the Directorate General for Quality Improvement of Teacher and Education Personnel within the MONE. The mission of the Directorate General is to ensure that teachers have the appropriate academic qualifications and standards of competency and receive appropriate remuneration and associated benefits. In 2005, the Government passed a teacher law that mandates a package of reforms to improve teacher quality. The law creates a "certification" mechanism to ensure teachers' professional competency level. According to the Teacher Law, in order to be certified, a teacher must have a four-year college or university degree, accumulate sufficient credits from post-graduate teacher professional training, and teach a minimum of 24 hours per week. Certified teachers will receive a professional allowance, which will double their base salary. Teachers in remote areas benefit even more from the new law, they will have their salaries tripled

upon certification, receiving a special location allowance.[47] The certification mechanism has been adopted as a requirement for both in-service and pre-service teachers and aims to establish a quality benchmark for all teachers, including government and non-government teachers.

Table 23. **ECDE programmes in Indonesia**

Formal	
Kindergarten or TK (Taman Kanak-kanak)	--helps establish the foundation for the development of attitude, behavior, knowledge, skills and creativity of children for further development and growth, as well as in preparation for primary education --targets are 4-6 year-old children grouped into two: Group A for 4-5 year olds; and Group B for 5-6 years olds --supervised by MONE and professional associations such as the Association of Kindergarten Organizer 99.4% of kindergarten classes are organized by the private sector and only 0.6% by the government
Raudahatul Athfal (RA)	--objective is the same with kindergarten, but RA gives more attention to religion --Islam is the center of overall teaching and learning process --target age group is the same with kindergarten supervised by the MORA
Non-Formal	
Playgroup (Kelompok Bermain)	--develops the children's potential to the optimum through playing while learning and learning while playing activities targets are 3-6 year old children grouped into three: (a) 3-4; (b) 4-5; and (c) 5-6 years --has two categories of learning activities according to objective: (1) to instill basic values such as religiousness and good conduct; and (2) to develop language skills, refine motor skills, develop socialization skills and creativity, among others --generally organized by NGOs with only a few organized by the government supervised by MONE (education development aspects) and the Ministry of Social Affairs (development of welfare aspects)
Children Day Care Centres (Taman Penitipan Anak)	--a social welfare programme which serves as a substitute family for children whose parents need to be away from home for the day, usually to work --caters to children aged 3 months up to 6 years, but sometimes extends to 7-8 years children stay for 8-10 hours a day and 5-6 days a week --activities include socialization and pre-school education, as well as health services --parents are also given counseling on the importance of care and development for children and the importance of education, among others --generally organized by an institution or an NGO with only a small number organized by the government --supervised by MONE (education aspects) and the Ministry of Social Affairs (welfare aspects)
Informal	
Infants' Family Development (Bina Keluarga Balita)	--provides the needed knowledge and skills to parents and other family members in promoting optimal infant growth and in monitoring child development --targets are families with children 0-6 years old parents are organized into groups managed by cadres parents with children 5-6 years old are given counseling through the Infants' Family Development Programmes for Schooling Readiness" --Ministry of Women Empowerment is responsible for the BKB programmes while the National Coordinating Body for Family Planning is responsible for operational aspects
POSPAUD (Integrated Services for Health and Education)	--a community welfare facility for mothers and children that also functions as health and nutrition service centre supervised by medical personnel --aims to improve the health and nutrition of children under 5 years old priority target groups are expecting mothers and children aged 0-5 years old --BKB cadre is usually also the cadre for Integrated Posyandu and PAUD (integrated services for health and ECE) supervised by the Department of Home Affairs and Department of Health in cooperation with the Family Empowerment and Welfare Motivational Team at different levels, and Ministry of National Education (national to local)

Source: UNESCO, 2009

138. Indonesia aims to achieve 75% of early childhood development and education (ECDE) service coverage of children aged 0-6 years by 2015. This responds to a wide body of evidence indicating that early childhood

[47]The district government is responsible for employing all public school teachers, including those who were previously employed by the central government. Salaries for public teachers are transferred to the districts' budgets as part of their block grant (i.e. DAU) from the central government. The salary levels and promotional and reward systems for civil servants are still set centrally, although many districts may provide teachers within their jurisdiction with supplementary benefits and incentives.

development and education (ECDE) programmes can be highly effective in promoting learning readiness, increasing school enrolment, reducing grade repetition and drop outs and increasing individual's future earning capacity (see UCW, 2010 for a review). Particular emphasis is placed on reaching the disadvantaged and marginalised by involving the community in the provision of ECDE programmes and strengthening public awareness on its importance. Table 23 summarises the main ECDE programmes in Indonesia.

13.2 Social protection policies and programmes

139. Social protection policies are defined as public interventions to assist individuals, households and communities better manage risk and provide support to the critically poor. Earlier studies (see UCW, 2010 for a review) clearly indicate the potential of social protection policies aimed at relaxing households' budget constraint, reducing their vulnerability and improving their capacity to cope with shocks. These policies are essential elements in a strategy to combat child labour.

140. In 2005, the **National Strategy on Poverty Reduction (SNPK)** was launched to accelerate poverty reduction and create job opportunities. Poverty reduction efforts are grouped into three clusters of programmes, each containing important social protection elements.

- Cluster 1 on Social Assistance and Protection aims to reduce living cost and burden of poor people for food, shelter, water, sanitation, health and education. This cluster includes cash transfers, subsidy and insurances and covers poorest, poor and near poor households. In 2009, 17.1 millions households received assistance from this cluster (Royat, 2009).
- Cluster 2 on Community Empowerment, or the National Programme for the National Programme for Community Empowerment (*Programme Nasional Pemberdayaan Masyarakat* - PNPM), aims to be an umbrella policy integrating all community empowerment programmes in the country. The PNPM builds upon the previous ten years of successful experience with the Kecamatan Development Programme (KDP) and the Urban Poverty Project (UPP), now the PNPM-Rural and PNPM-Urban, respectively .This integration aims to reduce overlapping and to increase the efficiency and effectiveness of the poverty reduction programmes, particularly of those using community-driven development (CDD) approach.
- Cluster 3 on Micro and Small business empowerment is broadly defined as microfinance programmes for small entrepreneurs and small and medium sized enterprises (SMEs). Its actual budget amounts are unclear since it includes real programmes such as the small business credit programme (KUR) and also notionally budgeted, very large guarantee schemes that have yet to materialize (AusAid, 2010).

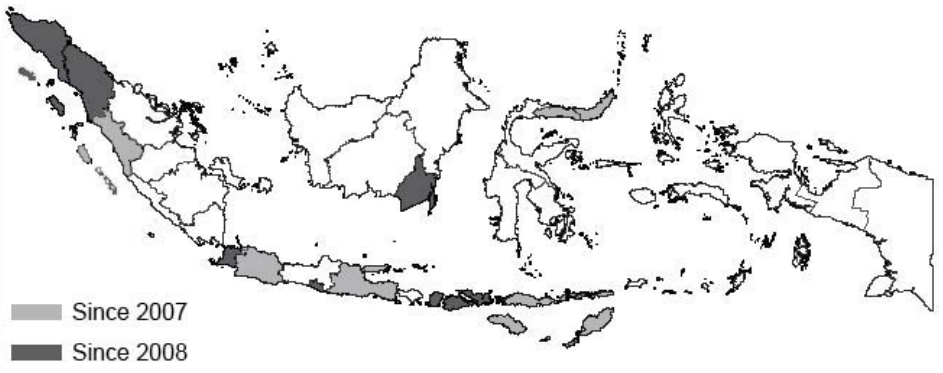
141. In 2005, the Government began an **Unconditional Cash Transfer (*Programme Bantuan Tunai,* or BLT) Programme** to mitigate the negative effects of fuel price increase for poor households. The BLT programme provided transfers of about US $10 per month to about 20 million households below and near the poverty line.[48] Targeting was accomplished by both community-based methods and proxy means testing. Village leaders determined a list of households who could be qualified for the programme and Statistical Office enumerators collected asset data only for the households

[48] The initial target of 60 million people in 15.5million households was extended to more than 70 million people in 19.2 millions households in the second round (ILO, 2009a).

suggested by the community leaders (Alatas et al. 2010). Although the programme led to a decrease in poverty rates (Widjaja, 2009), approximately 45% of the BLT funds were mis-targeted to non-poor households and 47% of the poor were excluded from the programme in 2005-2006 (World Bank, 2006).

142. Following the experience of the BLT programme, in 2007, the Government launched a **household conditional cash transfer (CCT) programme, known as *Programme Keluarga Harapan* (PKH)**.[49] Cash transfers are made to households[50] under the programme on the condition that certain health and education related obligations are met. The PKH programme was originally implemented in seven provinces covering 387,928 households. In 2008, the PKH was expanded to an additional six provinces and covered an additional 237,171 households. In 2009, the total number of households covered by the programme was 720,000 households (see Figure 59).

Figure 59. **The PKH Programme Implementation in Indonesia**



Source: Hutagalung et al. (2009)

143. A **community CCT programme, called *PNPM Generasi Sehat dan Cerdas* (or *PNPM Generasi*)** was launched simultaneously with the PKH programme but targeted to different regions. PNPM Generasi differs from the PKH programme in that the cash transfers are allocated to communities, not households. A condition for participation in the programme is that communities have to commit to improve health and education conditions. The size of block grants provided to Community CCT are predetermined by the population size of the sub-district and poverty level. The average amount per village for the 2007 programme is US $8,400. Communities are expected to use the block grants through a facilitated participatory planning process including social mapping, problem identification focus, hamlet level discussions, village level discussions, and sub-district level discussions with providers (for further details on the project implementation design, Olken, Onishi and Wong, 2008 and Royat, 2009). In 2007, the PNPM Generasi programme started implementation in over 2,000 villages in 20 districts across five provinces. In 2008, this pilot expanded to include an additional 71 sub-districts, in the same five provinces.

144. The **rice subsidy programme (or *Raskin*)** is a key poverty reduction reduction programme for improving food security by supplying 20 kg per

[49] The design of the PKH programme is led by BAPPENAS, and several ministries such as Menkokesra, Ministries of Home Affairs, Public Works, Education, Health, and Social Affairs are also involved as coordinating ministries or implementing agencies.

[50] There are no restrictions attached to the use of the money, but in order to ensure the programme's effectiveness, the benefit is primarily paid to the mother or another adult woman in the household.

month to nine million poor families. Since 2006, the programme has targeted households categorized as poor households according to the results of the data from the Household Socioeconomic Survey - 2005. On average households receive between six and 10 kg rather than 20 kg in part because rice is distributed to many non-poor households as well as to the poor.

145. Indonesia introduced a **mandatory public health insurance–based scheme in 2004. *Asuransi Kesehatan Masyarakat Miskin* (or Askeskin),** was targeted to the poor and increased access to care and financial protection for the poorest. In 2008, Askeskin evolved into *Jaminan Kesehatan Masyarakat* (or Jamkesmas) which now covers over 76 million poor and near poor Indonesians, and would potentially cover the entire population (Statistics Indonesia et al. 2008). A number of design and targeting issues have led to a much larger expenditure level than foreseen; budgets have tripled since the start of the programme and continue to increase, raising questions regarding the equity, affordability, and sustainability of the system (Rokx et al. 2009).

