



*UNLOCKING
THE POTENTIAL OF YOUTH*

**INDONESIA
YOUTH EMPLOYMENT ACTION
PLAN
2004 - 2007**

An initiative of the Indonesia Youth Employment Network

1. Background

Indonesia was one of the first nations to volunteer to be a “lead” country in the UN Secretary-General’s Youth Employment Network (YEN), created within the framework of the Millennium Declaration where Heads of States and Governments resolved to *develop and implement strategies that give young people everywhere a real chance to find decent and productive work*. The Network is a partnership between the UN, the World Bank and the ILO to bring together leaders of industry, youth and civil society representatives, and policy makers to explore imaginative approaches to the challenge of youth employment. Promoting youth employment is a key contribution to meeting the Millennium Development Goals as reflected under goal eight on “Partnership for Development”.

As a follow-up to the Millennium Declaration, the UN General Assembly adopted, in December 2002, a Resolution on Promoting Youth Employment. The Resolution encourages Member States to prepare national reviews and action plans on youth employment and to involve youth organizations and young people.

In its 2002 UN resolution on Promoting Youth Employment the international community recognized that Governments have a primary responsibility to educate young women and men, to ensure equal access to all youth living in their country and to create an enabling environment that will promote youth employment.

However, it also acknowledged that Governments alone cannot be expected to address these important issues on their own. Youth organisations, employers’ and workers’ organisations, chambers of commerce, non-governmental organisations, community-based organisations and other civil society organisations have a key role to play in helping Governments to achieve these objectives.

To confirm the Indonesian Government’s political commitment to decent and productive work for young people and to translate this commitment into practical actions, the Coordinating Minister for Economic Affairs established, in May 2003, an *Indonesian Youth Employment Network (IYENetwork)* Coordinating Team, under the leadership of its Ministry and that of the Ministry of Manpower and Transmigration. The *IYENetwork* involves senior policy-makers as well as prominent representatives of the private sector and civil society as well as youth organizations. A key priority of the *IYENetwork* has been to develop an *Indonesia Youth Employment Action Plan (IYEAP)* for the promotion of youth employment, to raise awareness and to mobilize partners for action.

The IYEN with technical support from the International Labour Office and administrative support from a specially appointed Secretariat, initiated a program of actions in 2003 through a technical cooperation project on *addressing the challenges of youth employment in Indonesia*, with funding from the Government of the Netherlands. This program supported a series of activities including research on the school-to-work transition of young people, a survey of best practice, a survey and

report of *best practice* programs, and a series of consultations of stakeholders including young women and men that has provided valuable information in the preparation and development of the Indonesia Youth Employment Action Plan.

2. The Objectives of the Action Plan

This *Indonesia Youth Employment Action Plan* is a concerted effort by the *Indonesia Youth Employment Network* to achieve the following objectives:

1. To identify the key issues and challenges faced by young women and men in their transition through education to the workplace;
2. To acknowledge that many policies, programs and activities already exist and to provide a platform for the sharing of information and knowledge at the national, provincial and district levels, that will enrich the various initiatives already being undertaken;
3. To set priorities for action by policymakers and other stakeholders;
4. To demonstrate the need for, and benefits of, an integrated approach to addressing the youth employment challenge;
5. To provide a set of policy recommendations that can contribute to the creation of quality jobs, thereby reducing unemployment, under-employment and the numbers of young people living and working in poverty.
6. To stimulate action by individuals and groups of stakeholders to involve themselves in processes and programs that directly and indirectly contributes to the generation of more and better jobs for young men and women;
7. To urge provincial and district level governments to mainstream youth employment issues into economic and social policies, strategies and programs at the provincial and district levels.
8. To encourage young men and women to participate in dialogue and collective action as a necessary pre-requisite for an accurate and effective response.

3. THE YOUTH EMPLOYMENT CHALLENGE

3.1 EDUCATION AND TRAINING

Developing young people's employability is the key policy issue for ensuring their successful transition to the labour market and their access to career oriented employment. Youth need to acquire the skills, knowledge and attitudes that will allow them to find work and cope with unpredictable labour market changes. The education system plays a crucial role in preparing youth for the labour market.

However, findings from a recent school-to-work transition survey reveal that the main obstacle young people face in finding their first job is inadequate education and skills. The importance of relevant education and training is also the biggest concern for employers and managers as 61 per cent referred to the inadequate education and training of the applicants as the biggest problem in recruiting young workers.¹

Universal Quality Education Remains a Challenge

In 2000, the net enrolment ratio at primary level stood at over 90 per cent and at junior high school level at 59%. Figures for girls were the same at both primary and secondary levels. The challenges are now, firstly, to address the special needs of the remaining 10 per cent of school aged children who are not yet in primary school or have dropped out early. Secondly, to increase the number of students who, after completing primary school, continue their education at secondary school level. This is especially important for poor families.

