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# Labor Force, Unemployment and Employment among Youth

The Situation in 2011 and Some Trends 2007-  
2011

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# Summary

Indonesia still faces a challenge of unemployed and underutilized youth. Among youth, rates of unemployment are much higher than among older people (a ratio of close to 4:1), and underutilization is widespread, especially among females. Unemployment among youth is also high by regional (SE Asian) standards. The good news is that unemployment rates have been falling among quite sharply. The analysis suggests that young people are finding it easier to get jobs, although a lot of “choosy” young people seem to be waiting for better formal sector jobs.

Improvements are needed on the supply side (skills and better certification), and on the demand side (supporting labor-intensive industries). Matching demand and supply needs to be improved, perhaps by improving information about jobs. Issues related to supply and to supply-demand matching notwithstanding, the main issue remains demand.

# 1. Situation in 2011

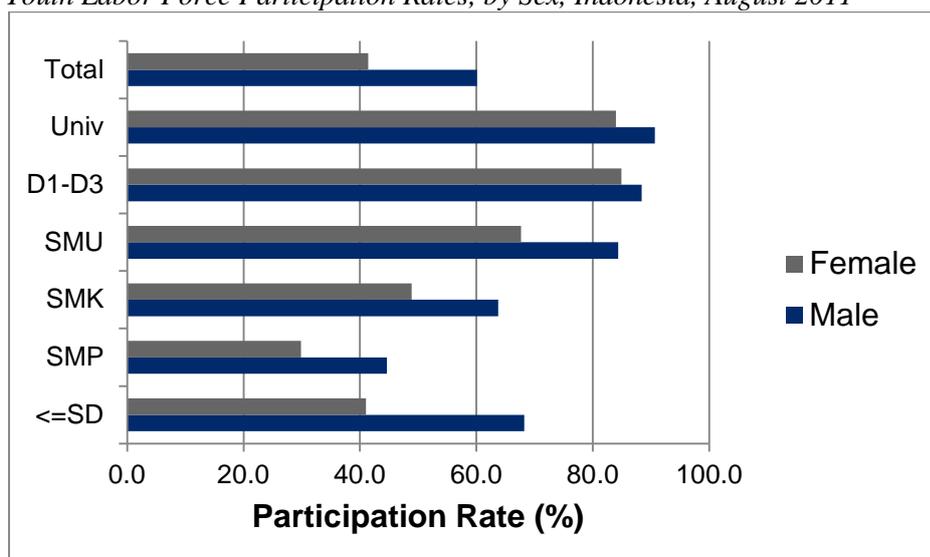
## LABOR FORCE PARTICIPATION, SCHOOLING, AND UNDERUTILIZATION

### Participation Rates

Participation rates rise with level of schooling, though they are lowest at the SMP level. At the tertiary level differences among males and females are small, but differences are huge among the least educated. See Figure 1-1.

Figure 1-1

*Youth Labor Force Participation Rates, by Sex, Indonesia, August 2011*



### The Underutilization Problem

While most young people are at school or have a job, especially males, nearly one-third of young people are neither in the work force or at school. There is an issue of “utilization” of young females, and the problem of underutilization of youth is especially severe among the less educated. Figures 1-2 and 1-3.

Figure 1-2  
*Main Activities of Young Males and Young Females, Indonesia, August 2011*

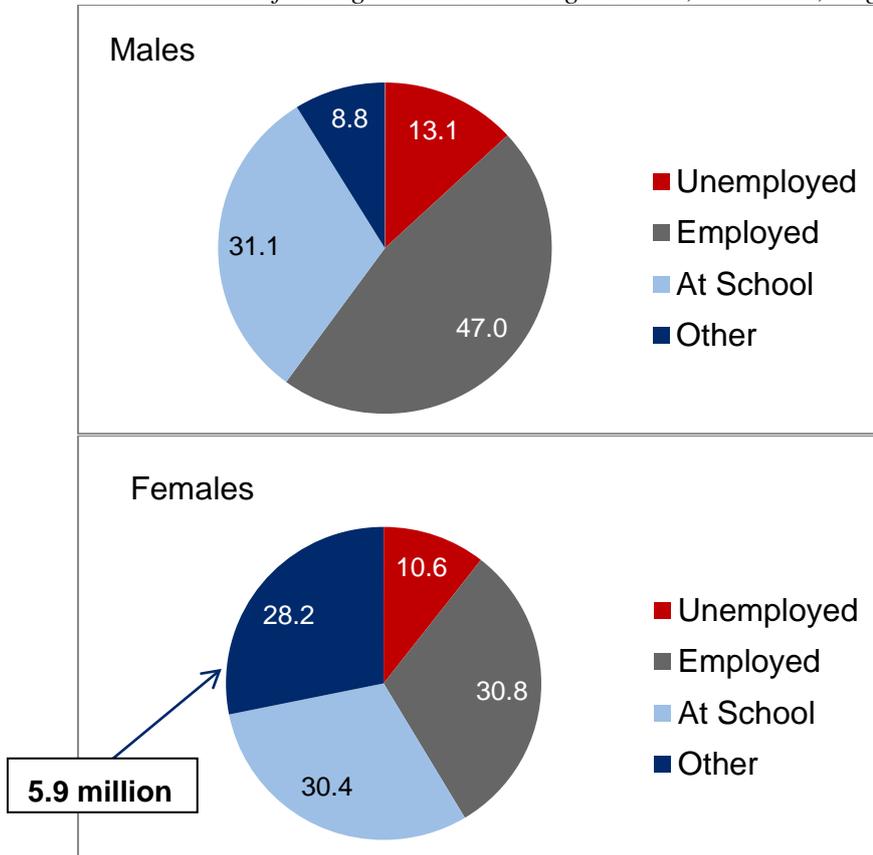
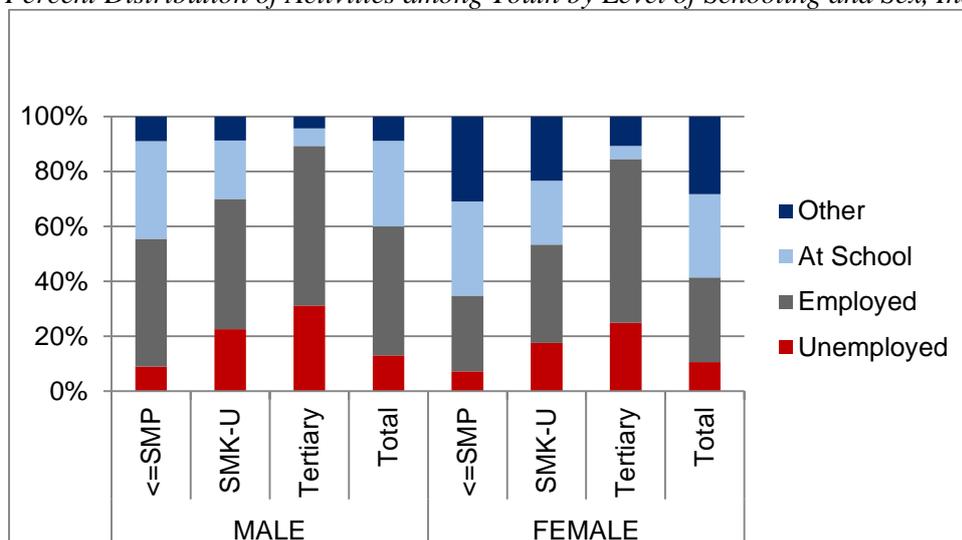


