

**OXFAM
RESEARCH
REPORT**

The Real Story Behind the Numbers

*The impacts of the global economic crisis 2008–2009
on Indonesia's women workers*

**May Miller-Dawkins, Irwansyah, and Royseptia
Abimanyu**

A report by Oxfam GB in Indonesia

February 2010

Acknowledgements

The research team would like to thank to all persons who have been helpful in giving information, updates and interview/discussion time. While it is not possible to mention all of them, we would give special appreciation for Ms. Michaela Prokop of UNDP Indonesia Crisis Monitoring Unit, Mr. Simon and Mr. Beno of KASBI, and Mr. Fauzan Mahdami of LIPS.

Contents

Executive Summary	4
1. Introduction	6
1.1 Methodology and challenges	6
2. Impacts of the global economic crisis (GEC)	8
2.1 Transmission of the crisis	8
2.2 Economic resilience or lag of impacts?	8
2.3 Impacts on jobs	9
3. Government responses	12
3.1 Fiscal stimulus	12
3.2 Good fiscal position?	12
3.3 On social protection	13
4. Measuring the government responses and the realities faced by women workers	15
4.1 Labour flexibility	15
4.2 Coping strategies	16
4.3 Migration and migrant workers	18
4.4 Impacts on access to social protection programs and essential services	20
5. Conclusions and recommendations.....	21

Executive Summary

The Global Economic Crisis 2008–2009 (GEC) was transmitted to Indonesia mainly through the decline of demand from foreign markets. The crisis arrived in the last quarter of 2008, making a contraction of economic activities within the manufacturing sector. Export numbers from the sector slumped by 25.4%, putting the workers out of jobs or in temporary lay-off.

The loss of jobs, however, happened in the context of a long-term push for labor market flexibility that had started early in this decade. Many workers were sent home with inadequate compensation schemes, others were “offered” a change in contract terms: from permanent employment into a fixed term contract.

This preliminary study aims to uncover the impacts of the GEC on women, especially on those who have been working in the industrial zones. Through the qualitative methods, such as focus group discussions and in-depth interviews, the research found that despite a rather quick response from the Central Government of Indonesia, many women workers would remain untouched by the stimulus package prepared by the government.

This study confirms that the crisis affects men and women differently, within the current regime of industrial relations and the social construct of gender relations. Despite the rising number of lay-offs, labor market flexibility and the growth of the informal sector slightly reduces unemployment. However, this exposes women workers to less income and no social protection. Less income also means that in the family, women workers tend to reduce their food and other consumption and are more prone to domestic conflicts that lead to violence. Pressures to become migrant workers and enter prostitution are now part of desperate choices faced by women workers.

The recommendations made in this study should be regarded as insights for further policy research, as the study itself has limitations in terms of quantitative methods and has done only a preliminary inquiry on social protection issues. Nevertheless, looking at its findings, the study would strongly argue for better social protection schemes and implementation in Indonesia, with strong focus on women and their participation in the economy. For the time being, the following suggestions should be carried out with a specific focus on gender:

- Engagement of women’s groups and civil society through appropriate mechanisms to contribute information and analysis into the Monitoring and Response Committee of the government;
- Enforcement of labor laws to protect women workers’ rights more effectively: the labor law is inconsistently enforced leading to abuses, including lack of severance pay and union busting;
- The economic crisis could be an opportunity for Indonesia to build an effective social floor by expanding social protection, particularly unemployment insurance to workers in the informal sector. Social protection and insurance need extending so that informal sector workers are covered, particularly if they are to withstand economic volatility.
- Filling the gaps in the monitoring effort: providing for effective monitoring of migrants, particularly domestic workers, impacts in the informal sector and a stronger gender analysis including consistent collection of gender disaggregated data;

- Government diplomacy for migrant worker protection bilaterally and in regional and international forums, with a particular focus on the Middle East (this can build on the recent agreement with Hong Kong and current negotiations with Malaysia)
- Safety nets for laid-off migrant workers and inclusion of their families in social protection programs;
- Designing any infrastructure or public works programs so as to allow for women's employment – through separate worksites, shifts for women during the day and men at night and other measures employed in other countries.

1 Introduction

This is a qualitative study of impacts of the economic crisis on women in Indonesia and an analysis of responses to the crisis. It puts the focus on women workers, both non-migrant and migrant, and how they face the impacts of the crisis and how the government responses influence their coping efforts.

Without those who are “fulltime” housewives counted out by statisticians, women represent 37% of Indonesian labour force. They take 43% of jobs in the manufacturing sector and 50% of the general commerce and hospitality business sectors.¹ The importance of women’s contribution in the economy, however, has been neglected. Policies on economic recovery often forget women and some unintended consequences are actually harming the gains previously achieved by the women’s emancipation movement.

This study aims at understanding the impacts of Global Economic Crisis (GEC) and of responses and policies made by the government. The knowledge coming from the study is expected to inform policy makers, both government and non-government, from the perspective of women workers who are facing the consequences of the crisis and its policy responses.

This study is a part of a Southeast Asia-wide research project conducted by Oxfam and its partners.² The project explores the connection between variables such as: government responses to the global economic crisis, structural adjustment of economies that affected work relation and job security, and the impact of the crisis on the living conditions of women.

1.1 Methodology and challenges

This country study relies much on qualitative methods with an emphasis on micro-level focus group discussion and in-depth interviews with research experts and officials from government and international agencies as well as civil society actors. The reason for this is that, by looking at the size and complexities of Indonesia, it would necessitate complex and substantial research undertakings to understand the crisis quantitatively. However, micro-level research often tells different stories that can provide clearer explanations of what happens with the affected communities than the quantitative, statistical studies can do.

Three focus groups were conducted with women in industrial towns around Jakarta in July 2009:

- One focus group of 10 women in Bekasi who had lost their jobs prior to the economic crisis;
- One focus group of 6 women in Tangerang who were currently working in a footwear factory;
- One focus group of 9 women in Serang who had been dismissed since the economic crisis.