146. The **Urban Poverty Programme (UPP)** and the **Kecamatan Development Programme (KDP)** are the most important community empowerment programmes in urban and rural areas respectively (Bappenas, 2008). Both the UPP and the KDP transfer a fixed-amount block grant to participating communities from the Government. Community groups may submit proposals for a range of infrastructural, social, and economic activities. Community groups then collectively decide - through a Kecamatan Forum or a community-based organisation - which proposals to fund. Community groups are also responsible for implementing the selected proposals, with support from the project and government agencies. From 1998 to 2006, the KDP and the UPP reached more than 50,000 urban and rural villages and benefited more than 11 million families with significant achievements. An evaluation of the KDP programme showed that the number of households moving out of poverty in poor sub-districts was 9.2 percent higher in KDP areas compared with control areas Voss (2008a).

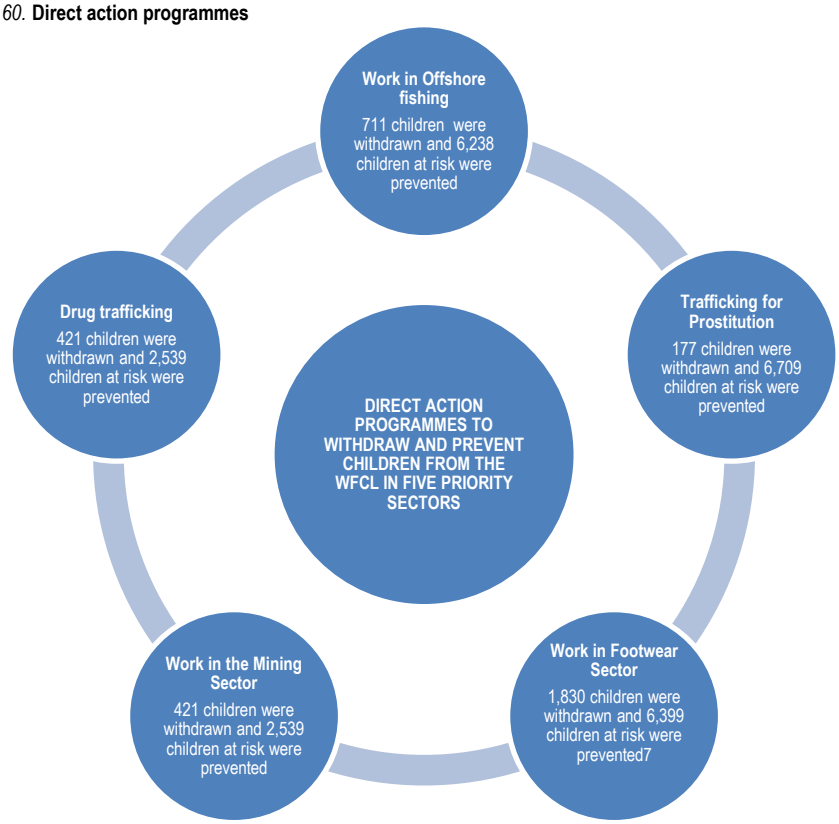
147. In 2006, the Government announced the **National Programme for Community Empowerment (*Programme Nasional Pemberdayaan Masyarakat, or* PNPM - Mandiri)** as the policy and operational umbrella for all community empowerment programmes in the country. The objective of PNPM is to ensure that the poor benefit from improved socioeconomic and governance conditions. The programme aims to consolidate community-based programmes of various ministries. Although PNPM is a single consolidated community-based poverty reduction programme, the Government maintains separate rural and urban windows for implementation.

13.3 Policies and programmes addressing child labour

148. A **National Action Plan on the Elimination of the Worst Forms of Child Labour (NAP-WFCL)** was formulated in 2002 as a broad framework for national actions directed towards eliminating worst forms. The MOMT chairs a National Action Committee for the Elimination of the Worst Forms of Child Labour, which coordinates child labour elimination efforts throughout the country and produces annual reports on the implementation of the NPA.

149. The first five-year phase of the NAP-WFCL, completed in 2007, focused on raising awareness, mapping efforts to eliminate the worst forms of child labour, and implementing action programmes to eliminate worst forms of child labour, particularly in offshore sea-fishing and deep water diving, trafficking for prostitution, mining, footwear industry and trafficking of drugs. Figure 60 reports the direct action programmes developed and implemented in the first phase of the NAP-WFCL.

Figure 60. **Direct action programmes**



150. The second phase of the project builds on the achievements of the first phase project, while also introducing a number of new elements. It focuses on continuing to promote a positive policy and enabling environment. This includes work on promoting policies to tackle child labour in policy and programme frameworks, improving the knowledge base, improving the legal environment, awareness raising and advocacy, and building the capacity of stakeholders. Significant new components include a linkage with the Government's conditional cash transfer programme (*Programme Keluarga Harapan* and partnership with a private sector Corporate Social Responsibility initiative.

151. The second phase also involves direct, targeted interventions in four sectors: child domestic labour, children in plantations, trafficking for sexual exploitation and street children at risk of trafficking and drug trafficking. Through programmes in these four areas, the project will aim to remove children from the worst forms of child labour and prevent other children entering such work. The intention is that these interventions will provide models that can be replicated elsewhere by the Government and others in their own efforts to implement the National Action Plan and eliminate the worst forms of child labour.

152. A total of 22,000 children will be targeted for withdrawal and prevention from exploitative and/or hazardous work through the provision of educational and non-educational services following direct action from the project. Of this total, 6,000 will be withdrawn from work and 16,000 will be prevented from being engaged in child labour. In addition some 2,000 family members will receive support through programmes aimed at increasing economic security and livelihoods of families with children in or at risk of child labour.

153. Efforts towards implementation of the NAP-WFCL are supported by a USD 4.1 million **USDOL-funded ILO-IPEC Timebound Programme.** The first phase of the programme, implemented from 2003 through 2008, aimed to withdraw 2,750 children and prevent 9,960 children from exploitive labour in the five

priority sectors identified in the NAP-WFCL. In 2007, USDOL awarded ILO-IPEC USD 5.55 million for a 4-year second phase of the project, targeting an additional 6,000 children for withdrawal and 16,000 for prevention from exploitive work in domestic service, commercial agriculture, drug trafficking, and trafficking for commercial sexual exploitation. USDOL also funds a USD 6 million **Child Labour Education Initiative project** to combat child trafficking in Indonesia that aims to withdraw 1,500 child trafficking victims and prevent 17,932 children from being trafficked. The Netherlands has also supported a new USD 22.6 million **youth employment and child labour project**, focusing on six provinces in the eastern part of Indonesia.

154. The MOMT reports that **Action Committees on Child Labour** have been established in 22 of 33 provinces and 77 of 458 districts in Indonesia. As of December 2007, there were 15 provincial and 65 district child labour action committees that help implement of Indonesia's laws and policies on child labour by formulating local policies and programs appropriate to local needs. Several provincial governments such as East Kalimantan, East Java, Central Java, North Sumatra, North Sulawesi, and Lampung allocated specific budgets for eliminating the worst forms of child labour and/or have undertaken specific child labour activities. Actions include forming child labour action committees; operating "Child Helpline 129" to provide emergency assistance to children, including to child laborers; training provincial labour inspectors; publishing guidelines for mapping the worst forms of child labour; and mapping child labour in a number of districts.

13.4 Youth employment policies and programmes

155. The mid-term development plan for 2010-2014 reaffirms the importance of youth in country's development and putting young people to work is a matter of priority in the RPJM for 2010-2014. Indonesia was the first nation that volunteered at the UN General Assembly in 2003 to be a lead country in the global youth employment initiative. Soon after, the **Indonesian Youth Employment Network (IYEN)** Coordinating Team was established (May 2003) under the aegis of the Minister for Economic Affairs and of the Ministry of Manpower and Transmigration to affirm the Government's political commitment to decent and productive work for young people and to translate this commitment into practical actions. The *IYENetwork* involves senior policy-makers as well as prominent representatives of the private sector and civil society as well as youth organizations.

156. There are several **government ministries responsible for youth development**. The State Ministry of Youth and Sport Affairs has the mandate to develop the young generation of Indonesia, including the development of sports, organizational and social aspects. The Ministry of National Education (MONE) and, especially, the Ministry of Manpower and Transmigration (MOMT) are the two most active agencies for youth unemployment.

157. Within the Ministry of National Education, two directorates- general play critical roles in addressing youth employment concerns. The MONE **Directorate General of Out of School Education** facilitates youth who are not able to attend complete their formal education through an equalization programme. Through this programme, dropped out youth are given a chance to better their education for entry to the labour market. In addition, the Directorate General of Out School Education provides community-based training that includes income generating activities for youth, leadership training, management training and entrepreneurship training. The MONE **Directorate of Vocational Education** is mandated to provide vocational education aimed at facilitating transitions to the world of work.

158. The Ministry of Manpower and Transmigration is responsible for labour and employment issues. The responsibility for youth employment lies within the MOMT **Directorate General of Employment Creation and Domestic Placement**, which oversees training related activities such as job seekers training and apprenticeship programmes. The MOMT **Directorate General of Training and Productivity** facilitates and conducts job seekers training through its Vocational Training Centers. In addition, this directorate runs apprenticeship programs to assist job seekers in employment in cooperation with the private sector.

159. A key priority of the Indonesian Youth Employment Network has been to develop an **Indonesia Youth Employment Action Plan (IYEAP) 2004-2007** for the promotion of youth employment, to raise awareness and to mobilize partners for action. The plan analyses the challenges of youth employment in Indonesia and identifies the following policy priorities: i) preparing youth for work, by ensuring quality basic education for all young men and women, and developing a demand-driven vocational and technical education system; ii) creating quality jobs for young men and women, by focusing on the generation of formal sector jobs, but not forgetting the needs of the poor and disadvantaged youth; iii) fostering entrepreneurship, by empowering youth and facilitating their entry into business, and the gradual transformation of the informal economy to formal sector activities to create more and better jobs for young men and women; and iv) ensuring equal opportunities, by giving young women the same opportunities as young men. (Indonesia Youth Employment Network (IYEN), 2004)

160. Youth employment concerns were also specifically prioritised in the **Indonesia Decent Work Country Programme (DWCP) 2006 – 2009**. The DWCP strategy included improving quality and effectiveness of training policies, institutions and programmes, through the formulation of vocational training policy frameworks and guidelines for selected local governments to improve employability of young people; and supporting the development of skills and employability policies and programmes for young women and men through the promotion of relevant ILO tools and methodologies with key Government ministries and in cooperation with ILO constituents. (International Labour Organization (ILO), 2007)

Panel 3. **The Indonesia school-to-work transition survey (ISTWS)**

The school-to-work transition survey in Indonesia was initiated by the ILO Office in Jakarta, the Gender Promotion Programme (GENPROM) and the Employment Strategy Department (EMP/STRAT), and implemented by the Ministry of Manpower and Transmigration of Indonesia in 2003. The survey aimed to provide vital inputs into the preparation of the National Youth Employment Action Plan as well as into pilot schemes to facilitate school-to-work transition in selected provinces.

