



Implications of the Global Economic Crisis for Tourism Employment: Case Study for Indonesia

Job Opportunities for Youth (JOY) Project
December 2009



Implications of the Global
Economic Crisis for Tourism
Employment:

CASE STUDY FOR INDONESIA

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First published 2009

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Implications of the Global Economic Crisis for Tourism Employment:: Case Study for Indonesia/International Labour Organization, Jakarta Office; ILO, 2009

x, 26 p.

ISBN: 978-92-2-123215-5 (print);

ISBN: 978-92-2-123216-2 (web pdf)

Also available in Bahasa Indonesia: *Implikasi Krisis Ekonomi Global terhadap Lapangan Kerja bidang Pariwisata: Studi Kasus bagi Indonesia*; ISBN: 978-92-2-823215-8 (print); 978-92-2-823216-5 (web pdf)/Kantor Perburuhan Internasional - Jakarta: ILO, 2009

ILO Cataloguing in Publication Data

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Printed in Indonesia

Foreword

Tourism creates jobs. The ILO has highlighted tourism as a significant sector for developing and emerging countries, where it contributes to bettering standards of living, reducing poverty and promoting decent work. In countries where tourism has a major impact on foreign exchange earnings, employment creation and share of GDP, what are the consequences of the current global financial crisis? What should be expected and what could be improved? Despite positive projections for the coming years, are there detrimental effects beyond repair?

This paper looks at the situation in Indonesia, the world's fourth most populous country, and South East Asia's first economy. Indonesia, where the ILO developed the tourism school of Bali in the 1970s, has not suffered the most from the crisis, but its GDP growth has decelerated to 6.1% in 2008 and close to 4% in 2009. Moreover, jobless growth has seen unemployment reach 8.1% in 2009. Indonesia's heavy reliance on the informal economy, added to its massive potential to boost domestic tourism and to promote new destinations, makes the country a good case study. Indonesia has also learned important lessons from the 1997-98 Asian financial crisis when it had been severely hit.

This report written by Mike Sharrocks presents empirical data on employment in tourism in Indonesia and how it is – or could be -- affected by the crisis. This analysis draws on a number of topics of prime interest to the ILO, its Global Jobs Pact and its Decent Work agenda, notably labour migration, skills training, local economic development and labour protection. The report also suggests additional interventions, which would merit support.

This report is the fruit of a collaborative effort by the Sectoral Activities Department of the ILO and the Job Opportunities for Youth (JOY) project, a technical cooperation project funded by the Netherlands. It draws on the project's experience in supporting tourism development initiatives including a Master Planning process in the Bromo area of East Java, the facilitation of inward investment for tourism infrastructure and the provision of entrepreneurship and skills training for tourism practitioners.

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1 Introduction

Purpose of Paper: The global economic crisis has had a significant impact on millions of workers and their families. The ILO estimates that the global unemployment rate could reach between 6.3% and 7.1% this year with between 24 million and 52 million more people unemployed worldwide. In addition, retained jobs face increased pressure for labour flexibility and for reductions in wages, bonuses or other social benefits. In the aftermath of the Asian financial crisis of 1997-1998, the proportion of Indonesians in poverty rose from 11.3% in 1996 to 18.9% in 1998. The drop in real wages and loss of employment was one of the major contributing factors.

The ILO aims to raise awareness of the severity of the global economic crisis for employment and poverty and also to identify, in conjunction with other organisations, policy measures that could mitigate effects in the short term and to build the foundations for recovery in the mid to long run. Thus a Global Jobs Pact, embodied in the ILO's 'Decent Work Agenda', has been proposed to revive the economy and to tackle negative impacts of the crisis.

This paper aims to provide a brief assessment of the impact of the global economic crisis on tourism employment in Indonesia, and to outline possible initiatives that assist in recovery.

