KEMENTERIAN NEGARA PERENCANAAN PEMBANGUNAN NASIONAL
BADAN PERENCANAAN PEMBANGUNAN NASIONAL
REPUBLIK INDONESIA

BADAN PUSAT STATISTIK

Resilience in the Midst of a Global Crisis

Summary Report of Qualitative and Quantitative Assessments of Global Economic Crisis Impacts on Households in Indonesia (2009 - 2010)

STATE MINISTRY FOR NATIONAL DEVELOPMENT PLANNING
NATIONAL DEVELOPMENT PLANNING AGENCY (BAPPENAS)
REPUBLIC OF INDONESIA

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State Ministry for National Development Planning /BAPPENAS and Badan Pusat Statistik (BPS)

In cooperation with: AusAID, World Bank and SMERU Research Institute

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Foreword

Assalamu alaikum, Wr. Wb.

The global financial crisis which originated in the developed countries in 2008 also influenced the economic conditions in other regions and countries, including Indonesia. For Indonesia, this crisis is the second crisis after the financial crisis of 1997/98. Therefore, Indonesia was relatively prepared and already had several policies and programs in place that were implemented as a result of lessons learned from the 1997/98 financial crisis.

Although the macro economic conditions of Indonesia in 2008 were much stronger than at the time of the 1997/98 global crisis, the impact of the crisis at the macro level was quite apparent and noticeable from several indicators such as, among other, the weakening of stock values in line with the fall of the global stock index and the depreciation of the Rupiah, which had an effect on the economic activity of various companies, especially those engaged in export and import. These impacts resulted in a slightly lower economic growth. Indonesia was however able to maintain a positive economic growth at the time of the 2008 crisis, as one of only three countries in the world.

Besides the macro-economic impact mentioned above, the Government was also worried about further impacts at the household level, or on community welfare in general. The total of vulnerable or near-vulnerable households in Indonesia is 7.7 million or 43.8% of the total number of target households (BPS, 2008). It is feared that the crisis will have an impact on the lives of this large group of vulnerable people. Impacts of the crisis that can affect their welfare are: termination of employment, repatriation of migrant workers, loss of income or purchasing power, health problems, dropping out of school, and so forth.

Whereas the impact of the financial crisis on the macro economy can be assessed from already available data, the impact at the household level is more difficult to assess. The National Labor Force Survey (Sakernas) and the National Socio-Economic Survey (Susenas) are sources of data and information about working conditions and household conditions. However, these two surveys are not conducted frequent enough to understand the dynamics of crisis impacts that are transmitted rapidly.

Because of this, the Government, in this regard Bappenas in collaboration with BPS, conducted the Crisis Monitoring and Response System Survey over three rounds during 2009 and early 2010. The quick survey, with technical assistance from the World Bank, was carried out to determine the impact of the crisis on household welfare and the coping mechanisms they used, in order to identify the response measures the Government should take. This quantitative survey was complemented by qualitative studies conducted by the SMERU Research Institute. The implementation of both these activities was supported by AusAID.

The results of the survey provide lessons for Indonesia to develop methods and indicators that can be used in identifying impacts of economic crises at the household level. Accordingly, this report will be used as a reference material for developing an "early warning system" to assess impacts of crises at the household level. This report also provides direct inputs to improve the existing socio-economic survey to capture the dynamics of crisis impacts, as well as indicators needed to prepare responses through programs that are considered appropriate to help communities affected by crises, or for other measures considered necessary. The preparation of this report is a first step towards establishing a reliable and trustworthy crisis monitoring and response system.

On this occasion, I convey my appreciation to the Global Financial Crisis Monitoring and Response team in Bappenas and BPS, as well as to SMERU and the World Bank. We also express our thanks to AusAID for its support in the implementation of this series of quick surveys. Hopefully, this report will be useful for establishing a Crisis Impact and Household Welfare Monitoring and Response System in Indonesia.

Wassalamu alaikum, Wr. Wb.

Lukita Dinarsyah Tuwo
Vice Minister of National Development Planning / Vice Head of Bappenas

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Abbreviations, Acronyms and Terminology

Bappenas	*Badan Perencanaan Pembangunan Nasional*, National Development Planning Agency
BNP2TKI	*Badan Nasional Penempatan dan Perlindungan Tenaga Kerja Indonesia*, National Authority for the Placement and Protection of Indonesian Overseas Workers
BPS	*Badan Pusat Statistik*, Statistics Indonesia
CMRS	Crisis Monitoring and Response System
CMRSS	Crisis Monitoring and Response System Survey
CNO	Coconut Oil
CPO	Crude Palm Oil
GEC	Global Economic Crisis
HoH	Head of household
MoU	Memorandum of Understanding
Puskesmas	*Pusat Kesehatan Masyarakat*, Community Health Center
Sakernas	*Survei Angkatan Kerja Nasional,* National Labor Force Survey
TBS	*Tandan Buah Segar*, fresh fruit bunches of palm oil nuts
TKI	*Tenaga Kerja Indonesia*, Indonesian overseas migrant workers

Executive Summary

Similar to other countries in the world, Indonesia was also affected by the global economic crisis that originated in the developed countries. Indonesia could not avoid the impact of the crisis, but it took certain measures to protect the Indonesian economy and its people against it. While the impact at the macro level can be identified relatively easy and quickly, the impact of the global economic crisis at the household level is relatively difficult to observe and measure. For that, the Indonesian government, in this case Bappenas, was assigned to monitor the global economic crisis at the household level and to try to anticipate necessary response measures.

In 2009, at the beginning of the global economic crisis, the Global Economic Crisis Impact Monitoring and Response Team was established at Bappenas to find a way to monitor the impact of the crisis at the household level and to prepare the necessary response measures. For that, Bappenas together with BPS and the World Bank, designed a Crisis Monitoring and Response System (CMRS). A quick survey was piloted to quantitatively monitor the impact of the crisis, and additional qualitative information was obtained, with assistance from SMERU, through media monitoring, local monitoring and case studies. The CMRS survey obtained data from more than 14,000 households in 471 districts at three month intervals. The objective of the quantitative monitoring was to identify and quantify "negative" changes in the situation of households. The objective of the qualitative monitoring was to provide rapid assessments to monitor and evaluate the impacts of the crisis on communities' socio-economic conditions.

To gain a good understanding of the impacts of economic and natural crises, and how such impacts are transmitted to vulnerable households, both quantitative and qualitative monitoring are needed. Quantitative monitoring makes it easier to gain an overall insight on how the crisis affects different regions and how this changes over time. The qualitative monitoring provides a more in-depth understanding of how some factors add complexity to a crisis, and how people cope with this. A system to monitor the impacts of a crisis, and which sets out to provide information in support of policy formulation of response mechanisms should therefore draw on both quantitative and qualitative monitoring.

The impacts of the global economic crisis for Indonesia from mid-2008 to mid-2009 were relatively mild, and in 2009, both domestic demand and renewed international demand initiated some recovery. When the global economic crisis unfolded in the last quarter of 2008, export-oriented industries were among those that were hit the hardest, either through a fall in demand or because of a fall in the commodity price. In other industries, crisis impacts were more noticeable in the first half of 2009, but by the last quarter of 2009 there were clear signs of recovery for some sectors. Domestic demand linked to the legislative and presidential elections also helped to soften crisis impact for some sectors.

In general terms, the quantitative analysis indicated some adverse effects that may have been due to the global economic crisis over the period May to July 2009, followed by some evidence of recovery over September to November, and little or no evidence of crisis effects for November 2009 to February 2010. The general conclusions are:

- There seems to have been minimal or no impact of the global economic crisis on head of household labor force participation rates;
- The crisis did not appear to cause an increase in unemployment for the head of household. In fact, unemployment fell over the period May-November 2009;
- There may have been some crisis impact that resulted in a decline in head of household working hours between May and August 2009, while the August to November trend showed an increase that could be a sign of recovery. However, in the absence of quarterly benchmarking data, the validity of this interpretation is not certain;
- There seems to be a gradual decline in heads of households working in the formal sector. But this may be a manifestation of a longer trend rather than a crisis impact, where formal sector employment generation does not keep pace with work force growth, and new employment generation occurs in the informal sector;
- Over May-August 2009, households perceived a loss of income, especially in rural areas and for poor households. This viewpoint did not change over the periods August- November 2009, and November 2009 – February 2010;
- Between April and July 2009, households reported difficulties in meeting consumption needs. Over July to October 2009, conditions reportedly improved;
- There was no evidence of increasing attempts to look for employment either by child worker or female entry into the labour force;
- Over the period May to August 2009, falling working hours, increased food prices, and higher difficulty affording daily consumption needs seems to have led some households to substitute their *lauk-pauk* (protein side dishes) to one of lower quality or cost;
- There is no evidence of increasing attempts to look for employment by migration.

The qualitative assessments showed that the severity of crisis impacts was varied across sectors. There are sectors that were badly impacted by the crisis such as electronics and automotive industries, whilst there were other sectors such as textile and garment industries, fisheries sectors that had less impact of the crisis. The level of severity of impact on each sector and group within a community was also varied, depend on such things as the level of integration of such sectors in the global economy, availability of alternative income or jobs, and asset ownership and seasonality factors that could influence yield of production from each sector.

Poor and vulnerable people are among the those most impacted by the crisis. Qualitative assessments showed that poor and vulnerable people may be impacted both directly and indirectly. In some sectors or communities other groups such as business owners may also be affected by the crisis, but they usually have assets and/or other productive resources that give them better resilience to weather crisis impacts. Quantitative results indicate effects on the poor were higher than for the non-poor, although this was in part due to non-crisis-related factors such as increasing food prices in the third quarter of 2009.

The CMRS that has been developed should be improved to become a system to quantitatively and qualitatively monitor crisis impacts, thereby providing better information to formulate policy responses and suitable programs. The two assessment approaches also complement each other, as the quantitative monitoring will be focused on the overall situation for the country, provinces and districts, whereas the qualitative monitoring will provide concrete local information from village and community levels.

1. Introduction

1.1 Background

The global economic crisis (GEC) of 2008-2009 encouraged the Indonesian Government to develop a crisis monitoring and response system to determine the impact of the GEC on the welfare of households in Indonesia. The system is intended to understand the mechanisms through which crisis impacts are being transmitted to households, especially vulnerable households, the corresponding coping mechanisms adopted by households, and the socio-economic outcomes. Such a system will assist the Government of Indonesia in determining the appropriate policy responses in a targeted and effective manner.

To implement this, the Global Economic Crisis Impact Monitoring and Response team, headed by the Deputy for Development Performance Evaluation and the Deputy for Poverty, Employment and SMEs in Bappenas, in cooperation with BPS, undertook the following steps, with financial support from AusAID and technical support from the World Bank and SMERU:

1. **A quick survey to monitor the impact of the GEC at the household level**. The rapid survey would monitor impacts quantitatively and qualitatively.
2. **Quantitative crisis impact monitoring** through the development of a Crisis Monitoring and Response System (CMRS), on behalf of the National Development Planning Agency (Bappenas). The main objective of the CMRS was to generate data indicating the impact of the crisis in Indonesia over the course of four quarters through three rounds of data collection. The CMRS was implemented by BPS – Statistics Indonesia and Bappenas, with technical assistance from the World Bank.
3. **Qualitative crisis impact monitoring** to provide qualitative information on how the GEC has affected people's lives, and how people are coping with the shock. This qualitative study was implemented by the SMERU Research Institute.

For both the CMRS and the qualitative study, there are separate reports that document the approach and the findings in more detail. The purpose of this document is to present a consolidated picture that summarizes the key points of both assessments.

1.2 Quantitative Crisis Impact Monitoring

The quantitative crisis impact monitoring was done through three rounds of data collection by the regional staff of BPS. In each survey round, data was collected from a panel of 30 households in 471 districts (Kabupaten and Kota), covering all 33 provinces, as well as data from five community health centres (Puskesmas) and district health offices (Dinas Kesehatan).

