



RESEARCH SUMMARY

The Social Impacts of Crisis in Indonesian Communities

Indonesia weathered the global economic downturn well, due to strong domestic (non-export) growth, the recovery of commodity prices and export markets in 2009, careful macroeconomic management and a fiscal stimulus package worth 1.4% of GDP. Growth is expected to be above 4% for 2009. But how have people fared? Community 'listening post' research finds that even with local economic recovery in full swing and inflation down from its 2008 peak, food prices remain high, and incomes have yet to adjust to compensate in full. For export sector workers, the crisis has ushered in more 'flexibility' – and worse conditions: shorter contracts, job insecurity and growing pressure for productivity increases mean that Jakarta industrial area workers feel substantially worse off, despite national resilience and recovery.

Rubber recovers from the commodity price shock

The recovery of the rubber price in 2010 was a relief to the rubber-tappers and small plantation owners who make up most of the rural community. Farmers reported that prices remained below their pre-2008 level, but had recovered from the lows of 2008-9. Rubber traders have done less well: high prices mean profit margins remain the same, but require more capital than they can access. One sign of recovery is that most of the 50 villagers who had left to try their luck in illegal mines in Sulawesi had returned to farming or tapping. The repossession of motorcycles bought on credit had also stopped, although no new credit for motorcycles was available. Fertilizer prices were high and supplies were limited, leading a Plantation and Forestry official to note that lack of access to fertilizer was the main reason for low rubber plant productivity in the area.

Export sector jobs recover – but with more 'flexibility'

The urban community of Gandasari was particularly vulnerable to global economic downturn (see Box: THE COMMUNITY 'LISTENING POSTS'). In February 2009, employment was contracting and factories had closed, with knock-on effects on the local economy. Household survey

THE SOCIAL IMPACTS OF CRISIS PROJECT

How have people and communities experienced recent global economic shocks? In early 2009, the Social Impacts of Crisis project started work in 12 community 'listening posts' in Bangladesh, Indonesia, Jamaica, Kenya, Yemen and Zambia to answer this question. Funded by the UK Department for International Development, the project developed rapid participatory tools, making repeat research visits to explore the impacts of the 'Triple F' – food, fuel and financial – crises.

With the focus on how people and everyday lives have been affected, the research findings complement – and sometimes challenge – macroeconomic and national assessments of the impacts. It has uncovered evidence about how people have experienced official responses to the crisis, and signs of likely enduring harms to livelihoods and wellbeing. This qualitative research is being complemented by analysis of household survey data in Indonesia and Zambia, in a parallel IDS research project on the *Microeconomics of the Crisis*.

data analysed as part of a parallel project (see Box: THE SOCIAL IMPACTS OF CRISIS PROJECT) found the rise in unemployment up to February 2009 to be less marked than that indicated by the qualitative research, possibly reflecting the effective exclusion of many migrant workers from the official survey sample (McCulloch and Grover 2010). Oxfam research similarly suggests that official figures fail to capture the full extent of the lay-offs (Miller-Dawkins *et al* 2010).

By early 2010, the economic recovery was felt in Gandasari through increasing export sector job opportunities. Compared to a year ago, the wider local economy was buoyant, with significant increases in the number of migrant workers arriving in the community, reversing the trend of 12 months previously. Dormitories to accommodate migrants were reportedly filling up fast after months of vacancies, and new accommodation was also being built.