2 Tourism Growth and Employment Implications

Global Tourism Growth: Tourism is one of the world's fastest growing economic sectors and one of its largest industries. In 1950 the travel industry recorded 25 million international arrivals. By 1980 this figure had increased to 277 million and to 438 million in 1990 (a seventeen-fold increase over 1950). At the beginning of this century there were 684 million international arrivals recorded and this increased to 904 million in 2007 and 922 million in 2008. However, for 2009 the UNWTO World Tourism Barometer (2) estimates international arrivals to be roughly 870 million (the first eight months of 2009 registered 600 million international arrivals). It is also projected that by 2020 international tourist arrivals would grow to 1.6 billion. In 2008, international tourism receipts increased by 1.7% in real terms to US\$944 billion (UNWTO 'Tourism Highlights' 2009 Edition). By the end of 2007 the tourism sector attained 10.3% of global GDP.

Characteristics of Tourism Employment: Tourism is a powerful tool for national economic growth and has generated significant employment. Not only does tourism provide an opportunity for countries to diversify their economic sectors, but it also creates new employment opportunities, especially for women, young people and disadvantaged groups. Tourism offers low skill entry for some of its labour requirements and is therefore an important mechanism for alleviating poverty. Poverty alleviation through tourism employment has been promoted by the UNWTO in its worldwide ST-EP (Sustainable Tourism for Eliminating Poverty) programme.

According to the latest annual research (7) from the World Travel and Tourism Council (WTTC), the travel and tourism industry employed (directly and indirectly) over 225 million people globally or six per cent of total jobs. The UNWTO also estimates that for every directly created job in the tourism industry, there are roughly one-and-a-half additional jobs generated.

Nevertheless, the tourism sector faces a number of employment challenges. In Asia and the Pacific the tourism industry is experiencing shortages in skilled labour. In addition, tourism's inability to compete against other industries in terms of wages and working conditions are undermining attempts to recruit and retain labour. A UNWTO report in November 2009 ('The Tourism Labour Market in the Asia-Pacific Region') (13) highlighted some key characteristics of tourism employment, namely:

- High labour mobility and employee turnover;
- An emphasis on casual or seasonal work;
- A labour intensive sector with a broad range of skills;
- Domination by small businesses;
- A high proportion of young and unskilled workers;

- Low wages or inadequate pay compared to other economic sectors;
- Long and/or unsociable working hours; and,
- A lack of career development with a low emphasis on training.

The tourism industry's service-oriented nature means that it is difficult to improve productivity and add value through increased output at lower costs without decreasing the quality of services offered and losing competitiveness. As a consequence, employers will often seek to exert downward pressure on costs, introduce greater use of technology and increase outsourcing, all of which could make it difficult to retain employees or, indeed, offer more attractive wages and conditions.

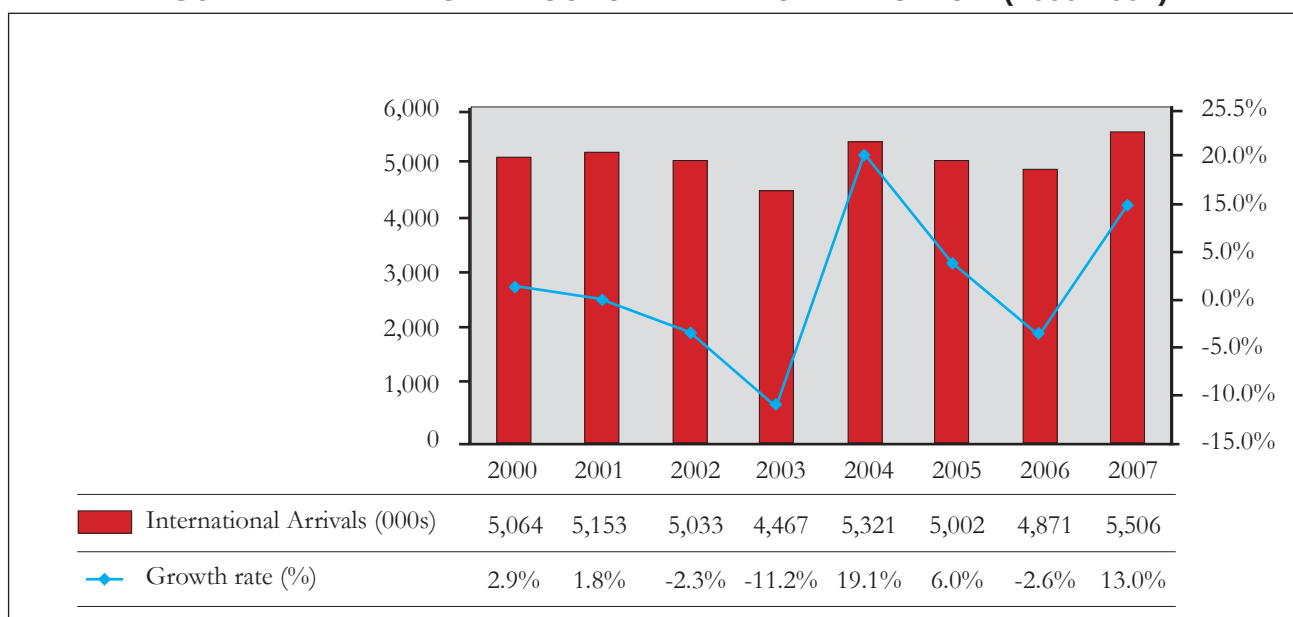
3 Tourism and Employment Trends in Indonesia (2000-2007)