¹ Central Bureau of Statistics, *Trends of Selected Social Economic Indicators of Indonesia*, March 2009. Retrieved 1 December 2009, http://www.bps.go.id/download_file/booklet_maret_2009.pdf

² Yada Praparurn, “Impact of the global economic crisis on Women in 5 Southeast Asian Countries”, Oxfam Research Project (forthcoming, 2010).

The focus group discussions focused on changes in their income and employment, household spending, food consumption, children's education, health, conflict and other social and economic changes.

Alongside the focus groups, over 20 men and women key informant interviews were conducted, predominantly in Jakarta, including:

- 1 government official;
- 1 businessperson - working in the supply chain of a major fashion retailer in the US;
- 8 trade union officials;
- 6 NGO officials;
- 3 bilateral agency officials;
- 4 International Financial Institution officials;
- 4 researchers.

This was complemented by a document review and analysis of official data.

The biggest challenge to explain the impacts of economic crisis to working people in Indonesia is related to the discrepancies between data of macroeconomic indicators and micro-level findings. Macro-level economic data seems to show the great success of the Indonesian government in escaping from the unwanted severe impact of the global economic crisis. Some international agencies congratulated the Indonesian government for what they appraised as successful efforts to restrain the number of mass lay-offs. Officials from ILO, IMF, and World Bank separately on different occasions praised the official numbers reflecting the macroeconomic and employment conditions of Indonesia.³

The study was a limited one and the findings can only be taken as indications that require further investigation and verification. Where possible, verification has been attempted with reference to other studies and official data.

³ See: <http://www.thejakartaglobe.com/business/world-bank-indonesia-could-do-better/277167>, <http://www.imf.org/external/pubs/ft/survey/so/2009/car072809b.htm>, <http://cetak.kompas.com/read/xml/2009/06/19/050551111/ilo.apresiasi.langkah.ri.redam.krisis>

2 Impacts of global economic crisis (GEC)

2.1 Transmission of the crisis

The first impacts of the global economic crisis were felt in Indonesia in the fourth quarter of 2008 when economic growth fell from 6.1% to 5.2% due to a significant decline in exports (Sarwono, 2009). Exports were hit for two main reasons: drops in commodity prices since the middle of 2008 and weakened external demand for export goods after September 2008 (Titiharuw et al, 2009).

The declining trend of exports continued in 2009, which triggered some worries about possible negative export growth going forward. Then there was short change of situation in August 2009, when the numbers move upward. The mining sector contributed most of this change of pattern in exports. Cumulatively, the trend for January to September 2009 shows a decline of 25,57% compared to the same period the previous year, whereas there was a decline of 18,21% from the non-oil export sectors compared to what was achieved in 2008. Export production from manufacturing industry, the sector that absorbs 12.5 million workers, has declined by about 25,46% compared to the same period in 2008. Agriculture has also suffered the declining trend of about 10,72% in comparison to the same period of January to September in 2008. The only good sign came from mining exports, which have increased by 25,46 % in comparison to the same period in 2008.⁴

In the global textiles and garment industry, Indonesia is a strategic supplier along with China and Vietnam, constituting the 'inner critical core on which customers rely for the most important share of their production' (Bimbaum, 2009). In difficult times, although Indonesia's net exports have declined, its market share by value of the world market has increased. A supply chain manager of a major American garment brand interviewed for this study oversees 100 factories in Indonesia. As a result of the crisis, only one factory had closed, while others had reduced orders but remained open.

2.2 Economic resilience or lag of impacts?

Since the first impacts arrived later that year, Indonesia enjoyed good growth in 2008. The full-year figure of 6.1% growth for 2008 relied on strong private consumption and investment (Sarwono, 2009). Private consumption contributed to half of overall GDP growth recorded despite increasing fuel and food prices (ADB, 2009a). A businessperson interviewed noted 'domestic demand is a blessing in disguise that is saving us from the worst of this crisis – but this wasn't by design.' A government official saw the blessing slightly differently: 'our focus now on generating domestic demand is a blessing in disguise from the crisis'. Either way, Indonesia's relatively good position compared with others in the region is in large part due to a stronger reliance in domestic demand versus export-oriented growth.

However, available data from the third quarter of 2009 shows a slower growth of 4.2% in year-on-year growth, as predicted by the government and international agencies. Significant decline in exports has partially contributed to this as cumulative January to October exports in 2009 fell by 22.3% compared to the same period in 2008.⁵ Deflationary pressures have then continued as urban local-level livelihoods became more precarious, making people adapt to the new condition of crisis and to a reduced purchasing power.

⁴ Badan Pusat Statistik, *Berita Resmi Statistik*, No. No. 63/11/Th. XII, 2 November 2009 (official publication from Indonesian Central Bureau of Statistic)

⁵ BPS, *Berita Resmi Statistik*, No.72/12/Th.XII, 1 December 2009, retrieved on 5 December 2009, from http://www.bps.go.id/brs_file/exim-01des09.pdf.

This fact supports some explanations suggested by Indonesian economists outside the mainstream that due to localised (but not limited) exposure of Indonesia to the global economy, the impacts would not come as a rising tide. There are many ways in which export-oriented companies can face decreasing market demand from abroad. One example: re-exported or unsent export goods have always found ways to the domestic market, as in the case of “factory outlets” in apparel industrial centres such as in Bandung. Even though there had not been a clear policy for building domestic markets, the size of population enables the capacity to absorb excess exports. Therefore, there will always be some kind of lag, both in time and scale, between the first hit of the impacts, in this case the sudden decrease in demand in export destination countries, and loss of income for the workers.

2.3 Impacts on jobs

These declining trends shows a possible great impact on the reduction of employment availability especially in manufacturing sectors, since most of them are export-oriented. Manufacturing is nonetheless a significant sector in the economy as a proportion of GDP (26.8% share) and experienced the most significant downturn in the fourth quarter of 2008 (Sarwono, 2009). The fourth quarter of 2008 recorded the lowest level of export growth since 1986 (1%). By January 2009 year-on-year export growth had dropped 36.08% (Titiharuw et al, 2009).