Although education up to junior high school is theoretically free, one of the main reasons for dropping out early from primary schools and not continuing education to the junior level is financial constraints. The school-to-work transition survey for Indonesia found that over 40 per cent of young jobseekers and close to 60 per cent of young self-employed left school for financial reasons.

Furthermore, the survey findings also reveal that a significant proportion of the respondents who were young employees gave their main reason for abandoning school as being that they did not see the purpose of continuing their education in the face of the low quality and inappropriateness of the skills acquired. Evidence suggests that the learning outcomes in Indonesia at primary and secondary levels are poor when compared to other countries in the ASEAN region. A major reason for this is that overall investment in education as a proportion of GDP in Indonesia remains one of the lowest in the region and of countries with similar levels of national income. In 2000, only 1.2 per cent of the GDP went to education, one third less than that of other countries in the region (China, India, the Philippines and

¹ Sziraczki, G and Reerink, A: "Report of the Survey of School-to-Work in Indonesia", Series on Gender in the Life Cycle, no. 14, Geneva, ILO.

Thailand). Equally important is that Indonesia not only invests relatively little in education, but what it does is underutilized.

There are also significant problems related to inadequate teacher training and management, including uneven distribution of teachers among different types of schools and the status and remuneration of teachers. Furthermore the salary structure for teachers in Indonesia is based on a uniform government pay scale, which does not necessarily take into account special competencies and job requirements. Moreover, teachers' salaries are amongst the lowest in the ASEAN countries, which make it difficult to attract and retain the best individuals in teaching.²

Fragmented and Supply-driven Technical and Vocational Training

Responsibilities for training are spread over several ministries. 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.

Many Young People Enter the Labour Market Unprepared

Many school leavers enter the labour market unprepared and with expectations that are very different from the realities of the labour market. Thus many young women and men experience longer spells of unemployment when they look for their first job. Unsuccessful attempts to seek work in the formal economy often leads to discouraged youth who eventually end up in the informal sector, where quality, productivity and security are low. The majority of young job-seekers rely on informal networks and contacts to search for jobs whereas the role of public employment services, education and training institutions and job fairs play a very small role in assisting young women and men to search for jobs. Furthermore, high levels of migration among school dropouts and school leavers from poor rural to urban areas or to overseas opportunities pose additional challenges to such services. This is particularly important in the case of young female migrants who often face the risk of trafficking.

² Education at a Glance: OECD Indicators 2002, OECD, Paris 2002

3.2 A MAJOR CONCERN: THE QUANTITY AND QUALITY OF JOBS

Indonesia has the world's fourth largest youth population, with over 38.4 million young women and men between the ages of 15 and 24 years.³ Across the country, they are making important contributions as innovators, entrepreneurs, productive workers, consumers, citizens and members of civil society. They are at the forefront of technological revolutions and the democratization process. They are artists and athletes. Their culture enriches society and can be a force for positive change in cultural values. In short, they are the greatest assets for the present and the future, assets that we cannot afford to squander.

The full potential of the majority of Indonesian youth, however, is not being realized because they have no access to productive jobs. In 2003, the share of underutilized (unemployed and underemployed) youth in the labour force and the share of untapped (neither in education nor in the labour force) youth in the total youth population was 52.7 per cent and 19.5 per cent, respectively.

Table 1: Untapped and underutilized youth (%)

	1990	1998	2003
Share of untapped youth*	19.5	13.3	20.6
Share of underutilized youth**	48.6	52.8	52.7

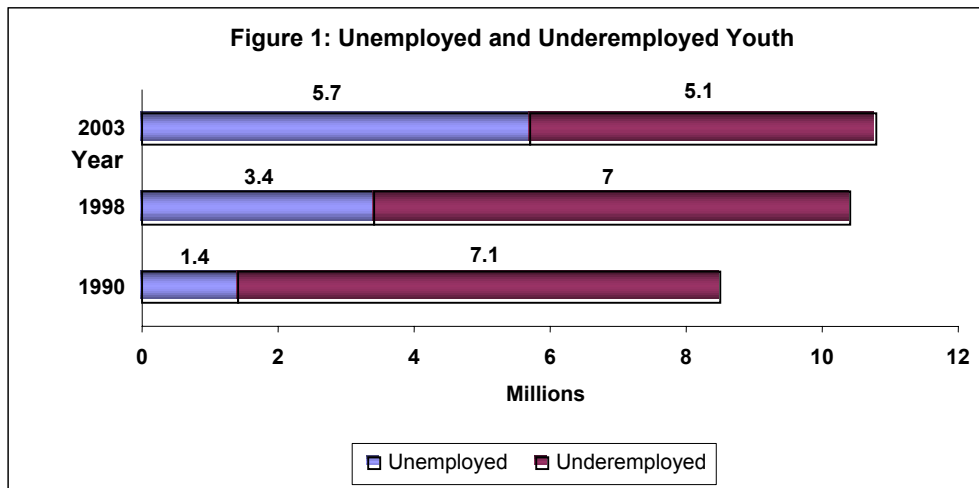
* % share of those youth in the total youth population who are neither in education nor in the labour force

** % share of those youth in the labour force who are unemployed or underemployed

Source: SAKERNAS

In the post-crisis period, the youth employment situation has deteriorated, which is shown by the growing share of untapped youth in the total youth population and the growing number of unemployed youth (Figure 1). By 2003, the unemployment rate of young men had risen to 25.5 per cent and those of young women to 31.5 per cent. Overall, the youth unemployment rate was almost four times higher than the adult rate.

