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MAJOR FACTORS IN THE ENABLING ENVIRONMENT, THE ECONOMY, THAT AFFECT THE POOR

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The Income of the Poor Derives Mainly from Their Labor

- If they had assets or education –human or physical capital- they would not be poor.
- So the principal means for moving out of poverty is by moving from informal work in agriculture or street occupations, at \$ 100/ month to formal sector – at \$ 150.
- Taking account of fact that employment is irregular & there are no benefits the difference is even greater.

Better Jobs and Increased Wages in Same Job Depend on Increased Labor Demand

- **A large share of the jobs are in producing traded goods – goods that compete with imports or that are exported.**
- **In activities that are labor-intensive.**
- **And that depends on how competitive Indonesia is – labor costs & efficiency; but also infrastructure costs.**

Factors That Matter Besides Labor Demand

- 1. The rate and acceleration of inflation matters in the short term.**
- 2. Agricultural productivity**
- 3. Foreign demand for labor**
- 4. Government transfer programs**

Appendix Table 1

Exports of Manufactured goods: Indonesia and Competitors

Table 1 b: World Trade in Textiles and Garments

| Country | 1989 | | 1998 | | 2008 | | 2009 | | 2010 | | Share Increase 1989 to 2010 |
|------------|---------|---------|---------|------------|---------|-------|---------|-------|---------|------------|-----------------------------|
| | US\$ | % share | US\$ | % share | US\$ | % | US\$ | % | US\$ | % share | |
| | Billion | | Billion | | Billion | Share | Billion | Share | Billion | | |
| World | 193 | 100 | 336 | 100 | 612 | 100 | 527 | 100 | 602 | 100 | |
| Bangladesh | 0.8 | 0.4 | 4.2 | <u>1.3</u> | 12 | 2 | 12 | 2.2 | 17 | <u>2.8</u> | 2 X |
| China | 15 | 8 | 43 | <u>13</u> | 185 | 30 | 167 | 32 | 207 | <u>34</u> | 3 X |
| Indonesia | 2 | 1 | 5 | <u>1.5</u> | 10 | 1.6 | 9 | 1.7 | 11 | <u>1.8</u> | 20% |
| India | 3.9 | 2 | 9.3 | <u>2.8</u> | 21.1 | 3.5 | 21 | 3.9 | 24 | <u>4.0</u> | 60% |
| Vietnam | 0 | 0 | 1.5 | <u>0.4</u> | 10.6 | 1.7 | 10 | 1.9 | 13 | <u>2.2</u> | 50% |
| Cambodia | 0 | 0 | 0 | <u>0</u> | 3.7 | 0.6 | 3 | 0.6 | 3 | <u>0.5</u> | Inf |

Table 1 a: Share of Manufactured Exports 1995-2010: Selected

Asian Countries

| | 1995 | | 2008 | | 2009 | | 2010* | | |
|------------|------------|------------------|------------|------------------|------------|-----------|------------|------------------|--------------------------|
| | \$ Billion | Market Share (%) | \$ Billion | Market Share (%) | \$ Billion | Market | \$ billion | Market Share (%) | Share Increase 1995-2010 |
| | | | | | | Share (%) | | | |
| World | 3,931 | 100 | 11,291 | 100 | 8,355 | 100 | 9,962 | 100 | |
| Bangladesh | 3 | 0.08 | 14 | 0.12 | 13 | 0.15 | 18 | 0.18 | 2 X |
| China | 125 | 3.18 | 1,328 | 12 | 1,125 | 13 | 1,477 | 15 | 4.5 X |
| Indonesia | 23 | 0.59 | 54 | 0.48 | 47 | 0.56 | 58 | 0.58 | 0.00 |
| India | 23 | 0.58 | 113 | 1 | 107 | 1.28 | 138 | 1.39 | 2 X |
| Vietnam | 2 | 0.06 | 35 | 0.31 | 37 | 0.44 | 50 | 0.50 | 8 X |

Sources: WTO & country data.