Figure 1-3  
*Percent Distribution of Activities among Youth by Level of Schooling and Sex, Indonesia 2011*



“Not in employment, education or training,” or NEET, is a measure that captures underutilization of youth. It is usually around 15-20 percent in developing countries. The Indonesian figure for males is slightly higher than might be expected, but the figure for females is very high, especially among the less educated. The percent is highest for young women whose labor force status is unclear: they are not at work, not at school, and not seeking or wanting work . See Figures 1-4 and 1-5.

Figure 1-4  
*Youth Neither in School or Employed (NEET), Indonesia, August 2011*

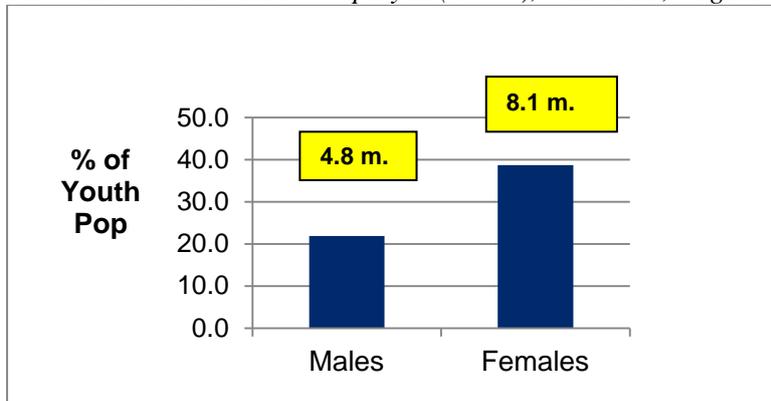
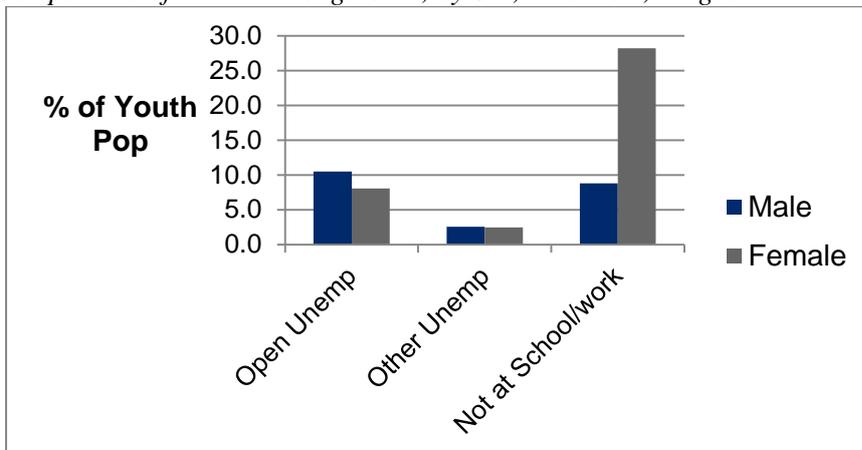


Figure 1-5  
*Components of NEET among Youth, by Sex, Indonesia, August 2011*



## UNEMPLOYMENT AMONG YOUTH

Unemployment is much higher among youth than prime age people for all levels of schooling. It is especially high for SMK and university graduates among youth; it is surprisingly low for D1-D3. Unemployment levels among females are only slightly higher than for males at all levels of schooling for youth. At prime ages, unemployment is much higher for females than for males, especially at SMK and tertiary levels. See Figures 1-6 and 1-7.

Figure 1-6

*Rate of Unemployment by Level of Schooling, Youth and Prime Age Workforce, Indonesia, August 2011*