The surveys were conducted as follows:

- The first round of the CMRS survey (CMRSS) was conducted in August 2009, collecting data for July/August 2009, as well as for April/May 2009[1]. The interviewed households were part of the Sakernas sample, and the CMRSS was conducted in the form of additional data collection for the 30 households that belonged to the CMRS sample within each district.
- The second round of the CMRSS was conducted in November-December 2009, related to October/November 2009 conditions. This round was conducted as a stand-alone survey, with the same households being revisited.
- The third round of the CMRSS was conducted in February 2010, related to January/February 2010 conditions. This survey was again conducted as a supplement to the Sakernas survey, with data for the CMRSS sample households being obtained after the Sakernas data.

The labor force questions, which numbered 10 out of the 34 questions of the CMRSS questionnaire, were only asked for the head of household, and not for all members of the household age 10 or above. The phrasing of these questions was identical to the corresponding questions on the Sakernas questionnaire. Thus, these data were collected only once, during administration of the Sakernas questionnaire, and the answers were copied to the CMRSS questionnaire.

The analytical framework used for the quantitative crisis monitoring is represented in figure 1.1 below.

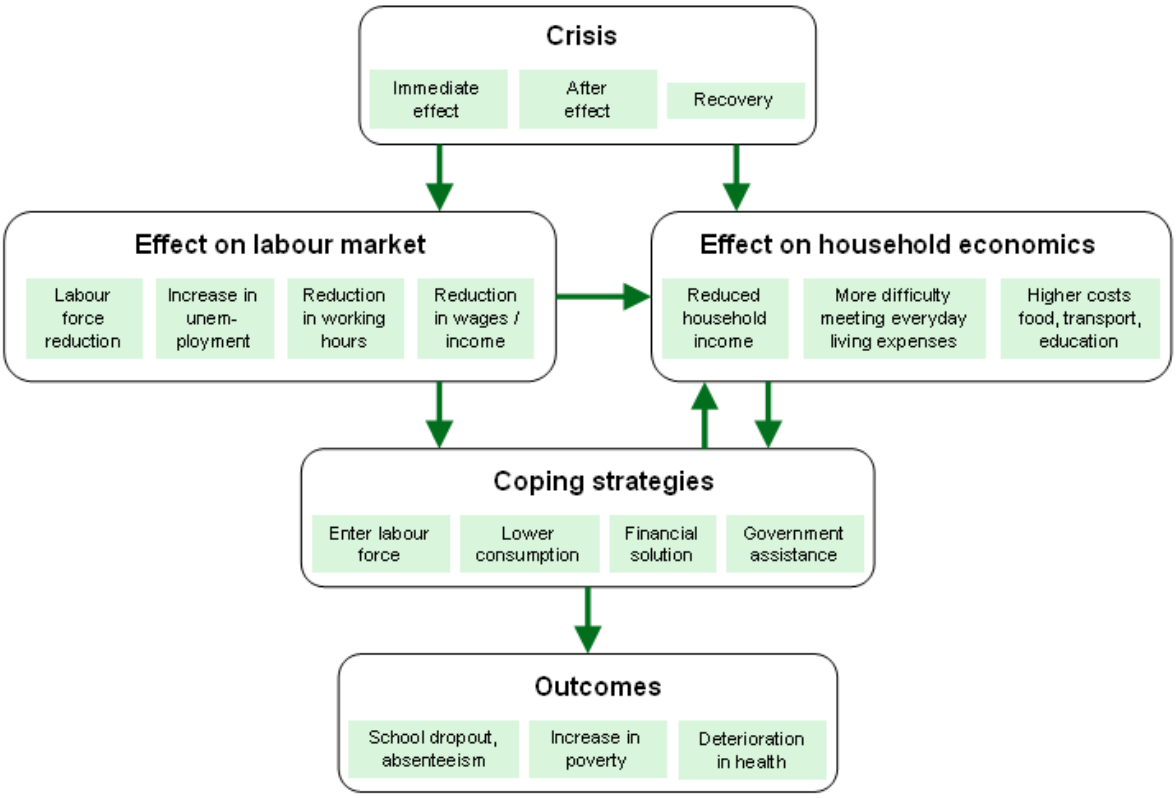


Fig. 1.1: Analytical framework for the qualitative crisis monitoring

[1] There is different timing for different indicators: labor market indicators are for the first week of May/ August/November/February, while most other indicators are for the month of April/July/October/January.

The CMRSS focuses on identifying and quantifying "negative" changes in the situation of households. It aims to produce quarterly national and provincial estimates of key indicators and their changes, and to identify districts that appear to have become "at risk" socio-economically due to the effect of a shock, in this case the GEC.

The indicators of the quantitative survey were analyzed in four groups: labor market; household economics; coping mechanisms, and outcomes. The figure above illustrates how the GEC may impact on labor market conditions and on household economics, how individuals and households may cope with adversity, and what possible impacts could be on outcomes.

The primary focus of the quantitative data analysis are the quarter-to-quarter changes, in particular changes in a negative direction, but for some indicators (such as weekly working hours for the head of household, and perception of changes in income and consumption) semi-annual changes were also provided.

It should be stressed that, because of the small sample approach with only 30 households per district, the objective was not to provide accurate point estimates for the indicators at district level, because confidence intervals were too wide. Rather the aim was to determine, with a specified degree of statistical confidence, if the value of an indicator showed a significant negative change, for example, whether or not an observed reduction in working hours could have occurred by chance with 95% probability.

1.3 Qualitative Crisis Impact Monitoring

The objective of qualitative crisis impact monitoring is to provide rapid and real/semi-real time assessments to monitor and evaluate the impacts of the crisis on communities' socio-economic conditions. It is also aimed at monitoring and evaluating the effectiveness of social protection policies/programs and other policies/programs directed to mitigate the impact of the crisis. In order to do so, three types of activities were conducted: media monitoring, local monitoring and case studies.

Media monitoring aims to provide information on recent developments due to the GEC and its impact on specific sectors and communities, as gathered from national and sub-national newspaper reports. This activity was conducted for one year by two researchers at the national level and eight regional researchers. The outputs of this activity are a news database and monthly summary reports. Some of the issues that surfaced were: the impact of the GEC on labor conditions, sectoral impacts, commodity prices (food and exported commodities), as well as existing policies/programs to mitigate the impact of the crisis.

Local monitoring is basically a qualitative assessment of socio-economic conditions at community and household levels. Its purpose is to understand the impact of the GEC on the livelihood of the community, particularly the poor, and how they cope with the shock (i.e. how deep is the crisis impact and how existing policies/programs have, or have not, helped them). Local monitoring also assesses local government perceptions and responses to the crisis. This activity was conducted in six villages in six purposely selected districts, based on the likelihood that the region might be affected (as gathered from the media monitoring), on secondary data and on local researcher assessment. The locations were:

1. Kabupaten Bandung, Jawa Barat (textile and garment industries/workers);
2. Kabupaten Lombok Barat, NTB (small scale export oriented pottery industries);
3. Kabupaten Kampar, Riau (palm oil plantation);
4. Kabupaten Jepara, Jawa Tengah (small-scale export oriented furniture industries);
5. Kabupaten Bitung, Sulawesi Utara (fishery industries and coconut oil plantation);
6. Kabupaten Malang, Jawa Timur (sender of international migrant workers).

Each location was visited three times, to see the development of the community's condition during and after the crisis. The first visit was in July/September 2009, the second visit in November/December 2009 and the third visit in April/May 2010.

In addition to the above locations, there were also visits to two other locations from the previous pilot study of GEC impact, Kabupaten Bekasi, Jawa Barat (manufacturing industries) and Kabupaten Banjar, Kalimantan Selatan (rubber plantation). The data collection methods used for this local monitoring were: in-depth interviews with key informants at district, village and household levels, Focus Group Discussions (FGDs) with village elites and affected groups (women and men separately, youth groups and children), and observation.

The third activity were **case studies**. The objective was to do rapid assessments on specific issues/problems related to crisis impacts in specific sectors/industries or on the effectiveness of policies/programs for crisis mitigation. Three case studies were done, with the topic for each study being chosen in consultation with Bappenas, for optimum policy relevancy. The data collection methods were: in-depth interviews, secondary data analysis, and FGDs (if necessary). The topics of the case studies are:

1. **The roles of social protection programs in mitigating the impact of GEC** in Kabupaten Musi Banyuasin (Sumatera Selatan) and Kabupaten Banjar (Kalimantan Selatan), August - November 2009;
2. **Fiscal stimulus program for labor intensive infrastructure development and its roles in mitigating crisis impact** in Jawa Tengah and Sulawesi Selatan, January - April 2010;
3. **The condition of youth workers in urban areas in relation to the GEC** in Kota Samarinda (Kalimantan Timur) and Kota Tangerang (Banten), May – June 2010.

General analytical rules that were adhered to in these assessments are that they had to be gender sensitive (source of information – female and male); age group conscious (age sensitive analysis, impact on children); and poverty focused (welfare level sensitive analysis and impact of GEC on the poor and the poorest).

1.4 Combining the Quantitative and the Qualitative Crisis Impact Monitoring

At the time the CMRS was designed in May 2009, the intention was that, via regularly conducted rapid assessments, the qualitative crisis monitoring would provide a deeper understanding of the phenomena causing the changes. In particular, the assessments would confirm (or not) the CMRS results in specific areas, would provide the possible causes and trends for observed changes in the quantitative data, and would help in determining the potential effectiveness of various policy responses.

The main objective of combining the quantitative and qualitative crisis monitoring is to increase the trustworthiness of the results[2] from both types of assessments. Such an increase may occur in one or more of four possible ways.

a) **Internal validity or credibility.** This is linked to the "truth" of the results. The results of the qualitative assessments may confirm the quantitative survey results, or vice versa. Quantitative and qualitative assessments that largely correspond with each other give greater confidence that both sets of the results are credible.

b) **External validity or transferability.** This refers to the situation in which the results are also valid for other locations or other groups of people. For the current crisis monitoring, this could mean that, based on similarities in impact patterns of the GEC as identified by the quantitative survey, the understanding of crisis impact and recovery pathways gained through the qualitative assessments in specific locations would help in understanding the crisis impact elsewhere.

c) **Reliability or dependability.** This relates to obtaining the same/similar results when the assessment is repeated with the same/similar respondents in the same or a similar context. For example, the results from the two types of assessments for groups or locations that share similar characteristics (e.g. small fishing communities, or rice-growing agricultural communities) could be checked for similar behaviour over time. However, because the number of qualitative studies was relatively small and the locations where they were conducted were selected for their unique characteristics, such confirmation of reliability between the qualitative and quantitative assessments does not actually occur.

d) **Objectivity or confirmability.** This relates to increasing the certainty that the results are not influenced, or only marginally influenced, by the biases due to inadequacies and/or individual motivations or perspectives of the quantitative data collectors and qualitative study investigators. Given that the data collectors and study investigators were quite different, coincidence or near coincidence of results can be taken as an indication of lack of bias.

In summary, given a (near) coincidence of results, the qualitative assessments strengthen the credibility and objectivity of the quantitative assessments, and the quantitative assessments increase the confidence that the findings of the qualitative assessments can be generalized.

[2] This section on trustworthiness is taken from Marsland *et al* (2000).

2. The Crisis in General

2.1 Macro Picture of Transmission of the Crisis and the Crisis Timeline

Up to September 2008, the Indonesian economy still showed some resilience towards the GEC. The economy had weakened, but performed better that some neighboring countries. But by the final quarter of 2008, the macro picture showed that Indonesia's economy began to deteriorate because of the impact of the GEC. The impact was mostly transmitted through the export sector with falling demand and declining prices of several commodities such as crude oil, rubber and rubber products, fat and animal/vegetable oil (palm oil), coffee, and cocoa. Sectors that had benefited from the 1997-1998 monetary crisis were hit harder by the 2008-2009 GEC.

