

The impact of global economic crisis on the job market for young Indonesian



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Does the Global Economic Crisis Affect on Job Prospect for Young People in Indonesia
Global economic crisis is a condition in which global economy is in downturn.

The spending total (aggregate expenditure) decreases that makes consumption total (symbolizes as C in the national income equation, $Y = C + I + G + X - M$ or National Income = Consumption + Investment + Government Expenditure + Export - Import) lower than before. It affects on the job market in all countries all over the world, including Indonesia although only a little bit, not as severe as the other western countries. During the current global economic crisis, Indonesia is one of the three countries that still record a positive economic growth. The other two countries are China and India. However, the effect of the global economic crisis to the job prospect for young people is felt in Indonesia, indirectly and softly. Job prospect for young people in Indonesia is not really affected by the global economic crisis because of the micro-business that is widely spread in Indonesia. The micro-business includes clothe manufacturing, food production, and art collection.

Indonesia has 18, 933, 701 micro-businesses accounting for 83. 2 percent of the total number of enterprises which was recorded at 27, 737, 314. In 2006 The number of small-scale businesses was 3, 594, 254 or 15. 8 percent, medium-scale businesses 152, 789 or 0. 7 percent, large businesses 44, 038 or 0.

2 percent and unclassified businesses 2, 532 or 0. 1 percent. The number of small-scale business (micro-business) was dominant. It is caused by

continual support by Indonesian Government. (Central Bureau of Statistics, 2006). The micro-business is highly supported by Indonesian Government in order to empower Indonesian society. Indonesian Government make a lot of package of supporting policies pertinent to the growth of micro-business. Indonesian government increases the ease of finance source access for micro-business, strengthen the credit collateral system for micro-business, and optimalize the use of non-bank fund for micro-business.

Moreover, Indonesian government also develops the entrepreneurship quality of society by giving easier access to entrepreneurship education and socialize technology-based business to society all over Indonesia. Indonesian government also creates a program called ??? Program Nasional Pemberdayaan Masyarakat Mandiri (PNPM)??? or ??? National Program for Empowering Society??? that gives micro-business super soft loan to the prospective society to run a new business or to develop their current business. This program had been applied since 2004 and still continue until now.

(Department of Finance of the Republic of Indonesia, 2008). These all policies successfully employs a lot of young people in Indonesia. The micro-business also employs a lot of young Indonesian to work in and to implement their knowledge in micro- business. Many of the unemployed are falling back on this small-scale entrepreneurial activities. Like the “ warteg (warung tegal)” roadside stands that serve the most traditional and popular foods and beverages, like the soybean cake called “ tempe??? and plates of tofu. This activity, which may seem haphazard, is finding strong support among city residents, who are able to enjoy familiar dishes quickly and cheaply, instead

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of having to go to Japanese or Western-style fast food restaurants. Millions of people are active in similar micro-businesses, which can be opened with a minimal investment.

New graduates, who are often jobless, are being urged to get involved in such activities. Those interested are given basic training. For example, in Malang (eastern Java), multinational tobacco company Philip Morris and other local industries in the sector have helped more than 120 unemployed people to become “ entrepreneurs.

” In two weeks, they learned to make and sell cigarettes. The demand of the micro-business product increases rapidly. (Central Bureau of Statistics, 2009). The demand of the micro-business products is really high.

It is because of the lower price than those of imported products. Besides, Indonesian government always promote and campaign to use the national product, the products from Indonesian and to Indonesian. However, some certain products are still imported from western country, such as Japan and United States of America. These products are automotive and electrical devices which haven't been really developed in Indonesia. It makes Indonesian still has dependence in foreign countries' products, although in a small amount. The dependence to the foreign country is clearly seen from the fluctuation of foreign currency, especially US Dollar which is most internationally used. The depreciation of Indonesian Rupiah (IDR) to the US Dollar (USD) makes the imported products become more expensive.

The higher price of the imported products makes the demand of these products smaller. The same condition exists in the manufacturing companies
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which get their raw material from other country. The higher raw material cost force the companies to increase the sales price.

This makes the total demand of the related products decreases. The lower demand results lower sales revenue. This condition force the company to dismiss employee. Mass layoff occurs However, this condition is only in a small amount and not really affected on Indonesian economic.

The job market is still widely available in the more dominant sector, micro-business. The development of micro-business which empower the Indonesian people is a proud of Indonesian. This micro-business is widely spread all over Indonesia. The campaign from Indonesian Government to use the national product really support this. The development of micro-business reduces the dependence to the imported products. This makes the effect of foreign currency fluctuation doesn't really affect on the job prospect for young people in Indonesia. They still can find the job and implement their knowledge to succeed the business. Micro-business keep Indonesian breathing during the global economic crisis.