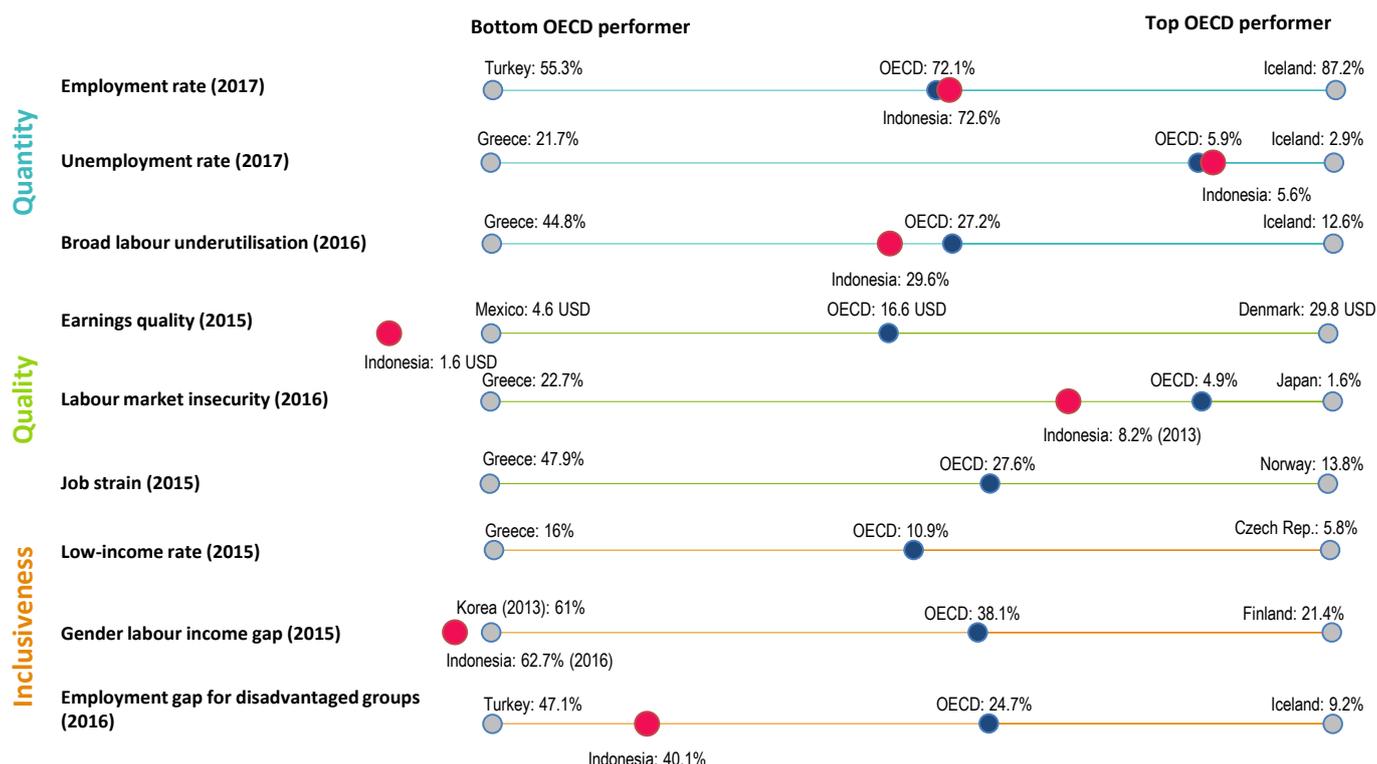


How does INDONESIA compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new *OECD Jobs Strategy* provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for Indonesia



Notes: Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new *OECD Jobs Strategy* presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all

indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- Measures of job quantity for Indonesia are close to the OECD average, although the broad underutilisation rate is a little higher, at 29.6%. The open unemployment rate is now close to the OECD average, having roughly halved over the past decade.
- Available measures of job quality are lower for Indonesia than in most countries covered by the Jobs



Strategy. Earnings quality is particularly low due to low average earnings and high earnings inequality, even compared with other emerging market economies. Widespread informality means that many workers receive less than the minimum wage. Labour market insecurity is higher than in the average OECD country due to the lack of unemployment insurance, although Indonesia still scores better than some OECD countries.

- Labour market inclusiveness is weak. There is a 63% gap between the average annual labour income of

women and men in Indonesia, partly due to the particularly large gap in labour market participation. The employment gap for disadvantaged groups is higher than in almost all OECD countries but around the average of non-OECD countries included in the Jobs Strategy. It has improved over the past decade. Absolute poverty rates have dropped sharply over the past decade, but 7% of the population was still living on less than USD1.90 per day (in 2011 purchasing parity) in 2016.

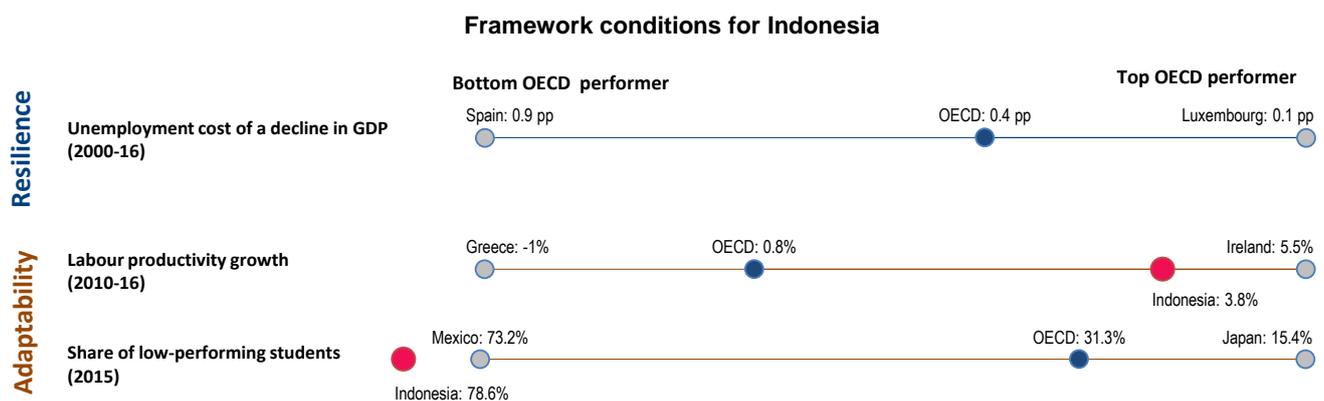
FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key precondition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers' productivity and wages and provide an indication of the readiness to respond to future challenges.

- Indonesia's scores on measures of adaptability are mixed, with above-average labour productivity growth but a higher share of low-performing students than other countries.
- Labour productivity *growth* has been faster than in the average OECD country, which is to be expected in an

emerging market economy. But the lower labour productivity *level* explains almost all of the gap in GDP per capita compared to OECD countries, highlighting the importance of reforms to encourage investment and raise total factor productivity.

- Students' skills are lower than in most other countries covered by the Jobs Strategy, with over three-quarters of 15-year-olds lacking basic skills as measured by their PISA test results or having dropped out of school. Access to education has improved considerably, with near-universal completion of basic education and graduation rates from lower secondary school having risen rapidly. Going forward, raising the quality of education will be crucial for lifting labour productivity and wages.



Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).