The decline in GDP growth from exports started in the third quarter of 2008. The value of exports in the final quarter of 2008 showed a declining trend as they shrunk from US$12.4 billion to US$9.7 billion (BPS, 2008). The largest fall in sectoral growth was in the manufacturing industries (of textile-leather-footwear, wood and wood products) and in trade-hotel and restaurants (retail and wholesale trade). The growth from those sectors declined until its lowest point in the middle of the 3rd quarter of 2009.

By the final quarter of 2009, conditions began to recover. Growth in the manufacturing sector had shown improvement compared to the same quarter a year before, and similarly for growth from trade-hotel and restaurants, although it was remained lower than in the fourth quarter of 2008. Growth from export also improved, and performed better compared to the same quarter in 2008.

Table 2.1: GDP growth (in %) by sector

Sectors	2008				2009			
	I	II	III	IV	I	II	III	IV
Agriculture, livestock, forestry and fishery	6.4	4.8	3.3	5.1	5.9	3.0	3.3	4.6
Mining and quarrying	-1.6	-0.4	2.3	2.4	2.6	3.4	6.2	5.2
Manufacturing industry	4.3	4.2	4.3	1.9	1.5	1.5	1.3	4.2
Electricity, gas and water supply	12.3	11.8	10.4	9.3	11.3	15.3	14.5	14.0
Construction	8.2	8.3	7.8	5.9	6.3	6.1	7.7	8.0
Trade, hotel, and restaurant	6.8	7.7	7.6	5.5	0.6	-0.0	-0.2	4.2
Transport and Communication	18.1	16.6	15.6	16.1	16.8	17.0	16.5	12.2
Finance, real estate and business services	8.3	8.7	8.6	7.4	6.3	5.3	4.9	3.8
Sevices	5.5	6.5	7.0	5.9	6.7	7.2	6.0	5.7
GDP (oil)	6.2	6.3	6.3	5.3	4.5	4.1	4.2	5.4
GDP (non oil)	6.7	6.7	6.7	5.7	4.9	4.5	4.5	5.9

Source: BPS, 2008

Table 2.2: GDP growth (in %) by type of expenditure

Type of Expenditure	2008				2009				2010
	I	II	III	IV	I	II	III	IV	I
Household Final Consumption	5.7	5.5	5.3	4.8	6.0	4.8	4.8	4.0	3.9
Government Final Consumption	3.6	5.3	14.1	16.4	19.3	17.0	10.3	17.0	-8.8
Gross domestic capital formation	13.9	12.2	12.3	9.4	3.5	2.4	3.2	4.2	7.9
Export of goods and services	13.6	12.4	10.6	2.0	-18.7	-15.5	-7.8	3.7	19.6
Import of goods and services (-/-)	18.0	16.1	11.1	-3.7	-24.4	-21.0	-14.7	1.6	22.6
GDP	6.2	6.3	6.3	5.3	4.5	4.1	4.2	5.4	5.7

Source: BPS, 2008

Results from media and local monitoring activities in several communities show similar trends to the macro picture of the crisis timeline. Even though the studies revealed that the timeline varied across sectors, in general the impact of the crisis started to be felt in October-November 2008. The GEC affected export-oriented industries such as rubber and oil palm plantations, timber and wood furniture, mining, manufacturing – particularly in textile garments – automotive and electronics sectors. Some sectors such as the manufacturing, electronics and automotive industries and palm oil plantations experienced the peak of the crisis in January and February 2009. The price of fresh fruit bunches of palm oil reached its lowest point in February 2009, after which it began to rise again.

The impact of the crisis continued to be felt until around September 2009. Thereafter, from October to December 2009, some sectors started to show signs of a mild recovery, such as that experienced in the wood furniture and pottery handicraft industries which are export oriented. Recovery continued for almost all sectors in the first and second quarters of 2010, but the sectoral and community welfare conditions have not yet fully recovered to the situation prior to the crisis. One community active in palm oil plantations even experienced a further deterioration of conditions.

2.2 Other Factors

2.2.1 Food Prices

In addition to the GEC impact in some sectors, field visits showed that, , food prices were another factor causing economic hardship at community and household levels. High food prices continued to be a problem in almost all communities, and continued to increase. The most common complaints were about the high prices of rice, sugar and cooking oil, which were increasing by Rp. 500-1,500 each time. However, prices fluctuated, with Idul Fitri and Christmas being peak periods for such commodities. When the festive periods were over, prices in several locations returned to a more stable level. A big harvest can also have an impact on prices, as in Kabupaten Bandung in early 2010 when the price of rice fell slightly. Government intervention programs, such as special market operations (Operasi Pasar), for commodities such as cooking oil, also resulted in lower prices. Nevertheless, the poor and poorest in the communities reported that high food prices compounded the effect of the GEC

Table 2.3: Price of commodities in visited locations (in Rupiah)

		Bandung	Riau	Lombok	Malang	Jepara	Bitung
Juli/September 2009 (First Round Visit)	Rice	4,000-4,500/liter	6,000-7,000/kg	5,000/kg	–	4,000/kg	4,500-6,000/kg
	Cooking Oil	10,000/kg	9,000/kg	8,000/kg	11,000/kg	10,000/kg	12,000/liter
	Sugar	8,500/kg	8,500/kg	–	9,500/kg	10,000/kg	10,000-11,000/kg
	Eggs	–	–	–	–	1,000/egg	–
	Gasoline	4,500/liter	--	–	–	–	–
	Kerosene	8,000/liter	5,000-6,000/liter	–	–	5,000/liter	3,000-4,000/liter
November-December 2009 (Second Round Visit)	Rice	4,500 – 5,500/liter	6,000-7,000/kg	5,500/kg	5,500/ liter	6,000/kg	5,000-6,000/kg
	Cooking Oil	8,000-9,000/kg	7,500/kg	9,000/kg	–	8,000/kg	12,000/liter
	Sugar	10,000/kg	10,000-12,500/kg	–	10,000/kg	9,000-10,000/kg	10,000/kg
	Eggs	–	–	–	–	14,000/egg	–
	Gasoline	4,500/liter	–	–	–	–	–
	Kerosene	6,000-8,000/liter	5,000/liter	–	–	8,000/liter	5,000-6,000/liter
April-May 2010 (Third Round Visit)	Rice	4,500/liter (due to harvest season)	6,500-8,000/kg	6,000 – 7,000/kg	5,000/liter	6,000/kg	5,500-6,500/kg
	Cooking Oil	8,000-9,000/kg	10,000/kg	10,000 – 12,000/kg	9,000/kg	–	10,000/liter
	Sugar	10,000-11,000/kg	10,000-11,000/kg	–	10,000/kg	10,000-12,000/kg	9,000-10,000/kg
	Eggs	–	–	–	–	–	–
	Gasoline	5,000/liter	–	–	–	–	–
	Kerosene	8,500/liter	5,000/liter	–	–	5,000/liter	3,000-5,000/liter

Source: Collected by SMERU during field visits

2.2.2 Seasonality

Besides food prices, seasonality also played a role for the sectors and community livelihoods that were studied. Several export oriented sectors, such as wood furniture industries in Kabupaten Jepara, small-medium scale pottery handicraft in Kabupaten Lombok, and palm oil plantations in Kabupaten Riau, were among sectors affected by seasonality.

For wood furniture entrepreneurs in Kabupaten Jepara, seasonality in employment is usually linked to seasons in their export destination countries (US and Europe). Job orders are generally placed during the winter season, when the sales of the following summer are prepared. This means that, for the five month period from December to April, the craftsmen in Jepara who make outdoor/garden furniture have steady jobs and earn an income, but

during the leaner period from May to August, they often look for a side job, usually in the agricultural sector, to supplement their income. The GEC exacerbated the impact of this seasonality in the wood furniture industry. The field visits indicated that most of the entrepreneurs and workers did not receive any orders at all for several months during the low season in mid-2009 due to the GEC. Towards the end of the year, orders started to increase, following the seasonal pattern, but that did not amount to a full recovery of the destination market.

A similar trend can be observed with pottery handicraft in Kabupaten Lombok, where there was some recovery from the GEC for pottery craftsmen towards the end of 2009. Orders started to increase from September due to high demand from Europe and the US for certain types of products like candle holders in the lead up to Christmas and New Year. The community under study reported that the increase was of the order of 25 percent. Consequently, some people started to work on pottery again, even though prices have not increased yet.

In palm oil plantations in Kabupaten Riau, seasonality also affects the production capacity of palm oil trees. There is a low productivity season (*musim trek),* that usually starts with the onset of the dry season in April and lasts for around three months. In April 2009, palm oil farmers faced the usual low production season (*musim trek)*, but in April 2010 the production fell drastically due to a prolonged drought (more than six months) and the lack of fertilizer during the GEC in 2009, this in spite of the high price of fresh fruit bunches (Tandan Buah Segar, TBS), which was almost back to pre-crisis level (Rp. 1,150/kg).

2.2.3 The General Elections of 2009 and Other Factors

The general elections of 2009 (with the legislative elections on 9 April and the presidential election on 9 July), the Idul Fitri festivities (on 21-22 September) and other national ceremonies such as the celebration of the August 17 Independence Day are events that softened the impact of the GEC. In several communities such as in Kabupaten Bandung and Kabupaten Jepara, those events lessened the impact of the GEC for certain groups in those communities.

In Kabupaten Bandung, owners of small- and medium-scale industries, especially manufacturers of sarongs, sports clothes, and towels, stated that during 2008 their business was still relatively stable. Orders received by sarong manufacturers then rose in 2009, linked to the demand for sarongs during Ramadan and for the Idul Fitri feast, to the extent that they experienced shortages of raw materials. The situation was the same for businesses that produce *paris* and *asahi* fabrics. Orders continued to increase and reached a peak during the legislative and presidential elections in mid 2009, as well as in preparation for the celebration of National Independence Day in August.

Small- and medium-scale wood furniture industries in Kabupaten Jepara also benefited from Idul Fitri in 2009. There was an increase in demand for their products from the domestic market, which compensated for the fall in overseas demand due to the GEC.

3. The Impacts of the Crisis

3.1 General Effects of the Crisis

When the impact of the GEC started to be felt in Southeast Asia in the last quarter of 2008, Indonesia faced it from a relatively strong position: it was the only major economy in East Asia that did not experience a growth slowdown in the first half of 2008, despite unstable global markets and a slowing world economy (World Bank, 2008). However, because of the downturn in the economies of Indonesia's major trading partners, exports fell rapidly in the first half of 2009. This most affected the sectors and provinces that are the more export oriented, but robust domestic consumption helped the Indonesian macro-economy to weather the storm, and a slow recovery was underway by the second quarter of 2009.

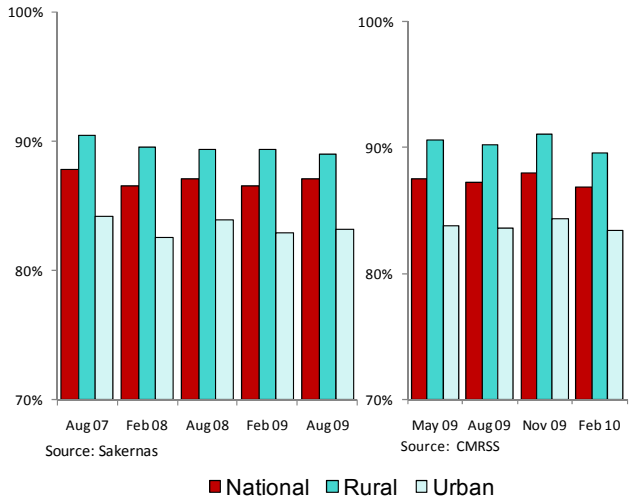
There has also been hardship. BPS data show increases in the prices for a number of food staples over the second half of 2009. This put considerable pressure on household expenditures, particularly for the poor, for whom food represents nearly three quarters of their consumption. In addition, the labor market was expanding through to near the end of 2008, but much of the growth was in casual and unpaid work.