³ Youth comprise almost 18 per cent of the country's population.



Youth unemployment and underemployment trends do not fully capture the youth employment problems in Indonesia because the latter often show up in divergent trends between the formal and the informal sectors and across economic sectors. The reason for this is that in the absence of unemployment insurance young jobseekers unable to find jobs in the formal sector have to enter the informal economy to support themselves and their families, as happened during the recession in 1997-98 and as has been the case over the last three years. In 2003 close to 60 per cent of the youth worked in the informal economy. Most jobs in the informal economy are in low productivity activities where earnings are low and unstable. In contrast, the formal sector provides young workers with better quality jobs and higher wages and better working conditions. Therefore, the key issue is not simply unemployment, rather the quality of job. This implies that an appropriate *employment strategy should focus on job creation in the formal sector through investment and export as well as assisting the gradual formalization of the informal economy.*

The main cause of youth employment problems appears to be on the demand side – slow economic growth leading to slow creation of jobs in the formal sector. According to estimates, a growth rate of six percent is critical in underpinning an employment-focused strategy in promoting employment.⁴ Over the next five years, such an annual economic growth could create 5-6 million modern sector jobs (for as many as 60 per cent of new jobseekers) with the informal economy absorbing the rest.

Both youth and adult workers face the same problems related to the quantity and quality of jobs. However, it is not just that young workers share the adverse effects felt by all workers when aggregate demand is low, but that their share of these effects is disproportionately large. The reason for this is that young people experience certain *age-specific difficulties in the labour market*. As first-time job seekers,

⁴ “Strategic Approaches to Job Creation and Employment in Indonesia”, Report prepared for the United State Agency for International Development, Jakarta, 2004, p. IX.

youth often lack working experience, which tends to be much valued by employers. Getting such first experience is a major difficulty most youth face, importantly because education and training systems rarely offer entry channels from education/training institutions into the labour market.

School-to-work transition is often hindered by the fact that young people lack the knowledge and skills required by the labour market. The problem is partly attributable to the fact that education and training systems often offer curricula that are irrelevant or unrelated to the needs of the labour market and for a productive working life. Young people therefore tend to have a longer period of job search as compared to adults. Some, especially young women, may become discouraged and give up actively looking for work. Part of the problem may also be due to the fact that the aspirations of young people are unrelated to the realities of the labour market, a problem aggravated by the lack of proper career guidance and counseling in the educational institutions.

There can be institutional barriers to the entry of young people into the labour market. For instance, minimum wage increases have a larger impact on employment of marginal workers because the minimum wage is close to the average that they earn. Furthermore, high severance payments make it relatively cheaper to dismiss young workers with low tenure, relative to adults, as the latter group is more expensive to dismiss.

One option for young people who are unable to get into the formal labour market is to go into self-employment or become entrepreneurs. Youth share the problems common to all entrepreneurs of micro and small enterprises. But in addition, age works against young people in terms of their greater difficulties of getting access to credit (they are considered a high-risk group by financial institutions due to lack of collateral or experience) and their lack of networks. Young people are therefore concentrated in low-productivity and survival-type activities in the informal economy.

Another reason for the disadvantaged position of young people in the labour market is that they lack representation and voice. Young people are often not organized, they are rarely members of trade unions and employers' organizations and have few channels by which to voice their concerns and needs.

The lack of productive and quality work opportunities represents a serious cost not just to the young people themselves but also to their families, societies and economies. The cost of lost production and wasted human potential to economic and social development is extremely high. Decent work deficits for young people

are associated with dysfunctional behavior, high levels of crime, violence, substance abuse, and the rise of political extremism.

3.3 BARRIERS TO YOUTH ENTREPRENEURSHIP

Small and medium-sized enterprises (SMEs) form the backbone of the economy in Indonesia, providing the bulk of jobs. In the post-crisis period the employment share of SMEs has been growing faster compared with large companies. However the potential of SMEs and young entrepreneurs are yet to be fully realized. The main barriers are the following:

Legal and Regulatory Framework

Many enterprises in Indonesia are informal because the administrative procedures for business registration are too cumbersome, long-winded or costly. According to the Coordinating Ministry for Economic Affairs, the time needed to acquire a business license often takes up to 6 months. The regulatory and legal barriers to setting up new businesses are particularly high for young people who often have to rely on intermediary agents because they lack information and experience. Furthermore, the lack of voice and representation of SMEs and young informal sector operators prevents them from participating and raising their needs in the design of policy formulation.