The ISTWS consisted of five questionnaires designed for in-school youth, jobseekers, employees, self-employed and own account workers, and employers and managers. The sample was constituted by 2,180 young people and 90 enterprises. The survey was carried out in three regions (Jakarta, Central Java, and Nusa Tenggara Timur) and it was not intended to be representative of the entire country or each entire province. Instead, it aimed at gathering detailed information about the selected target groups leading to clear policy recommendations.

Sziraczki G. and Reerink A. (2004). *Report of survey on the school to work transition in Indonesia*, GENPROM Workiing Paper No. 14, Series on gender in the life cycle, Gender promotion programme, International Labour Office, Geneva

161. The **Job Opportunities for Youth (JOY) Project** was launched in 2007 in the framework of the Netherlands-ILO Cooperation Programme. It involves ILO support to government, the private sector, unions and other development partners in creating decent jobs for young men and women. Activities are undertaken both at the national level and at the decentralized level in East Java. On the one hand, the programme builds the capacities of tripartite constituents

and other agents of change to play a leading role developing and implementing national policies promoting youth employment. On the other hand, the programme aims to support sub-national policymakers to develop youth employment policies and strategically planned, locally driven partnership and area-based approaches to creating decent employment for young people in the province of East Java. The first phase of JOY ran up to April 2010.

162. Perhaps the most striking development in Indonesia's education sector in the last decade is the plan to significantly expand its **formal TVET offerings**. Responding to rising unemployment rates and the lack of appropriate skills among workers, MONE has made TVET expansion a priority and has ramped up investments in the formal TVET sub-sector. MONE has set the formal and ambitious goal of shifting the ratio of students enrolled in general senior secondary education (SMA schools) to vocational senior secondary schools (SMK schools) to 30:70 by 2015 (The World Bank, 2010). Indonesia is also paying increasing attention to the **higher education subsector**. The government's Higher Education Long Term Strategy 2003-2010 (HELTS) is designed to improve the quality of higher education, thereby helping to alleviate the shortages of higher-level skills that are slowing investment in the economy and the absorption of new technologies.

163. In addition to the formal network of vocational training centres, **public *non-formal* vocational training providers (BLKs)** are administered by district governments in a decentralized system. They were created to target poor individuals who had dropped out of the primary or secondary cycle and they provide four types of training: (a) institutional training are those job training programs which aim to increase the skills of job seekers; (b) non-institutional training is provided for people in remote areas through Mobile Training Units (MTUs); (c) apprenticeship programs are training through working directly in industries; and (d) demand-based training caters to industries demand. **Private non-formal training centers** are administered under the auspices of MOMT (or MONE). Each training center has to be accredited by the National Accreditation Board for Non-formal Education (BAN-PNF). Private training centers are much more numerous than their public counterparts (in 2005, there were about 25,000 training centers registered at MONE or MOMT that offered more than 100 types of skills divided into ten categories). They also reach many more students: 4.5 million, compared to 50,000 students reached by public institutions (The World Bank, 2010).

164. In recent years, the Government has stepped up efforts to tackle youth unemployment by leveraging the non-formal sector more aggressively. In consultation with the World Bank, it has developed the **Education for Youth Employment (EYE)** programme. The project aims at improving the functioning of the labour market for youth by addressing key bottlenecks on both the demand and supply side of the skills market. Specifically, it seeks to increase employment opportunities of out of school youth by improving the incentives for training providers to deliver relevant and high quality training, and by enhancing the opportunities for youth entrepreneurship and self-employment (The World Bank). EYE supplements formal training with life skills training, improved education management, and teacher training modules, while placing youth in jobs through networking in the industrial or business world. The programme focuses on un- or undereducated youths, ages 16-24, who are poor and jobless (The World Bank, 2010).

165. The **Life Skills Education for Employment and Entrepreneurship (LSE3) programme** aims to increase employment, entrepreneurial and/or self-employment opportunities for targeted unemployed youth through the provision of training and strengthening of the quality assurance system for non-formal technical and vocational training. The Life Skills Education component of

the project provides unemployed youth with better access to quality life skills education training specifically tailored to meet the demands of the job market leading to employment by making payment to training providers contingent upon trainees being placed in jobs upon graduation. The project also includes institutional strengthening components, supporting the creation of a regulatory framework so that the training providers offering LSE3 have appropriate incentives to ensure that participants completing their courses do so with a level of competencies commensurate with national standards. This involves developing incentives for institutional accreditation and the training of trainers and of instructors and assessors. The project also funds enhancing the quality of learning materials and methods of instruction through technical assistance and training (The World Bank, 2010).

166. Programs to support a more effective school to work transition also include the **Kursus Para Profesi (KPP) programme** to create alternative paths to employment. KPP provides training and education to disadvantaged youth, concentrating on job skills that are directly in demand from employers. It is a government initiated programme designed to address current market constraints and failures by giving incentives to private training providers so that they provide demand driven training to disadvantaged youth and link them to domestic and overseas jobs. (The World Bank, 2010)

167. **Apprenticeships** are another vehicle used the by Government to promote improved youth employment outcomes. The apprentice-employer relationship is regulated by industry-specific engagement contracts and the apprenticeship can last between three and six months. In 2007, the government issued Government Regulation No.31 aimed at laying the groundwork for the National Apprenticeship System (SISLATKERNAS). Apprenticeship training is a partnership among many stakeholders, including employers, who provide on-the-job training; apprentices, who make a commitment to train in a specific occupation; business and labour representatives such as professional certification institutes (LSP), who work with the provincial government to develop training standards and examinations; vocational high schools (SMK) and other training institutions that deliver 'in-school' theoretical training; and the provincial Manpower Offices (Dinas Tenaga Kerja Propinsi), which administer the system through a limited network of apprenticeship activities.

170. The Indonesia Youth Employment Action Plan 2004-2007 also calls **youth job opportunities** through labour-intensive programmes, self-employment programs and small and medium enterprise development and cooperatives development. Programs that include certain groups of the labour force, such as the unemployed/underemployed youth in urban and rural areas are designed not only to reduce youth unemployment but also to create permanent jobs. The programme that is implemented through labour intensive project is linked to regional development programs. Other programs for youth employment are the Youth Professional Entrepreneur Development (YPED) , the Self-Help Community Development Programme and, the Educated Self Employed Development Programme.

171. The **Youth Professional Entrepreneur Development (YPED)** programme is one of the most important youth employment programs run by the Ministry of Manpower and Transmigration. It offers entrepreneurship training, advisory services and access to microfinance to youth graduates. However, it is expected to target indirectly also to less educated people. It has three main objectives: (a) improve the technical and entrepreneurship managerial skill for youth work force; (b) improve the work force's capability to be self-reliant and self-sustained on creating and developing a productive economic activity; and (c) create small productive business for young educated which offers employment opportunity for others.

172. The **Better Employment Knowledge and Entrepreneurship to Revitalize Job Access (BEKERJA)** (currently proposed amount of US$100 million) is another youth employment programme aimed at improving the functioning of the labour market for youth by addressing key bottlenecks on both the demand and supply side of the skills market. The programme is under discussion with government counterparts and would include activities in support of vouchers for unemployed youth to receive vocational training, and micro and SME finance.

173. Parallel to the efforts towards employment creation, the Government of Indonesia sees **strengthening employment services** as a key instrument in addressing the youth unemployment problems of the labour market. An important priority in this context is establishing the Indonesian-Jobnet, an automated job and applicant matching system as an employment service online. The job-on-line system is now being piloted in selected locations (International Labour Organization, 2007). In recent years, the MOMT has also been carrying out **job fairs** that bring together prospective employers and prospective employees, particularly youth job seekers. This undertaking is conducted both by the MOMT itself and with the sponsorship of private companies. Through these job fairs youth may take advantage of one-on-one job information meetings, as well as participate in multiple on-the-spot interviews for several positions. The plan is that such job fairs will be expanded to the other regions in with the collaboration with the respective provincial government (International Labour Organization, 2007).

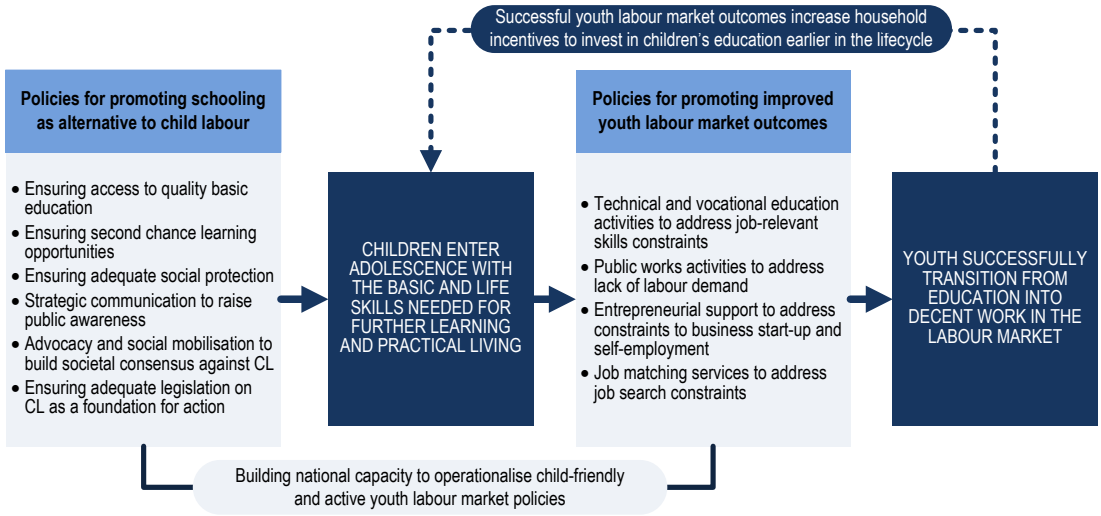
CHAPTER 14.

ACCELERATING ACTION AGAINST CHILD LABOUR AND YOUTH EMPLOYMENT CONCERNS

14.1 An integrated response

This chapter presents policy priorities for combating child labour and promoting youth employment in Indonesia, drawing on the empirical evidence presented in the previous chapters and on lessons learnt from past policy efforts. As noted at the outset of the report, child labour and youth employment are closely linked, underscoring the importance of addressing the two issues hand in hand, following a lifecycle approach.

