Determinants of Unemployment in Indonesia : A Study on Development Program of Rural Employment in Pinrang District, South Sulawesi[1)]

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Abstract

Unemployment issue is one of the main problems in developing countries economy, and Indonesia is no exception. Therefore, it is necessary to have a development plan in encouraging employment creation and demand for labor. The orientation of human investment produces human capital accumulation through education, skills training and work experience of labor, which in turn creates skilled labor and enlarges source of employment. Two specific objectives of the research are ; (1) to identify determinants of unemployment ; and (2) to formulate the programs dealing with labor development and rural employment. It is expected that, the results of analysis could provide crucial information in synthesizing employment development programs in the region. The research was conducted in the three sub-districts of Pinrang District, South Sulawesi Province, Indonesia by interviewing the labors randomly. There are three basic criterions of selecting research sites. These criterions are ; coastal area (Criterion 1, *C1*), low mountainous area (Criterion 2, *C2*) and urban area (Criterion 3, *C3*). In order to satisfy the criterions, Paleteang Sub-district for *C1* (25 labors), Lembang Sub-district for *C2* (24 labors), and Mattirosompe Sub-district for *C3* (20 labors) were selected. Thus, the total sample size is 69 labors. Descriptive Method by using Cross Tabulation and Graph were employed to analyze and describe the determinants of unemployment.

Some principal findings include ; *first*, the determinants of unemployment are (i) most of the job seekers are willing to work only in the formal sector, especially a civil servant (PNS) ; (ii) low level of wages ; (iii) seasonal jobs or contract system ; (iv) the lack of access to the employment information ; (v) working in the other regions. *Second*, the labor development programs (training) which were done by both the government and private sectors are beneficial for

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the labor. *Third*, developing self-employ can be strongly expected to create a various source of employments and in turn encouraging economic growth. This implies that the employment development program should be skills increasing-oriented and self-employ development facility based, as well as labor-oriented investment.

1. Current Issue and Objective

Unemployment issue is one of the main problems in developing countries economy, and Indonesia is no exception. The issue was published by the central government of Indonesia, so called RPJM (literally, Mid-Term National Development Plan) 2004-2009 as follows ; (1) the increase of number of opened unemployment in the last 5 years, (2) employees are working in the less productive employment, (3) the wide gap between the formal and informal sector workers, (4) the increase of levels of young labor force (aged 15-19 years), and (5) the declining productivity in downstream industry.

At the national level, unemployment rates (2003, for instance) can be viewed from various aspects. *First*, from gender view point, unemployment rates reached 13.0% of women and 7.6% of men. *Second*, from level of education, unemployment rates reached 16.9% for senior high school attained and 9.1% for university graduation. *Third*, based on the age structure, it was found that the opened unemployment is the highest for the young of age group (15-19 years) by 36.7%. It increased from 20.6% in 1999 to 23.5% in 2000. The same thing happens in 2001 (28.7%), 34.6% in 2002 and increased again to be 36.7% in 2003. The increasing level of unemployment in young age needs special attention, simply because they should be still sitting in the school.

The problems of national employment mentioned above, are not substantially different from the problems that we are facing in the districts/cities level, including Pinrang District. Unemployment rates in Pinrang are quite high and drastically increased during the last 10 years (3.97% in 1995 to 16.07% in 2005). Given the situation, it is really necessary to have efforts in constructing labor development planning (formal and informal) by considering skill of labor availability. Therefore, the challenges for the local government are continuing efforts to encourage social development, by focusing on employment and demand creation-oriented for labor. Two specific objectives of the research are ; (1) to identify determinants of unemployment ; and (2) to formulate the programs dealing with the labor development and rural employment. It is expected that the results of analysis could provide crucial information in synthesizing employment development policy programs in the region.