The WTTC, which is the global business leaders' forum for travel and tourism, has undertaken annual economic research for the last 20 years. This work draws on numerous information sources and utilises the framework of Tourism Satellite Accounts (TSAs). Individual country reports are prepared and this is particularly useful for those nations, such as Indonesia, which do not have the detailed data available to develop their own full TSAs. WTTC figures are useful because they can be compared with other countries assessed by them. This section also draws on some figures on tourism employment from the Indonesian Ministry of Culture and Tourism (MCT).

3.1 International Tourism Arrivals

International visitor arrivals (2000-2007) show a consistent trend with figures at roughly five million per annum (see Figure 1). There were drops in 2002 (of 2.3%), 2003 (of 11.2%) and also in 2006 (of 2.6%) that could be largely attributed to the terrorist bomb attacks in Bali and Jakarta. Notwithstanding this, international visitor arrivals were seen to recover reasonably quickly after these attacks, although it should be noted that the increase from 2000 to 2007 was low (at roughly 10%). More importantly, Indonesia's tourism destinations (Bali perhaps being an exception) are very much dependent on the growing domestic market. Exact figures for this are not currently available although it could be assumed that the foreign visitor share of the total is probably 5%. Thus domestic visitor totals in Indonesia are likely to exceed 100 million per annum.

FIGURE 1 - INTERNATIONAL TOURISM ARRIVALS IN INDONESIA (2000-2007)