Figure 61. **An integrated response to child labour and youth employment problems**



174. Figure 61 illustrates key components of an integrated response to child labour and youth employment concerns. A set of child-centred policies are needed to promote schooling as an alternative to child labour, and, following from this, to ensure that children enter adolescence with the basic and life skills needed for further learning and practical living. This foundation is turn crucial to the success of active labour market policies for promoting improved youth employment outcomes, and to ensuring that youth successfully transition from education into decent work in the labour market. This causal chain can also work in the opposite direction: successful youth labour market outcomes can increase household incentives to invest in children's education earlier in the lifecycle.

175. The specific set of policy priorities for responding to child labour and responding to youth labour market concerns are discussed in the first two sections of this chapter. The third section of this chapter discusses the national capacity constraints that need to be addressed in order to operationalise policies relating to child labour and youth employment.

14.2 Responding to child labour

176. Child labour is a complex phenomenon requiring a policy response that is comprehensive cross-sectoral in nature. Evidence from Indonesia and elsewhere[51] suggests five policy pillars are of particular importance as part of an integrated response – basic education, second chance learning, social protection, strategic communication and social mobilisation/advocacy – while improved child labour regulation is needed as a foundation for an integrated policy response.

177. More accessible and better quality schools are important because they affect the returns from schooling vis-à-vis child labour, making the former more attractive as an alternative to the latter. "Second chance" learning opportunities are needed to reach the large numbers of out-of-school children with limited or no education. Adequate social protection helps households avoid having to rely on their children's work to make ends meet. Strategic communication is important because if households are insufficiently aware of the benefits of schooling (or of the costs of child labour), or if prevailing socio-cultural norms favour child labour, they are less likely to choose the classroom over the workplace for their children. Advocacy and social mobilisation are needed in order to build broad-based consensus for action against child labour. Finally, strengthening child labour legislation is important as a foundation and guide for action.

Improving school access and quality

178. There is broad consensus that the single most effective way to stem the flow of school age children into work is to extend and improve schooling, so that families have the opportunity to invest in their children's education and it is worthwhile for them to do so. School attendance needs to be made an attractive prospect for children and parents both by addressing the costs of school attendance and by ensuring that schooling is inclusive and relevant. Providing schooling as an alternative to child labour is important not only for the individual children concerned, but also for society as a whole, as children who grow up compromised educationally by child labour are in a poor position to contribute to the country's growth as adults.

179. The empirical results presented in this report indicated that Indonesian working children are less likely to be attending school, and, if enrolled, are more likely to lag behind their non-working counterparts and to drop-out prematurely. These results underscore the need to address the school access and quality issues influencing parents' decisions to enrol and keep their children in school. Actions should take place in concert with the on-going Government reform efforts within the framework of Renstra 2010-2014 and other reform plans.

- *Early childhood development and education (ECDE).* Evidence from a range of developing countries suggests that ECDE programmes can be highly effective in addressing problems experienced later relative to the way in which children make use of their time. ECDE programmes can promote learning readiness, increase school enrolment and school survival, and help children away from work in their early years. The country already has in place a wide range of both formal and non-formal ECDE programmes in

[51] For a complete discussion of evidence relating to policy responses to child labour, see: UCW Programme, *Child labour: trends, challenges and policy responses – Joining Forces Against Child Labour*. Inter-agency report for The Hague Global Child Labour Conference of 2010, May 2010.

place, but will have to significantly expand these in order to meet its ambitious target of 75% of ECDE service coverage by 2015.

- *Reducing inequality in access.* Although the enrolment gap across income groups is closing at the primary education level, important inequalities remain at the junior and senior secondary education. A study from the World Bank (2006a) for example, indicates that a child coming from a poor family is 20 percent less likely to be enrolled in junior secondary than a non-poor child. Moreover, significant regional differences appear in access to education behind the impressive increase in enrolment at the national level. As a result, many children and youth fail to make a successful transition to junior secondary school and leave the education system with inadequate knowledge and skills.
- *School quality.* There is a general need to improve school quality in order that schooling is seen by parents as a worthwhile alternative to child labour. Indonesia continues to rank low in international standardized test of student performance, even after taking socio-economic conditions into account. Although measurement issues make the school quality-child labour link difficult to demonstrate empirically for Indonesia, research elsewhere suggests that quality considerations can be important in decisions concerning child labour.[52] Poor quality schools can lead children to drop-out and engage in child labour because children and their families perceive the value of education to be lower than the value of work.

  Measures addressing quality feature prominently in reforms plans but now need to be operationalised across the education system. The promotion of quality education will entail the introduction of inclusive, child- and girl-friendly, methods of learning that encourage questioning and children's participation rather than rote learning, and that are adaptive to children's different learning needs. It will also entail on-going efforts addressing teacher qualifications, in response to the large body of empirical evidence indicating that teacher education is positively associated with enrolment and negatively associated with child labour.

Panel 4. **Improving school access and quality: summary of possible policy interventions**

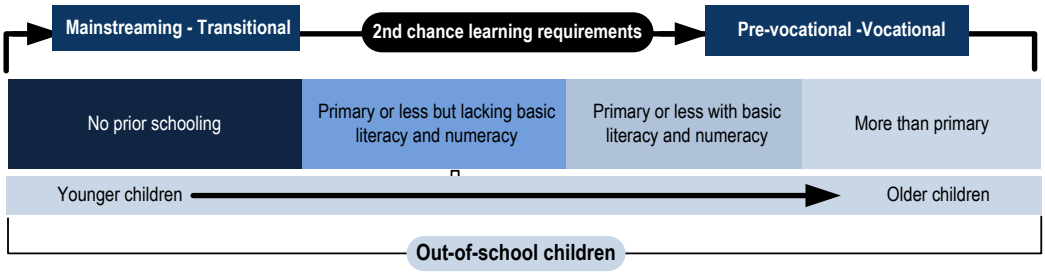
Policy goal/targets	*Possible policy measures*	*Rationale/relevance*
Expanded access to early childhood education (ECE) opportunities.	• Developing and network of ECDE centres • Laying the regulatory and administrative groundwork for a national ECE network.	• A lack of early childhood education opportunities affects children's preparedness for formal schooling.
Reducing inequality in school access	• Targeted efforts addressing specific access issues of disadvantaged groups	• Important income-based and regional inequalities in access remain at the junior and senior secondary education
Increased school quality and relevance.	• Introduction of inclusive, child- and girl-friendly, methods of learning • Improving teacher qualifications • Introducing into the curricula issues of relevance to children's lives, including child labour and other social concerns, in an age-appropriate manner.	• School quality issues can affect the willingness of households to invest in their children's schooling as an alternative to child labour

[52] For a more complete discussion of this point, see, UCW Project, *Does school quality matter for working children? A summary of recent empirical evidence*. UCW Working Paper, Rome, April 2007.

Expanding second chance learning opportunities

180. Chapter 3 of this report highlighted the very large numbers of out-of-school children in Indonesia, many with limited or no formal education. These children with little or no schooling will be in a weak position in the labour market as adults, at much greater risk of joining the ranks of the unemployed and the poor. If left alone, these children and youth are likely to be in need of other (more costly) remediation policies at a later stage of their life cycle.

Figure 62. **Assessing second chance learning requirements for out-of-school children**



181. The large number of out-of-school children in Indonesia underscores the need for a national second chance learning strategy, compensating for the negative educational consequences of child labour and at avoiding large numbers of persons entering the labour market upon reaching adulthood in a disadvantaged position, permanently harmed by early work experiences. Such a strategy would bring together and integrate the range of existing initiatives in this area, including the Education for Youth Employment (EYE) programme.

Panel 5. **Second chance learning: summary of possible policy interventions**

Policy goal/targets	*Possible policy measures*	*Rationale/relevance*
Expanding second chance learning opportunities.	• Developing a national second chance learning strategy	• Second chance learning opportunities help compensate for the negative educational consequences of child labour

Expanding social protection

182. The importance of social protection in reducing child labour is well-established. Social protection instruments serve to prevent vulnerable households from having to resort to child labour as a buffer against negative shocks. There is no single recipe for implementing social protection programmes to reduce household vulnerability and child labour. Unconditional and conditional cash transfers programmes, including various forms of child support grants, family allowances, needs-based social assistance and social pensions, are all relevant to ensuring household livelihoods and supplementing the incomes of the poor. Public works schemes can serve both the primary goal of providing a source of employment to household breadwinners and the secondary goal of helping rehabilitate public infrastructure and expand basic services, both being potentially relevant in terms of reducing reliance on child labour. Micro-loan schemes can help ease household budget constraints and mitigate social risk.

183. Experience from elsewhere – particularly Latin America – suggests that cash transfers schemes conditional on school attendance and removal from child labour represent a particularly promising route for protecting vulnerable households and for promoting schooling as an alternative to child labour. These

demand incentives can provide poor families with additional resources, as well as compensating parents for the foregone economic product from their children's labour. They therefore offer a means of alleviating current income poverty *and* of addressing the under-investment in children's education that can underlie poverty. The household conditional cash transfer (CCT) programme launched in 2007, known as *Programme Keluarga Harapan* (PKH), offers an important starting point in this context. The PKH programme has subsequently been linked to child labour elimination efforts undertaken as part of the NAP-WFCL.[53]

Panel 6. **Expanding social protection: summary of possible policy interventions**

Policy goal/targets	*Possible policy measures*	*Rationale/relevance*
Expanded access to formal social protection	• Building and extending measures such as conditional cash transfer and assessing their potential as vehicles against child labour.	• Social protection instruments serve to prevent vulnerable households from having to resort to child labour as a buffer against negative shocks.

Strategic communication, social mobilisation and advocacy

184. Strategic communication is needed as part of efforts to build a broad consensus for change. Studies suggest that there is a general lack of understanding in Indonesia about the difference between acceptable children's work and exploitative child labour.[54] The consequences of child labour and the laws protecting children are poorly understood at a community level. There continues to be acceptance of work that prevents children from attending school, especially for work involving girls. This underscores need for expanded strategic communication efforts on the negative effects of child labour and the benefits of schooling as part of an overall strategy against child labour.

185. Child labour is a clear example in which both social norms and economic considerations are important, and strategic communication efforts need to be designed with this in mind. Households require information concerning the costs or dangers of child labour and benefits of schooling in order to make informed decisions on their children's time allocation. But factors which influence decisions concerning children's schooling and child labour can extend well beyond economics or work conditions. Cultural attitudes and perceptions can also direct household decisions concerning children's schooling and child labour, and therefore should also be targeted in strategic communication efforts.

186. Communication efforts are needed at both national and local levels. A mix of conventional (e.g., radio, television and print media) as well as of non-conventional communication channels (e.g., religious leaders, school teachers, health care workers) is important in order to achieving maximum outreach. Baseline information on local knowledge and cultural attitudes towards child labour is needed to tailor communication messages, and to evaluation changes in awareness and attitudes following communication activities. Providing information on national child labour legislation, presented in terms that are understandable to the populations and communities concerned, is another communication priority. For girls in particular, there is also a need to educate families on what are acceptable domestic chores for children and what are not. While doing light chores around the house is important for the socialization of

[53] National Action Plan for the Elimination of Worst Forms of Child Labour.