2. Conceptual Framework

Unemployment is a typical feature of market economies (Biffl, 1998) and it is widely known as a serious economic and social development problem. Suryadarma et al (2007) identified that in the effort to reduce unemployment, it is important to ensure that the types of jobs created in an economy match the skills and expectations of the unemployed. Excess labor create a low wage level which is easily absorbed in the more advanced sectors, such as excess labor in the agricultural sector will be absorbed in the industrial sector (Mosher, 1991 ; Sicat, 1985). One of the efforts to increase growth is through investment in human resources with the mobilization of unemployment in various programs. Human investment generates human capital which is the accumulation of education, skills training, work experience from someone (Becker, 1993 ; Enchrenberg & Smith, 1994). In addition, the health factor is also a part of human investment (Bauer & Haisken-DeNew, 2001). However, the employers who already have worked and had human capital are still influenced by other factors such as regional income (output) and utilization of the labor. These factors are economic growth, aggregate productivity, the structure of wages, income distribution, and employment (Stiglitz, 1975 ; Renes & Rider, 1995). More conditions can be changed through government policy, such as fiscal and monetary policies that can encourage the economy and job opportunities (employments). The government expenditure in terms of allocation of the workforce development with a good investment climate will push the private sector to increase their productivity and the demand of labor as well.

Feridhanusetyawan & Stahl (2001) in their study on the impact of trade liberalization on labor markets in the Asia Pacific found that, the labor market transformation from the rural to urban, and from the lower to higher technology-based manufacturing will be a slow process in Indonesia. They also predicted that, for the next decade, labor absorption will be derived from the lower technology and labor-intensive industries such as textiles and garments. The major challenge for Indonesia in the next decade is to prepare its labor force to move from primary sectors such as agriculture to labor-intensive manufacturing, and then to higher technology and capital-intensive industries. Therefore, education and training are crucial factors to facilitate and support faster labor market transformation, particularly in view of potentially stiff competition from other Southeast and South Asian countries.

Employment in agriculture and in the urban informal sector expanded because the labor market and the social structures in these sectors were sufficiently flexible to reabsorb

the workers laid off in formal sector activities (Wie, 2007). At the same time, this kind of expansion needs to have better access to social facilities, especially education and health, as potential ways to increase quality of human resources. This indicates that the government programs in terms of human investment are hypothesized as a relatively cheap and easy ways to encourage the creation of employment opportunities and increased labor productivity.

3. Data and Analysis Method

The research was conducted in the three Sub-districts of Pinrang District, South Sulawesi Province, Indonesia by interviewing the labors randomly. There are three basic criterions of selecting research sites. These criterions are ; coastal area (Criterion 1, *C1*), low mountainous area (Criterion 2, *C2*) and urban area (Criterion 3, *C3*). In order to satisfy the criterions, Paleteang Sub-district for *C1* (25 labors), Lembang Sub-district for *C2* (24 labors), and Mattirosompe Sub-district for *C3* (20 labors) were selected. Thus, the total sample size is 69 labors. Descriptive Method by using Cross Tabulation and Graph were employed to analyze and describe the determinants of unemployment.

Before doing the data collection (labor interview), Focus Group Discussion (FGD) with stakeholders and staff from various relevant agencies such as Vocational School, Skill Development Institutions, Foster Workforce Institutions was conducted to get the views, opinions, and comments on various unemployment issues happened in the district. Results of dialogue and consultation were used for the analysis of employment, improvement of questionnaire for full-interview, as well as policy formulation of employment development.

4. Results and Discussion

(i) Employment Dynamics

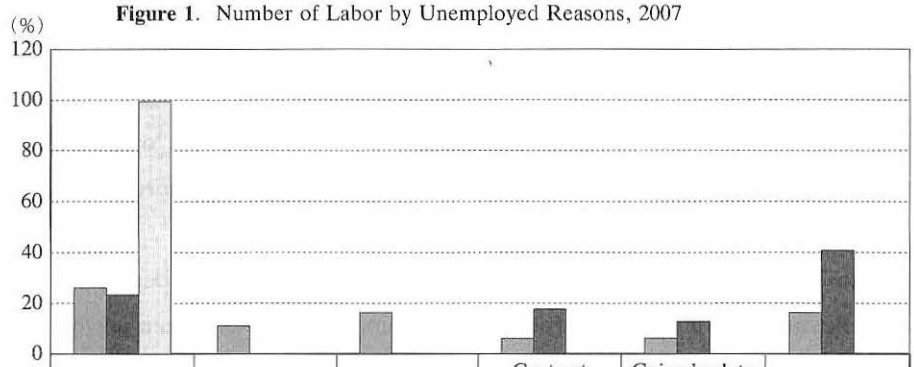
Characteristics of unemployment in Pinrang District vary for several reasons. Labors basically have a work, but they stop working with a specific reason. The number of unemployed who have worked is 65.22% (Table 1). This indicates that, the unemployed are very flexible, easy to enter and exit to the works.