Another 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. 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.

Micro-finance activities go hand in hand with entrepreneurship, enabling people to borrow for productive purposes, and to save and build their assets. There is evidence that the existing demand for micro-finance is only partially met by current institutional providers and the opportunity presents itself either to expand the outreach of existing institutions or to establish new ones.⁵

Entrepreneurship culture

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

⁵ 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).

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.

Although initiatives are taking place to promote a new culture of entrepreneurship through the educational and training system and awareness campaigns do exist (such as youth entrepreneurship competitions), such initiatives are institutionally segregated with limited impact.

Business support services

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. Access to effective business advisory and support services, and the capacity to deliver them, is critical in promoting youth entrepreneurship. Once again there are existing initiatives taken by government agencies, universities and the private sector, though they remain isolated. What is missing is a dense web of institutions and networks, representing the various stakeholders for sharing experience and lessons learned of what worked under different conditions.

3.4 EQUAL OPPORTUNITIES: PERCEPTIONS OF GENDER ROLES ARE DEEPLY ROOTED

Over the past decade, the government has made considerable effort to ensure equal opportunities and treatment of young women and men in education, employment and society affairs. However, perceptions of gender roles remain deeply rooted in many segments of society. Perceptions of appropriate roles and responsibilities are often formed at an early age through the influence of family, education and media.

While the gender gap in education is decreasing this does not indicate that educational opportunities are equal for women and men. Gender segregation in educational courses still plays an important role in channeling a large number of women to a narrow field of study. For example, studying social sciences tends to be dominated by female students, and technical sciences by male students. In the school year 2000-01, the percentage of female students in vocational senior secondary schools majoring in industrial engineering was 18.5 per cent, in agriculture 29.7 per cent, and in business, management and hospitality 64.6 per cent. Eliminating such stereotypes would contribute towards the Millennium Development Goal of ensuring that all boys and girls complete basic education and eliminating gender disparity in education.

Segregation in education leads to segregation in the labour market, confining young women to a narrower range of occupational opportunities than men. For example, young women have the highest representation in agriculture and trade activities, which tends to be least formalized and low paid, relative to other industries. Furthermore, more than half of the female labour force is working in blue collar and related occupations, and another one-fifth in regular clerical, sales and service jobs.

Perceptions of appropriate gender roles, and of the division of responsibilities between men and women, 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. Although many Indonesian families are able to arrange for childcare in their communities or through relatives, this suggests that in many cases traditional attitudes and perceptions cut short women's opportunities to gain their own income. Thus, young women face serious disadvantages already from the start of the transition to the work force, which is also reflected in labour force participation, employment and unemployment trends.

In 2003, 20 million young women and 19 million young men were of working age (15-24 years). Although young men's labour force participation rates have consistently exceeded women's, just 40.5 per cent of young women but 63 per cent of young men were in the labour force in the year 2003, with young women comprising 39 per cent of the total youth work force. This figure represents a lower female participation rate prior to that of the financial crisis in 1997. Women have been more disadvantaged than men, which is also reflected in declining employment and growing unemployment. Furthermore, women tend to be crowded in the informal economy.

Young women also face the problem of underemployment more often than young men. Young women who work less than 35 hours per week accounted for almost 40 per cent, whereas young men who work more than 35 hours are almost 70 per cent.

Indonesia has introduced substantial legislation and policy provisions to build a framework that, if implemented effectively, would provide equal access to employment, equity in remuneration, and provisions for women's child bearing responsibilities. While the Ministry of Women's Empowerment has an advocacy and policy making/influencing role, its role with regional autonomy is yet to be worked out since it has no provincial or district level offices.

In view of the lower pay and limited employment opportunities for women, it is not surprising that many young women turn to overseas jobs, for better living, although not necessarily for better opportunities for skills or career development. The vast

majority of overseas workers are young women employed as domestic servants or in the informal sector outside the reach of normal labour legislation. Furthermore, they face cumbersome bureaucratic practices that impede travel, the predatory behavior of intermediaries who form part of the 'migration industry' and who extract excessive payments for the services that they offer to migrants. Young migrant women in particular face the risk of trafficking, exploitation and violence.

4. POLICY RECOMMENDATIONS

This chapter presents the policy recommendations, organized around **four pillars**:

- A) **Preparing Youth for Work:** ensuring quality basic education for all young men and women, and developing a demand-driven vocational and technical education system;
- B) **Creating Quality Jobs for Young Men and Women:** focusing on the generation of formal sector jobs, but not forgetting the needs of the poor and disadvantaged youth;
- C) **Fostering Entrepreneurship:** 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
- D) **Ensuring Equal Opportunities:** giving young women the same opportunities as young men.