[54] *Revue des politiques, des programmes et de la legislation relatifs a l'emploi des jeunes et la lutte contre le travail des enfants au Indonesia,* Mars 2011.

children, research shows that children are working very long hours in the home and have little time for rest, study or leisure.

187. Achieving sustainable reduction in child labour requires social consensus well beyond the level of the household. Policy responses to child labour are also unlikely to be effective in the absence of the active participation of civil society and of social partners in implementing them, or of a high-level political commitment to ensure they are accorded priority in all national development agenda. Similarly, laws to protect children from child labour are unlikely to be effective if they are not backed by broad social consensus. Social mobilisation is critical to engaging a broad range of social actors in efforts against child labour. Various social actors, including, for example, NGOs, faith-based organisations, teachers' organizations, the mass media, trade unions, workers' associations, employers' organizations, have important roles to play in a broader societal effort against child labour.

188. A political commitment at all levels is needed to ensure that child labour reduction occupies a prominent place in the national development agenda and is accorded adequate budgetary resources.

Panel 7. **Strategic communication, social mobilisation and advocacy: summary of possible policy interventions**

Policy goal/targets	Possible policy measures	Rationale/relevance
Increasing awareness of the benefits of schooling, and the costs and risks associated with child labour.	• National-level communication campaigns, using modern and traditional communication channels. • Local level communication campaigns, using modern and traditional communication channels..	• Household decisions regarding schooling and child labour can be conditioned by inaccurate information, by a lack of information or by detrimental social norms.
Mobilizing social actors in efforts against child labour	• Broad-based social mobilization, aimed at engaging a broad range of social actors (e.g., NGOs, faith-based organisations, teachers' organizations, the mass media, trade unions, workers' associations, employers' organizations) in efforts against child labour.	• Social mobilisation is critical to engaging a broad range of social actors in efforts against child labour.
Building political will for action against child labour	• Advocating for effective legislative, policy and programmatic responses to child labour, • Advocating for effective "mainstreaming" of child labour concerns into broader national development plans.	• A political commitment at all levels is needed to ensure that child labour reduction occupies a prominent place in the national development agenda and is accorded adequate budgetary resources.

Strengthening child labour legislation as a foundation for action

189. Labour legislation consistent with international child labour standards is necessary both as a statement of national intent and as legal and regulatory framework for efforts against child labour. Information on children's involvement in nationally-identified worst forms should then be collected as a component of national household surveys on child labour as well as through local monitoring. Local governments should be encouraged to adopt ordinances to protect children from exploitative labour in local contexts.

190. Legislative efforts need to be accompanied by the establishment of effective mechanisms for the monitoring and enforcement of laws. The government's actual capacity to monitor formal workplaces is limited, and the informal sector of the economy is largely outside formal inspection regimes. The current capacity of the labour inspectorate needs to be strengthened, so that labour inspectors can advise stakeholders on the dangers of child labour, guide implementation of social and labour policies, and enforce labour legislation and workplace safety standards.

191. But given the extent of child labour and resource constraints, it will likely continue to be difficult for the formal inspection system alone to be effective in protecting children from workplace violations. This points to an important

potential role of community monitoring systems, whereby labour inspectors join hands with other organisations (e.g., employers' organisations, social workers, local community organisations) to form broad-based child labour monitoring systems at the local level.

14.1 Responding to youth employment concerns

192. The results presented in Part 2 of this report highlighted the challenges faced by young people entering the labour market. Both rural and urban youth suffer very high rates of unemployment, and unemployment spells are long in duration for many. Educated youth experience particular difficulties in securing work. Underemployment is also a serious issue, as many youth, unable to afford unemployment, are forced to accept occasional work, typically in the agricultural sector. A large share of youth, and especially of female youth, is outside the labour force and also not in education. A large share of youth that succeed in securing jobs are working in insecure, unskilled jobs in the informal sector offering low pay and little in the way of social security or benefits. This is particularly the case for female youth, rural youth and youth from regions off Java.

193. This discussion points to the need for active labour market policies aimed at promoting improved youth labour market outcomes, building on the knowledge foundation acquired during childhood through improved basic education and preventing child labour. Active labour market policies are designed to improve labour market outcomes for young people within existing institutional and macro-economic constraints; the broader structural economic reforms needed to reduce youth unemployment in the long run are beyond the scope of this report. Active labour market policies addressing both supply-side and demand-side constraints to employment are relevant to improving youth labour market outcomes.

194. Supply-side policies should be calibrated to the unique needs of youth with different education levels. For better educated youth, there is a need to ensure that the right skills are acquired, that skills mismatches within the labour market are reduced, and that labour market mechanisms are in place to facilitate matches between job seekers and employers. For less educated youth, second chance education in its various dimensions is necessary, in order to equip them with the life and job skills needed to exit from low quality and low productively informal sector work. Relevant demand-side policies include promoting youth entrepreneurship as part of a broader effort to address low labour demand and limited business opportunities for young workers. The employment outcomes for female youth are particularly poor and they therefore require special policy measures aimed at providing them equal opportunities in the labour market.

195. These policy priorities are not new and indeed are reflected in large part in the Indonesia Youth Employment Action Plan (IYEAP) and other policy documents. The key challenge, therefore, is not the articulation of a policy framework for youth employment, but the operationalisation of such frameworks, effectively integrating, coordinating and extending current programming efforts. Active labour market policy priorities are discussed in more detail below, based mainly on the contents of the IYEAP.

Skills development

196. Improving youth skills and employability requires action on three levels: first, there is a need to strengthen the quality of basic education and its relevance vis-à-vis the needs of young people entering the labour market; second, to provide second chance learning opportunities to young persons who

have been denied sufficient education, a group which includes persons forced out of school at an early age in order to work; and third, to extend the effectiveness and reach of technical and vocational education training programmes. Taken together, these measures help equip young persons with adequate skills and job experience to be successful in their working life either as employees or as self- employed workers. Improving basic education and second chance learning are taken up in section 14.2 of this report, as they fall within broader efforts towards promoting schooling as a alternative to child labour for younger children. Vocational education and training is dealt with here.

197. Much is already happening in the vocational education and training field in Indonesia. However, there seems to be a lack of national coordination in policy design for vocational training; limited coordination between public and private suppliers; limited participation of industry in policy and planning; an absence of national standards and recognition; and too great a focus on formal sector employment; and the neglect of the informal economy. Furthermore, no systematic set of tracer studies has been undertaken, so little information exists on what happened to graduates of the various programs, how they were absorbed in the labour market, and to what extent their education was relevant to the need of business.

198. This situation points to need for continued efforts in a number of areas within the framework of the on-going process of reforming the vocational education and training system. Priorities include the development of nationwide competency-based skills recognition standards designed to make the labour market more transparent and skills more portable. Building the capacity of the network of vocational education and training centres of excellence is another important priority, in order that these training centres can then *act as model institutions* that can be replicated throughout the vocational education and training system. The centres of excellence need on-going support in formulating training policies and delivering of competency based training, in concert with relevant stakeholders (i.e., regional governments, chambers of commerce and industry and employers' organisations, and private sector training providers).

199. Exposure to the world of work is an essential part of young people's preparation for entering the workforce, not only in order to shape their educational career at an early point but also to facilitate the transition from the educational system to the workplace environment where new skills and attitudes are required. Employers should be encouraged in this context to provide effective internship and work experience programs, including apprenticeship programs, that help students to see the connection between learning and work, to understand how specific knowledge and skills are applied in real world context and develop new attitudes and gain confidence. Employers can also support teachers by advising them on technology and industry standards, and improving curriculum. Employers' organizations have a key role to play as intermediaries between education and training.

Panel 8. **Skills development: summary of possible policy interventions**

Policy goal/targets	*Possible policy measures*	*Rationale/relevance*
Addressing job-relevant skills constraints	• Development of nationwide competency-based skills recognition standards • Building the capacity of the network of vocational education and training centres of excellence as model institutions • Development of internship and work experience programs.	• Deficiencies in terms of trained human capital, particularly for the technical professions, constitute a major constraint to successful transitions to decent work for young people.

Job search support

200. A difficult transition to the labour market in Indonesia is partly the result of the lack of both labour market information and job search skills. At present, there are few formal mechanisms in the country linking young job seekers with matching labour market with employers with job openings. Most young persons seeking work rely on informal networks and contacts to search for jobs whereas the role of public employment services, education and training institutes and job fairs play a very small role. There is a need for close public-private partnership in developing employment services programmes providing job search information to young people.

201. It will be important to ensure that at-risk youth are able to access these employment services programmes. This can be difficult because most at-risk youth live in either marginal urban or rural areas, while most employment services are offered in more central locations. One criticism of employment services programmes elsewhere has been that those who benefit from the programmes are typically more qualified and connected to begin with and therefore more likely to become employed. This points to the importance of targeting job search support to disadvantaged young people most in need.

202. Better preparation of school-leavers for labour market entry is also critical to facilitating the job matching process and reducing the period of unemployment, thereby easing the school to work transition. Labour market information and gender sensitive career guidance should be offered in this context to in-school youth through the education and training system and to young jobseekers through the media. This in turn requires efforts on the part of the Ministry of Education, in cooperation with the Central Bureau of Statistics, Ministry of Manpower and Transmigration and other relevant bodies, to strengthen in-school career guidance services, which are available in most secondary and higher education institutions.

Panel 9. **Job search support: summary of possible policy interventions**

Policy goal/targets	*Possible policy measures*	*Rationale/relevance*
• Providing job search support to address the lack of job search skills and resources	• Establishment of employment services, guidance and career advice targeting young people • Strengthening of career guidance services in secondary and higher education institutions	• A difficult transition to the labour market in Indonesia is partly the result of the lack of both labour market information and job search skills.

Promoting youth entrepreneurship and self employment

203. Promoting youth entrepreneurship represents an important demand-side strategy for expanding youth employment opportunities and improving employment outcomes for the large proportion of Indonesian young people currently unemployed or underemployed. Small and medium enterprises (SMEs) form the backbone of the Indonesian economy, however the role of youth entrepreneurs in the development of SMEs has thus far been limited. Rather, self-employed youth are concentrated in low-productivity and survival-type activities in the informal economy.

204. A number of policy measures are relevant to expanding entrepreneurial opportunities for young people in Indonesia. Expanding access to credit is perhaps most important in this context. A major stumbling block for young entrepreneurs is the lack of access to credit and seed funding, since young people lack the collateral that banks require for a loan and are considered a high-risk group. They end up having to borrow money via informal networks, i.e. family and friends. This system of borrowing immediately limits the size of

activity and the magnitude of growth prospects for a young entrepreneur. This underscores the need to develop specialised lending instruments in order to facilitate the access to finance for young entrepreneurs. These instruments might include grants, soft loans, and support activities in improving the quality of loan requests. Expanding micro-credit facilities is also relevant in this regard, particularly in light of evidence indicating that the demand for microfinance is only partially met be current institutional providers.[55]

205. Promoting a culture of entrepreneurialism among young people is also important. Entrepreneurship is often considered a last resort (and only out of necessity). According to survey findings, school leavers prefer public sector employment, followed by multi-national companies and large domestic firms, whereas only a small fraction of the youth are interested in starting their own business or finding a job in a small private domestic firm. These preferences show a gap between the expectations of youth and the realities of the job market where the majority of opportunities exist in SMEs and the informal economy. There is a need to expand and "mainstream" current initiatives to promote a new culture of entrepreneurship through the educational and training system and awareness campaigns.