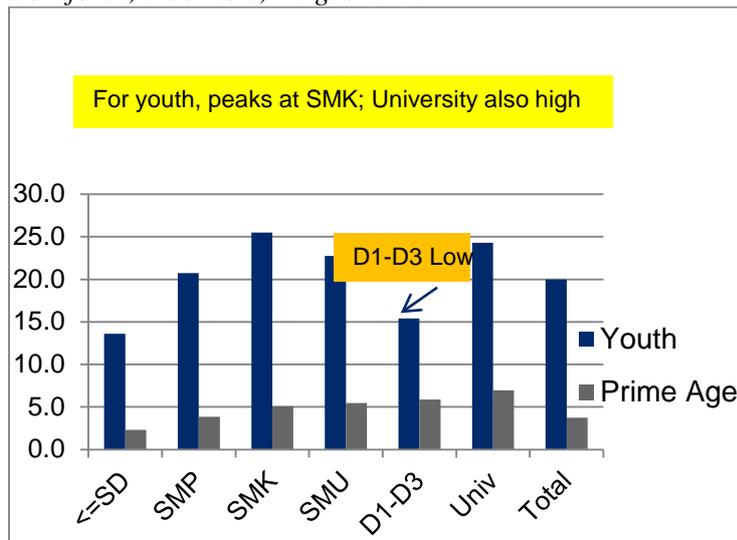
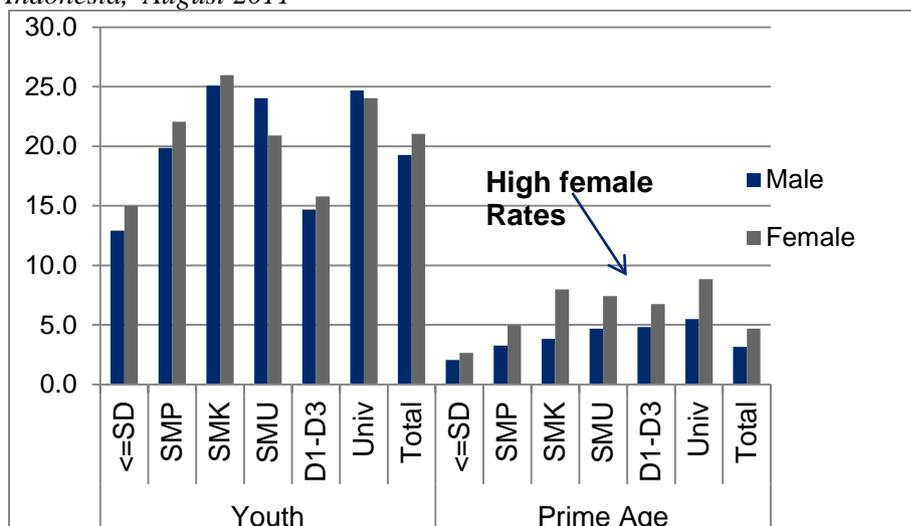


Figure 1-7

*Unemployment by Schooling and Sex, Youth and Prime Age Work Force, Indonesia, August 2011*

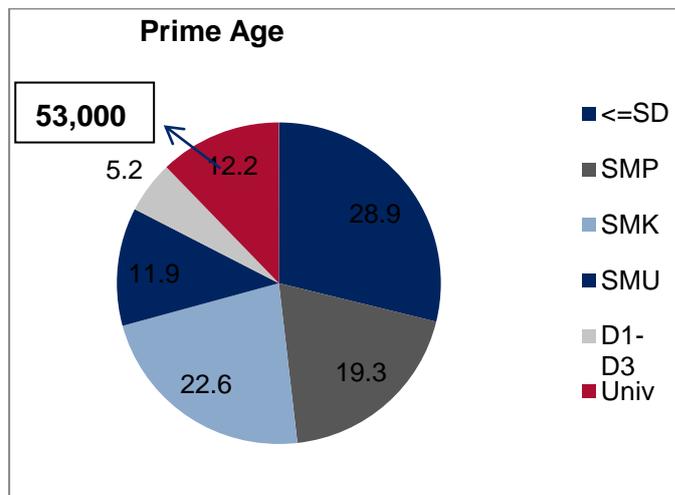
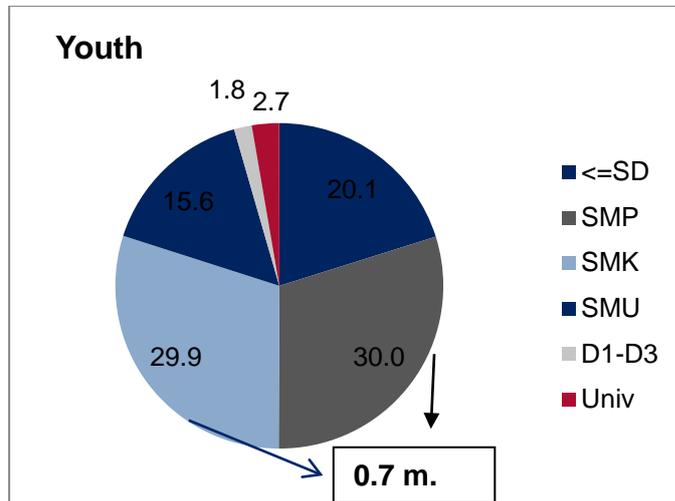


### Distribution of Unemployed by Level of Schooling

Just under 60 percent of all unemployed youth are SMP and SMK graduates. Among prime age groups, a higher percentage of the unemployed were tertiary graduates.

Figure 1-8

*Percent of Unemployed Youth and Prime Age Workers, by Education Level, August 2011*

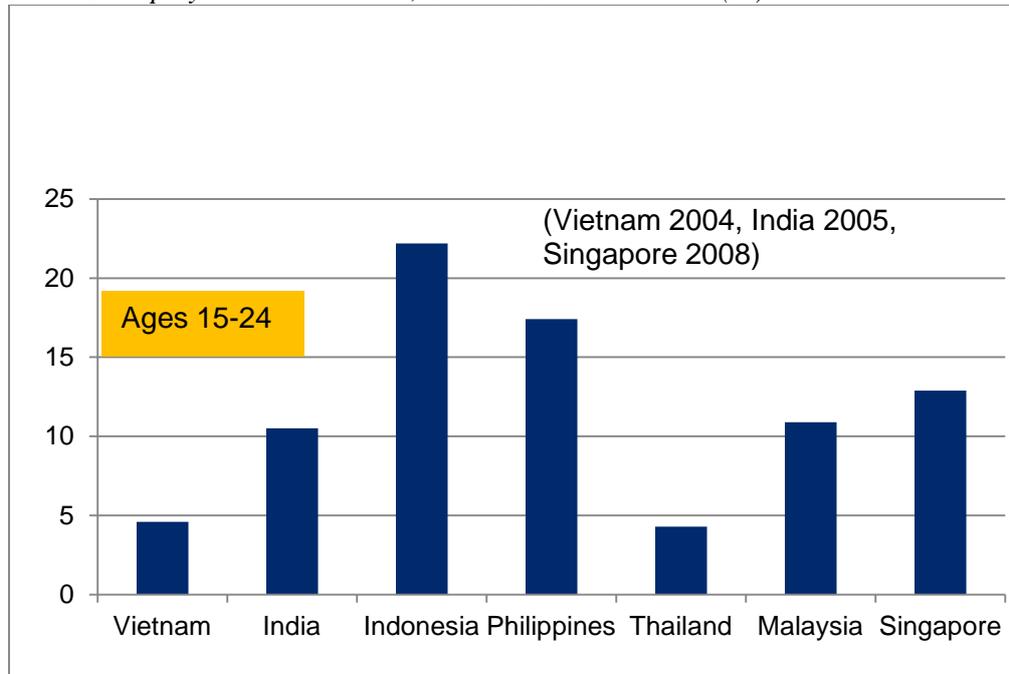


## Youth Unemployment in Asia

Indonesian youth unemployment rates (22 percent in 2009, 20 percent in 2011) have been high in Indonesia, compared with other Asian countries. They were more than twice the rates in Vietnam, India, Thailand, and Malaysia, and quite a bit above the Philippines (unemployment rate 17 percent in 2009). However, since youth rates have declined in Indonesia in recent years, the gap may not be so large in 2011.