The four pillars are closely interlinked. Without the creation of sufficient quality jobs young people have no opportunity for productive employment. Without an effective education and training system that equips young men and women with the necessary skills and knowledge young people cannot seize the available employment opportunities. Without entrepreneurship the driving force of young people for initiating business ideas, establishing enterprises and creating jobs remains untapped. And finally, without equal opportunities for young women half of the youth potential remains unrealized.

The policy recommendations are highlighted below (and also presented in a matrix format in the Annex) focus for a three-year period, 2004 to 2007.

A. PREPARING YOUTH FOR WORK

The idea behind this pillar is to tackle the education and training systems in a decentralized Indonesia, and by strengthening their link to the workplace, so that young school-leavers and job-seekers are well equipped to take advantage of employment opportunities. The emphasis is on basic schooling that provides quality education, on vocational training that is responsive to the needs of the labour market, and on the preparation of young women and men for labour market entry.

Basic Education

Completion of basic education is a necessary pre-condition for successful entry to the labour market. To achieve the universal basic education (nine year schooling), efforts are needed to improve the access of the poor to junior secondary education. To reduce drop out rates at the primary level and increase the enrolment rate at junior and secondary school levels the key issues are to make education affordable to the poor and improve the quality of schooling in the context of decentralization.

Recommendation A1: Making Education Affordable for the Poor

- *Eliminate hidden fees such as school entrance fees and lower uniform and book costs.*
- *Reduce the educational costs for the poor through targeted scholarships.*
- *Consider using 1 per cent of national tax revenues to support education of the poor.*
- *Provide incentives to encourage local communities, charitable organisations and private sector companies to set up foundations that provide grants and scholarships for needy students and their families.*

Recommendation A2: Improve the Quality of Education

- *Invest more in educational infrastructure.*
- *Gradually increase teachers' salaries, combined with substantial improvements in teacher status, professional competency and teaching materials.*
- *Establish nation-wide minimum service and qualification standards; this requires close collaboration between central and local educational authorities.*
- *Set up an independent educational assessment body, that monitors and evaluates performance of schools nation wide. Assessments carried out could encourage local governments to reconsider future funding and the existence of under-performing educational institutions.*
- *Build on the recently established school committees and councils, efforts need to be made vis à vis the accountability of school management and to elicit better performance.*

Vocational and Technical Education

The Government has recently embarked on a process of reforming the technical and vocational training system. This involves the development of a National Professional Qualification Framework, followed by the development of qualification standards for core skills, a system of accreditation and skills recognition and new funding arrangements. This is an enormous task that will require substantial resources in both time and money. In the short term the recommendations are:

Recommendation A3: Develop a National Qualification Framework

- *The draft regulation on the National Vocational Training System needs to be finalized and adopted by parliament.*
- *Develop a nationwide competency based skills recognition standards system. Such a system would make the labour market more transparent and the skills more portable, allowing for a smoother transition of school leavers to the labour market.*

Recommendation A4: Strengthen the Network of Vocational Education and Training Centers of Excellence

- *These training centers are under the control of the Ministry of Manpower and Transmigration. The Ministry should strengthen the capacity of training centers to formulate training policies and delivery of competency based training. This program should involve all the relevant stakeholders including regional governments, chambers of commerce and industry and employers' organisations, and private sector training providers. The training centers could then act as model institutions that provide good examples and lessons learned for the reform of the national training system.*

Linkages between Education and Business

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.

Recommendation A5: Build Bridges between Educational Institutions and the Business Community

- *Encourage employers 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.*
- *Identify good examples and encourage companies, universities, vocational education and training institutions to develop partnerships. Such partnerships may take the form of verbal and written agreements. Lessons learned should be disseminated to generate learning across the country.*

Preparation of School Leavers for Labour Market Entry

Building human capital means not only basic education and skills development but also the empowerment of young people, so that they can take advantage of labour market opportunities. Better preparation of school-leavers for labour market entry could facilitate the job matching process and reduce the period of unemployment, thereby easing the school to work transition.

Recommendation A6: Improve the Preparation of School Leavers for Labour Market Entry

- *Provide labour market information and gender sensitive career guidance to be offered to in-school youth through the education and training system and to young jobseekers through the media. This in turn requires the strengthening of in-school career guidance services, which are available in most secondary and higher education institutions. The Ministry of Education, in cooperation with the Central Bureau of Statistics and the Ministry of Manpower and Transmigration, are encouraged to develop a national program for the strengthening of in-school career guidance service.*

B. CREATING QUALITY JOBS FOR YOUNG MEN AND WOMEN

The main dimensions of the Indonesian labour market and youth employment problems highlighted in the previous chapter set out the context for the view that employment creation should be a core element of the national youth employment strategy. More specifically, there is a need to create enough sustainable jobs (around 2 million per year according to estimates) to absorb new entrants to the work force and to reduce the backlog of the unemployed and underemployed over the next few years. Embedded within the overarching goal of employment creation are a series of policy recommendations related to government policies, Local Economic Development and private sector involvement.