206. Expanding access to effective business advisory and support services, and the capacity to deliver them, is another critical element in promoting youth entrepreneurship. Isolation and lack of support are problems many young women and men entrepreneurs experience; this often prevents them from gaining a foothold in the business world. Relevant support services for young entrepreneurs include work space or business incubators services; mentoring and business coaching, providing young entrepreneurs with advice and guidance from experienced professionals; on-the-job training and workshops focusing on start-up issues; and youth chambers of commerce, trade associations, entrepreneur networks. Once again there are existing initiatives taken by government agencies, universities and the private sector, though they remain isolated. What are missing are vehicles for coordination and sharing lessons concerning what works under different conditions.

207. The formation of self-help groups and membership-based organizations, including cooperatives, by young people would also allow for better access to supplies, credit and market information. Particularly in home-based or subcontracting work, group organization of young workers, especially young women, can improve their bargaining position vis-à-vis contractors or buyers, enabling them to produce more efficiently and cost effectively, and facilitate group savings and credit arrangements. In this area, non-governmental organizations, local communities as well as public private initiatives can play an important role. All relevant stakeholders are encouraged to share their experience through the Indonesia Youth Employment Network to generate learning and innovations.

Panel 10. **Promoting youth entrepreneurship and self employment: summary of possible policy interventions**

Policy goal/targets	*Possible policy measures*	*Rationale/relevance*
• Promoting youth entrepreneurship and self employment to address labour demand and firm start-up constraints	• Development of support services for young entrepreneurs, including business incubator services, training on business start-up and development of business plans	• Self-employment programmes hold the potential to improve employment outcomes for the large proportion of Indonesian young people currently unemployed, underemployed or in low productivity agricultural work.

[55] Evidence for the existence of the prevailing gap between the demand and supply of micro-finance comes from recent evaluations of BRI's (Kupedes) micro-banking services (BRI, 2003).

Panel 10. **Promoting youth entrepreneurship and self employment: summary of possible policy interventions**		
Policy goal/targets	*Possible policy measures*	*Rationale/relevance*
	• Provision of micro-credit loans and/or tools and equipment for start-up activities. • The formation of self-help groups and membership-based organizations, including cooperatives	

Ensuring equal opportunities for female youth in the labour market

208. Female youth continue to suffer from fewer opportunities in the labour market. The labour market participation of female youth lags 17 percentage points behind that of their male counterparts, while the share of female youth that is inactive and not in education is nearly three times that of male youth, both pointing to substantial underutilised productive potential in the female youth population. Young women are also confined to a narrower range of occupational opportunities then men and tend to be crowded into the informal economy. For example, young women have the highest representation in agriculture and trade activities, which tend to be less formalized and lower paid relative to other industrial sectors.

209. Underlying this situation are perceptions of appropriate gender roles, and of the division of responsibilities between men and women, which remain deeply rooted in many segments of society and continue to influence women's position and opportunities in the work force. Young women's opportunities to plan a career are severely limited when they are expected to quit their work after marriage or after the birth of the first child. In many cases traditional attitudes and perceptions cut short women opportunities to gain their own income. Thus, young women face serious disadvantages already from the start of the transition to the work force.

210. The disadvantaged position of female youth in the labour market underscores the need for continued efforts ensuring towards equal opportunities and treatment of young women and men in education, employment and societal affairs. To ensure that female youth benefit from equal opportunities to enter and succeed in the labour market, particular policy policies include ensuring gender sensitivity throughout the education/training system and in career guidance services; communication campaigns aimed at changing traditional perceptions of gender roles; and reviewing laws and practices to eliminate discrimination of women in the labour market. Such efforts should build on the substantial legislative and policy provisions already introduced in Indonesia aimed at providing equal access to employment, equity in remuneration, and provisions for women's child bearing responsibilities.

Panel 11. **Ensuring equal opportunities for female youth in the labour market: summary of possible policy interventions**		
Policy goal/targets	*Possible policy measures*	*Rationale/relevance*
• Ensuring equal opportunities for female youth in the labour market	• Ensuring gender sensitivity throughout the education/training system and in career guidance services Provision of micro-credit loans and/or tools and equipment for start-up activities. • Communication campaigns aimed at changing traditional perceptions of gender roles • Reviews of laws and practices to eliminate discrimination of women in the labour market	• Perceptions of appropriate gender roles, and of the division of responsibilities between men and women remain deeply rooted in many segments of society and continue to influence women's position and opportunities in the work force.

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STATISTICAL ANNEX

Table A1. **Child activity status, 7-14 years age group, by sex**

Activity status	*Male*		*Female*		*Total*	
	No.	*%*	*No.*	*%*	*No.*	*%*
Only employment	168,653	0.9	88,172	0.5	256,825	0.7
Only schooling	16,120,508	89.3	15,610,517	90.4	31,731,025	89.9
Employment and schooling	1,101,120	6.1	984,917	5.7	2,086,037	5.9
Neither activity	653,208	3.6	586,329	3.4	1,239,537	3.5
Total in employment[(a)]	**1,269,773**	**7.0**	**1,073,089**	**6.2**	**2,342,862**	**6.6**
Total in school[(b)]	**17,221,628**	**95.4**	**16,595,434**	**96.1**	**33,817,062**	**95.8**
Total out-of-school children[(c)]	**821,861**	**4.5**	**674,501**	**3.9**	**1,496,362**	**4.2**

Notes : (a) Refers to all children in employment, regardless of school status; (b) refers to all children attending school, regardless of employment status; and (c) refers to all children out of school, regardless of employment status.

Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Table A2. **Child activity status, 7-14 years age group, by sex**

Activity status	*Urban*		*Rural*		*Total*	
	No.	*%*	*No.*	*%*	*No.*	*%*
Only employment	43,245	0.4	213,580	0.9	256,825	0.7
Only schooling	11,418,666	94.4	20,312,359	87.5	31,731,025	89.9
Employment and schooling	342,699	2.8	1,743,338	7.5	2,086,037	5.9
Neither activity	289,441	2.4	950,096	4.1	1,239,537	3.5
Total in employment[(a)]	**385,944**	**3.2**	**1,956,918**	**8.4**	**2,342,862**	**6.6**
Total in school[(b)]	**11,761,365**	**97.2**	**22,055,697**	**95.0**	**33,817,062**	**95.8**
Total out-of-school children[(c)]	**332,686**	**2.8**	**1,163,676**	**5.0**	**1,496,362**	**4.2**

Notes : (a) Refers to all children in employment, regardless of school status; (b) refers to all children attending school, regardless of employment status; and (c) refers to all children out of school, regardless of employment status.

Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Table A3. **Children's sector of employment, by age, sex and residence**

Characteristics		*Sector of employment*				
		Agriculture	*Manufacturing*	*Service*	*Other*	*Total*
Age	7-9 years	54.6	12.9	27.3	5.2	100
	10-14 years	58.8	4.9	27.0	9.3	100
Sex	Male	65.5	3.3	22.6	8.6	100
	Female	48.7	10.7	32.4	8.2	100
Residence	Urban	28.4	17.6	49.5	4.4	100
	Rural	63.7	4.5	22.6	9.2	100
Total		**57.8**	**6.7**	**27.1**	**8.4**	**100**

Source: UCW calculations based on Indonesia Child Labour Survey, 2009.

Table A4. **Children's status in employment, by age, sex and residence area**

Characteristics		*Status in employment*			
		Wage employment	*Self-employed*	*Non-waged family work*	*Total*
Age	7-9 years	5.2	11.0	83.8	100
	10-14 years	5.4	3.9	90.7	100
Sex	Male	4.1	5.4	90.4	100
	Female	6.8	5.7	87.5	100
Residence	Urban	12.6	6.4	81.0	100
	Rural	4.0	5.4	90.7	100
Total		**5.4**	**5.5**	**89.1**	**100**

Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Table A5. **Average weekly working hours, children aged 7-14 years, by schooling status**

		Schooling status		
		Employment exclusively	Employment and schooling	Total[(a)]
Sex	Male	24.9	11.1	13.0
	Female	22.7	12.2	13.0
Residence	Rural	31.4	11.1	13.5
	Urban	22.6	11.7	12.9
Total		**24.2**	**11.6**	**13.0**

Notes: (a) Refers to all those in employment, regardless of schooling status.
Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Table A6. **Average weekly working hours, by sex, employment sector and status in employment**

		Sex		
		Male	Female	Total
Sector of employment	*Agriculture*	13.3	11.0	12.4
	Manufacturing	15.7	22.9	21.0
	Service	11.7	13.4	12.7
	Other	12.6	10.7	11.7
Status in employment	*Waged employment*	28.6	25.8	27.0
	Self employed	17.8	31.5	24.2
	Non-waged family work	11.9	10.8	11.4

Source : UCW calculations based on Indonesia Child Labour Survey, 2009.

Table A7. **Decomposition of labour force, persons aged 15-24 years, by residence, sex and age range**

Category		*Decomposition of labour force (% population)*							
		Inactive			*Active*				
					Employed		*Unemployed*		*Total*
		Discouraged worker[(a)]	*Student[(b)]*	*Other inactive*	*Student*	*Not student*	*In search of first job*	*Previously employed*	
Residence	Urban	0.8	39.8	12.5	2.1	34.7	7.5	2.5	100
	Rural	1.7	28.5	22.1	2.8	37.3	6.2	1.6	100
Sex	Male	1.8	33.7	8.6	2.8	43.1	7.5	2.5	100
	Female	0.7	33.8	26.8	2.2	28.9	6.0	1.6	100
Age range	15-19	1.3	52.4	14.4	3.2	21.1	6.6	1.1	100
	20-24	1.2	10.5	21.7	1.7	54.7	7.1	3.2	100
Total		**1.3**	**33.7**	**17.6**	**2.5**	**36.1**	**6.8**	**2.0**	**100**

Notes: (a) Discouraged workers are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about job. (b) Inactive students are defined as those who are not working, attending school and report to not looking for a work and not preparing for a business because of school attendance.
Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A8. **Aggregate labour market indicators, persons aged 15-24 years, by residence and sex**

Population category		Labour mkt. participation (% pop.)	Employment		Unemployment		Relaxed unemployment[a]		Education participation (% pop.)
			Ratio (% pop.)	Rate (% active)	Ratio (% pop.)	Rate (% active)	Ratio (% pop.)	Rate [b] (% expanded active)	
Residence	Urban	46.9	36.8	78.5	10.1	21.5	10.9	22.8	42.6
	Rural	47.8	40.1	83.9	7.7	16.1	9.4	19.0	31.6
Sex	Male	55.9	45.9	82.1	10.0	17.9	11.8	20.4	36.9
	Female	38.7	31.1	80.4	7.6	19.6	8.3	21.1	36.5
Age range	15-19	31.9	24.3	76.1	7.6	23.9	8.9	26.9	56.0
	20-24	66.6	56.4	84.6	10.3	15.4	11.5	16.9	12.6
Total		**47.4**	**38.6**	**81.4**	**8.8**	**18.6**	**10.1**	**20.7**	**36.7**