Flexibility to enter the employment market, in particular, does not require high skills and strict requirements for the work. Affecting factors can be seen from the types of their works. Type of work is, in general, of 31.58% for construction laborer, 21.05% for agricultural laborers, and 47.37% for others (Table 1) such as a driver, honorary staff, traders

Table 1. Preliminary Condition and Type of Works

Description		Sub-District						Total	
		Paleteang		Lembang		Mattirosompe		Freq.	%
		Freq.	%	Freq.	%	Freq.	%		
Preleminary Condition	Have been Employed	19	76.00	17	70.00	9	45.00	45	65.22
	Unemployed	6	24.00	7	30.00	11	55.00	24	34.78
	Total	25	100.00	24	100.00	20	100.00	69	100.00
Types of works	Construction laborer	6	31.58	4	23.53	4	44.44	14	31.11
	Farm laborer	4	21.05	6	35.29	4	44.44	14	31.11
	Others	9	47.37	7	41.18	1	11.11	17	37.78
	Total	19	100.00	17	100.00	9	100.00	45	100.00

Figure 1. Number of Labor by Unemployed Reasons, 2007



	Low wage	Undeveloped	Non permanent	Contract terminated	Going back to hometown	Others
Paleteang	26.31	10.52	15.78	5.26	5.26	15.78
Lembang	23.52	0.00	0.00	17.64	11.76	41.17
Mattirosompe	100.00	0.00	0.00	0.00	0.00	0.00

and technician.

The dynamic nature of the work is easy to work and stop to work because of the types of work in the form of more informal with low skills. The condition of workers can be said to have low human capital because the work experience and education is slightly lower (Renes & Ridder, 1995 ; Gorgens, 2002 ; Wolf 2002), while the work experience increased, it will increase the income in the future (Willimas, 2000).

Some reasons revealed by the unemployed in each of the three sub-districts to stop to work are ; the low wage levels, type of works, or unstable income, and the contract ended. Figure 1 shows that, about 26.31% labors in Paleteang, 23.52% in Lembang and 100% in

Table 2. Type of Employment Applied by Unemployed, 2007

Characteristics of Unemployment		Sub-Districts					
		Paleteang		Lembang		Mattirosompe	
		Freq.	%	Freq.	%	Freq.	%
Applied and not admitted	Applied	10	40	6	25	5	25
	Not Applied	15	60	18	75	15	75
	Total	25	100	24	100	20	100
Types of job applied	PNS/POLRI	8	80	4	67	5	100
	Farm Labor	2	20	2	33	0	0
	Total	10	100	6	100	5	100
Reasons for not admitted	Education	1	10	0	0	1	20
	Skill	1	10	0	0	0	0
	Competition	8	80	6	100	5	100

Mattirosompe stops working due to "low wage reason". While for "contract expired reason", they appears by 17.64% in Lembang and 5.26% in Paleteang. In addition, it was found that, about 41.17% labors in Lembang stops working for "others reasons" such as pain, managed by the owners of land and repatriation of illegal foreign workers and business failure.

Based on the employment dynamics described above, it was identified that the type of unemployment in the region is frictional, meaning that workers often leave work and find a better job in accordance with their desires.

(ii) Expected Employment

Type of more attractive job is a civil servant *(Pegawai Negeri Sipil, PNS)*. Table 2 shows that, 80.00% of unemployment in Paleteang for instance, who apply to become civil servants. This indicates that most of the unemployed are willing to work in the government sector. In other words, the workers who become unemployed because they are obsessed to be civil servants, hence they do not try to find jobs in other sectors.

There are several reasons why the job seekers do not get jobs, include ; unfit education achievement, low skills, and tight competition. As clearly shown in Table 2, the most dominant reason is the tight competition (80% in Mattirosompe, that is the urban area, and 100% in both Paleteang and Lembang as rural areas). This indicates that, the ability to compete in the rural labor force is lower than in urban areas. A major implication of this finding is that, stepping up the training (to improve education and skill) for labors in rural area is considerably important.