Employment friendly macro economic and sectoral policies

Growth through investment and export recovery and improved investment climate is essential for job creation in general, and for the promotion of youth employment in particular, but in itself is not enough. The quality of growth also matters. An effective strategy for generating youth employment should be part of an overall strategy of employment creation at both the macro and sectoral levels through employment intensive growth.

Recommendation B1: Incorporate Youth Employment Goals in Macro Policy

- *Set clear employment targets and incorporate them into medium term development plans and strategies. This would enable policy makers to measure progress made in creating a sufficient number of quality jobs for young people. Such targets may be measured⁶ via the following indicators:*
 - *a reduction in the share of untapped youth (those who are neither in education nor in the labour force);*
 - *a reduction in the share of underutilized youth (those who are unemployed or underemployed);*
 - *an increase in the share of youth working in the formal sector; and*
 - *an increase in the share of young women working in the formal sector.*
- *Conduct youth employment impact analyses of macro policies.*

Recommendation B2: Review Labour Market Regulations to Ensure that they Facilitate Greater Opportunities for young workers

- *Explore the feasibility of setting youth specific minimum wages for young workers-- a practice that is used in several countries-- as a stepping-stone for recruitment of young workers in the formal sector.*
- *Consider apprenticeship contracts and other incentives (subsidized employment combined with training) for encouraging the employment of youth.*

Recommendation B3: Exploit New Opportunities in Emerging Sectors

- *Identify current and prospective job opportunities for young people in emerging sectors such as tourism, mass media, health and education, environmental conservation, the information and communications technology (ICT) product and service industries and the agro industry. The latter is especially important as it strengthens urban-rural linkages, which is critical not only for employment creation but also for poverty reduction.*

⁶ A reduction in the share of untapped youth would mean that the capabilities of youth are harnessed through their higher participation in secondary and higher education and/or that their productive potential can be mobilized through their higher participation in the labor force. A reduction in the share of underutilized youth would mean a step towards the goal of full employment for all young women and men in the labour force. However, achieving full employment not only involves focusing on more jobs, but also on better quality jobs. Hence, the importance of the third target: the share of youth working in the formal sector. Formal (modern) sector jobs require more educated workers and offer higher wages and better working conditions, compared with employment in the informal sector where productivity and earning are lower, jobs are insecure and working conditions are poor. Finally, an increase in the share of young women would indicate a progress towards closing the gender gap in employment, which is an important dimension of the Millennium Development Goal of Promoting Gender Equality and Empowering Women.

- *Line ministries should mainstream youth employment objectives into sectoral strategies.*

Recommendation B4: Develop Youth Specific Indicators and Statistics

- *The youth employment national action plan needs to be under girded by an appropriate statistical framework that can enable the IYEN to monitor the implementation of the program. Any credible labour market information on youth employment should also take account of the gender dimension of the labour market. The IYENetwork invites the Central Bureau of Statistics to publish annual reports on the youth employment situation in Indonesia based on the National Labour Force Survey and the National Socio Economic Survey.*

Local Economic Development

Decentralization of government services increases the relevance of local authorities, as do the opportunities for local development and the promotion of local employment. Local economic development is a participatory process that encourages partnership between the main stakeholders within a defined territory with the objective of stimulating economic activity and creating employment. Local economic development initiatives have opened up new opportunities for the promotion of youth employment through a closer integration of young informal sector operators into local industry clusters and thereby access to markets and services.

Recommendation B5: Mainstream Youth Employment Issues into Local Economic Initiatives

- *Identify lessons learned from local economic initiatives, such as the Central Java wood furniture cluster program, supported by the Ministry of Manpower and Transmigration in collaboration would local stakeholders. Results of this and other initiatives should be disseminated nationwide (through training materials, stakeholder seminars and media reports) in order to exploit the potential of local economic development for the promotion of youth employment in other industries and regions.*

The Role of the Private Sector

As the engine of growth and job creation, the private sector has a key role to play in creating opportunities for young people. Indeed, many private companies are already involved in activities ranging from the provision of education grant to poor students, through training and micro-finance for disadvantaged youth to direct job

creation. Many employers recognize that employing young people is good for business, as they bring to the workplace enthusiasm, energy, commitment, new ideas and the willingness to embrace change.

Recommendation B6: Mobilize Business for Action

- *Recognizing private sector initiatives through media and other channels.*
- *Consider tax incentives for private companies and their foundations for certain well-defined actions promoting opportunities for the most disadvantaged youth.*
- *Initiate enterprise competitions in order to identify good practices in the promotion of youth employment and provide an award to the best company annually. In this regard employers' organizations should play a lead role in awareness raising among their members.*

C. FOSTERING ENTREPRENEURSHIP FOR MORE AND BETTER JOBS FOR YOUNG PEOPLE

Innovation and entrepreneurial activity are key drivers for increased competitiveness, growth and the creation of sustainable jobs of higher productivity and better quality. Fostering youth entrepreneurship depends on a broad policy mix, encompassing in particular: better regulatory and administrative frameworks; strengthening representation of SMEs and self-employed youth; improving access to finance; encouraging positive attitudes towards entrepreneurship and a developing a network of business support services.