Notes: (a) Relaxed unemployment considers both unemployed workers and discouraged workers who are available to work. Discouraged workers available to work are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about job, but would accept job if offered. (b) The relaxed unemployment rate is the sum of unemployed workers and discouraged workers available to work expressed as a percentage of the expanded active population. The expanded active population, in turn, comprises discouraged workers available to work and the active population.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A9. **Decomposition of labour force, persons aged 15-24 years, by region**

Category		Decomposition of labour force (% population)							
		Inactive			Active				Total
					Employed		Unemployed		
		Discouraged worker[a]	Student	Other inactive	Student	Not student	In search of first job	Previously employed	
Region	Jakarta	0.5	37.0	7.0	2.0	43.1	7.8	2.6	100
	West Java	2.2	33.4	18.5	1.0	32.4	9.5	3.1	100
	Central and East Java	0.8	34.0	17.5	2.5	37.0	5.9	2.3	100
	Sumatra	1.3	35.7	17.4	3.4	34.6	6.3	1.2	100
	Kalimantan	1.0	30.0	18.1	2.1	41.6	5.7	1.5	100
	Sulawesi	1.0	29.9	22.5	3.5	36.3	5.6	1.2	100
	Eastern Indonesia	1.2	32.3	17.9	3.9	39.6	4.3	0.7	100
Total		**1.3**	**33.7**	**17.6**	**2.5**	**36.1**	**6.8**	**2.0**	**100**

Notes: (a) Discouraged workers are defined as those who are not working, reported to not looking for a work and not preparing for a business because they feel hopeless about job, but would accept job if offered.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A10. **Aggregate labour market indicators, persons aged 15-24 years, by region**

Population category		Labour mkt. participation (% pop.)	Employment		Unemployment		Relaxed unemployment[a]		Education participation (% pop.)
			Ratio (% pop.)	Rate (% active)	Ratio (% pop.)	Rate (% active)	Ratio (% pop.)	Rate [b] (% expanded active)	
Region	Jakarta	55.6	45.2	81.2	10.4	18.8	10.9	19.5	39.3
	West Java	45.9	33.4	72.7	12.6	27.3	14.7	30.6	34.9
	Central and East Java	47.7	39.6	82.9	8.2	17.1	9.0	18.5	36.9
	Sumatra	45.6	38.0	83.4	7.6	16.6	8.9	19.0	39.6
	Kalimantan	50.9	43.7	85.9	7.2	14.1	8.2	15.8	32.7
	Sulawesi	46.6	39.8	85.4	6.8	14.6	7.8	16.5	34.2
	Eastern Indonesia	48.6	43.5	89.6	5.0	10.4	6.3	12.6	36.8
Total		**47.4**	**38.6**	**84.1**	**8.8**	**18.6**	**10.1**	**20.7**	**36.7**

Notes: (a) Relaxed unemployment considers both unemployed workers and discouraged workers who are available to work. Discouraged workers available to work are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about job, but would accept job if offered. (b) The relaxed unemployment rate is the sum of unemployed workers and discouraged workers available to work expressed as a percentage of the expanded active population. The expanded active population, in turn, comprises discouraged workers available to work and the active population.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A11. **Changes in youth activity status,15-24 years age group, by age group**

Activity status	*Age group*															
	15-17				*18-19*				*20-24*				***15-24***			
	2007	*2008*	*2009*	*2010*	*2007*	*2008*	*2009*	*2010*	*2007*	*2008*	*2009*	*2010*	*2007*	*2008*	*2009*	*2010*
Employment ratio	19.8	18.2	18.4	16.8	37.2	37.9	38.1	37.4	52.2	54.8	55.6	56.4	39.1	39.0	39.2	38.6
Employment rate	78.5	80.2	82.0	81.2	69.7	72.9	72.5	72.4	79.4	82.8	83.7	84.6	77.4	80.3	81.0	81.4
Unemployment ratio	5.4	4.5	4.0	3.9	16.2	14.1	14.5	14.2	13.5	11.4	10.8	10.3	11.4	9.6	9.2	8.8
Unemployment rate	21.5	19.8	18.0	18.8	30.3	27.1	27.5	27.6	20.6	17.2	16.3	15.4	22.6	19.7	19.0	18.6
Relaxed unemployment ratio	7.1	5.6	5.2	5.0	18.4	16.2	16.1	15.9	15.1	13.2	12.0	11.5	13.1	11.2	10.5	10.1
Relaxed unemployment rate	26.5	23.7	22.1	22.9	33.0	29.9	29.7	29.8	22.4	19.4	17.8	16.9	25.1	22.3	21.1	20.7
In labour force	25.3	22.7	22.4	20.7	53.4	52.0	52.5	51.6	65.8	66.1	66.5	66.6	50.6	48.6	48.4	47.4
Education participation	66.2	68.3	69.7	70.5	27.9	28	28.1	30.4	11.1	10.6	11.0	12.6	31.8	33.6	34.8	36.7

Notes: (a) Relaxed unemployment considers both unemployed workers and discouraged workers who are available to work. Discouraged workers available to work are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about job, but would accept job if offered. (b) The relaxed unemployment rate is the sum of unemployed workers and discouraged workers available to work expressed as a percentage of the expanded active population. The expanded active population, in turn, comprises discouraged workers available to work and the active population.

Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

Table A12. **Status in employment, percentage of employed persons aged 15-24 years, by region**

Category	*Region*						
	Jakarta	*West Java*	*Central and East Java*	*Sumatra*	*Kalimantan*	*Sulawesi*	*Eastern Indonesia*
Paid employee	73.9	64.2	54.0	44.6	47.0	40.4	25.6
Unpaid worker	5.6	11.1	29.8	37.7	35.1	40.4	56.6
Self-employed	20.5	24.7	16.3	17.7	18.0	19.2	17.8
Total	100	100	100	100	100	100	100

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A13. **Sector of employment, percentage of employed persons aged 15-24 years, by region**

Category	*Region*						
	Jakarta	*West Java*	*Central and East Java*	*Sumatra*	*Kalimantan*	*Sulawesi*	*Eastern Indonesia*
Agriculture	0.3	9.7	27.4	47.3	45.2	47.0	62.7
Manufacturing	20.4	36.5	23.9	7.5	6.8	6.2	6.7
Construction	2.0	3.7	5.5	4.8	4.5	5.7	3.1
Commerce	28.5	21.1	19.4	16.7	17.1	15.8	9.1
Services	48.2	28.2	23.0	21.9	19.8	23.5	16.7
Other[(a)]	0.5	0.8	0.9	1.8	6.6	1.8	1.8
Total	100	100	100	100	100	100	100

Note: (a) The category "Other" includes mining and quarrying, electricity, gas and water supply and extraterritorial organizations and bodies.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A14. **Changes in sectoral composition of youth employment, 2007-2010**

Sector of employment	*2007*	*2008*	*2009*	*2010*
Agriculture	37.7	35.6	35.3	32.1
Manufacturing	18.6	17.7	17.5	18.8
Construction	5.1	5.1	4.7	4.6
Commerce	16.2	17.1	17.3	18.4
Services	21.1	23.2	23.7	24.6
Other	1.4	1.4	1.6	1.6
Total	100	100	100	100

Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

Table A15. **Changes in the status of youth employment, 2007-2010**

Status in employment	*2007*	*2008*	*2009*	*2010*
Paid employee	49.1	50.1	49.1	51.4
Unpaid worker	30.0	29.5	30.7	29.6
Self-employed	20.9	20.4	20.3	19.0
Total	100	100	100	100

Source: UCW calculations based on Indonesia National Labour Force Survey, 2010 (August), 2009 (August), 2008(August) and 2007(August)

Table A16. **Employment formality, percentage of employed persons aged 15-24 years, by region**

Category	*Region*						
	Jakarta	*West Java*	*Central and East Java*	*Sumatra*	*Kalimantan*	*Sulawesi*	*Eastern Indonesia*
Formal[(a)]	80.2	60.5	46.2	33.4	38.2	31.3	18.3
Non-formal[(b)]	19.8	39.5	53.8	66.6	61.8	68.7	81.7
Total	100	100	100	100	100	100	100

Notes: See Table 14.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A17. **Non-farm enterprise employment,[(a)] percentage of employed rural residents aged 15-24 years, by region**

Category	*Region*						
	Jakarta	*West Java*	*Central and East Java*	*Sumatra*	*Kalimantan*	*Sulawesi*	*Eastern Indonesia*
Non-farm	-	79.6	55.3	35.4	35.5	38.2	24.4
Farm	-	20.4	44.7	64.6	64.5	61.8	75.6
Total	-	100	100	100	100	100	100

Note: (a) Non-farm workers are defined as those working in non-agricultural sector

Source: UCW calculations based on Indonesia National Labour Force Survey (Skernas), 2009.

Table A18. **Educational attainment, non-student population aged 15-24 years, by region**

Category	*Jakarta*	*West Java*	*Central and East Java*	*Sumatra*	*Kalimantan*	*Sulawesi*	*Eastern Indonesia*
No schooling	0.1	0.5	1.0	0.7	1.2	1.8	9.1
Primary	16.3	34.9	28.5	30.8	42.1	39.5	40.4
Junior	23.1	30.8	33.0	28.4	24.7	25.5	20.8
Senior	53.3	30.9	33.8	36.5	29.0	29.4	26.8
Higher	7.2	2.9	3.6	3.6	3.0	3.8	3.0
Total	100	100	100	100	100	100	100

Source: UCW calculations based on Indonesia National Labour Force Survey (Skernas), 2009.

Table A19. **Education level and youth activity status, non-student population aged 15-24 years**

Education level	*Distribution **across** activity status categories*				
	Inactive		*Active*		*Total*
	Discouraged worker[(a)]	*Other inactive*	*Employed*	*Unemployed*	
No schooling	0.7	43.0	55.0	1.3	100
Primary	2.9	32.3	57.1	7.8	100
Junior high school	2.3	32.3	54.1	11.3	100
Senior high school	1.1	20.0	58.2	20.7	100
Higher education	0.0	8.2	69.5	22.2	100
Total	**2.0**	**27.5**	**57.0**	**13.5**	**100**

Note: (a) Discouraged workers are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about job.

Source: UCW calculations based on Indonesia National Labour Force Survey (Skernas), 2009.