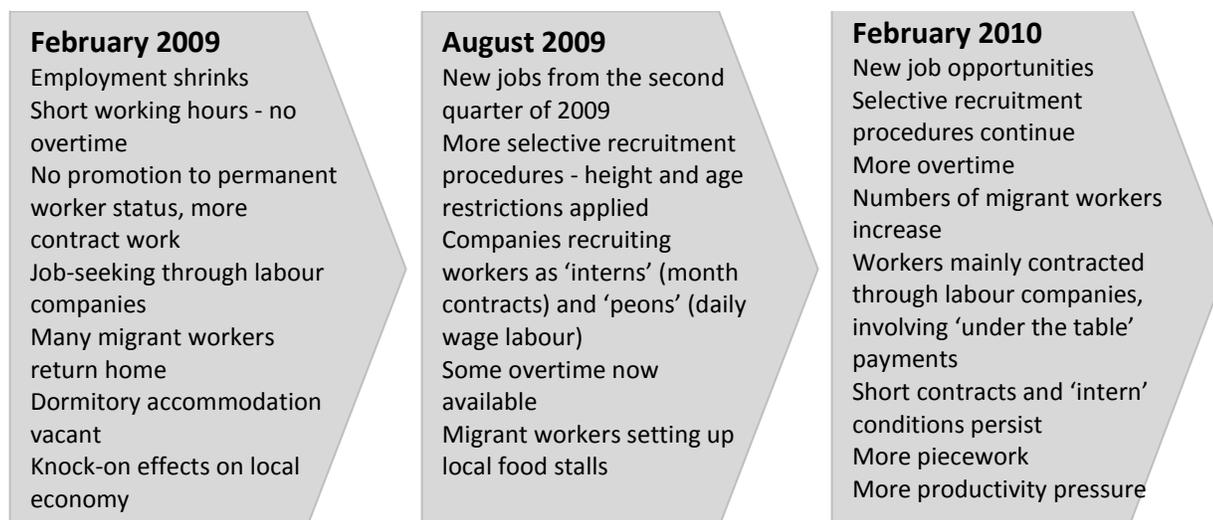
Export sector workers reported that working conditions had changed, from their perspective, for the worse. A trend towards increased labour flexibilisation had been ongoing since labour laws changed in 2003. Some observers have suggested that labour flexibility helps explain the resilience of the Indonesian export industry, with factories cutting hours and shedding workers rather than closing down. Whether or not increased labour 'flexibility' should be celebrated, it seems clear from workers' accounts that the global economic crisis marked a sharp shift in that direction (see Figure below: THE TREND TOWARDS FLEXIBILITY).

THE COMMUNITY 'LISTENING POSTS'

Research was conducted in February-March 2010 in Gandasari, in Bekasi district, just outside Jakarta, and in a community in Banjar district in South Kalimantan. Gandasari houses migrant and local workers in the nearby industrial complex, one of the largest in SE Asia. Most residents depend on the export factories directly, as employees, or indirectly, as providers of accommodation and services to factory employees. Villages in the Banjar community are predominantly rubber tappers and farmers. Until 2009 regulations that suspended coal transportation on local roads, services associated with local coal production and transportation had also been important.

The research team had conducted research in the Banjar community before the first research trip in 2009. Several additional visits have been made to Gandasari since the first February 2009 visit, enabling a detailed picture of how the drop in exports has unfolded for export sector workers.

THE TREND TOWARDS FLEXIBILITY: How workers experienced the economic crisis



Resilience and coping

Food prices are still considered high, but the problem was less severe than in February 2009 as people are generally better off with the local economic recovery. Most appeared to have coped with the high food prices

and economic downturn of the previous 12 months. Many had curbed cigarette, leisure, clothes, or cosmetics spending during the worst period, although spending on these was on the rise by 2010. People were generally careful about their spending, buying in bulk or from stores offering deals, and less from local food stalls than previously. But there were fewer signs of cutting down on quality or quantity of food than a year before. In Gandasari, factory workers who had undergone periods of unemployment, short contracts and struggled to find work were evidently affected (see Box: A MIGRANT WORKER'S ACCOUNT). Some reported stress and anxiety, struggling to make ends meet and to remit money back to families when they had regained jobs. Basic wage rises did not compensate for the high costs of food; as short term contract workers, wages were not supplemented with benefits previously paid (meal, transport and other allowances).

Some land and coal truck sales had taken place in Banjar, and women in both locations had sold gold to tide them over difficult periods. A variety of financial service arrangements were found, including the informal *arisan* savings group, bank *keliling* (motorcycle moneylenders, charging high interest) and gold loans, a credit system believed to avoid the un-Islamic practice of usury. In Banjar, people spoke of school dropout as a likely effect of the crisis, but a local primary school headteacher disagreed, noting that there had been no dropouts at that level in 2009. In fact, the low rubber price had even meant that regular absenteeism among older students helping their parents tap rubber had been low: 'Crisis or no crisis, it is the same, it depends on the price of rubber'.

Social protection

The fiscal stimulus programme included new spending on local infrastructure through the National Community Empowerment Programme (PNPM Mandiri), but this had not yet been felt in the two communities. A new women's credit and savings group in Banjar under the PNPM Mandiri had been popular and successful, despite some initial tension around the identification of beneficiaries. In neither location has free health coverage proven to be a great advantage, as people find health centres are either too far, or provide low quality or inappropriate medicines. Most preferred more accessible or responsive private services. The Raskin or rice for the poor programme was still in operation, but local leaders said quantities had declined compared to previous years. The cash transfer programme BLT similarly had seen a slight decline in recipient numbers, as a local official noted, at a time when those eligible for BLT had doubled in number. The group most directly affected by the downturn - the laid-off migrant workers - are generally not eligible for raskin, BLT or other sources of official support unless they have officially become residents.