Enabling Policies and Regulatory Frameworks

The potential of young entrepreneurs and informal workers to enhance their productivity and to progressively transform survival activities into decent work will depend on an enabling legal and regulatory framework supporting the representation of SMEs and self-employed. Therefore it is important to remove unnecessary legal and institutional obstacles to the creation and growth of small enterprises.

Recommendation C1: Make it Easier to Start and Run Your Own Business

- *Set up a task force to review the existing legal and regulatory framework to access the licensing requirements and procedures for small businesses. The aim is to streamline requirements that would reduce time and cost for starting up new businesses. The new simplified regulations and procedures could provide a basis for benchmarking the authorization of business licenses, which are now in the hand of provincial and district level government agencies.*
- *The task force may also consider replacing the licensing requirements with a new business registration system that may be cheaper and more efficient. The task force should involve relevant stakeholders including representatives of business community and young entrepreneurs, and should develop its proposals within a two year time frame.*

Voice and Representation of SMEs and Self-employed Youth

In order for policies to be effective and pertinent, all those directly affected by them should be closely involved in their design and formulation. The absence or weakness of representation is also a major reason for the marginalization of young women and men particularly those working in the informal economy. Therefore strengthening the capacity of small and informal enterprises to participate in policy development and to represent their interest is essential. New ways are also needed to increase the economic capabilities and strengthen the organization and voice of young informal workers, to promote and defend their rights and to harness their creativity and potential, so as to bridge the formal and informal economies.

Recommendation C2: Enhance the Representation and Voice of Young Workers and SMEs

- *Strengthen the capacity of employers' and workers' organizations to better represent and service the needs of young people. Employers' and workers' organization should evaluate progress made and identify good practices within a two-year period.*

Recommendation C3: Support the Formation of Self-Help Groups and Membership-Based Organizations, including Cooperatives, by Young People

- *This would 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.

Financial Policies

Access to finance is often the most crucial factor for starting, sustaining and expanding an enterprise, and creating jobs. While necessary to encouraging banks to go “down-market” it is far from sufficient to cater the needs of young entrepreneurs. It is therefore essential to encourage alternatives such as micro-finance institutions and the small business communities to create its own financial mechanisms.

Recommendation C4: Strengthen Micro-Finance Institutions so that they Reflect the Needs of Youth

- *Encourage the network of micro-finance institutions to identify successful examples of how to overcome barriers that young people face in accessing finance, and initiate capacity building and awareness raising campaigns.*

Entrepreneurial Culture

Given the negative perception of many young people to entrepreneurship, which is often perceived as informal sector work, there is a need to build a new culture of entrepreneurship that favours initiative, enterprise creation, productivity, and good working conditions and labour relations. Such an entrepreneurial culture is best promoted through (i) education and training programs and (ii) awareness raising campaigns.

i. Entrepreneurship training and education

Education and training have a critical role to play to spread the value of business, provide information to young people on entrepreneurship as a viable career option and equip young people with the necessary skills and knowledge to start their enterprises. Recognizing this, the Ministry of Education has introduced entrepreneurship training in the curricula of vocational high schools and special programs for out-of-school youth. In addition to this there exists a large number of entrepreneurship training programs for young people run by other Ministries, private sector training providers, foundations and NGOs. To improve the effectiveness of on going programs action in two particular areas is proposed:

Recommendation C5: Improve the effectiveness of entrepreneurship training in vocational high schools

- Carry out an impact analysis of existing programs on the careers of school leavers to ensure that the training materials reflect the needs of the business environment.
- Seek partnerships with the private sector to provide mentor support and start-up capital for students with viable business plans. These initiatives would follow up on the Ministry of Education's efforts to introduce enterprise-focused curricula in vocational high schools nationwide.

Recommendation C6: Establish an Independent Review of the Entrepreneurship Training Programs for Out-Of-School Youth

- Draw lessons learned about the effectiveness of the various programs and identify success stories for dissemination and replication. This is an area where the Ministry of Education and the Ministry of Manpower and Transmigration together with other relevant training providers could take the lead.

ii. Awareness Campaigns

Identifying young role models is a valuable means of helping young people consider and explore self-employment as a career option. Role models could be identified through youth business competitions organized both for in-school students and for already established young entrepreneurs. These programs could provide many opportunities for exposure through the media. On the one hand, they promote the spirit of initiatives and ideas of young people and on the other, host companies involved in the program would have an opportunity to forge links with local schools and their students and benefit by gaining a positive corporate image. Indonesia has already a number of such initiatives, what is needed is a more vigorous awareness raising campaign, which complements existing programs.