Table 3. List of Training Offered and Percentage of Labor Trained, 2007

No.	Training Description	Sub-district (%)		
		Paleteang	Lembang	Mattiro Sompe
1	Not Trained	32.00	75.00	65.00
2	Trained	68.00	25.00	35.00
	1. Tailor	17.64	0.00	0.00
	2. Computer	11.76	0.00	28.57
	3. Electricity installation	0.00	0.00	14.28
	4. Automotive/workshop	46.00	16.67	28,56
	6. Business Management	5.88	0.00	0.00
	7. Office administration	5.88	0.00	0.00
	8. Agriculture	5.88	33.33	0.00
	9. English	0.00	16.67	14.28
	10. Banking	0.00	16.67	0.00
	11. Food Processing	0.00	16.67	0.00
	12. Others	5.88	0.00	0.00

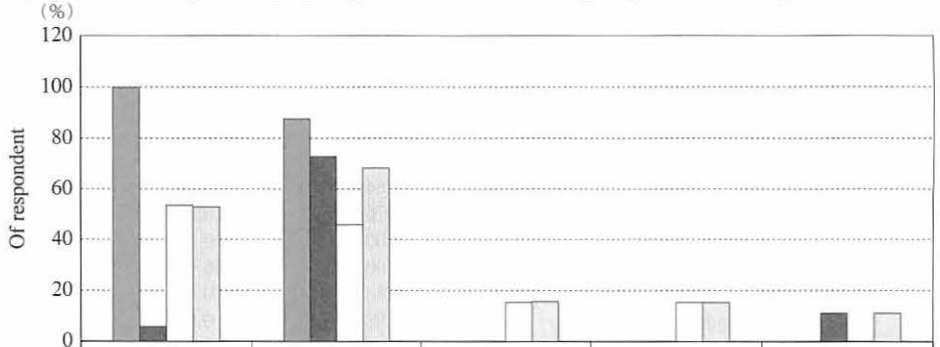
(iii) Labor Force Development

Attentions of the local and central governments to the unemployment problem has always been the main focus in the economic development agenda. This is shown with a lot of labor had been trained, who are 68% in Paleteang, 25% and 35% in Lembang and Mattirosompe, respectively, in order to improve knowledge and skills for the job seekers. Types of training that have been followed by a job the seekers are quite varied among sub-districts (Table 3). In Paleteang, about 46% of labors trained in automotive/workshop. Meanwhile, 33.33% of labors trained in agriculture in Lembang and 28.57% of labors trained in Mattirosompe focuses on the computer courses. This indicates that, there is a skill differentiation of labors among districts, meaning that the availability of source of employment should also be different.

Many unemployedd do not apply or use the training guidance for several reasons. These reasons are ; limited budget, unavailable information obtained, and never launched the guidance for applying the training results, as shown in Figure 2. About 68.2% of respondents revealed for incomplete information reason. This indicates that, the development programs and activities which are planned by the government are not well socialized in the rural areas. Incomplete information is, generally, experienced by the unemployed who live in the rural areas (approximately 87.5% in Paleteang and 72.22% in Lembang). Socialization for the guidance of program and activities given to the unemployment is very important, especially in the rural areas, and it should be improved to reach more the number of unemployed to join the training and other employment programs.

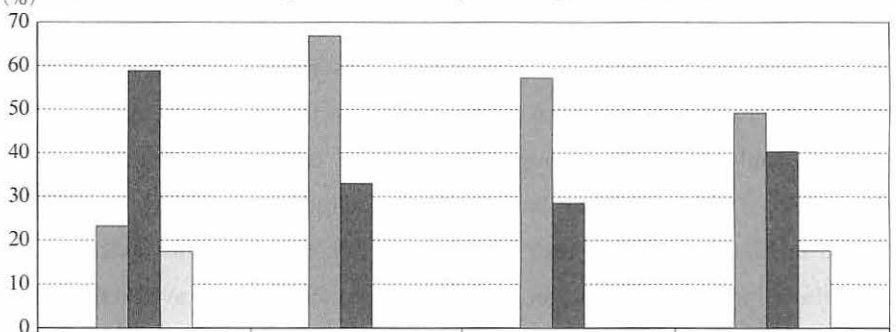
The second largest reason revealed by unemployed, is a budget/fund limitation. The number of unemployed does not join the training because of limited budget is 53.85%, and

Figure 2. Percentage of Employee by Reason for Not Participating in the Training, 2007



	Limited budget	Incomplete information	Low education	inconcidered	Never launched
Paleteang	100.00	87.50	0.00	0.00	0.00
Lembang	5.55	72.22	0.00	0.00	11.11
MtSompe	53.85	46.15	15.38	15.38	0.00
Total	53.13	68.62	15.38	15.38	11.11

Figure 3. Labor Development Activities by Financing Sources, 2007.