Figure 1-9

*Youth Unemployment Rate in Asia, Selected Countries 2009 (%)*



## CHARACTERISTICS OF UNEMPLOYED YOUTH

Most of the unemployed were seeking jobs (open unemployed). About half of the total were defined as discouraged workers, and were mainly less educated people. On average, young people searched for jobs for about 8 months, while prime age workers searched for 12 months. Search duration was longer the less educated, especially youth (searches were especially long among SMK graduates). Unemployed prime age people spent more time searching for work among more educated workers compared with more educated youth. See Figures 1-10 and 1-11.

Figure 1-10  
*Youth Open Unemployed and Discouraged Workers, Indonesia, August 2011*

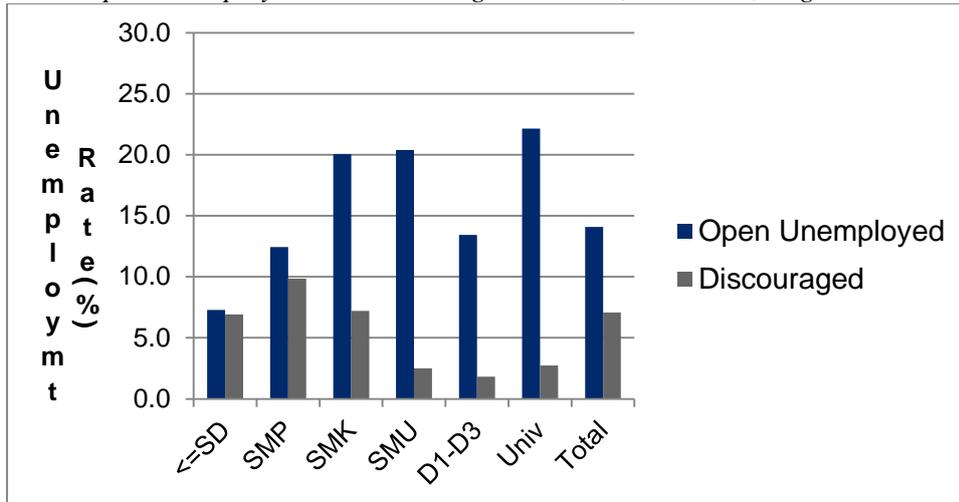
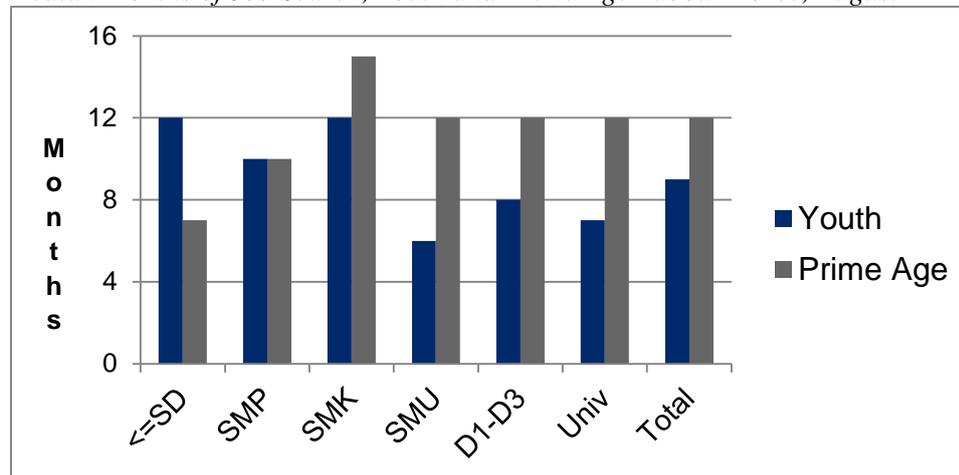


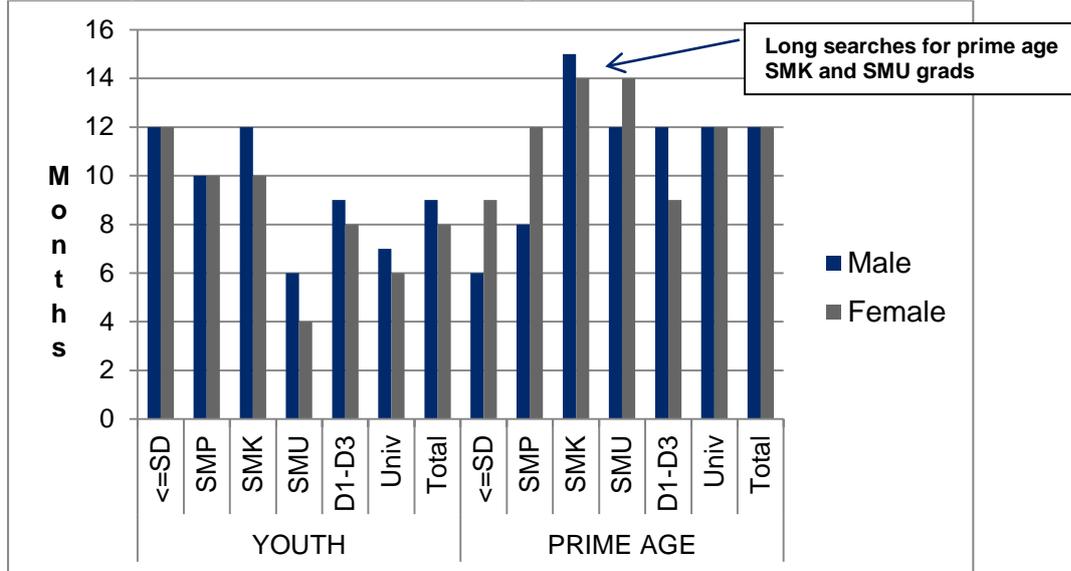
Figure 1-11  
*Median Months of Job Search, Youth and Prime Age Labour Force, August 2011*



There were not large differences among the sexes in search duration. However, both male and female prime age workers tended to spend more time seeking work. See Figure 1-12.