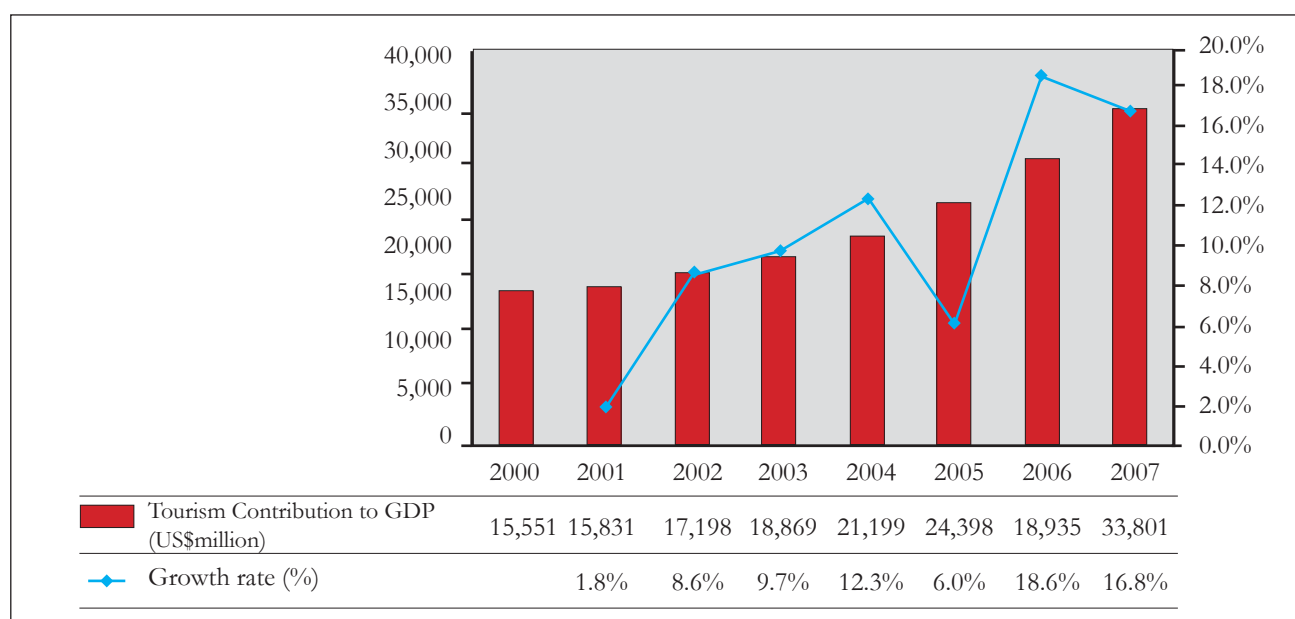


Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

3.2 Contribution of Tourism Revenue to GDP

In contrast to the pattern for international tourism arrivals the contribution of tourism revenue to Indonesia's GDP has shown significant growth from 2000 to 2007 (see Figure 2). It has more than doubled from US\$15.5 billion in 2000 to almost US\$34 billion in 2007. During the years when there were declines in foreign visitor arrivals (2002, 2003 and 2006) there were year-on-year increases in the contribution of tourism revenue to GDP of 8.6%, 9.7% and 18.6% respectively. This could demonstrate the strength of the domestic visitor market.

FIGURE 2 – CONTRIBUTION OF TOURISM REVENUE (DIRECT AND INDIRECT) TO INDONESIA'S GROSS DOMESTIC PRODUCT (2000-2007)