	Paleteang	Lembang	MtSompe	Total
Government	23.53	66.67	57.14	49.24
Private	58.82	33.33	28.57	40.24
Personal	17.65	0.00	0.00	17.65

most occur in Paleteang. They know the information, but they cannot participate because of budget limitation (Figure 2). Number of workers who never get the training from the government is 49.11% (23.53% in Paleteang, 66.67% in Lembang and 57.14% in Mattirosompe). This fact seems to be the same in the limited financing sources (Figure 3). Number of workers who join the training of the private sector is only 40.24%, while the entrance of the program in the district with the self-financing or participants pay for training activities is 17.65%.

Labor development program could be financed by the government and private sectors,

but it can be said that there are still more of the activities funded by the government compared to the private sector. This indicates that, the attention of the government to the program is still higher. The development activities that are funded by the government sectors are more enjoyed by the unemployed in Lembang and Mattirosompe. There are no (labor) development activities funded by the government in Paleteang. One of the possible causes is that, the program is less oriented to the type of fishery works in the coastal area, in which Paleteang is recognized as coastal area.

(iv) Benefits of the Training

Benefits earned of the training for unemployed workforce (trainee) varies. Based on their opinion on the training benefits, it was found that (Paleteang Sub-district for instance) about 18.35% of unemployed workforce revealed that, the training attended (both from the government and private sectors) are useful and about 17.65% are not (Table 4). This is because the training provided does not match the nature of the works in the rural area and the type of training provided is also limited compared to the urban areas.

The reason why the training is beneficial for the trainee include ; the trainee enable to improve their knowledge and skills, as shown in Table 4. Meanwhile, for the trainee who does not benefit are caused by several things, among others, there is no further guidance to apply the training results, the training is too short and not match with the expected output. This conveys an important message that, the local government should conduct the training for the workforce in the future policy, by considering the above reasons.

One of the weaknesses of the training programs and activities for the trainee which have been made by both the government and other stakeholders is that, the less attention to the sustainability of the program. If a program was implemented in the field and it have been considered complete. This weakness also occurred in Pinrang District, especially in Paleteang Sub-district. Table 4 shows that 33.33% of unemployed who reveal that the program is not useful because there is no further guidance given by the government and private sectors to apply the training results. Another weakness that often arises from a program and activities is that, the course is too short (33.33%) and not in accordance with the desired (33.33%). These results convey several important messages, include ; (1) identifying the suitable training programs for the new trainee, (2) identifying the types of skills/knowledge which already owned by the job seekers, and (3) identifying the type of works expected. If these three notes concern, the program can be successful with both the appropriate target groups and clear material/training courses.

An interesting point is that, a number of unemployment in Pinrang District expects to

Table 4. Percentage of Respondents by Perception on Training Benefit for the Unemployed, 2007

Perception		Sub-district (%)			Total (%)
		Paleteang	Lembang	Mt Sompe	
Benefit of Training	Useful	18.35	100.00	100.00	72.33
	Useless	17.65	0.00	0.00	17.65
The reason for useful	Improve knowledge and skill	100.00	100.00	100.00	100.00
The reason for useless	Non-sustainability program	33.33	0.00	0.00	33.33
	Shorter program	33.33	0.00	0.00	33.33
	Diverse with training expected	33.33	0.00	0.00	33.33

