Linkages and rural non-farm employment creation: Changing challenges and policies in Indonesia

Kristiansen, Stein

Increasing problems of rural unemployment in Indonesia are at the core of this report. Numbers of unemployed increased dramatically after the 1997 economic crisis and millions of people searched to be reabsorbed in rural labour markets. Agricultural land is scarce, however, and entry barriers are often high in non-farm businesses. Access to capital and information is limited for the rural poor and uneducated people. During successful periods of economic growth in Indonesia, various linkages in factor and commodity markets were created. Any return to the state-dominated economy and substantial government interventions in markets is unrealistic, but linkages may nevertheless be manipulated for political ends like employment creation. Policy instruments may still be applicable for reducing market failures and to facilitate commercial transactions in an economy characterised by disintegration and sectoral and geographical disconnection. This paper aims to assess experiences from former linkage strategies for rural non-farm employment creation and to point at new policies suitable in various and changing economic, political and cultural contexts of Indonesia. A conclusion is that linkages and rural employment creation strategies should aim towards mobilising the variety of local natural and cultural resources and encourage horizontal communication and economic transactions between regions and peoples.

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Rural non-farm income (RNFI) includes earned and unearned income received by rural people from the urban economy (via temporary migration, remittances, welfare, pensions, interest) and the rural non-farm economy (RNFE, which includes activities based in rural towns). When thinking about sectoral definitions of 'non-farm' it makes sense to follow national accounting classifications. The following targeted interventions can help:

- market-linkage and development programmes that help rural enterprises trade with larger, urban and industrial enterprises through out-sourcing and sub-contracting;
- producer groups or trade associations which are able to develop economies of scale in.

'Rural Non-farm Employment and Incomes in Latin America: Overview and Policy Implications'. The Employment Policy Department (EMPLOYMENT) is engaged in global advocacy and in supporting member States in placing more and better jobs at the centre of economic and social policies and growth and development strategies. Policy research and knowledge generation and dissemination are essential components of the Employment Policy Department's activities. The resulting publications include books, country policy reviews, policy and research briefs, and working papers. The Employment Policy Working Paper series is designed to disseminate the main findings of research on a broad range of topics ...

Growth in Indonesia surpassed that of upper middle and high income countries (Figure 1, left). Situational analysis of the rural non-farm employment (RNFE) space in the Northeast India shows presence of severe regional variation. It also exhibits very high magnitude of feminization and casualisation of employment in the construction sub-sector of RNFE. Although, the gender gap in the RNFE space in this region has virtually disappeared, gender deprivation is very much present and disquieting. This is reflected when women workers are increasingly pushed to undertake supportive, residual, casual and non-remunerative works vis-à-vis men workforce. 4. Policy responses and initiatives. 5. Conclusions. Employment and Skills Strategies in Southeast Asia Setting the Scene. Until the situation changes substantially, public-sector agencies will have to be the principal source of business development services (BDS) and extension activities for domestic firms, SMEs included. Many of these issues have to be addressed locally, through joined-up strategies that recognise the inter-linkages between diverse local opportunities and challenges. The process of urbanisation will intensify in Indonesia, the Philippines and Viet Nam accounting for 80% of the increase in the urban ASEAN population. Rural non-farm employment includes food processing or clothing manufacture in the manufacturing sector, in addition to services such as motor repair, or other skilled or unskilled work. Non-farm workers could also be self-employed through small-scale enterprises and petty trade (Reardon, Stamoulis, & Pingali, 2007). Dividing non-farm employment into three categories—regular employment (generally salaried), casual employment (daily wage) and self-employment—Lanjouw and Murgai (2009) note that regular non-farm employment is the most sought after. Through production linkages, agriculture connects to non-farm suppliers of raw materials and farm inputs.