The Department of Manpower recorded 65,200 dismissals as a result of the crisis by 28 August 2009 (Depnarkertrans, 2009). The majority of lay-offs recorded were in textiles and garments, wood and electronics. Dismissals were geographically concentrated in West Java. The government figures fall far short of the number of lay-offs reported by Apindo (Indonesian Employers Association), which was between 150,000 and 200,000 including outsourced and daily workers (David and Baskoro, cited in Titiharuw et al, 2009).

Table 1 Employment statistics of Indonesia

Type of activity	Population by activities in 2006, 2007, 2008 and 2009				
	2006 (August)	2007 (February)	2007 (August)	2008 (August)	2009 (February)
1 Population over 15 years old	160,811,498	162,352,048	164,118,323	166,641,050	168,264,448
2 Labour force:	106,388,935	108,131,058	109,941,359	111,947,265	113,744,408
Labour force participation rate %	66.16	66.6	66.99	67.18	67.6
Working	95,456,935	97,583,141	99,930,217	102,552,750	104,485,444
Open unemployment*	10,932,000	10,547,917	10,011,142	9,394,515	9,258,964
Open unemployment rate %	10.28	9.75	9.11	8.39	8.14
3 Not in the labour force:	54,422,563	54,220,990	54,176,964	54,693,785	54,520,040
In education	13,530,160	14,320,491	13,777,378	13,226,066	13,665,903
Care work in the household	31,977,973	31,133,071	31,989,042	32,770,941	32,578,420
Others	8,914,430	8,767,428	8,410,544	8,696,778	8,275,717

*Open unemployment: looking for a job; preparing for private enterprise; having perception of the impossibility of getting a job; having a job, but not yet started in it.

Source: *Survei Angkatan Kerja Nasional (SAKERNAS) 2004, 2005, 2006, 2007, 2008 and 2009*

But when we try to look at the bigger picture of employment rates (Figure 2), we come across the official national statistical data by February 2009 that shows there was in fact a reduction of 0.25% in the open unemployment rate in comparison with the same month a year before (from 8.39% to 8.14%). So trying to understand the problems and realities of workers conditions in Indonesia during global economic crisis would be problematic if only looked at in terms of the general but still superficial surface of Indonesian economics.

One possible answer is the informal sector that now absorbs almost 70% of the labour force. Workers who were dismissed would then enter the informal economy in order to survive. Borrowing from Faisal Basri, a lecturer in economics and advisor to the Indonesian Chamber of Commerce, “they are too poor to be unemployed.”

The ILO’s rapid assessment of Indonesia raises further concerns about the motives for lay-offs: ‘we are not quite sure whether the lay-off was executed due to the current global economic crisis (short order, slow in demand, etc.) or the plan to lay-off the labour was long before the crisis hit Indonesia, but the execution is just now!’ (ILO, 2008). This confirms research which found that the economic crisis was being used to dismiss fixed workers and replace them with contract workers – thereby increasing the flexibility of the labour force and reducing the security of their income.

There are clear limits in the dismissal data being collected: it is based on factories reporting lay-offs to the government; it does not record whether factories are rehiring workers on contracts, and the public information is not gender or age disaggregated. Women are concentrated in the lower segments of global supply chains, ‘where jobs are insecure, wages are low, and working conditions are poor’ (ILO, 2009). This factor, combined with the impact of the economic crisis on manufacturing, where women are a significant part of the workforce may mean that they are more likely to lose their jobs.

Age was cited in two of three focus groups used in the research as a factor for dismissal and a barrier to new employment in the sector, particularly by women aged over 30. BPS figures for unemployment just prior to the crisis show an overall decrease in unemployment from February to August 2008, but an increase in female unemployment of 5% (BPS, 2009). The change in female unemployment was uneven across age groups: unemployment increased among 15–29 year olds (14%) and women over 50 (54%) while decreasing for the 30–49 age groups (23%). This confirms anecdotal evidence from the focus groups and interviews that employers are increasingly targeting a certain demographic for work. This trend pre-dates the impact of the economic crisis in October 2008. A trade union tracking dismissals since October 2008 notes dismissed workers have sought work in the informal sector or become migrant workers and only 10% have become contract workers: '[factories] want younger and fresher [workers] for contracts and they can pay less'.

A focus group held for this research in West Java included women who had worked at the same factory for between 8 and 14 years. They were dismissed supposedly due to the economic crisis and a downturn in orders. The factory has subsequently re-hired younger workers on a variety of more flexible, lower paid arrangements including short-term contracts, internships or outsourcing. Trade union officials interviewed cited the double trend towards short-term contracts and a preference for younger women as workers.

The workers fought for their right to the legally mandated formula for severance pay, staging an eight-day protest at the provincial office. The factory relented but had already employed other contract workers. Of the 73 dismissed workers 17 took the severance payment while the other 56 did not, as they are asking for reinstatement – they want their jobs back.

In the interim they are trying to find other work. The 10 women in the focus group were seeking work through outsourcing, contract work at a factory or in the informal sector. Two were selling fried snacks; four others were working in the local workshop informally. They had found it hard to find a formal job. One obstacle cited was the need to bribe – between 1.5 and 2.15 million rupiah – to be accepted for a job.