Figure 1-12

*Duration of Job Search, Youth and Prime Age Workers, Indonesia, 2011 (median months.)*

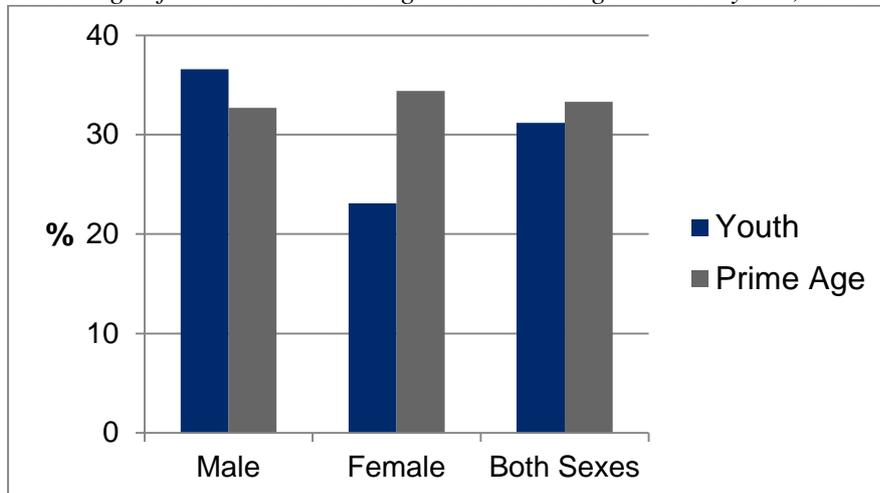


### EMPLOYMENT PATTERNS OF YOUTH AND PRIME AGE WORKERS

Many youth are still engaged in agriculture. While many leave agriculture, the proportion working in agriculture is not much smaller than among prime age people. Relative to prime age people, exit seems more likely among females than males.

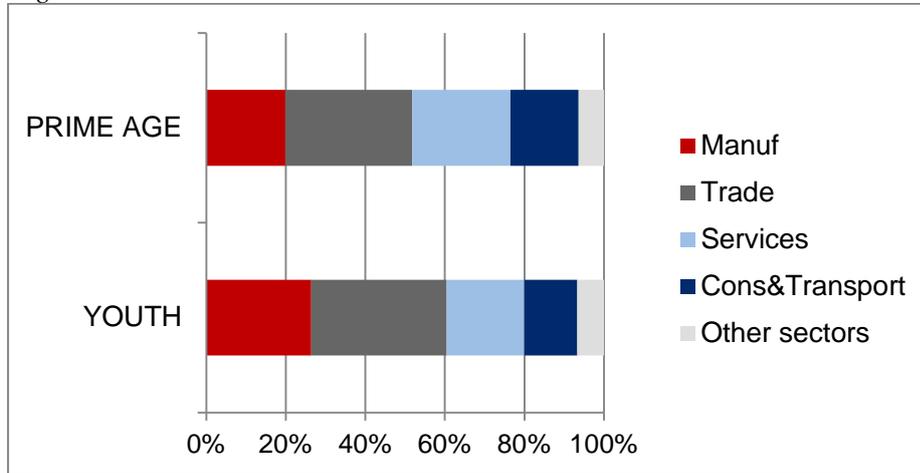
Figure 1-13

*Percentage of Youth and Prime Age Workers in Agriculture by Sex, Indonesia, August 2011*



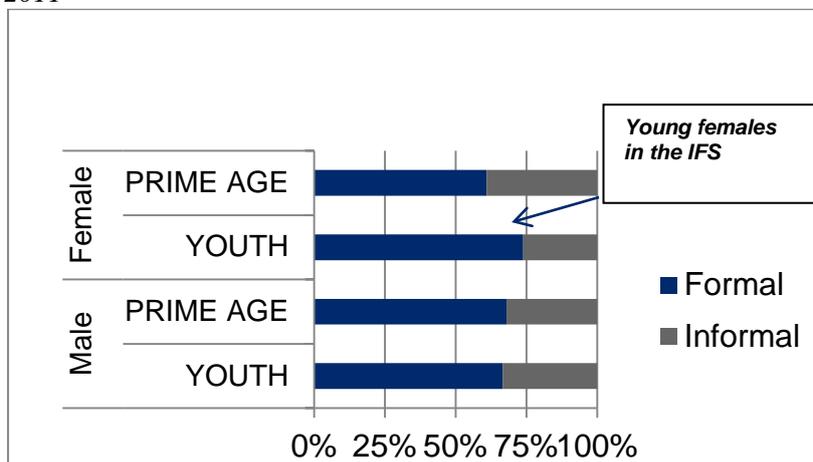
Outside agriculture, young people are more engaged in manufacturing and trade, but not in services where there are many professionals, as well as informal sector workers.

Figure 1-14  
*Distribution of Youth and Prime Age Workers by Sector of Non- Agric. Employment, Indonesia, August 2011*



More young females tend to be engaged in formal sector work than older females. More young females than males worked in the formal sector. In general, males young and old tended to be more engaged in the informal sector (especially in construction, trade and transport).