The initial impact of the crisis took place well before April 2009, the first quarter for which data have been collected by the CMRSS. The results do therefore not show, and cannot be expected to, the initial impact of the crisis. However, the CMRSS can be expected to show after effects. These could be a continuation, perhaps even a worsening, of difficult times, or signs of recovery.

This chapter describes the impacts of the crisis for the country as a whole. It focuses on the impacts for labor and household economics, and the coping strategies that were followed to deal with this.

3.2 Labor Impacts

3.2.1 Labor Force Changes



Head of Household Economically Active
Seasonal Comparisons

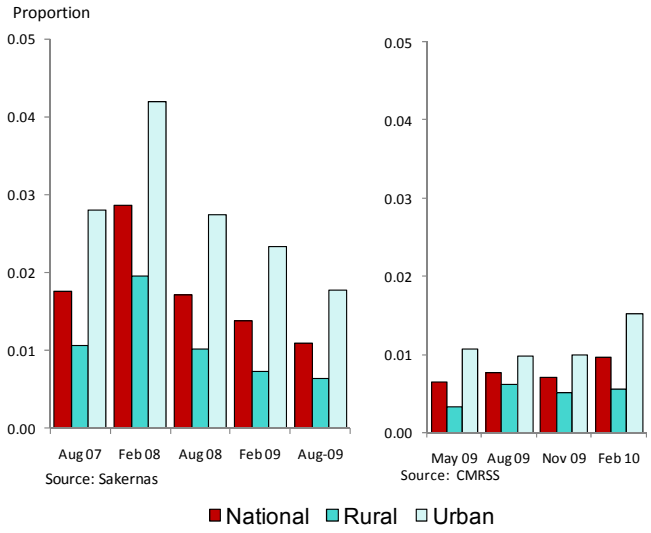
(Percentage point change)	Aug07-Aug08	Aug08-Aug09	Feb-08-Aug08	Feb09-Aug09
National	-0.7	0.1	0.5	0.6
Rural	-1.0	0.8	-0.1	0.9
Urban	-0.2	-0.5	1.4	0.6

(Percentage point change)	Quarterly Change	
	Aug09-Nov09	Nov09-Feb10
National	0.8	-1.2
Rural	0.8	-1.5
Urban	0.7	-0.8
Non-poor	0.4	-0.6
Poor	1.5	-1.9
HoH-Male	0.4	-1.1
HoH-Female	2.4	-0.9

Fig. 3.1: Proportion of households with economically active head of household

The CMRSS data indicate a small decrease in the proportion of heads of household who were economically active over the period May-August 2009, an increase over August-November 2009, and a decrease over November 2009 - February 2010. Over the period July 2009 - January 2010, the movement was not significant. This suggests minimal or no impact of the GEC on head of household labor force participation rates.

3.2.2 Unemployment



Head of Household Unemployed

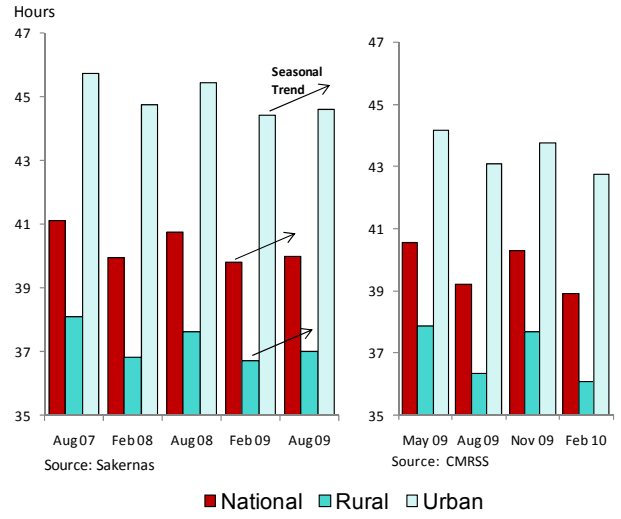
Percentage point change	Aug09-Nov09 (Quarterly)	Nov09-Feb10 (Quarterly)	Aug09-Feb10 (Semi-annual)
National	-0.1	0.3	0.2
Rural	-0.1	0.0	-0.1
Urban	0.0	0.5	0.5
Non-poor	0.0	0.3	0.3
Poor	-0.1	-0.4	-0.5
HoH-Male	-0.1	0.1	0.0
HoH-Female	0.3	0.9	1.2

Fig. 3.2: Head of household unemployment

The Sakernas data in Figure 3.2 indicates that unemployment of HoHs was the highest in the first half of 2008, and it was more pronounced in urban centers than in rural areas. The GEC did apparently not lead to an increase in HoH unemployment; in fact, unemployment largely fell over the crisis period.

The CMRSS shows an increase in unemployment of HoHs between November 2009 and February 2010, but this may be a combination of a seasonality effect and a small increase in unemployment over that period. The CMRSS for August 2009 also shows lower national and urban unemployment figures than the Sakernas results. This anomaly will need to be studied in more detail.

3.2.3 Changes in Head of Household Working Hours



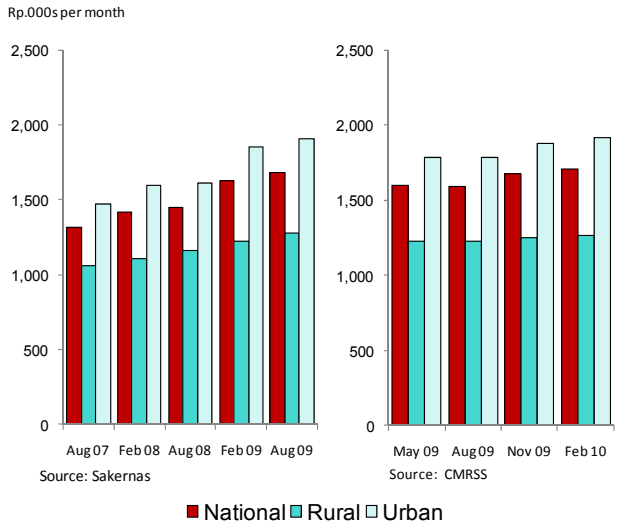
Changes in Head of Household Weekly Working Hours

(Hours change)	Aug09-Nov09 (Quarterly)	Nov09-Feb10 (Quarterly)	Aug09-Feb10 (Semi-annual)
National	1.1	-1.4	-0.3
Rural	1.3	-1.6	-0.3
Urban	0.7	-1.0	-0.3
Non-poor	0.7	-1.0	-0.3
Poor	2.2	-3.0	-0.7
HoH-Male	1.0	-1.4	-0.4
HoH-Female	2.3	-1.7	0.5

Fig. 3.3: Head of household weekly working hours

As shown in Figure 3.3, Sakernas data suggest that weekly working hours are generally higher in August than in February. The CMRSS data show significant movements between the August 2009, November 2009 and February 2010 quarters. Over May-August 2009, working hours declined when they might have been expected to increase seasonally, so this could be a GEC impact. The following quarter saw an increase when a seasonal decrease would have been more likely, suggesting a recovery. The decline over November 2009 to February 2010 is in line with seasonal movement. However, in the absence of a quarterly seasonal pattern, these explanations are conjecture.

3.2.4 Head of Household Wages/Income in the Formal Sector



Head of Household Wages (Formal Sector)

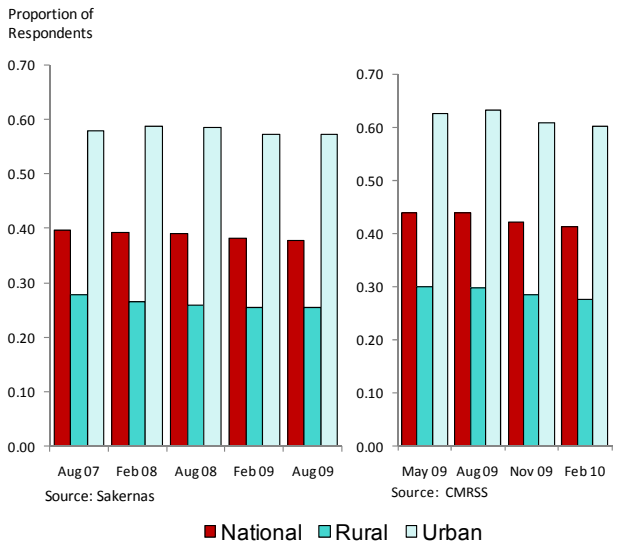
Wages change ('000)	Aug09-Nov09 (Quarterly)	Nov09-Feb10 (Quarterly)	Aug09-Feb10 (Semi-annual)
National	82.3	27.5	109.8
Rural	28.0	12.7	40.7
Urban	95.5	41.3	136.8
Non-poor	78.6	34.0	112.6
Poor	17.4	60.1	77.4
HoH-Male	76.7	33.5	110.3
HoH-Female	24.0	-13.7	10.3

Fig. 3.4: Head of household wages in the formal sector

According to Sakernas, wages in the formal sector remained relatively stable. The February 2009 data, at the height of the crisis, actually indicate an increase in formal wages rather than a stagnation or decrease, especially for the urban areas.

The CMRSS data for the period May 2009 to February 2010 also show a stable to increasing trend, except for households with a female head of household.

3.2.5 Head of Household Formal/Informal Sector Changes



Head of Household : Formal Sector

Percentage point change	Aug09-Nov09 (QtQ)	Nov09-Feb10 (QtQ)	Aug09-Feb10 (semi-annual)
National	-1.8	-0.8	-2.6
Rural	-1.2	-0.8	-2.0
Urban	-2.4	-0.7	-3.1
Non-poor	-1.5	-0.9	-2.4
Poor	-1.5	-1.0	-2.5
HoH-Male	-1.8	-0.4	-2.2
HoH-Female	-0.1	-2.9	-3.0

Fig. 3.5: Head of household working in the formal sector

The data in Figure 3.5 show a slight but statistically significant decline in proportion of heads of households working in the formal sector. This seems to correspond to the longer term trend, where formal sector employment generation does not keep pace with work force growth, and new employment generation occurs in the informal sector.

3.2.6 Labor Impact Findings from the Qualitative Monitoring

The qualitative monitoring, as described in section 1.3, included local monitoring to obtain information on the impact of the GEC on the livelihood of local communities in purposely selected villages. This section presents briefly the findings of the local monitoring that relate to labor conditions. A more detailed discussion is provided in separate local monitoring reports.

a. Electronics and Automotive Industries (Kabupaten Bekasi, Jawa Barat)

In Desa Gandasari in early 2009 production in most electronics and automotive industries had substantially slowed down, with a reduction in the labor force as well as in working hours. This particularly affected your migrant workers who experienced immediate contract terminations (even before their legal end), non-renewal of contracts, and reduction in working hours and overtime. Some workers left the area, but others stayed on, hoping for an early recovery in the situation.