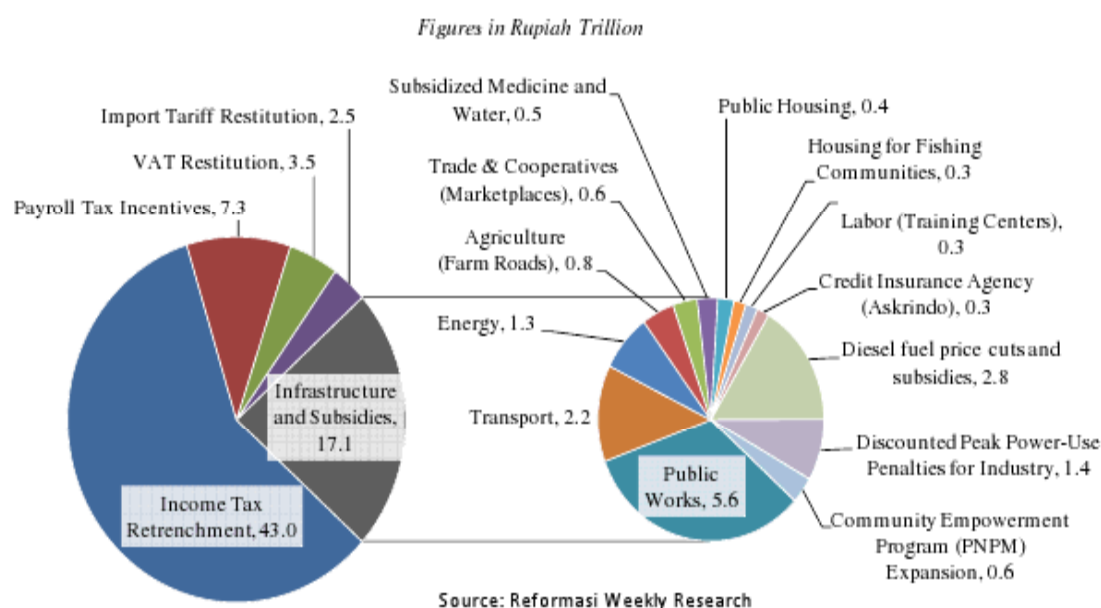
3 Government responses

3.1 Fiscal stimulus

At a macroeconomic level, the Government of Indonesia responded quickly to the economic crisis to stabilize financial markets and develop a stimulus package equal to 1.4% of GDP announced in March 2009. Officials argued that a key factor for the fiscal position of the Indonesian government was the reduction in spending on fuel subsidies, which more than halved, creating fiscal space for alternative government spending (Bank of Indonesia, 2009).

We must, however, look at the allocation of this stimulus as shown in Figure 1 below. Much of the stimulus (77%) is in the form of tax and import tariff cuts and only IDR 12.2 trillion of the IDR 73.4 trillion is coming from the government coffers. As for direct assistance to dampen the impact of the crisis at the micro level, the government is projected to spend IDR 300 billion on labour training centres, IDR 600 billion to expand the National Program for Community Empowerment (PNPM Mandiri), and IDR 500 billion for medicines and water. Socio-economic infrastructure projects are to be funded under this stimulus: IDR 800 billion on farm roads, IDR 600 billion for marketplaces, and IDR 700 billion on public housing (with much focus on fishing communities).

Figure 1: Allocation of 2009 Fiscal Stimulus Package



3.2 Good fiscal position?

The argued good fiscal position has also enabled the government to maintain its plans to increase its spending. It has not reduced its spending on poverty alleviation services in the 2009 budget. Line Ministry and Agency Expenditures and Transfers to Regions increased in real terms, although they decreased as a percentage of GDP (Bank of Indonesia, 2009). Also, analysis is required of the proportion of these funds that make it

into service delivery rather than operational and salary expenditure. In line with pre-crisis plans, funding for “poverty allocation” was increased to US\$7.1 billion in 2009, up 50% from 2008 (ILO, 2009a).

While Indonesia has lowered its levels of public debt in recent years, debt repayments still constitute a significant part of the state budget. Debt servicing reduces the funds available for funding public services – housing, electricity, water, health, and education. Interviews with civil society pointed to existing privatization of electricity, water and health and the lack of a social floor that provides social protection to all citizens. Issues of effectiveness and efficiency (and corruption) in services may have more of an impact than debt servicing on peoples’ access to adequate services. In response to the economic crisis the Indonesian government negotiated stand-by loan facilities of up to US\$5 billion with donors, predominantly the ADB, World Bank, Japan and Australia if conditions in international capital become too restrictive (ADB, 2009b). This has provided balance-of-payments support. There has been no trigger to draw down on these funds based on the current economic conditions. Instead Indonesia has raised funds through domestic and international bonds and ensured its access to currency swap arrangements within ASEAN that provide additional assurance for international reserves (ADB, 2009a).

3.2 On social protection

The government has continued or expanded social programs in response to the economic crisis:

- The School Operational Assistance program (*Bantuan Operasional Sekolah - BOS*), not withstanding the continuing financial strain of education costs on parents, has continued to support access to education.
- A National Health Insurance Scheme for the Population (*Jaminan Kesehatan Masyarakat - Jamkesmas*) exists to target the poor, and has supported free services in the *puskesmas* and *pustu* and *posyandu* (integrated health service post). The funding of these health programs has not been cut since the crisis and was increased as planned prior to the crisis.
- The ‘rice for the poor’ program (*Raskin*) began in 2000 initially as a social safety net program to reduce the impact of the 1997/98 crisis.
- The unconditional cash transfer program (*BLT - Bantuan Langsung Tunai*) instituted in response to the fuel crisis in 2005 has been continued. The Conditional Cash Transfer program (*Program Keluarga Harapan - PKH*) provides cash transfers to poor and almost-poor households if they meet conditions including sending children aged 6 to 15 years (back) to school and to use the *Puskesmas* when any member of the household needs treatment. The cash received by the household varies depending on the household composition.
- National Community Empowerment Program or *Program Nasional Pemberdayaan Masyarakat - Mandiri (PNPM Mandiri)*, aims to reduce poverty, strengthen local government and community institutions, and improve local governance. This poverty program currently covers about half the country and is expected to cover all 80,000 villages and cities in the country by 2009. PNPM Mandiri has women as specific targets: in rural PNPM, there is an allocation for credit and saving specifically for women’s groups.

A critical issue for these programs, especially those with increased budgets, is the central and provincial governments’ ability to spend the money effectively and based on broad community demand. Donor officials interviewed raised serious concerns about the ability of the government to execute the budget; the regulations around the budget which make it difficult to shift funding where it is needed; and a silo approach within

government departments. While the funding allocation is still there, it is important to continue to monitor its implementation in order to ensure that it is reaching the vulnerable groups who really need it.