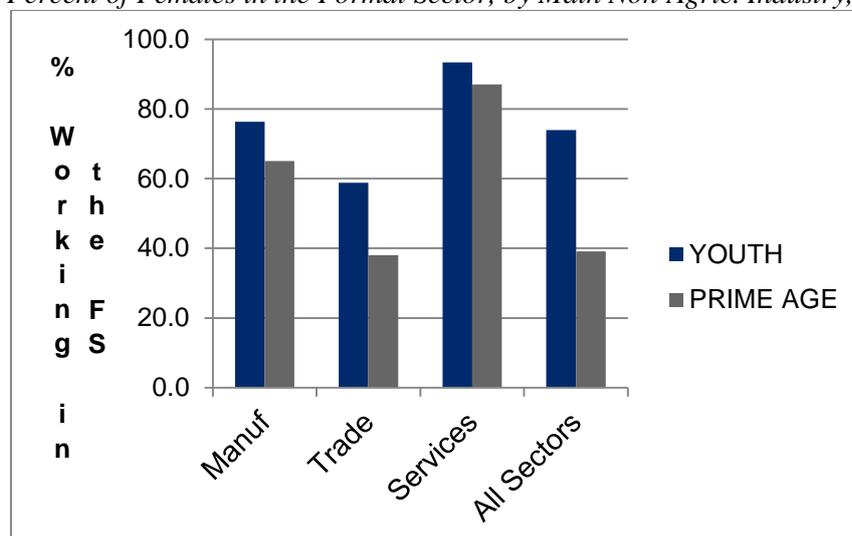
Figure 1-15  
*Involvement of Youth and Prime Age Workers in the Formal Sector, Non-Agric., Indonesia, August 2011*



Many more young females were in wage employment in trade (sales), hotels, and restaurants than older female workers. But services accounted for a large share of work among younger and older females.

Figure 1-16

*Percent of Females in the Formal Sector, by Main Non-Agric. Industry, Indonesia, August 2011*



Among the less educated, younger people tended to be concentrated in manufacturing and less likely to be in construction and services than older people. Among the more educated, youth were more engaged in 'other' sectors (mining, public utilities, finance, and banking), and less likely to work in services (government and in the service professions) than older people. See Table 1-1.

Table 1-1

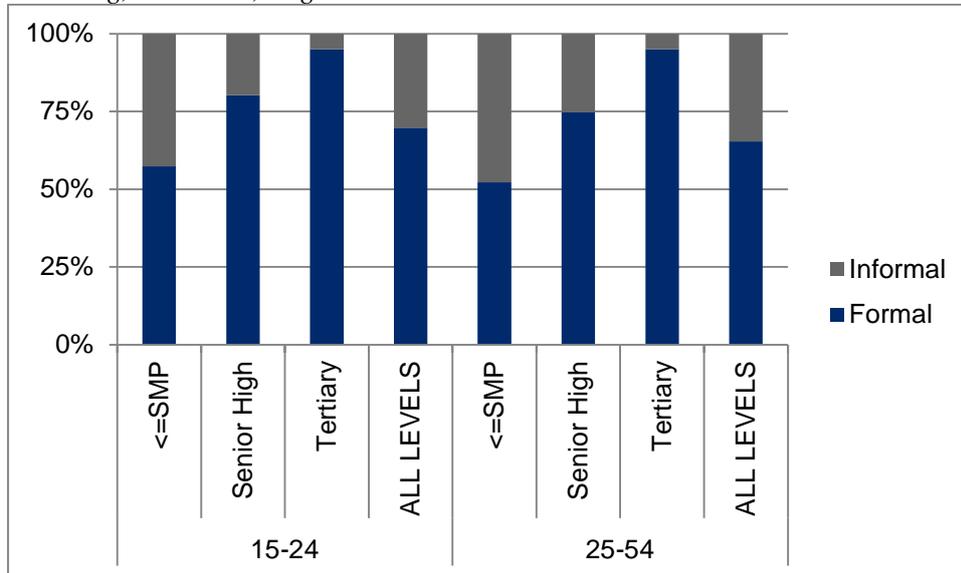
*Distribution of Youth and Prime Age Workers by Main Non-Agricultural Sector and Level of Schooling Completed, Indonesia, August 2011 (%)*

Industry	Less Educated		Senior High		Tertiary	
	15-24	25-54	15-24	25-54	15-24	25-54
Manufacturing	30	23	26	20	5	5
Trade	32	36	40	33	14	12
Services	15	14	19	26	60	66
Construction and transportation	18	22	9	14	5	6
Other sectors*	6	5	6	8	15	10
Total	100	100	100	100	100	100
Million	5.7	28.5	5.1	16.4	0.7	7.4

\* Mining, utilities, and finance.

Less educated people, whether youth or prime age, were much more likely to be in the informal sector. Nearly all those with a tertiary education worked in the formal sector. Youth are more likely than prime age workers to be in the formal sector, which may help explain the long periods of job search, especially among the less educated

Figure 1-17  
*Percent of Youth and Prime Age Employment in the Formal and Informal Sectors, by Level of Schooling, Indonesia, August 2011*



## 2. Trends in Youth Unemployment 2007-2011

### SOME VERY POSITIVE TRENDS

There was a steady decline in youth unemployment from 2007, and major declines in the rate of unemployment and the number unemployed by level of schooling, especially at the SMA and university level. There were rises in SMP unemployment, however. See Figures 2-1 and 2-2.