In August 2009, some recovery was already noticeable, as some industries had recalled old workers and recruited new workers. Some new industries had even started production, providing employment to as many as 6,000 new workers, mostly young women. There was however a difference with the pre-crisis situation: hiring was more on a contract basis instead of as permanent workers, thus giving higher flexibility to the employers to adjust labor demand in line with the demand for their products. Permanent workers are replaced with cheaper workers on less secure short-term contracts, there are more peon (daily paid) laborers, workers are hired as trainees (to avoid having to pay the minimum wage), and there may be a rotational day off to avoid overtime payments. Overall, this leaves the workers in weaker bargaining positions when it comes to their working conditions.

b. Palm Oil Plantation (Kabupaten Kampar, Riau)

In the palm oil plantations in Kab. Kampar, the drop in the price of fruit bunches (Tandan Buah Segar, TBS) in the second half of 2008 affected the demand for labor. As the price of TBS fell in line with the international demand for Crude Palm Oil (CPO), from Rp. 1,100/kg (June 2008) to Rp. 600/kg (October 2008) and to Rp. 200-350/kg (January 2009), factory working hours were reduced from 12 to 10 hours a day. This meant that workers were not paid overtime or bonuses, and had to rely on their main wage only. There was less demand for freelance daily laborers, and farmers reduced their production capacity in order to minimize costs of transporting the palm fruit to the processing plants. More people moved into informal sector employment and took up work as construction workers.

c. Pottery Handicrafts (Kabupaten Lombok Barat, NTB)

In Desa Banyumulek, the GEC triggered a change in the labor market of pottery handicrafts. In general, women stopped making pottery for export and returned to the traditional practice of making pottery for household needs, because they did not have alternative skills and livelihoods. Such pottery was then sold by men who went to cities such as Mataram on bicycle or motorcycle. Others switched to work that had no relationship to pottery, such as supplying goods to small stalls, selling toys or flowers, moving into the rattan handicrafts business, or seeking work outside the area. Young people especially find it increasingly difficult to obtain work in the village. Previously, young men painted pottery and young

women made pottery, but now they are no longer able to do these things. For some, particularly young men, working outside the village seems to be one of the few alternatives. Even children have felt the impact of the fall for pottery. Previously they used to assist their parents by shining the pottery, and they received Rp. 25 per small piece of pottery or by bringing sand from the river that was used to fire the pottery. They used that pocket money to buy snacks or saved it. In July 2009, that did not happen anymore.

In November 2009, the situation had somewhat improved due to a renewed seasonal demand for pottery from abroad, but the price had not, and the increasing price of the raw materials continued to cause problems. By March 2010, that situation remained unchanged, and the men in particular were continuing their alternative employment such as selling toys and flowers by motorcycle. There was some temporary agricultural employment related to the harvest season (such as selling rice straw and renting paddy processing machines), but the local economy had not yet recovered to pre-crisis levels.

d. Furniture and Wooden Products (Kabupaten Jepara, Jawa Tengah)

Furniture and wood product industries in Kab. Jepara are major exporters of garden furniture to the US and Europe. During the 1997-1998 financial crisis, those industries had enjoyed big profits, and this had led to an increase of both domestic and foreign companies working for export. But the decline in product quality and the illegal logging of teak wood had resulted in export figures dropping over the last five years. On top of that, teak wood is becoming increasingly scarce, and the Bali bombings also led to a decline in exports through Bali. When the GEC started, export orders from the US and Europe quickly dried up and the industry was therefore hard hit, although some producers were able to survive by shifting to Eastern European markets. The producers of indoor furniture for the domestic and Asian market were less affected.

Some foreign furniture factories went bankrupt and many local laborers were laid off. This affected both men and women as men generally worked in the assembly sector and women in the finishing sector. Most of the laid off workers moved into agriculture or fisheries sectors, or carried out other odd jobs. The workers generally used to work in these areas before the furniture sector boomed during the 1997-1998 crisis. Although the GEC caused the local economy to shrink, the impact to local livelihoods has not been too severe as alternative jobs are still available.

During the visit in December 2009, there had been some increase in export orders, but the local orders were mostly for low quality products and the income for lower-end workers had not increased. Most of the male workers were still working in the furniture industries but with fewer working hours (down from six to four working days), and with fewer job opportunities for women. Some of the workers did not work for 3-4 months in early 2010 due to changing requirements from upper end-buyers. The buyers now prefer to order lower quality products, using cheap materials, with the finishing done in their warehouses. Before, the finishing work used to be done by the female workers.

The situation in May 2010 was relatively unchanged. Orders for garden furniture had started to rise again, but were not yet back to pre-crisis levels. There is still optimism that the sector has a future, but the situation for the big furniture manufacturing industries was still rather stagnant, although some orders started to come.

e. Textile and Garment Industries (Kabupaten Bandung, Jawa Barat)

The textile and garment industries play a large and important role in the Indonesian economy, contributing approximately 3.5 percent to the total value of Indonesia's non-oil and gas exports in 2008–2009. It is also a labor-intensive industry that employs more than one million workers. The qualitative assessment was made in Desa Solokan Jeruk. The majority of the garment industry in the village operates as a "service provider" and produces based on orders from the brandholders in the US (70 percent), Europe (27 percent) and African countries (approximately 3 percent). The direct impact of the crisis was first felt in early 2009 with a drop in orders averaging 30 percent. During 2009, no companies closed as all companies continued to produce and to complete 2008 orders. However, the companies experienced difficulties in obtaining orders for 2010. The impact of the crisis on these businesses led the management to build up arrears for the payment of the rented space, electricity, and telephone bills. Upstream industrial production such as spinning was still stable and was in fact taking on new workers. Owners of small- and medium-scale industries, especially manufacturers of sarongs, sports clothes and towels, stated that during 2008 their businesses were relatively stable. Orders received by sarong manufacturers did rise, due to demand for sarongs during Ramadan and for Idul Fitri. The situation was the same for businesses that produce paris and asahi fabrics. Orders continued to increase and reached the peak during the legislative and presidential elections of 2009.

Towards the end of 2009, some textile factories had recruited new workers, preferably female, and some factories already paid overtime again. But the working conditions had not improved as most workers were still working on contract basis and had less opportunity to get promoted as permanent workers. On the positive side, previously vacant dormitories were now occupied.

At the time of the third visit in April 2010, some factories had closed while others started to recruit workers, though with reduced certainty for the workers. The contracts may be for shorter periods, and even though the minimum wages are paid, other benefits may be less.

f. Fish Processing Industries (Kota Bitung, Sulawesi Utara)

The fish processing industries in Kota Bitung experienced a 40 percent decline in the export of canned and processed fish between 2007 and 2008, primarily due to a decline over October-December 2008. Most industries have however been able to shift their market destinations, from the declining market in the US and Japan to other countries including those in the Middle East, the European Union, and Asia, including China and South Korea. The field study did not hear about layoffs of workers in the industries, and there were also no reported impacts on supporting economic activities. The factor that reportedly had the biggest impact on the decline in fish supplies in Bitung was a change in government policy which no longer obliges vessels to return to port to offload their catch; this may now be done in any port near the fishing grounds, and as a result most big fishing boats now moor in Maluku.

Figure 3.6 shows that the volume and value of exports of fish from Bitung have experienced a decline since October 2008 and reached their lowest point in February 2009, but have since increased again. Interviews with various stakeholders also showed that the level of production and export of fish products increased towards mid 2009.

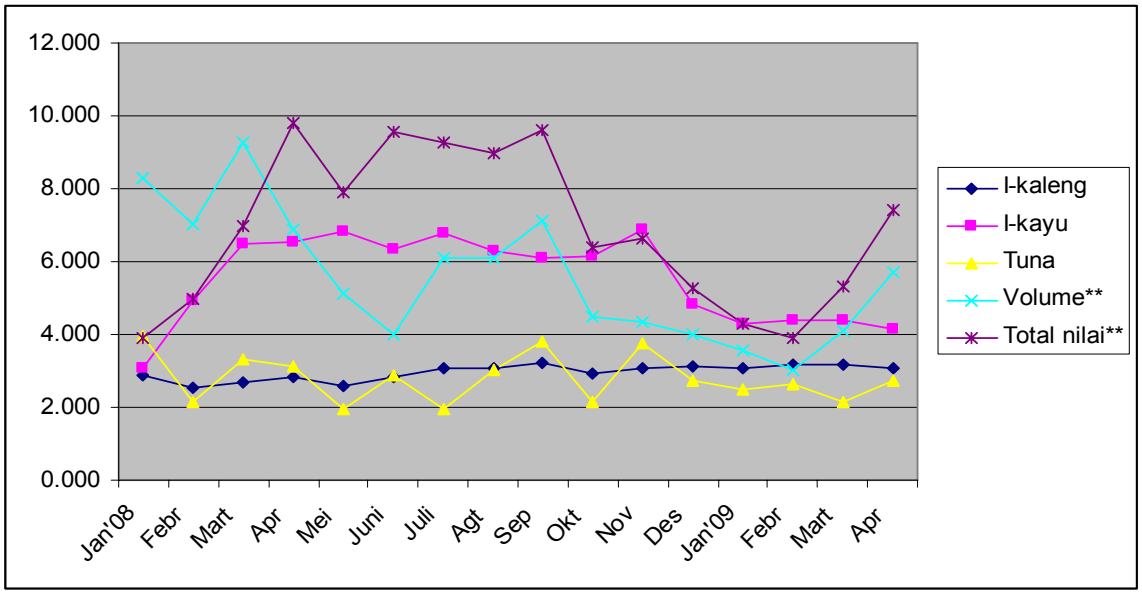


Fig. 3.6: Volume, Value, and Average Price of Fish Exports through the port of Bitung
(Volume in 500an tons, value in million U.S. $, and prices are in U.S. $)

In May 2010, the condition in the fish processing industries was relatively unchanged. Demand for exports was still high (the export volume increased). The US market was returning to normal, but production was still under capacity (around 40 percent of normal capacity) due to lack of fish. Nevertheless, there were signs of improvements in the area, such as new factories being built, old factories that were expanding, and new products being added. All of these increased demand for labor, including for female workers. They are usually working in the industries as daily paid laborers, to cut and clean fish.

g. Migrant Workers (Kabupaten Malang Selatan, Jawa Timur)

The slow-down in the economic growth of many countries as a consequence of the GEC has the potential to influence employment security for international migrant workers (*Tenaga Kerja Indonesia*, TKI), including those from Indonesia. Industries hit by the crisis strive for greater efficiency by, among other things, reducing the number of workers and/or working hours. There is concern that this will have a spillover effect on the lives of people who depend on income from overseas workers. Based on this assumption, SMERU conducted a qualitative assessment in Kabupaten Malang Selatan, which is known as a region that sends an estimated total of 5,000 workers abroad per year.

In September 2009, 1,108 people from the study village (618 women and 400 men) were employed in other countries while 853 people (481 women and 372 men) had at sometime worked overseas. Most of the TKI workers from this village had jobs in Hong Kong, Taiwan, South Korea and Malaysia, while much smaller numbers were employed in Singapore, Kuwait, Brunei Darussalam, Saudi Arabia, Japan, the US, Algeria and Macao. The study found that TKI working in Asia-Pacific countries experienced worse effects from the GEC than those employed in the countries of the Middle East. Workers in the construction and manufacturing (automotive and electronics) industries in Malaysia and in small and home industries (automotive electronics, and food processing) in Taiwan and South Korea have felt the direct impact of the crisis. This impact has taken the form of lower income because of a reduction in official working hours and a reduction in, or abolition of overtime. Even so, most of the TKI stayed and did not return home, except those who faced legal problems. The

amount of money they have been sending home has gone down by 25-50 percent due to the reduction in their official working hours and overtime. However, the reduction in the amount of money received by the families of TKI did not cause major difficulties for these families in meeting their main daily needs such as basic consumption, education, and health. The amount they received was still greater than the cost of meeting these needs, which meant that, on the whole, they did not have to adjust their lifestyle and consumption pattern, except for meeting secondary and tertiary needs such as ceasing house construction temporarily or postponing the purchase of household furniture or a vehicle. Apart from that, the TKI families generally have other sources of income, from agriculture, livestock rising or other local businesses.

Towards the end of 2009, the working condition of TKI in industrial sectors, especially in South Korea, had slightly recovered. Some intermittent workers returned to their work or got a new job at other companies or other sectors. There were also more migrants to other areas, mainly to Kalimantan and Sulawesi. There was increasing competition among small businesses such as mobile phone and pre-paid voucher kiosks, which resulted in a drop in business turnover. Furniture business also slowed down due to the increase in price of raw materials and the cost of labor. Cattle farming activities also decreased, and the price of sheep decreased due to an increasing influx of imported meat. In an effort to overcome such increased competition, many local people opened up new types of business, such as selling diversified goods, renting sound system, opening stores that sell tools and materials for cooking/baking needs.