The stimulus does not contain particular new measures aimed at women and does not recognize their specific vulnerability due to high levels of participation in export-oriented industries and migration. Those close to the government note that gender is not being discussed specifically within the formal government Monitoring and Response Committee. The government has initiated monitoring efforts through BPS and Bappenas, supported by the World Bank and UNDP. While this monitoring effort will capture changes at a provincial level and qualitatively investigate changes in particular transmission channels, some potential gaps include monitoring impacts on the informal sector, the ability to capture accurate data on returning migrants, the hidden impacts on domestic workers internally and externally, and a sufficiently strong gender focus.

4 Measuring the government responses and the realities faced by women workers

4.1 Labour flexibility

While the government claims its responses are to mitigate impacts of the crisis in terms of unemployment and purchasing power, some of its policies are contradictory to those aims. For instance, we can see the implication of the *Joint Decree of Four Ministers* (SKB 4 Menteri) - Minister of Manpower and Transmigration (The), the Minister of Home Affairs (Mendagri), Minister of Industry (Menperin), and Minister of Trade (Mendag), which is essentially contrary to the Law No.23 of 2003 on Labour. Under the law, the District Board for Minimum Wage should determine the amount of minimum wage through a survey on the decent cost of life (KHL).

Another controversy was on Article 3 of the SKB, which stated that if a company could not afford to pay UMK the mechanism is bipartite. It meant that the discussion only happened when there was at least one unionized company; at the moment the largest proportion of workers in Indonesia will have no access to negotiation, since they are not yet unionized.

The SKB 4 Menteri has surely opened a window of opportunity to unbalance the bargaining position between employer and the employee. LIPS, a labour research NGO in Indonesia, found in their observations that a majority of companies used the pretext of the global economic crisis as a way to pressure the bargaining position of their employees for any negotiations on welfare adjustment. It has become a popular trend to spread rumours about the company necessity to take efficiency measures, and to apply a system of increased outsourcing in their production.⁶

Eventually, due to pressure from the unions, there were revisions to the SKB, which no longer implies a strong direction to set the minimum wage in accordance with national economic growth. In many regencies and municipalities the UMK for 2009 on average increased 10% from the previous year. However, employers tend to disregard the minimum wage decision, using the pretext of the global economic crisis. While it is quite legal to waive the minimum wage regulation, many companies have done so without following the appropriate waiver process. Union leaders strongly claim that they found a large unrecorded number of such violations by companies. Also, the majority of workers accept this practice in an environment of anxiety about job scarcity and a worsening future after lay-off.

There is also growing evidence that many companies are using 'the economic crisis' to hasten moves to a more flexible workforce. Labour market flexibilisation is a trend that pre-dated the economic crisis. The economic crisis has provided an opportunity to deepen this trend.

Labour market flexibilisation moves workers onto less secure pay and conditions – predominantly through shorter term and lower paid contracts. A practice described by trade union leaders and workers in focus groups is to bring young women into factories for training or internships paid beneath the minimum wage and then only accept a small number into minimum-wage contract jobs. This practice ends up providing only a

⁶ Fauzan A Mahdami (eds) "Krisis Finansial Global: Petaka Bagi Buruh yang Tak Kunjung Usai."

maximum of two years of employment, only 15 months of which is at the relevant minimum wage.

A focus group of workers who had retained their jobs in the footwear industry on the outskirts of Jakarta, stated that since 2008, they perceived that their factory found it easier to dismiss workers. The factory had started a 'training' program in which candidates work for three months and then only some are accepted as fixed workers. Workers targeted for dismissal are moved into the surplus department, where they do not have anything to do and are subject to anger from other workers who are overworked.

The official dismissal figures do not adequately capture practices of increasing labour market flexibilisation. A national union has been tracking dismissals and changes in conditions across its network of factory-based unions since October 2008. Their data, while not comprehensive by any means, tells a different story to the official figures. They have recorded 6,500 fixed workers across four factories being dismissed and replaced with contract workers. This mirrors similar experiences in the 1997/98 crisis where export processing plants retrenched regular workers, most of whom were women, and rehired them as piece-rate workers at lower wages (ILO, 2009). This was higher than the number they recorded of fixed workers dismissed due to bankruptcy (5,635). As part of these dismissals, there is anecdotal evidence that companies are targeting union leaders. There are even reports of union leaders' names being sent around to owners on a blacklist. A mass dismissal in Serang of 73 workers from a factory of 310 included 7 of 11 union officials and 25 of 26 representatives of the workers. Union officials report that the economic crisis makes it easier for companies to target union leaders and members, a practice that again pre-dates the economic crisis.

There are critical rule of law issues in the labour market: while some of the existing protections for workers, particularly fixed workers, are good, they are inconsistently applied. Unions believe the law is being implemented in an asymmetrical way. The law limits the kind of work that can be outsourced by contract to security, catering, drivers, driving assistants and cleaning service staff. Since 2005, outsourcing has been used to fill key positions, particularly as production operators. Workers are contracted for between 3 and 12 months and their contract can only be renewed once, because if they are contracted more than twice they are automatically considered permanent workers under the law (Fillaili, 2009). Decentralised labour laws – at a district and provincial level – also have an impact. Changes in the minimum wage in particular areas has had flow-on effects on companies moving their business to other provinces, and consequent unemployment or pressures to for workers to migrate, even if they have to accept lower wages.

Labour market flexibility leads to increasingly precarious working conditions where workers can be more easily dismissed and earn lower wages. The situation is becoming more precarious for fixed-term contract workers, because previously if their contract ran out they could find new work, whereas now it is much harder to find another job (Fillaili, 2009). Indonesia has a social security and insurance program for workers (Jamsostek) but still no coverage for the unemployed or workers in the informal sector, who constitute the majority.

