

As Unemployment Declines, New Windows Open.

Last week's column caught the attention of at least a few readers who responded with their questions and comments. Indonesia's disconnect with the developed world was visible yet again. With the official unemployment rate hovering at 9 per cent in recent years, with the proclaimed decline to 8.2 per cent in 2009, the current Roy Morgan rating of 7.3 per cent was a pleasant surprise to some. Not many who should have taken note will have noticed.

For those who are interested, there are a few reasons for the difference in the numbers. To the best of my knowledge, Roy Morgan Research is the only organisation interviewing Indonesians 14 years of age and older, randomly sampled, every week, across 16 provinces that are home to 85 per cent of the population. That data is updated every ninety days, projected to replace that universe. It is not an annual census, with long gaps in information. If we were to set aside the periodic ups and downs in unemployment caused by unique circumstances, opportunities, disasters, seasonality and the like, the accumulated weight of over 25,000 respondents cannot be easily challenged. Those 25,000 interviewed in the last 12 months include the most recent 6000 of the last 90 days. By using this rolling data, the statistical margin of error is negligible. As the chart illustrates, the quarterly 'bumps' are smoothed out but still depicts a steady decline in the unemployment rate.

By that measure, the Roy Morgan Unemployment Rating stood at 7.3 percent at the end of March 2009. In the unlikely event that he or his aides read this column last week, the president would know that he has already achieved his target for 2010. Even though the Bank Indonesia and Roy Morgan Consumer Confidence ratings convey similar results each quarter, BI is usually 15-20 points below Roy Morgan even at the best of times. That keeps the BI index almost permanently below the 100-mark, in negative territory. If their pessimistic view was used internally, not much damage would be done. But picture this real-life scenario. I am speaking in the morning at an Indonesian investment forum in Melbourne, pointing out Indonesian consumer confidence well above the 100-mark. Only to be contradicted in the afternoon by a deputy governor of Bank Indonesia, showing it at 20 points below. Who would want to invest in a country with permanently shaky consumers? It's another matter altogether that the BI survey is conducted in 18 big cities, while the Roy Morgan study is conducted in the 20 biggest cities, 22 towns and rural Indonesia as well.

You may well ask why indicators like unemployment and consumer confidence are important to people as diverse as politicians, bureaucrats, financiers, marketers, NGOs and activists. It is because they are fundamental indicators of societal well-being, not just the consumer economy. A fully employed workforce brimming with confidence would be akin to an economic paradise. The good news for Indonesia is that both those key factors are headed in the right direction. Unemployment is heading down, confidence is pointing upwards. On both counts, the country is doing considerably better than the government's own official numbers indicate, a major irony. The sad reality is that the only major syndicated national study isn't used by the bureaucracy, so the question of partnership with the government is remote. It's another matter altogether that the focus needs to shift from unemployment to under-employment, better wages and working conditions, if real comparisons are to be made with neighbouring countries. That is where the next level of challenges really lie.

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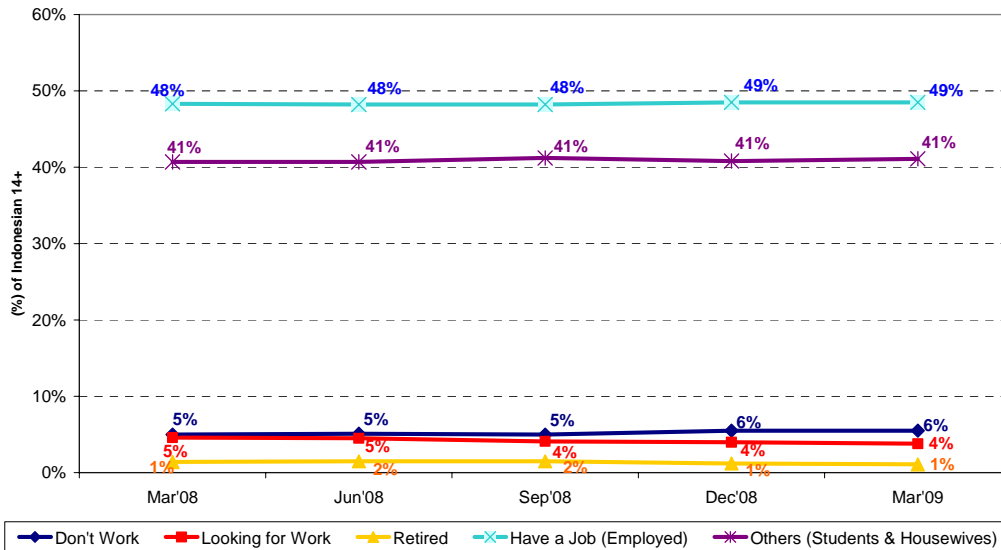
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THE WORKFORCE: YESTERDAY & TODAY



Despite all the talk of the global financial crisis, despite the pain of high food prices, the Indonesian consumer economy is undoubtedly in much better shape than all of its neighbours. Why then are so many companies not as upbeat as they should be right now? The reasons vary from industry to industry, company to company. For many multinationals in fast moving consumer goods, Indonesia has matured into a cash-cow, a sign of changing times. Instructed by troubled parents in the developed world, their local CEOs are shipping out more profits earned from better margins and higher prices. Some of their counterparts in local companies are using the bogey of the GFC as a convenient excuse to keep wages and costs down. Faced with more competition than the market can probably stomach, telecom companies have driven their own revenues down, with only themselves to blame. Even the motorcycle manufacturers are faring relatively well, thanks to the surge in financing becoming available in recent years.

The motorcycle financing phenomenon is perhaps the best clue for Indonesia's employers, bankers and policy-makers to work together, to help build a more stable society for mutual gain. In a country where the average main income earner earns a humble Rp 1 million per month, where 55 per cent of homes have two or more incomes, where less than 1 per cent have mortgages, lies a major opportunity. If more modest homes are built, more jobs are created while more assets are added to national wealth. Yet the focus quite visibly has been on easy pickings, witness the mushrooming towers of flashy new apartments and shopping malls much of which are lying empty. With a little more effort, more low-cost housing can be created for millions now staying in extended families, with bankable assets as collateral.

Now is the time to take advantage of these obvious opportunities in Indonesia, with more private and public sector partnerships. The key indicators are all too inviting to be wasted.

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