Recommendation C7: Develop a Multimedia Public Awareness Campaign Promoting Youth Entrepreneurship

- This campaign may include a series of newspaper articles, radio, and television programs, and other events highlighting the real-life stories of young entrepreneurs, their challenges and opportunities, and establishing awards for the best young women and young men entrepreneurs of the year. The IYEN may set up a working group to seek partnership and support for the campaign. This should involve representatives of the government, private sector, civil society including youth

organization, as well as the media, which should be selected on the basis of their experience in reaching out to youth.

Business Support Services

Such services should be designed to meet the different needs of micro-entrepreneurs and the self-employed operating in the informal sector economy, as well as modern small-scale enterprises. International experience shows that the participation of the private sector is essential for the efficient delivery of Business Development Services. Therefore, private sector driven business support services for young entrepreneurs and SMEs are proposed in two areas:

Recommendation C8: Mobilize Private Sector Support for Young Entrepreneurs

- *Employers' organizations should establish a network of business people providing mentor support for young entrepreneurs.*
- *Further activities could include facilitating the exhibition of products of young entrepreneurs thus providing the opportunity for marketing. It could also provide the opportunity for companies to consider outsourcing possibilities with young members of the business community.*

Recommendation C9: Develop "Linkage Support Programs" between Large and Small Enterprises

- *In an increasingly interdependent production system a new approach to tapping the potential of SMEs is to build on the linkages between SMEs and larger firms to provide an effective channel for smaller enterprises to gain access to the needed support services. The private sector, both large Indonesian firms and multinational companies, has a tremendous experience and potential to contribute to such a development through its knowledge, expertise, resources and networks. International and national employers' organizations and chambers of commerce are encouraged to facilitate linkage support programs between large and small enterprises.*

D. ENSURING EQUAL OPPORTUNITIES

To achieve the Millennium Development Goal of gender equality and women's empowerment, policies should focus on equal access to quality and gender sensitive education and training for all young women and men; changing the perception of gender roles; reviewing laws and practices to eliminate discrimination of women in the labour market; and addressing the need of young migrant women.

Recommendation D1: Disable Gender Stereotypes in Curricula and Gender Segregation in Education

- *Review the existing educational curriculum to ensure that it is gender sensitive.*
- *Mainstream gender sensitive education through better coordination and information; through the sensitization of teachers at both the central and local levels. The Ministry for Women's Empowerment should play a key role in increasing understanding among all stakeholders of the equal opportunities for young women and men.*
- *Strengthen the capacity of career guidance services in schools and colleges to ensure that guidance is gender sensitive.*

Recommendation D2: Conduct Vigorous Awareness Raising Campaigns to Change the Perception of Traditional Gender Roles and of the Division of Responsibilities between Women and Men

- *Provide incentives for government agencies at both central and district level to act as model employers in their recruitment and employment, remuneration and promotion practices.*

Recommendation D3: Provide Improved Protection for Overseas Women Workers

- *Based on the ongoing analytical work being undertaken by the Ministry for Women's Empowerment in collaboration with the World Bank on migrant women's issues, develop effective legal and social protection measures. These could include the regulation of the migration industry, ensuring secure, fast and flexible facilities for remittances, improving the labour market information system for prospective migrants and looking after vulnerable young migrant women.*

5. IMPLEMENTATION, MONITORING AND EVALUATION

Recommendation 5-1: Need for Commitment from Government and Other Stakeholders

- Government commitment and leadership is essential for the successful implementation of the Indonesia Youth Employment National Action Plan.
- The business community also has a substantial interest in making the most of youth potential, and in avoiding the negative consequences of widespread youth unemployment and underemployment.
- There is need for networks and partnerships among the government, employers' organizations, trade unions, youth organizations and other civil society groups; they can learn from each other and pool efforts and resources.
- Policies and program should be based not only on the needs of young people but also on the strengths that they bring to businesses, communities and societies.

Recommendation 5-2: Ensure Consistency with other Processes

Mainstream youth employment issues in other national and regional initiatives:

1. Medium term national development strategies
2. Poverty Reduction Strategy Papers
3. Indonesia Millennium Development Goals
4. National Employment Strategy
5. Regional, provincial and district level government policies and programs

Recommendation 5-3: Strengthen the IYENetwork

- Strengthen the technical capacity of the IYEN Coordinating Team.
- Involve more partners such as parliamentary bodies, provincial and district governments and youth organizations via associate membership to the IYEN Coordinating Team.

Recommendation 5-4: Develop a pre-Implementation Strategy, an Implementation Plan, and Monitoring and Evaluation Systems that Foster Mutual Learning

A pre-implementation strategy, and monitoring and evaluation are crucial elements in the implementation and subsequent revision and improvements to the IYEAP. This should be based on the formulation and development of the following:

- i *A pre-implementation strategy*
- ii *Implementation Plan*
- iii *Monitoring and evaluation systems and mechanisms*
- iv *Indicators to measure the success of the program*
- v *Publications*
- vi *Periodic reports.*

Moreover the IYENetwork could also provide a valuable forum for facilitating the transfer of know-how between existing members and their networks and bringing together other relevant stakeholders.