Figure 2-1

*Trends in Youth Unemployment Rates, Indonesia, August 2007-2011*

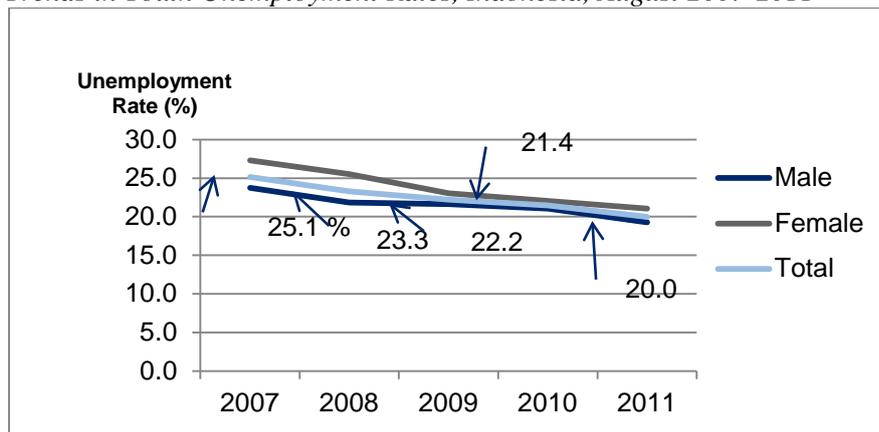
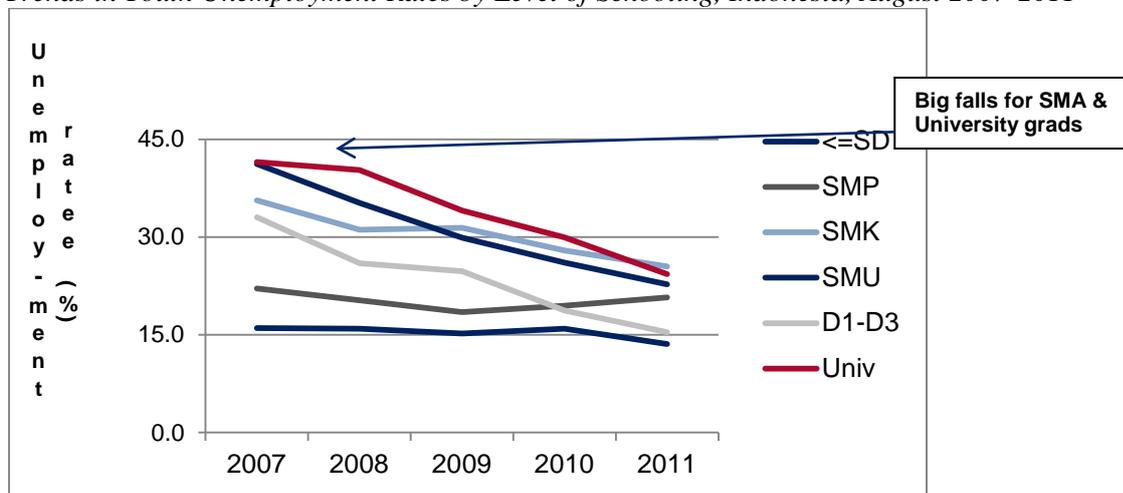


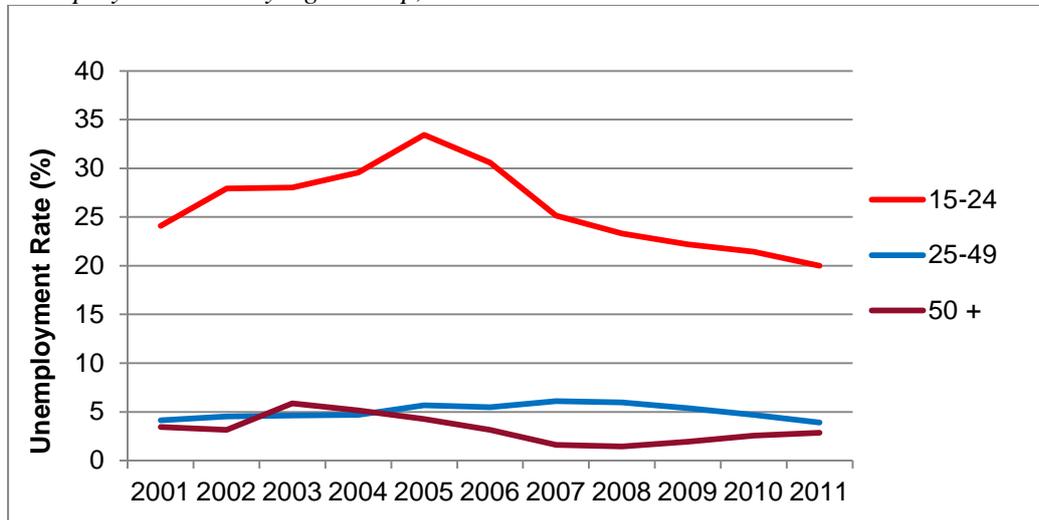
Figure 2-2

*Trends in Youth Unemployment Rates by Level of Schooling, Indonesia, August 2007-2011*



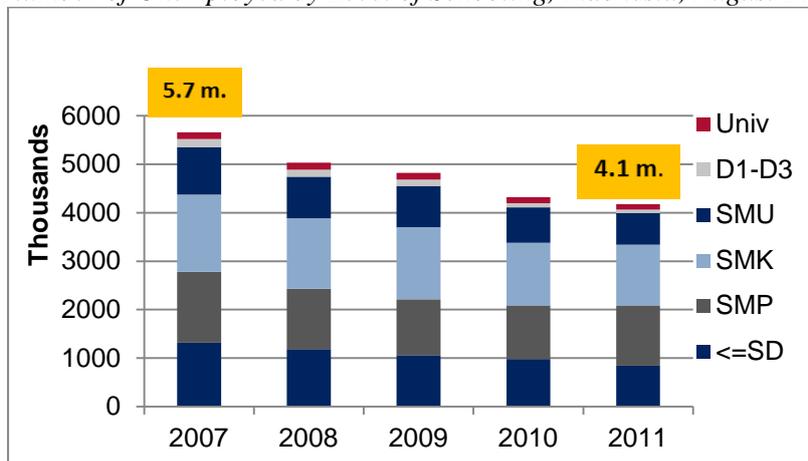
Youth unemployment rates tended to continuous decline, going from 33 percent in 2005 to around 20 percent in 2011. This narrowed the gap with other age groups. Still, open unemployment rates of youth aged 15-24 have been and remain significantly higher compared to the other groups. See Figure 2-3.

Figure 2-3  
*Unemployment Rate by Age Group, 2001-2011*



SMK and SMP graduates dominate the unemployment pool in all years, increasingly by 2011. See Figure 2-4.