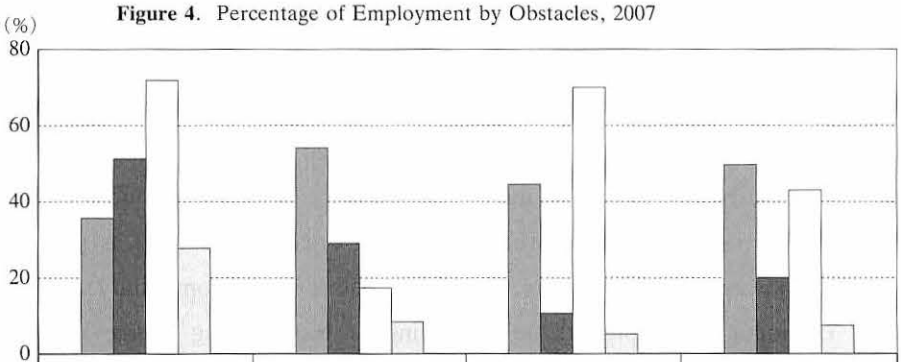
Table 5. The Desire for Self-employed, 2007

Sub-district		Willingness to self-employ		
		Yes	No	Total
Paleteang	Number respondent Percentage (%)	19 76.00	6 24.00	25 100.00
Lembang	Number respondent Percentage (%)	16 66.67	8 33.33	24 100.00
Mattiro Sompe	Number respondent Percentage (%)	16 80.00	4 20.00	20 100.00
Total	Number respondent Percentage (%)	51 73.91	18 26.08	69 100.00

work independently (73.91%), as clearly depicted in Table 5. If this expectation can be successfully achieved, it will impact on economic development activities in Pinrang. Of 26 types of activities that are identified, the most attractive are the business of trade, business in the field of agriculture (agribusiness), labor administration, carpenter and cultivation pond. The diversity of business types show that the skill of unemployed also varies. This indicates that, there is a high possibility of creating a various source of employments based on the labor force's skill. It is because the type of business can be managed by individual and family.

Figure 4 shows that the obstacles which are faced by the respondents can be grouped into four categories of skills. These categories are low skill, limited information, tight competition, and limited capital. The most widely faced by respondents is a problem of low skills, with an average of 49.59%, which detailed at 36% in Paleteang, 54.17% in Lembang and 45% in Mattirosompe. It seems that the low skills consistently with the educational background. Education level of respondents is, generally, primary and high

Figure 4. Percentage of Employment by Obstacles, 2007



	Paleteang	Lembang	MtSompe	Average
Skill	36.00	54.17	45.00	49.59
Limited information	52.00	29.17	10.00	19.59
Tight competition	72.00	16.67	70.00	43.34
Limited budget	28.00	8.33	5.00	6.67

schools. Only one person educated as bachelor (*sarjana-S1*).

A strict constraint on job hunting competition was found at most by respondents in the two sub-districts namely Paleteang and Mattirosompe with the proportion of 72% and 70% of respondents, respectively. The average of the three sub-districts is 43.34%. The problem of tight competition basically was found not only by unemployment in the sub-district, but also almost all unemployment in Pinrang District. This condition is marked by large number of job seekers who have not worked, although a lot of employment opportunities that can be accessed by the job seekers themselves, for example in the agricultural sector, the business services and trade sectors, and so on (Table 6). However, the perception that most people thought that the employment considered is just formal sector employment (civil servants and private sectors employment).

5. Conclusions and the Policy Options

Some principal findings of the research are ; (i) one of the determinants of unemployment is that the job seekers are willing to work in the formal sector only, especially a civil servant. However, unemployed who have worked in the past, is more private sector or self-employment oriented due to the higher earnings reason, (ii) the other factors that make workforce become unemployed is a low-wage levels, seasonal job or contract system, lack of access or limited employment information and working in the other regions ; (iii) the training programs for labor that are done by both the government and private sectors are

beneficial for the unemployed ; (iv) developing self-employ can be strongly expected to create a various source of employments, and in turn, it can encourage economic growth. This implies that the employment program should be skills increasing-oriented and self-employ development facility based, as well as labor-oriented investment. There are several policy options could be proposed ; (i) increasing source of employment and improving the training for labor skills programs through the social organizations such as youth organization, based on the community's desire, labor conditions in the community and the potency of local economic development ; (ii) expanding or broadcasting source of employment information to the remote rural area ; (iii) creating an easy access to obtain the credit (without collateral), such as soft loans or subsidy policy on interest rates by the local governments, is a potential way to encourage small scale business in the rural areas through self-employ ; (v) linking job seekers who have been already trained to the source of employments directly, so that it will make a link and match between job seekers and employer communities.

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