Workers, both permanent and fixed-term contract, are experiencing changes in income and conditions as a result of the downturn in production. Union data across 40 factories show 12 factories have reduced hours or suspended workers, affecting an unknown number of workers.

4.2 Coping strategies

This increase in the precariousness of work has implications for household income, food consumption and other factors. It further pushes formal sector workers to take up

additional work, often in the informal sector. In one focus group, women who were employed full time were all also undertaking work in the informal sector to pay for household expenses, including collecting plastic glasses; trading small birds; trading school uniforms; singing in small bars; or doing sex work. Trade union officials noted that it was hard for older women, or past union leaders who had been blacklisted to get work in other factories, and so many turned to migration or informal work, including sex work. Focus group participants reported reduced income from the informal sector due to increased competition, and other informants noted seeing an increase in informal workers – more *wartegs* and *warungs* on the streets. Women in our study had an increased labour burden as they took on more work to make ends meet, either due to increasing prices or reduced income.

The potent combination of decreased earnings along with high prices for food and fuel has compounded the situation for many households. Food and fuel constitute 48% of the consumer price basket in Indonesia (World Bank, 2008). Based on the current poverty line definition, the regular socio-economic survey (*SUSENAS*) in March 2008 indicated that rice spending contributed to about 38.97% poverty per capita expenditure in rural areas and 28.06% in urban areas. In Indonesia, prices rose 15–25% for sugar, rice and eggs, 50% for gas, and 40% for public transportation over the past 12 months (Horn, 2009). The food price index has been higher than the general consumer price index for the majority of the last twelve months and, after a dip, is now on the increase once again. As such, the real wages of workers have declined.

Participants in focus groups and other recent studies confirm that price hikes on their own were stretching families with a stable income, while those who have reduced hours, wages or who have been dismissed are limiting food intake, borrowing money and taking other actions to cope (Fillaili, 2009; Horn, 2009; IDS, 2008). This inflationary pressure on households has increased the competition in the informal sector as fixed and contract workers take on additional work to make ends meet.

The workers affected by dismissals, or reduction in hours, face increased hardship. The most significant impacts recorded in focus groups and other studies are on food consumption, income, assets and debt.

All focus group participants, whether currently employed or not, cited food prices as a strain on their households even though some of them were buying *Raskin* rice at a reduced price. Food consumption had changed in the past 12 months irrespective of employment status, although it was markedly worse for unemployed women.

The women who were still employed spoke of a lack of choice of food and an inability to buy meat or fish. The women who were now unemployed faced starker choices: those who had been unemployed for over a year now only consumed food twice a day instead of three times and they were eating less each meal. They could not include fish, chicken or meat anymore. They were thinning the milk they gave to babies and feeding children less, including not being able to give them money for food at school. The women dismissed in March 2009 had decreased their food intake: 'For the first three months my kids found it very difficult to go from rice, tempe and tofu and just eat soup and the cheapest thing'. They found it difficult to buy rice and didn't buy chicken or meat. Some women had stopped using formula milk and were using water or tea with some sugar. Two women reported that their kids were getting thinner.

These household difficulties are due both to high food prices and to changes in household income. In all cases, the nutrition of children, in particular, was at stake, although parents were often forgoing food to allow their kids to eat. Even with their sacrifices, there was not always enough food for their children.

The impact of the crisis on education is unclear and requires monitoring over time. None of the women in the focus groups had taken their children out of school. Parents reported

eating less, selling assets and making other choices to enable their kids to remain in school. The Indonesian Government's School Operational Assistance program (BOS) supposedly provides for fee-free education. The policy has not overcome the costs of education as parents have to cover school books, uniforms and registration fees (Fillaili, 2009). Some of the women considered 'school free of costs to be a lie because we have to pay for books and uniform.' Until now they have kept children in school, 'It is better for us not to eat than for our kids not to go to school.' There was no distinction between the treatment of boys and girls with respect to education for the families interviewed.

Beyond food and education expenses, the crisis has had a broad reach. For laid-off workers the loss of income was affecting every part of their finances and they were struggling to pay for their regular expenses. In two focus groups, dismissed workers had experienced problems with paying for housing.

A common coping strategy for household debt and housing was to sell assets. Seven of 9 women in one focus group had sold household assets or returned vehicles and mobile phones.

Women who lost their jobs may also face divorce or violence at home. In one focus group, women spoke of the emotional toll that losing their jobs had taken on the household. For half the women this had led to increased conflict. Despite these instances of breakdown in family relationships, the critical coping mechanism for all workers we spoke to was reliance on their social networks and families. These social networks were supporting them through loans of money, providing food and care for children.

4.3 Migration and migrant workers

Women's internal and external migration for work has increased significantly in the past 30 years in Indonesia. The impact of the economic crisis is slightly paradoxical: it increases the risk of job losses and abuse for some women workers, while increasing the pressure to migrate for other women.

It was clear from the focus groups that remittances from internal migrants in Indonesia are being affected. In all focus groups, migrant families were reducing or had stopped sending remittances to their families. In some cases families in urban areas were now receiving reverse-remittances from families in the village to support them to stay and look for additional work. Internal migrants may not have access to social protections in their village of origin or in their new home, often industrial areas where they work in export-oriented industries.

By the end of 2008 there were 4.4 million Indonesian workers overseas with 2.1 million in Malaysia, 1.4 million in Saudi Arabia and almost one million in Hong Kong, Taiwan, Singapore and the United Arab Emirates. Women constitute around 80% of these workers. Women migrants are concentrated in domestic work, health and some unskilled or semi-skilled labour in export industries. The government target is to increase foreign exchange earnings from remittances from USD\$8.6 billion in 2008 to USD\$15 billion in 2009 and thereby to encourage and facilitate increasing external migration (Susilo, 2009). Many NGOs see this as the 'commoditisation' of migrants - a dangerous trend that pushes more people into migration without sufficient protections from abuse.