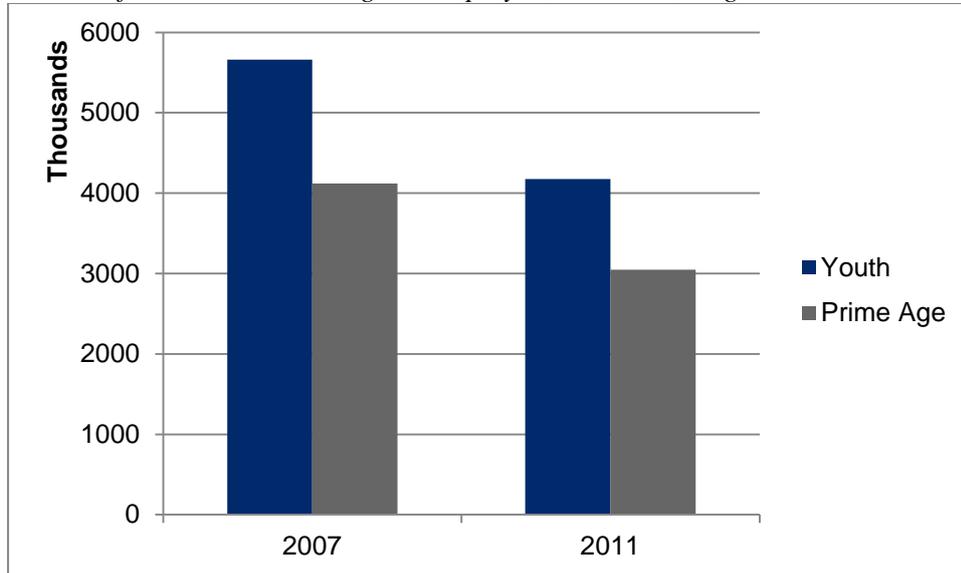
Figure 2-4  
*Number of Unemployed by Level of Schooling, Indonesia, August 2007-2011*



The number of both youth and prime age unemployed declined from 2007, although the fall was greater among youth. See Figure 2-5.

Figure 2-5

*Number of Youth and Prime Age Unemployed, Indonesia, August 2007 and 2011*

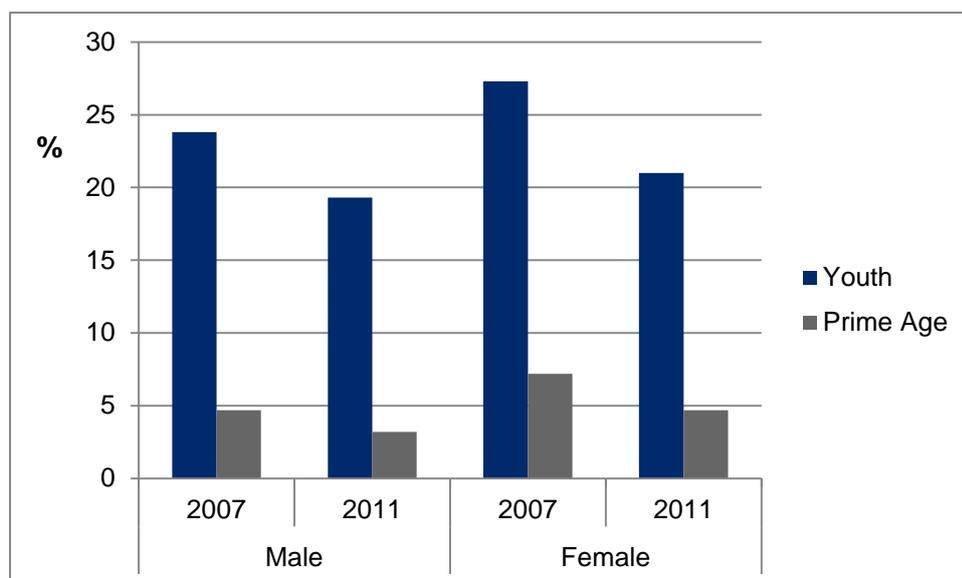


### Good News, Especially for Females

The decline in unemployment rate was greater among females, especially for youth. See Figure 2-6.

Figure 2-6

*Rates of Youth and Prime Age Unemployment, Indonesia, August 2007 and 2011 (%)*

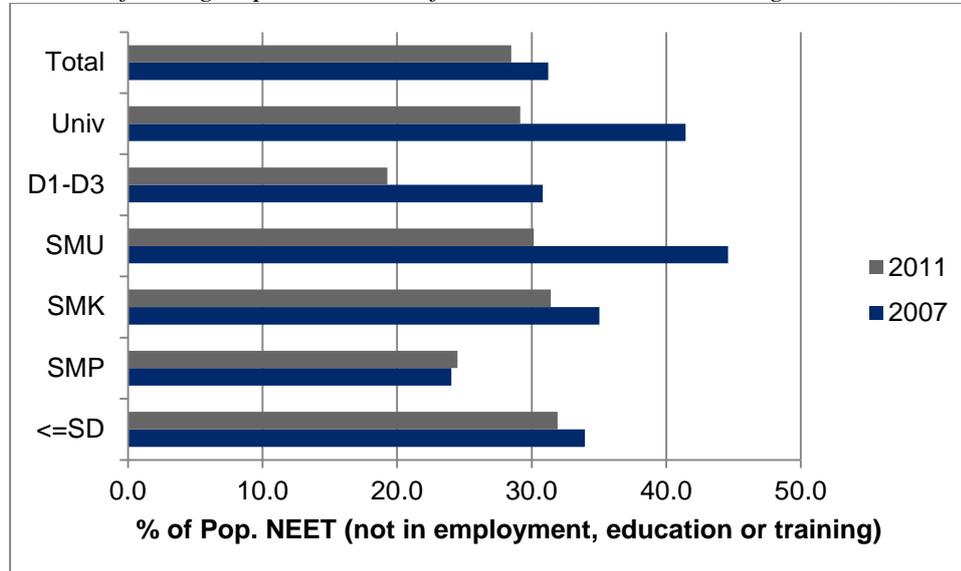


## Other Good News

There are fewer young people not working, looking for a job or just not at school (classified as NEET), and the proportion of underutilized youth has fallen, especially among SMU and tertiary graduates. See Figure 2-7.

Figure 2-7

*Percent of Young Population Classified as NEET, Indonesia, August 2007, 2011*



## THE NOT-SO-GOOD NEWS

Though unemployment rates have fallen, the duration of job search among youths has increased quite significantly, from a median of 5 months in 2007 to 9 months in 2011. They are either becoming more choosy, or the desired jobs are just too hard to find. The job search is especially long for SMK and primary school graduates (who are not working in the informal sector). See Figure 2-8

Figure 2-8

*Median Duration of Job Search for Youths, Indonesia, August 2007-2011*