Migrant associations emerged as a more important informal source of moral and material support during the 2010 research. These are based around areas of origin, but are not exclusive. Local people stressed that rising

A MIGRANT WORKER'S ACCOUNT OF THE CRISIS

23 year old Pujiati moved to Gandasari in 2006. Her first job was for a year in an electronics factory. When it closed in 2007, she got a 3 month contract at another factory, later extended to 6 months, the end of which coincided with the onset of the global financial crisis. Pujiati was then unemployed for 6 months. She helped mind a cellphone counter by a relative in return for food and accommodation. At one point, Pujiati 'lost hope' and planned to return home to Malang. But her landlord helped her get a new job, through a rigorous recruitment process.

In her current factory, she receives a basic wage of Rp 650,000 every fortnight with no extras (such as meals or allowances). She regularly works the nightshift. Pujiati finds it impossible to save and difficult to remit money to her parents, but recently had to scrape together Rp400,000 for their medical expenses.

During the crisis, Pujiati sold her gold ring and collected rents from other tenants in return for a rent reduction. Concerned about job security, and constrained by her low wage, she lives frugally, eating little and rarely going out. She feels her health has worsened since she took her new job. Occasionally she falls asleep at odd times, and is worried because a friend told her of a case like that where the person eventually died.

migrant numbers and new associations had not turned into sources of conflict, despite migrant workers entering into direct competition with local residents by setting up food stalls during the crisis, contributing to declining food stall profits.

Some *arisan* or rotating savings schemes had stopped a year ago. Many were now in operation again, although fewer than before the crisis. Credit from food stalls remained an important source of day-to-day support for many. Other sources of support in the last year have included support for school supplies, through corporate social responsibility programmes of factories in the industrial complex in Bekasi.

Harms that persist: the trend towards labour flexibilisation

Trends in working conditions that had begun to emerge in August 2009 amounted to a significant worsening of working conditions, including:

- (Unlawful) discrimination on age, gender and physical condition criteria in recruitment. The village Workforce Supply Coordinator noted that women are preferred as more 'obedient, less troublesome, more diligent'
- Use of piece work and 'putting out', daily wage labour or 'peon' contracts, 'intern' or short contracts (typically of one-month), and other short contracts, typically of three months
- greater reliance on labour outsourcing companies, 'under the table' payments of around Rp 1,000,000 to receive work, or reliance on networks of workers already in factories to access jobs
- increased pressure to achieve outputs, and greater reliance on shift work.

Basic wages increased by ten per cent in 2009, in line with the regional minimum wage, and in response to union pressure (Miller-Dawkins *et al* 2009). But workers complained of compulsory overtime and no additional benefits such as meal or transport costs, which had previously been provided. These findings are consistent with Oxfam's suggestion that the global financial crisis may have reinforced a trend towards labour flexibilisation underway since labour law reform in 2003.



REFERENCES

McCulloch, N. and Grover, A. (2010). 'Estimating the National Impact of the Financial Crisis in Indonesia by Combining a Rapid Qualitative Study with Nationally Representative Surveys'. Mimeo. Brighton: Institute of Development Studies

Miller-Dawkins, M., Irwansyah, and Abimanyu, R. (2010). 'The Real Story Behind the Numbers: The impacts of the Global Economic Crisis 2008-2009 on Indonesia's women workers'. Oxfam GB Research Report

FURTHER RESOURCES

Hossain, N. *et al* (2009). 'Accounts of Crisis: Poor People's Experiences of the Food, Fuel and Financial Crises in Five Countries'. Mimeo. Brighton: Institute of Development Studies

Hossain, N., Fillaili, R., Lubaale, G., Mulumbi, M., Rashid, M. and Tadros, M. (2010). 'Social Impacts of Crisis: Findings from community-level research in five developing countries'. Mimeo. Brighton: Institute of Development Studies

The Crisis Watch network website includes a wide range of resources on the social impacts of crisis: www.ids.ac.uk/go/crisiswatch

The SMERU website has resources and information on its crisis monitoring work with AusAid, IDS and Bappenas: www.smeru.or.id/crisismonitoring_home.php?intro

CREDITS

This summary was prepared by Rizki Fillaili at SMERU and Naomi Hossain at IDS, based on research funded by the UK Department for International Development. The views expressed here are those of the authors only.

For further information or a copy of the report on which this summary is based contact: N.Hossain@ids.ac.uk

Institute of Development Studies at the University of Sussex Brighton BN1 9RE UK