The impact of migrant job losses is reduced remittances to families that rely on them across Indonesia, particularly in the poorest regions. The families of external migrants often do not fall into social protection schemes, such as direct cash transfers, as they are receiving income from overseas and may have made improvements to their homes (sometimes used as a crude measure of poverty for the purpose of targeting programs). When migrants lose their jobs and return home they may no longer be included in the village headcount and therefore may not be eligible. Similarly, families may be missed despite having lost their income and not having any savings.

Despite the return of some migrants, the overall number of migrants going overseas increased 54% (quarter-to-quarter) between September 2008 and December 2008 (Titiharuw et al, 2009). Remittances rose year-on-year in 2008, although there was a clear decrease in the fourth quarter. Remittances were particularly affected in Malaysia, and over the course of the year the proportion of remittances from Saudi Arabia compared with Malaysia increased. This reflects an increase in female workers migrating to Saudi Arabia as domestic workers and the relatively small impact of the economic crisis in Saudi Arabia compared with Malaysia.

The loss of household income during the crisis may increase the pressure for women to migrate. This may be compounded by government policy to encourage and facilitate increased migration to reach the high targets for remittances. Women's organizations believe that the risks of underage migration and trafficking could be increased. While these are the risks of migration, there are potential benefits – both economic and social, particularly for women, of increased confidence, self-respect and skills that can come from an opportunity to experience life outside their village.

Government policies also encourage the decision to migrate among working women. The government has allocated budget as part of the stimulus package to train the victims of the economic crisis in job training centres, so they can be prepared as potential migrant workers. Ironically, the majority of the favourable destination countries for Indonesian migrant workers have slipped into the worst of the economic crisis. As a result, there has been a long waiting list of prospective migrant workers and many of them still have not departed because there is no job available in the destination country. This applies to many who want to become migrant workers in South Korea. They have spent money on the process of becoming migrant workers. This money came primarily from debts with interest that keeps growing. Many among them have become so desperate that they are prepared even to take a risk and go to Korea as undocumented workers.⁷

In the migrant worker sectors there is a unique situation in relation to the fact that there was no explosion of migrant repatriation. NGOs and government officials had predicted that no fewer than 300,000 migrant workers would repatriate from countries which suffered from the impact of global economic crisis: Malaysia, South Korea, Taiwan, and Hong Kong. The opposite reaction from the migrant workers seems to have happened. They prefer not to repatriate even if they are fired from their jobs, because they believe there will be better income and living conditions for them if they stay rather than return to Indonesia.

What we know for certain from the experience of Indonesian migrant workers in South Korea is that a scheme will be derived from the government-to-government agreement that enables the working agency to facilitate work permit status replacement. By such arrangements, many Indonesian migrant workers can change their work to other companies – mostly go to work for small and medium-sized enterprises (SMEs) which are part of the chains of production of the big corporations – and avoid repatriation due to unemployment. This phenomenon also occurs in countries other than South Korea, even in countries without a government-to-government arrangement.

Information specialists in BNP2TKI complained about this phenomenon, which makes it difficult to record how many migrant workers are still working abroad after so many conventional destination countries have been affected by the global economic crisis. Most Indonesian migrant workers do not report their working status to the Indonesian embassy. They choose to become undocumented workers and bear the risk of becoming

⁷ Interviews with activist from Migrant Care, and relatively confirmed by staff in BNP2TKI – government body for the placement and protection of Indonesian Migrant Workers.

informal workers because they perceive that they will get a better living from working as migrant workers.

There are great dangers for them in this approach, and it has become a trend in the cases filed in BNP2TKI. These undocumented workers become vulnerable to indecent work, and some female migrant workers become trapped in prostitution. Some cases of HIV among undocumented migrant workers have already been identified and reported to government officials and to NGOs, but they agree that the real number should be much higher. Most of these remain undocumented because the government program to protect migrant workers is too limited.⁸

4.4 Impacts on access to social protection programs and essential services

The crisis has impacted SMEs in Indonesia, which account for more than 90% of all firms in all sectors in the country. Furthermore, SMEs are the biggest source of employment, providing livelihoods for over 90% of the country's workforce, especially women and young people (Tambunan, 2007).

The demand for micro-credit in Indonesia may rise as a result of the economic crisis, as women lose their jobs or have reduced wages (in actual or purchasing-power terms) and turn to the informal sector to supplement their income. In this case, one of the barriers may not be the availability of credit but the conditions for credit, including that a business be in operation for at least one year before it can receive government credit. While the government stimulus package gave support to export industries, there was not an equal focus on increasing support to SMEs, or to women's businesses in particular – either through credit or procurement. For one women's organisation, this went to the model of economic development: 'Better for the Indonesian government to initiate more economic activity in the grassroots levels'.

There were also facts found during the research that show implementation problems for social protection programs:

- No women in our focus groups had received BLT. Each poor household received Rp 300.000 (about US \$ 30), each term for 3 months. There is no conditionality in using the fund. They cited three reasons for not receiving the payment: they were not eligible because they were employed; they were not counted in the village headcount because they were migrants (and hadn't registered themselves at new location); or due to corruption of village officials.

SMERU's pilot study found that since the crisis, contract-based employees whose contracts had run out were using these health services. However, they also found that community members had not heard of the programs targeting the poor, such as *Jamkesmas*, and had not used the services. Instead, they are continuing the use private clinics, which are close and where poor people can pay in installments, or, in some cases, receive free treatment (Fillaili, 2009).

⁸ Interview with Mohammad Jumhur Hidayat, head of the BNP2TKI.

5 Conclusions and recommendations

Indonesian women have been the most vulnerable group affected by the current crisis, given their responsibilities for their families. Large numbers of women in the export-oriented industries have either lost their jobs or had their working hours reduced. The decline on overseas remittances has affected families dependent on them for family welfare. Government response has been robust, though lacking in gender sensitivity.

We cannot conclude that because Indonesia still has positive economic growth in comparison with many other countries, that it means the workforce in Indonesia enjoys the benefits and better living conditions. The debate and analysis of workers living conditions in relation to the impact of the global economic crisis must look at explanations for how the global economic crisis shapes several qualitative aspects of structural adjustment in the field of industrial relations that are not always substantially benefiting workers positions and bargaining power.