The third visit in May 2010 indicated that the TKI working conditions in South Korea continued to improve. Information gathered during this visit showed that some factories started to have normal working hours again, that working contracts were being extended, and the amount of remittances sent home was almost back to normal. But there are some concerns on government-to-government policies' with other countries concerning migrant workers. Prospective TKI to South Korea are to be selected by BNP2TKI (*Badan Nasional Penempatan dan Perlindungan Tenaga Kerja Indonesia*, the National Authority for the Placement and Protection of Indonesian Overseas Workers), with priority to be given to prospective TKI that until recently had not been able to depart. There was also the MoU between Indonesia and Malaysia concerning a temporary halt for sending migrants to Malaysia (especially for those who will be working in the informal sector). This condition has caused an increase in the number of illegal TKI. According to local government officials, there will be a review of the MoU between Indonesia and Middle East countries based on the mounting number of cases of violence against TKI. The sending of TKI may be temporarily suspended due to this condition, while in fact the number of TKI that registers to work in those countries keeps increasing. There will also be a review of the MoU between Indonesia and Macau on the implementation of the working-visa-on-arrival system that had placed TKI in more vulnerable conditions. They have to wait for around three months; some even resort to prostitution to make a living.

3.3 Household Economics

In analyzing the data on household economics, it is important to note that, for the most part, they reflect household ***opinions*** rather actual values. In providing opinions, households may have a natural tendency to exaggerate loss of income or increase in consumption costs, especially if they think government subsidies depend upon their answers.

3.3.1 Reduced Household Income

Households were asked to compare their current household income with that of a quarter earlier on a six point scale ranging from "much higher" to "much lower". The first survey round data, providing the April-July 2009[3] comparison, were skewed to the "much lower" end of the scale, indicating that HoHs perceived a loss of household income, especially in rural areas and for poor households. This viewpoint was consistent with the reduction in working hours that was reported over that period. The second and third round data do not shown any improvements.

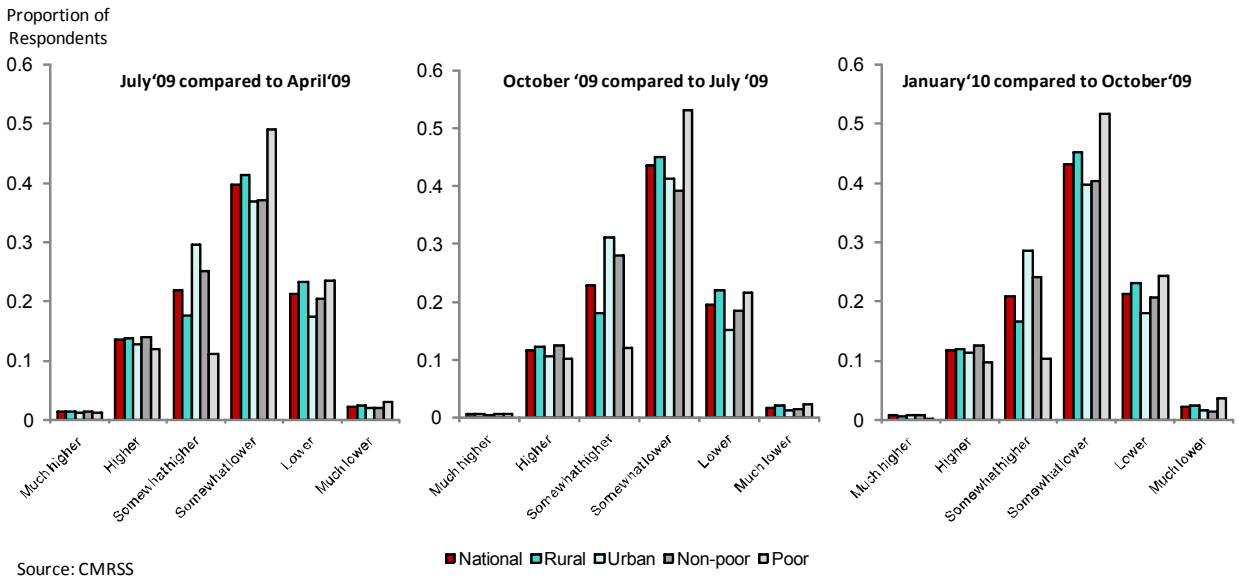


Fig. 3.7: Quarterly household income comparison,
Apr-Jul 2009, Jul-Oct 2009 and Oct 2009 - Jan 2010

[3] As mentioned before, there are differences in timing for different indicators: labor market indicators are for the first week of May/August/November/February, while most other indicators are for the month of April/July/ October/January.

3.3.2 *Difficulty in Meeting Everyday Living Expenses*

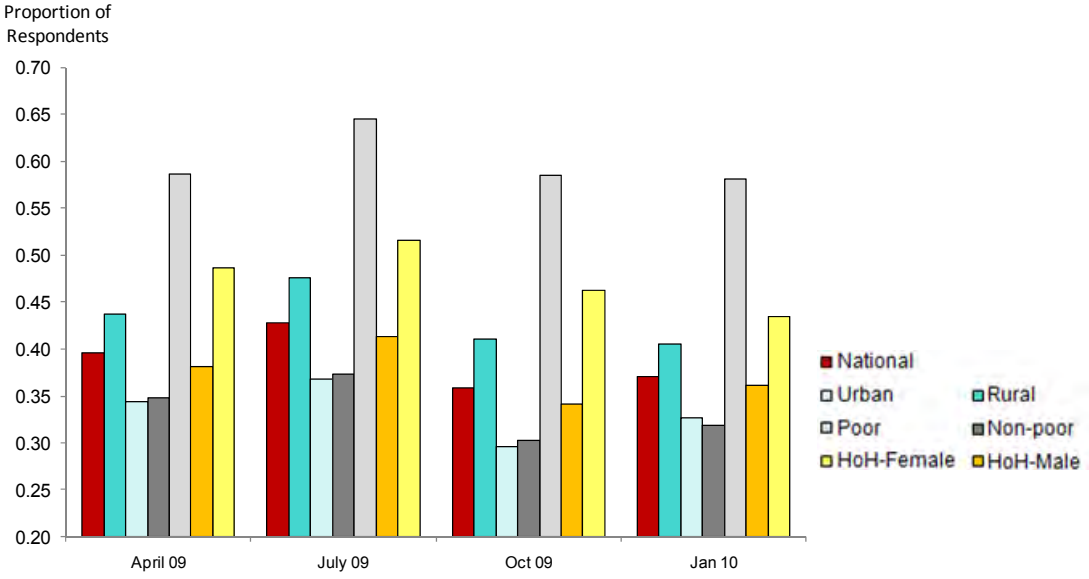


Fig. 3.8: Households having difficulty to meet consumption needs

Households were asked whether they had difficulty meeting consumption needs ("yes" or "no"). The number of households that reported difficulty affording consumption increased from April to July 2009. This was consistent with an increase in food prices and fall in working hours over the same period. The increase disappeared over the July to October period as conditions improved. All categories of households experienced the April to July increase, with the increase being larger for the poor than non-poor. However, only that part of the increase related to decreased working hours is likely to have been crisis-related.
With food being around two-thirds of the poverty basket, the non-crisis-related inflation in food prices will also have been a significant cause.

3.3.3 *Costs for Transport and Food*

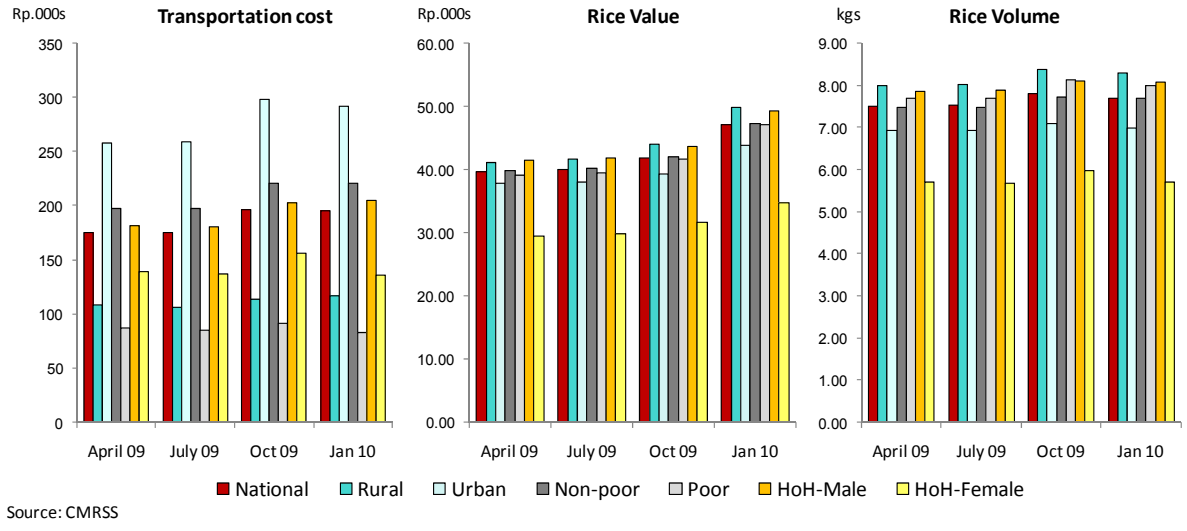


Fig. 3.9: Transportation costs, rice costs and rice volume

Households were asked to report actual transportation costs, and volume and cost of rice consumed for a one week period. Reported transportation costs remained largely the same between April and July 2009, but increased over the quarter July to October 2009 especially in rural areas, possibly corresponding to the Idul Fitri holiday period, followed by a slight decrease over the period October 2009 - January 2010.

Rice volumes remained essentially the same, but the cost of rice increased along with the increase in the price of rice.

3.3.4 Costs for Education

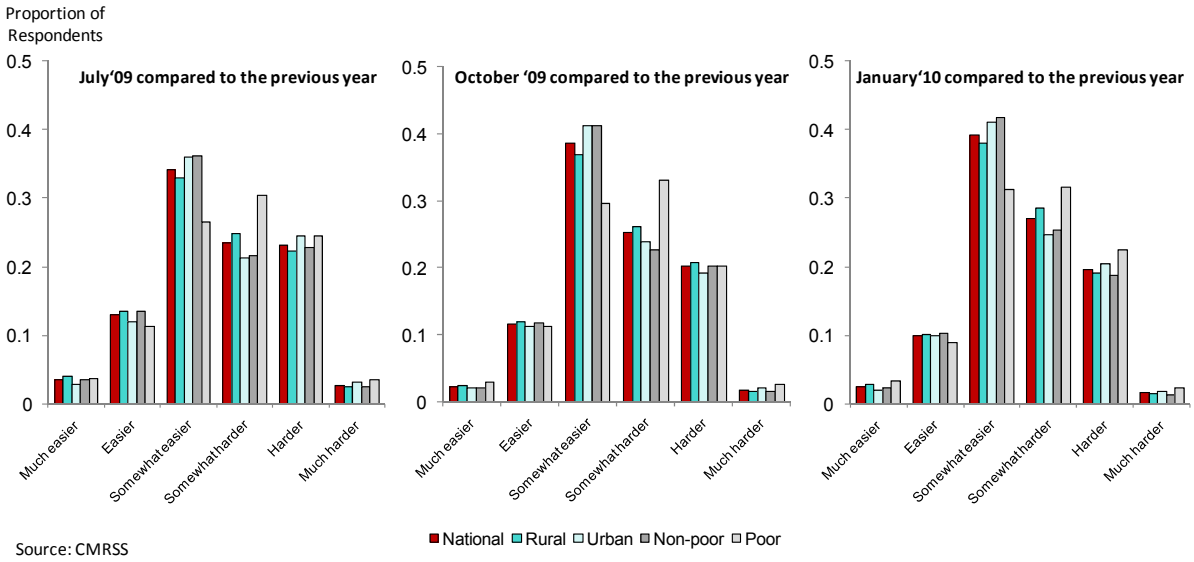


Fig. 3.10: Affordability of education

For affordability of education, nationally 53 percent of the respondents reported that it was much easier, easier or somewhat easier to afford such costs in October 2009 than October one year earlier. By January 2010, nationally 52 percent reported that meeting education costs was somewhat harder, harder or much harder than in January 2009.