Table A20. **Education level and youth activity status, non-student population aged 15-24 years**

Education level	*Distribution **within** activity status categories*				
	Inactive		*Active*		*Total*
	Discouraged worker[a]	*Other inactive*	*Employed*	*Unemployed*	
No schooling	0.5	2.2	1.4	0.1	**1.4**
Primary	47.8	38.2	32.6	18.6	**32.5**
Junior high school	33.5	34.2	27.6	24.4	**29.1**
Senior high school	18.2	24.4	34.2	51.1	**33.4**
Higher education	0.1	1.1	4.3	5.8	**3.5**
Total	100	100	100	100	**100**

Note: (a) Discouraged workers are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about job.

Source: UCW calculations based on Indonesia National Labour Force Survey (Skernas), 2009.

Table A21. **Education level and sector of employment, non-student employed population aged 15-24 years**

Category	*Education level (distribution across sectors)*					
	No schooling	*Primary*	*Junior*	*Senior*	*Higher*	*Total*
Agriculture	89.7	51.2	33.0	13.6	2.7	**31.8**
Manufacturing	2.1	14.2	21.7	24.8	8.4	**19.5**
Construction	1.2	6.1	6.0	3.2	1.0	**4.8**
Commerce	2.9	10.2	16.1	27.7	15.0	**17.9**
Services	3.3	16.1	21.8	29.2	71.9	**24.4**
Other[a]	0.9	2.2	1.4	1.5	1.1	**1.6**
Total	100	100	100	100	100	**100**

Note: (a) The category "Other" includes mining and quarrying, electricity, gas and water supply and extraterritorial organizations and bodies.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A22. **Education level and sector of employment, non-student employed population aged 15-24 years**

Category	*Education level (distribution within sectors)*					
	No schooling	Primary	Junior	Senior	*Higher*	*Total*
Agriculture	3.8	52.5	28.7	14.6	0.4	100
Manufacturing	0.1	23.7	30.8	43.5	1.8	100
Construction	0.3	41.3	34.6	22.8	0.9	100
Commerce	0.2	18.6	24.9	52.8	3.6	100
Services	0.2	21.6	24.7	40.9	12.7	100
Other[a]	0.8	43.0	22.9	30.5	2.8	100
Total	**1.4**	**32.6**	**27.6**	**34.2**	**4.3**	**100**

Note: (a) The category "Other" includes mining and quarrying, electricity, gas and water supply and extraterritorial organizations and bodies.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A23. **Education level and status in employment, non-student employed population aged 15-24 years**

Category	*Education level (distribution across sectors)*					
	No schooling	*Primary*	*Junior*	*Senior*	*Higher*	*Total*
Paid employee	8.6	43.1	50.2	63.0	85.6	**53.2**
Unpaid worker	75.7	36.8	29.5	16.7	4.4	**27.1**
Self-employed	15.7	20.1	20.4	20.3	10.0	**19.8**
Total	100	100	100	100	100	**100**

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A24. **Education level and status in employment, non-student employed population aged 15-24 years**

Category	*Education level (distribution within sectors)*					
	No schooling	*Primary*	*Junior*	*Senior*	*Higher*	*Total*
Paid employee	0.2	26.4	26.1	40.4	6.9	100
Unpaid worker	3.8	44.3	30.1	21.1	0.7	100
Self-employed	1.1	33.2	28.5	35.1	2.2	100
Total	**1.4**	**32.6**	**27.6**	**34.2**	**4.3**	**100**

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A25. **Education level and employment formality,[(a)] non-student employed population aged 15-24 years**

Category	*Education level (distribution across formality categories)*					
	No schooling	*Primary*	*Junior*	*Senior*	*Higher*	*Total*
Formal[(a)]	4.0	25.8	40.3	64.5	93.0	**45.6**
Non-formal[(a)]	96.0	74.2	59.7	35.6	7.0	**54.4**
Total	100	100	100	100	100	**100**

Notes: (a) For definitions of formality, see Table 14.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A26. **Education level and employment formality,[(a)] non-student employed population aged 15-24 years**

Category	*Education level (distribution within formality categories)*					
	No schooling	*Primary*	*Junior*	*Senior*	*Higher*	*Total*
Formal[(a)]	0.1	18.4	24.4	48.3	8.8	100
Non-formal[(a)]	2.4	44.4	30.3	22.3	0.6	100
Total	**1.4**	**32.6**	**27.6**	**34.2**	**4.3**	**100**

Notes: (a) For definitions of formality, see Table 14.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A27. **Education level and average wages[(a)] (in Rupiah), non-student employed population aged 15-24 years, by residence and sex**

Category		Education level					
		No schooling	*Primary*	*Junior*	*Senior*	*Higher*	*Total*
Residence	Urban	629,273	645,872	752,720	1,038,842	1,414,971	**921,166**
	Rural	586,171	640,821	688,324	826,426	807,360	**710,406**
Sex	Male	657,960	686,072	764,635	1,017,177	1,311,241	**848,269**
	Female	453,681	536,769	656,291	926,032	1,205,766	**802,790**
Total		**595,962**	**642,788**	**721,708**	**976,863**	**1,240,352**	**830,048**

Notes: (a) Average wage is calculated for all non-student employed youth with non-zero wage.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A28. **Status in employment, percentage of employed persons aged 15-24 years, by residence and region**

Category	*Residence*		*Sex*	
	Urban	*Rural*	*Male*	*Female*
Paid employee	68.0	38.1	49.8	53.8
Unpaid worker	11.7	44.0	29.5	29.8
Self-employed	20.3	17.9	20.7	16.5
Total	100	100	100	100

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A29. **Sector of employment, percentage of employed persons aged 15-24 years, by residence and region**

Category	*Residence*		*Sex*	
	Urban	*Rural*	*Male*	*Female*
Agriculture	5.5	53.4	38.1	23.3
Manufacturing	25.9	13.2	15.5	23.8
Construction	4.4	4.7	7.3	0.5
Commerce	27.0	11.5	14.7	24.0
Services	36.2	15.3	22.2	28.0
Other[(a)]	1.0	2.0	2.3	0.5
Total	100	100	100	100

Note: (a) The category "Other" includes mining and quarrying, electricity, gas and water supply and extraterritorial organizations and bodies.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A30. **Employment formality,[(a)] percentage of employed persons aged 15-24 years, by residence and sex**

Category	***Total***	*Residence*		*Sex*	
		Urban	*Rural*	*Male*	*Female*
Formal[(a)]	**44.3**	68.2	25.4	37.8	54.1
Non-formal[(a)]	**55.7**	31.8	74.7	62.2	45.9
Total	**100**	100	100	100	100

Notes: (a) For definitions of formality, see Table 14.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A31. **Average wages[(a)] (in Rp.) and employment formality,[(b)] employed persons aged 15-24 years, by residence and sex**

Category	*Total*	*Residence*		*Sex*	
		Urban	*Rural*	*Male*	*Female*
Formal[(b)]	888,187	951,284	747,608	934,561	840,618
Non-formal[(b)]	721,431	819,976	664,272	742,558	658,841
Difference	166,756	131,308	83,336	192,003	181,777

Notes: (a) Average wage is calculated for all employed youth with non-zero wage; (b) For definitions of formality, see Table 14.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A32. **Average wages (in Rp.)[(a)] and status in employment, employed persons aged 15-24 years, by residence and sex**

Category	*Total*	*Residence*		*Sex*	
		Urban	*Rural*	*Male*	*Female*
Paid employee	**819,920**	915,326	684,264	832,642	802,281
Unpaid worker	**0**	0	0	0	0
Self-employed	**848,865**	939,424	758,834	885,864	777,370
Total	**825,755**	**919,581**	**701,767**	**844,493**	**798,034**

Note: (a) Average wage is calculated for all employed youth with non-zero wage.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A33. **Average wages (in Rp.)[a] and sector of employment, employed persons aged 15-24 years, by residence and sex**

Category	*Total*	*Residence*		*Sex*	
		Urban	*Rural*	*Male*	*Female*
Agriculture	**634,232**	612,034	637,738	663,185	498,624
Manufacturing	**904,454**	991,661	744,427	908,929	900,097
Construction	**837,351**	918,382	776,857	826,537	1,090,418
Commerce	**839,754**	898,296	696,144	864,205	815,366
Services	**810,202**	892,838	651,252	872,065	737,587
Other[b]	**1,250,970**	1,385,156	1,192,052	1,228,342	1,453,138

Notes: (a) Average wage is calculated for all employed youth with non-zero wage; and (b) The category "Other" includes mining and quarrying, electricity, gas and water supply and extraterritorial organizations and bodies.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A34. **Decomposition of labour force, youth and adults, by residence**

Category		*Decomposition of labour force (% population)*							
		Inactive			*Active*				
					Employed		*Unemployed*		*Total*
		Discouraged worker	*Student*	*Other inactive*	*Student*	*Not student*	*In search for first job*	*Previously employed*	
Youth (15-24 years)	**Total**	**1.3**	**33.7**	**17.6**	**2.5**	**36.1**	**6.8**	**2.0**	**100**
	Urban	0.8	39.8	12.5	2.1	34.7	7.5	2.5	100
	Rural	1.7	28.5	22.1	2.8	37.3	6.2	1.6	100
Adults (25-64 years)	**Total**	**0.3**	**0.2**	**23.1**	**0.2**	**73.5**	**1.1**	**1.5**	**100**
	Urban	0.4	0.4	25.5	0.3	69.6	1.5	2.4	100
	Rural	0.3	0.1	21.1	0.2	76.7	0.8	0.8	100

Notes: (a) Discouraged workers are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about job. (b) Inactive students are defined as those who are not working, attending school and report to not looking for a work and not preparing for a business because of school attendance.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.

Table A35. **Aggregate labour market indicators, youth and adults, by residence**

Population category		*Labour mkt. participation (% pop.)*	*Employment*		*Unemployment*		*Relaxed unemployment[a]*	
			Ratio (% pop.)	*Rate (% active)*	*Ratio (% pop.)*	*Rate (% active)*	*Ratio (% pop.)*	*Rate [b] (% expanded active)*
Youth (15-24 years)	**Total**	**47.4**	**38.6**	**81.4**	**8.8**	**18.6**	**10.1**	**20.7**
	Urban	46.9	36.8	78.5	10.1	21.5	10.9	22.8
	Rural	47.8	40.1	83.9	7.7	16.1	9.4	19.0
Adults (25-64 years)	**Total**	**76.4**	**73.8**	**96.6**	**2.6**	**3.4**	**3.0**	**3.9**
	Urban	73.8	69.9	94.8	3.9	5.2	4.2	5.7
	Rural	78.5	76.9	97.9	1.6	2.1	1.9	2.5

Notes: (a) Relaxed unemployment considers both unemployed workers and discouraged workers who are available to work. Discouraged workers available to work are defined as those who are not working, report to not looking for a work and not preparing for a business because they feel hopeless about job, but would accept job if offered. (b) The relaxed unemployment rate is the sum of unemployed workers and discouraged workers available to work expressed as a percentage of the expanded active population. The expanded active population, in turn, comprises discouraged workers available to work and the active population.

Source: UCW calculations based on Indonesia National Labour Force Survey (Sakernas), 2010.