From a review of the research and publications about the impact of the crisis on labour in Indonesia, it is important to reemphasize how limited are the data and relevant records of labour working conditions. The official authorities of the government have not provided adequate, updated, and detailed information about the dynamics of industrial relations. Much of the data is inadequate to use as a basis for logical explanations about real problems that should be advocated about, in order to protect working people from the severe impact of the economic crisis. Some of the problems that this report would like to endorse to be monitored closely are: the statistics on informalization of work and the impact of the imposition of flexible labour markets, which have not only happened in Indonesia but are also affecting Indonesian migrant workers; and statistics on wages that being paid below the minimum-wage agreements.

Along with the government responses to the crisis listed above, the following suggestions should be carried out with a specific focus on gender:

- Engagement of women's groups and civil society through appropriate mechanisms to contribute information and analysis into the Monitoring and Response Committee of the government;
- Enforcement of labor laws to protect women workers' rights more effectively; the labor law is inconsistently enforced, leading to abuses including lack of severance pay and union busting;
- The economic crisis could be an opportunity for Indonesia to build an effective social floor by expanding social protection, particularly unemployment insurance to workers in the informal sector.⁹ Social protection and insurance need extension so that informal sector workers are covered, particularly if they are to withstand economic volatility.
- Filling the gaps in the monitoring effort: providing for effective monitoring of migrants, particularly domestic workers, impacts in the informal sector and a stronger gender analysis, including consistent collection of gender-disaggregated data;
- Government diplomacy for migrant worker protection bilaterally and in regional and international forums, with a particular focus on the Middle East (this can build on the recent agreement with Hong Kong and current negotiations with Malaysia);

⁹ The Government is working on a social protection law to address social protection in a more integrated way and this is expected in 2010.

- Safety nets for laid-off migrant workers and the inclusion of their families in social protection programs;
- Designing any infrastructure or public works programs so as to allow for women's employment - through separate worksites; shifts for women during the day and men at night; and other measures employed in other countries.

References

- Asian Development Bank (2009) 'Conference on Global Financial Crisis: Social Impacts', Retrieved 15 October 2009 from <http://www.adbi.org/event/3261.gfc.social.impacts/default.php>
- Bank of Indonesia (2009a) 'State Budget'.
- Bank of Indonesia (2009b) 'The 2009 Revised Budget Fiscal Stimulus Programme: Mitigating the Impact from the Global Crisis'.
- Department of Manpower and Transmigration of the Government of Indonesia (2009) 'Crisis Center Statistics', retrieved 19 October 2009 from www.nakertrans.go.id/microsite/krisiscenter
- Fillaili, R., Suharyo, W., I., Sulaksono, B., Hustuti, and Budiyati, S., Usman, S. (2009) 'Pilot Qualitative Study on Crisis Impact and Response', Indonesia: SMERU Research Institute.
- Guina, C. S. (2009) 'Making Economic Stimulus Packages Work for Women and Gender Equality', United Nations Development Fund For Women Working Paper, retrieved 16 October 2009 from http://www.unifem.org/attachments/events/UNIFEM_Working_Paper_Making_Economic_Stimulus_Packages_Work_for_Women.pdf
- Hang, S. C. (14 July 2009) 'Public Forum on the Impact of the Global Economic Downturn and Need for Policy Responses at CJCC'.
- Horn, Z. (2009) 'No Cushion to Fall Back On: The global economic crisis and informal workers', Inclusive Cities Study Synthesis Report, WIEGO.
- ILO (March 5, 2009) Press Release, retrieved 19 October 2009 from www.ilo.org/global/About_the_ILO/
- ILO (2009a) 'Asia in the Global Economic Crisis: Impacts and responses from a gender perspective', a paper for 'Responding to the Economic Crisis – Coherent Policies for Growth, Employment and Decent Work in Asia and Pacific', Manila, Philippines, 18–20 February 2009.
- ILO (2009b) 'The Fallout in Asia: Assessing labor market impacts and national policy responses to the global financial crisis', a paper for 'Responding to the Economic Crisis – Coherent Policies for Growth, Employment and Decent Work in Asia and Pacific', Manila, Philippines, 18–20 February 2009.
- ILO (2008) 'Impact of the Global Financial and Economic Crisis on Indonesia: A Rapid Assessment', prepared for the ILO by Komara Djaja.
- Sarwono, H. A. (2009) 'Managing Global Shocks: The Case of Indonesia', Presentation of the Deputy Governor, Bank of Indonesia.
- Tambunan, T (2007) 'Development of SME and Women Entrepreneurs in a Developing Country: The Indonesian Story', *Small Enterprise Research* 15, 2.
- Titihew, I. S., Soesastro, H. and Atje, R. (2009) 'Indonesia', Global Financial Crisis Discussion Series, Paper 6, Overseas Development Institute.
- World Bank (2009) 'Financial Crisis', retrieved 9 October 2009 from <http://www.worldbank.org/financialcrisis/>
- World Bank (2008) 'East Asia: Navigating the Perfect Storm', retrieved 9 October 2009 from <http://www.worldbank.org>

Oxfam Research Reports

Oxfam GB Research Reports are written to share research results, to contribute to public debate and to invite feedback on development and humanitarian policy and practice. They do not necessarily reflect Oxfam policy positions. The views expressed are those of the author and not necessarily those of Oxfam GB.

For further information or to comment on this paper, email research@oxfam.org.uk

© Oxfam GB February 2010

Oxfam GB is a member of Oxfam International. Registered charity no. 202918.

The text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged. E-mail publish@oxfam.org.uk

For further information on the issues raised in this paper please e-mail enquiries@oxfam.org.uk or go to www.oxfam.org.uk.

The information in this publication is correct at the time of going to press.

Oxfam is a registered charity in England and Wales (no 202918) and Scotland (SC039042). Oxfam GB is a member of Oxfam International.