3.3.5 Household Economics Impact Findings from the Qualitative Monitoring

a. Electronics and Automotive Industries (Kabupaten Bekasi, Jawa Barat)

In Desa Gandasari, the electronics and automotive industries not only provides labor for local people and for migrant workers, but it also creates demand for housing accommodation, as well as stalls that sell daily necessities (food, mobile phone kiosks). When in early 2009 these industries substantially cut back operations, vacancies in the dormitories increased, and turnover in food stalls and other kiosks decreased. The situation improved in the second half of 2009 and in early 2010 when dormitories became almost fully occupied again, and even new ones were being built.

b. Rubber Plantation (Kabupaten Banjar, Kalimantan Selatan)

In the rubber plantations in Kab. Banjar, crisis impacts were felt in two ways. First, the dramatic fall in price for rubber lump (from Rp. 11,200 in September 2008 to Rp. 2,500 in October 2008) substantially reduced income, especially for the small-scale rubber farmers, land owners and medium rubber traders. Prices have since gradually improved (Rp. 3,750 in January 2009, Rp. 6,000 in November 2009 and Rp. 9,000 in February 2010). Secondly, there were increases in the price of daily commodities as well as for agricultural inputs, which resulted in farmers cutting back on the use of fertilizers.

A secondary impact of the crisis, due to the loss of income of farmers and intermediary traders, was a drop income of such groups as motorcycle taxi drivers (ojek), who made Rp. 20,000 a day instead of Rp. 50,000 previously, in part because rubber farmers decided to transport the rubber themselves instead of calling on an ojek to do so. Many farmers who had bought motor cycles on credit also fell behind their installment payments and returned the cycles to the dealers. Even arisan groups decided to meet less frequently (from once a week, to once every fortnight or every month).

The increase in the rubber price in 2009 and 2010 has resulted in a return of labor to the rubber plantation, uptake in the use of fertilizer, and a return to a more frequent schedule of arisan meetings.

c. Palm Oil Plantation (Kabupaten Kampar, Riau)

In the palm oil plantations in Kab. Kampar the experience was similar. The drop in the price of TBS over the second half of 2008 caused big income losses for small-scale farmers, farm laborers and palm oil processing industries. Farmers similarly cut down on the use of fertilizers, and motorcycles that had been bought on credit were returned to the dealers, and others defaulted on their loans for working capital. Prior to the crisis, women could earn additional income by collecting brondol (loose fruit that had fallen from the trees) but a plantation revitalization program by PTPN had reduced such opportunities.

In late 2009, the price for TBS, while still fluctuating, was getting close to mid-2008 levels, and government intervention also brought the price of fertilizer down (from Rp. 350,000-400,000 for a 50 kg sack of urea in July 2009, to Rp. 160,000-180,000 in November) which resulted in more farmers starting to use fertilizer again.

The recovery did however not continue as expected. In April 2010, while the price for TBS was now Rp. 1,150/kg, the production figures were quite low, due to the prolonged drought of the previous 6-7 months, and the lack of fertilization during the crisis. The small-scale farmers now only produce 20 percent of what they had before (a fall from around one ton per two ha in July 2009 to around 200-300 kg per two ha in April 2010). The drought also resulted in less frequent harvesting; from every two weeks to every 20 days.

d. Pottery Handicrafts (Kabupaten Lombok Barat, NTB)

Pottery handicrafts in Desa Banyumulek were also impacted by the GEC due to the decline in demand for such products from Europe and the US. Field visits in July 2009 showed that the majority of pottery artisans had not received orders between January-March 2009. The problems caused by the decline in demand were compounded by an increase in the price of the raw materials, which had risen nearly twofold over the past year.

e. Fish Processing Industries (Kota Bitung, Sulawesi Utara)

For the fishing industry in Kota Bitung, the situation is fairly optimistic for the big fishing industry, but the lives of traditional small-scale fishermen have become more difficult. They have seen their income dwindle since the operation of fishing vessels owned by foreigners which started around 1995. Moreover, with the increase in fuel prices and reduced supplies of petroleum in order to reduce fuel subsidies, many owners of pajeko (traditional fishing boat) are no longer able to operate their boats because the price of kerosene is expensive and it is scarce in the market.

The situation was reportedly largely the same in late 2009. The scarcity of fish had not improved and fishermen faced increasing prices of basic necessities, mostly due to seasonal price hikes around Christmas and New Year. Incomes tend to decline due to bad catches, the weather at the end of the year is bad, and fuel prices as well as the price of basic commodities increased. Many fishermen become more indebted. By May 2010, there was no improvement in this situation.

f. Coconut Plantations (Kota Bitung, Sulawesi Utara)

The media monitoring indicated that coconut plantations in the eastern part of Indonesia had also been affected by the GEC. Data from November 2009 showed that demand of coconut oil (CNO) from US and Europe market had fallen, following the fall in the world price of CNO. This led to a fall in the local price of copra and also of other products made from copra (charcoals and shells). In December 2009, copra farmers received around Rp. 3,400 per kg, whereas in August 2008 it was around Rp. 5,000-7,000 per kg. The production of copra had also declined due to hot weather; the trees bore fewer and smaller coconuts, also due to a lack of fertilizer. This condition has reduced the income of copra farmers, while at the same time the price of basic necessities has increased.

To cope with such hardship, many copra farmers rented their land, or cut down and sold their coconut trees to meet the demand for building construction material. Trees sell at around Rp. 150,000 per piece. There was also land conversion from productive coconut plantations into residential land. During the crisis, copra farmers also switched jobs, and became motor cycle drivers and provided casual labor.

By May 2010, the price of copra had increased to Rp. 4,000-4,500 per kg. The world demand for CNO was stable and continued to increase. There was CNO plant expansion requiring additional labor to meet this demand. However, copra farmers receive few benefits from such improved conditions. Even though the copra price increased, production of copra has been declining, due to the condition of the coconut trees: some of these are old and produce with diminishing capacity; there has been no plantation revitalization; and there was also a long dry season in early 2010 which further reduced productivity. Many coconut trees are cut and sold to be used as building materials, and fewer people work in the coconut plantations.

3.4 Coping Strategies

3.4.1 Coping by Seeking Employment

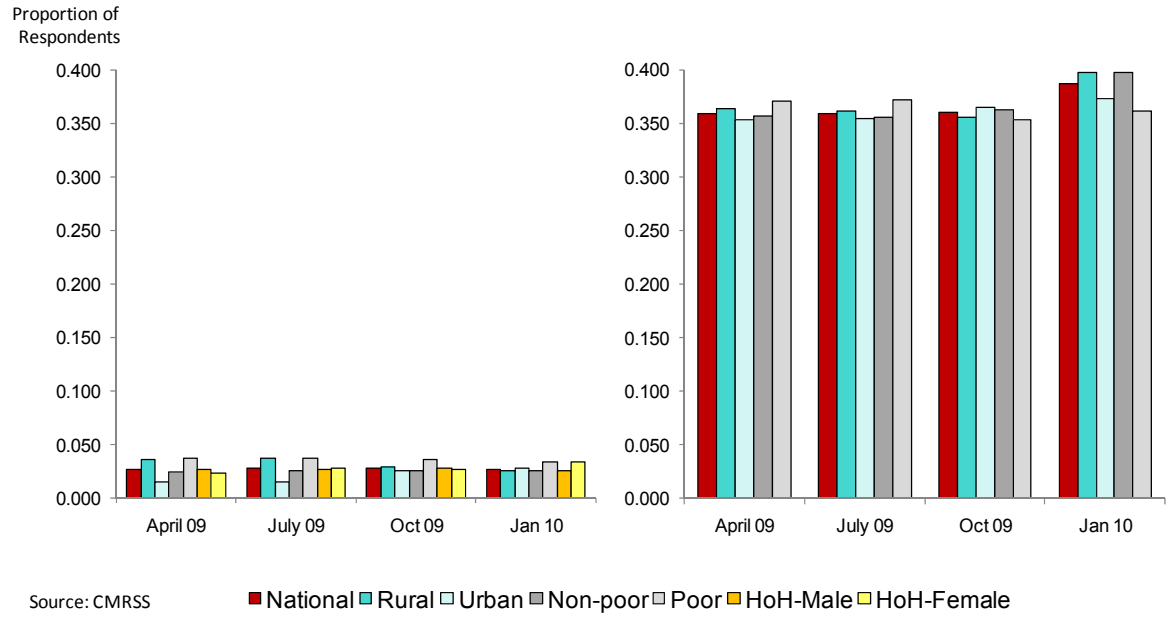


Fig. 3.11: Child and female labor force participation

During the first round of the survey, the proportion of households with child workers was just under 3 percent, being more than twice as high in rural areas than in urban ones. The number of child workers per household was 1.3 for these households, indicating that 70 percent or more of them had just one child working.

In 2009 the proportion of households with one or more females in the labor force (excluding the head of household) was around 36 percent, with little difference between urban and rural, poor and non-poor. Interpretation of an increase in female participation in the labor force is not entirely straightforward. In the long term, an increase in female labor force participation can be a desired outcome. However, short-term unplanned entrances, due, for example, to unexpectedly low household income, can have an adverse effect if accompanied by a unplanned reduction in the caring for children.

In the first survey round, around 5 percent of households indicated some outward migration over the quarter, more from rural households than urban ones. Around 1 percent indicated inward migration, roughly the same in rural households as urban ones.

In summary there was no evidence of increasing attempts to look for employment either by child worker or female entry into the labour force.

3.4.2 Coping by Reducing Consumption Costs

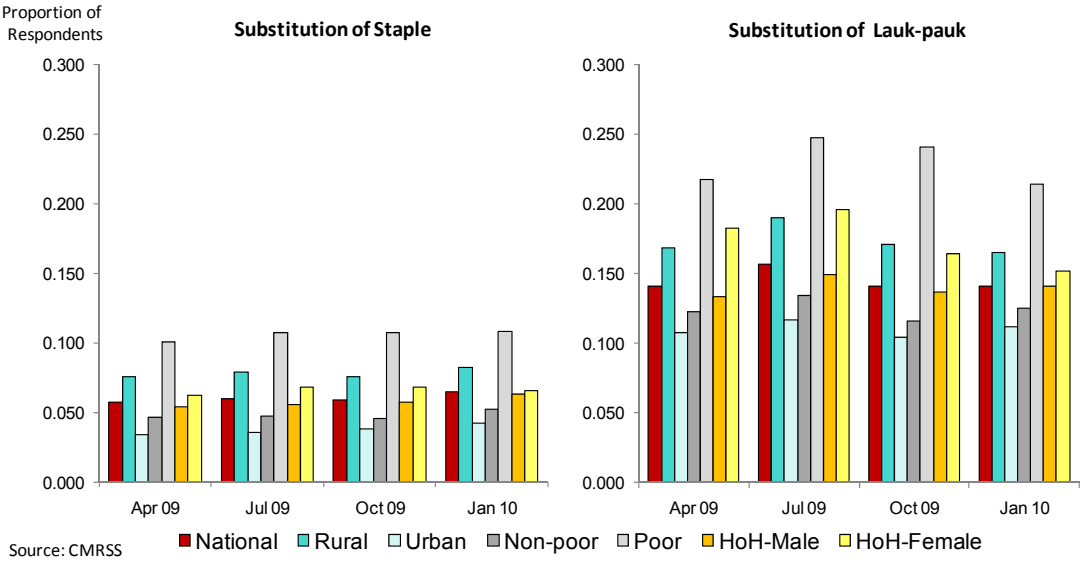


Fig. 3.12: Food substitution by households having difficulty in meeting consumption needs

The following observations are confined to households that expressed difficulty in meeting consumption needs. In May 2009, just under six percent of these households were substituting their staple food (generally rice) for one of lower quality or cost, and this was twice as common in rural as in urban households. The situation remained essentially unchanged in the following three quarters. This is quite consistent with unchanged rice volume (see Fig. 3.9).

On the other hand, as shown in Fig. 3.12, the proportion of households substituting their *lauk-pauk* (main food accompanying rice, generally a protein such as meat or fish) to one of lower quality or cost increased from 14 percent in April to 16 percent in July. This substitution corresponds to falling working hours, increased food prices, and higher difficulty affording daily consumption needs over the same period. As for the staple, *lauk-pauk* substitution was more common in rural than in urban households, with poor households seeing a 3 percentage point increase. The increase was reversed in the following quarter with *lauk-pauk* substitution reverting to May level and this was followed by a slight increase in January 2010.

In summary, the data over the three survey rounds provide evidence that households used reduction in food expenditures by substitution of their *lauk-pauk* for one of lower cost or quality as a coping strategy.

3.4.3 Coping by Financing

The data on financing consumption needs have three limitations. First, they are self-reported. Second, for the first round survey they refer only to the subset of households who stated they had difficulty in meeting everyday living expenses. (In the second and third round surveys, the question was asked to all respondents). Third, they refer to incidence of ***use*** of the various financing mechanisms, not the ***value*** of the corresponding transactions. Thus the principal coping mechanisms ***by value*** cannot be determined from the data[4].

[4] This applies to most indicators other than the labor market ones for which data are available from Sakernas.

The following observations refer only to households who expressed difficulty in meeting every day living expenses, referred to as "struggling households".

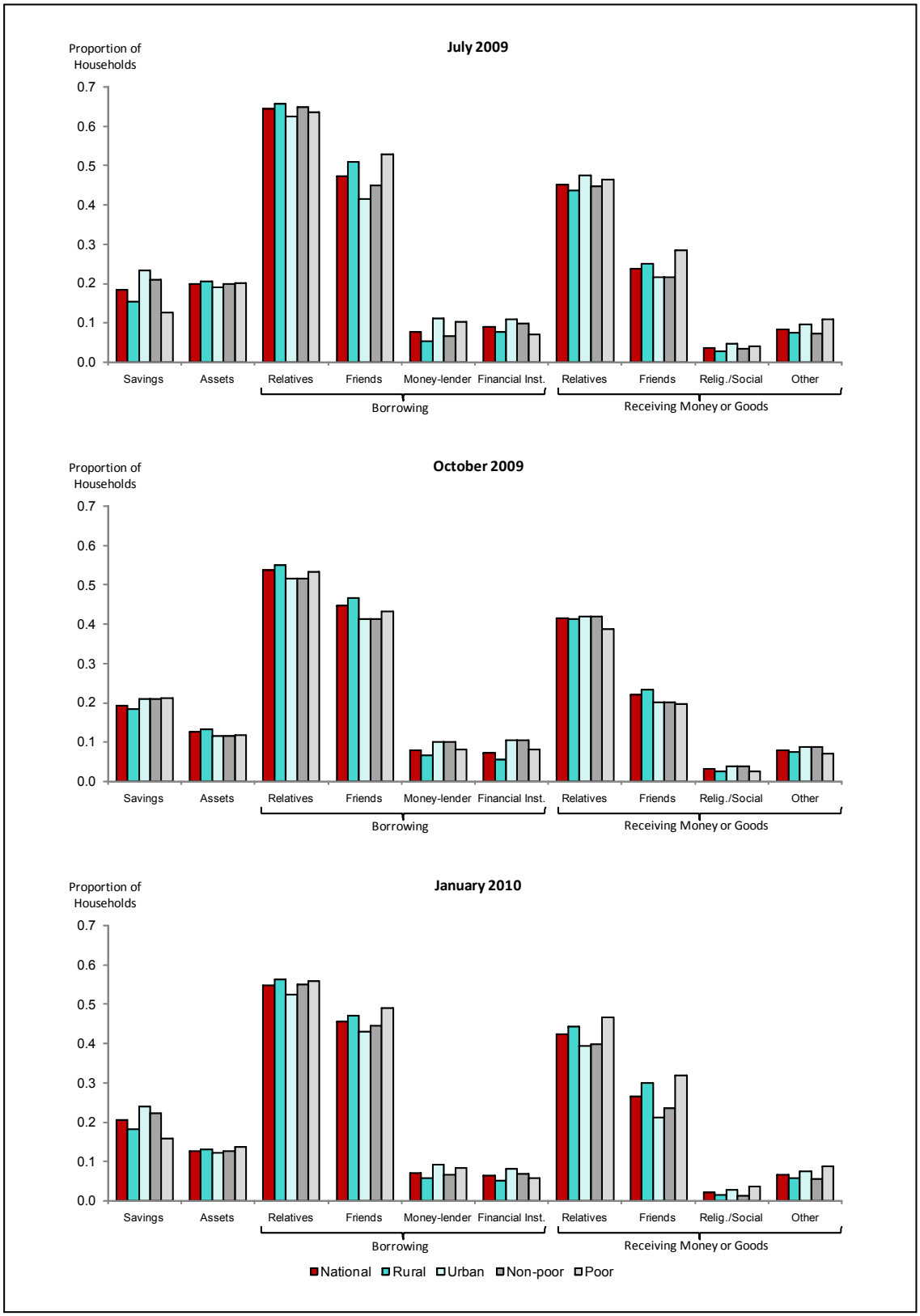


Fig. 3.12: Usage of Financing Mechanisms by Households Expressing Difficulty Meeting Consumption Needs (July 2009, October 2009, January 2010)

In July 2009, around 20 percent of struggling households used savings to meet living expenses (the figure being significantly lower for the poor, presumably because fewer of them have savings). A similar proportion were selling assets for the same reason. Urban and rural households who were struggling in both April and July made significantly less use of savings and sold significantly more property and assets in July than April. One explanation is that their savings were becoming exhausted.

Over the period April to July the proportion of rural households struggling both periods who borrowed from relatives and family increased significantly. In July, borrowing from non-institutional lenders was at about eight percent nationally, being twice as common in urban households than rural ones. There was little increase in this form of borrowing from April to July 2009.

Borrowing from financial institutions was also around 8 percent nationally in July, and twice as common in struggling urban households than rural ones, with a significant increase in rural households over the quarter.

The proportion of struggling households receiving assistance by way of money or goods from relatives was around 45 percent and increased significantly over the period April to July in both rural and urban households, whereas the proportion of households receiving assistance from friends or neighbors, running at about 25 percent, decreased significantly.

The proportion of households receiving assistance from religious or social or other organizations was at around 12 percent, and did not change significantly in either urban or rural areas from April to July 2009.

In summary, in mid-2009 household borrowing by households experiencing difficulty went up, whereas use of other financial mechanisms remained much the same.

3.4.4 Findings on Household Coping Strategies from the Qualitative Monitoring

In the **palm oil plantations** in Kab. Kampar, it was reported that some high school children were forced to drop out of school because their parents could not afford to pay the transportation cost. There was some recovery in 2009, but the region was affected by a prolonged drought in early 2010, and as some farmers had already used some of their resources to cope with the crisis in 2008-2009, they were less resilient to meet the new challenges. Some farmers have sold their land, and some do not have savings anymore.

This has also affected local cooperatives. At the start of the crisis the cooperatives still operated and disbursed credit, but the payments were rescheduled to make it easier to meet repayment obligations. In late 2009, the repayment rate was almost back to normal and new loans were being disbursed, but that dropped off again towards the end of the first quarter of 2010, when arrears in loan repayment increased and no new loans were being disbursed. Even the intermediary traders, who often lent money to farmers and land owners, could no longer do so because their income from trading had also dropped.

4. Towards the Establishment of a Long-Term Monitoring and Response System

Crisis impacts, as analyzed above, can be caused by fluctuations and economic shocks and natural disasters. Such recurring events seem to happen with increasing frequency. But the better a country is prepared for such eventualities, the lesser the impact may be for the economy and for households. Sometimes there are advance signs of a crisis, but crises can also develop rapidly, with little or no warning. Whatever the nature of the event, the sooner it is detected, the sooner the government can initiate alleviation measures targeted at affected or at-risk groups or regions. Such an early response – together with other social safety measures – can help to shield vulnerable groups from the worst effects of a shock, and establish a basis for quicker recovery.

The experience with the crisis monitoring conducted in 2009-2010 has shown that – even with a small sample (30 households per district), and with a few in-depth qualitative assessments – it is possible to gain insights on how a crisis affects households, and what coping mechanisms households employ to deal with such crisis impacts. This quantitative and qualitative crisis monitoring experience provides valuable inputs for the establishment of a long-term monitoring and response system.

Such a monitoring system can have a similar crisis impact focus, as the system that was piloted in 2009-2010, but it can also be set up with a broader focus, for example to monitor vulnerabilities of households and regions to shocks, or to monitor poverty conditions. The advantage of having a system with a broader focus is that it can provide valuable information for policy making in important governance areas when there is no crisis, thereby strengthening and broadening the purpose and usefulness of the system.

Indonesia does have much valuable quantitative data that can be used for a long-term monitoring and response system. There are the Sakernas and Susenas surveys that are conducted by BPS, but there are also the data gathered by line ministries and other agencies, as well as occasional surveys conducted by or in collaboration with various international organizations. Local governments are also an important source of data, and potential users of the information that a monitoring and response system can produce. The challenge is to develop a monitoring and response system that can handle and draw on such diverse sources of data to generate coherent and useful information for policy making and program formulation, while at the same time avoiding that it turns into a “data rich but information poor” system.

The establishment of a long-term monitoring and response system cannot be the responsibility of a single government agency; it requires collaboration and coordination between government agencies, at both central and regional levels. Establishing such a system will also not happen overnight; it will require the development or adjustment of systems for data collection, data analysis and the dissemination and use of the information that is

generated, as well as increasing the skills of the people assigned to operate the monitoring and response system.

If there is principal government support for the establishment of a long-term monitoring and response system, there are some crucial decisions that have to be made. Where will the system be located (i.e. which government agency will take on day-to-day coordination? Can a small number of permanent staff be assigned, to ensure continuity and effective operation of the system? How will the system financially be supported? Donor funding might be available for technical assistance in establishing the system, but the core activity of the system will need to be supported by the Government.

5. Conclusion

A combination of quantitative and qualitative crisis monitoring information gives a much richer and complementary understanding of how a crisis has an impact on regions and communities, and the mechanisms through which such impacts are conveyed. The quantitative monitoring makes it easier to gain an overall insight on how the crisis affects different regions, and if this changes over time. The qualitative monitoring provides a more in-depth understanding of how different factors may add complexity to an evolving crisis situation, and how households and communities adapt and use their coping mechanisms.

Even though the results of the quantitative and qualitative crisis monitoring for the 2008-2009 global economic crisis indicated that the crisis impacts were not as severe as initially envisaged, by-and-large the findings of both assessments show a degree of consistency, and little contradiction. It should of course be recognized that the information of the quantitative monitoring looked at impacts from a national, provincial and – to a lesser extent – district perspective, whereas the qualitative information was provided from a local perspective, i.e. for a village or a community.

The experience gained from the quantitative and qualitative quick crisis monitoring in 2009-2010 shows that a system to monitor the impacts of a crisis, and that aims to provide information in support of policy formulation of response mechanisms, will provide better information if it can draw on both quantitative and qualitative monitoring that are integrated into a system that operates continuously.

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