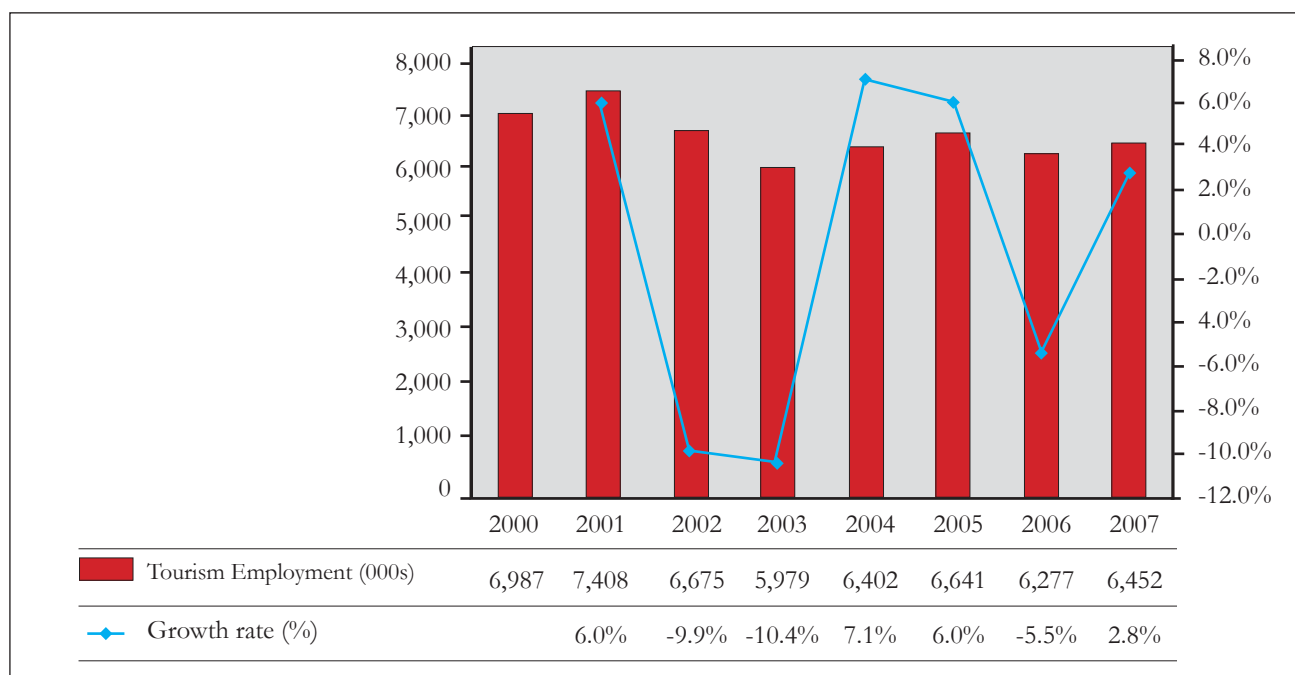


Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

3.3 Tourism Employment Patterns

Tourism employment figures from 2000 to 2007 have shown similar patterns to those for international visitor arrivals (see Figures 3-5). Indeed for the same years (2002, 2003 and 2006) that there were declines in foreign arrivals there were also drops in tourism employment (both direct and indirect). In fact for 2002 and 2006 the declines in employment were more severe than for the arrivals' figures. There has been a drop in total employment from 2000 to 2007 of roughly 7% (in contrast to international visitor arrival figures). This could be a reflection of the dominance of the Jakarta and Bali areas, their vulnerability to the impacts of terrorist attacks, and their dependence on foreign visitors in order to maintain employment levels.

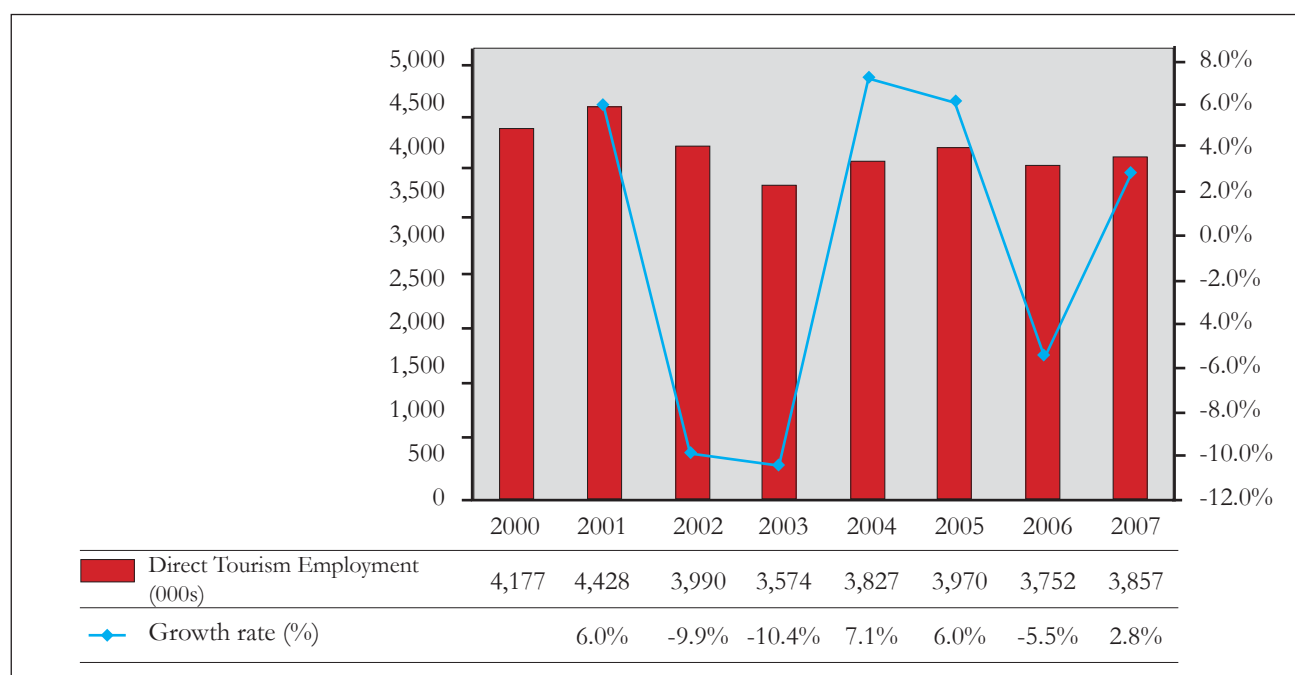
FIGURE 3 – TOURISM EMPLOYMENT (DIRECT AND INDIRECT) IN INDONESIA (2000-2007)



Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

Direct tourism employment is that generated by traditional travel and tourism providers such as airlines, hotels, car rental companies and tour agents, for example.

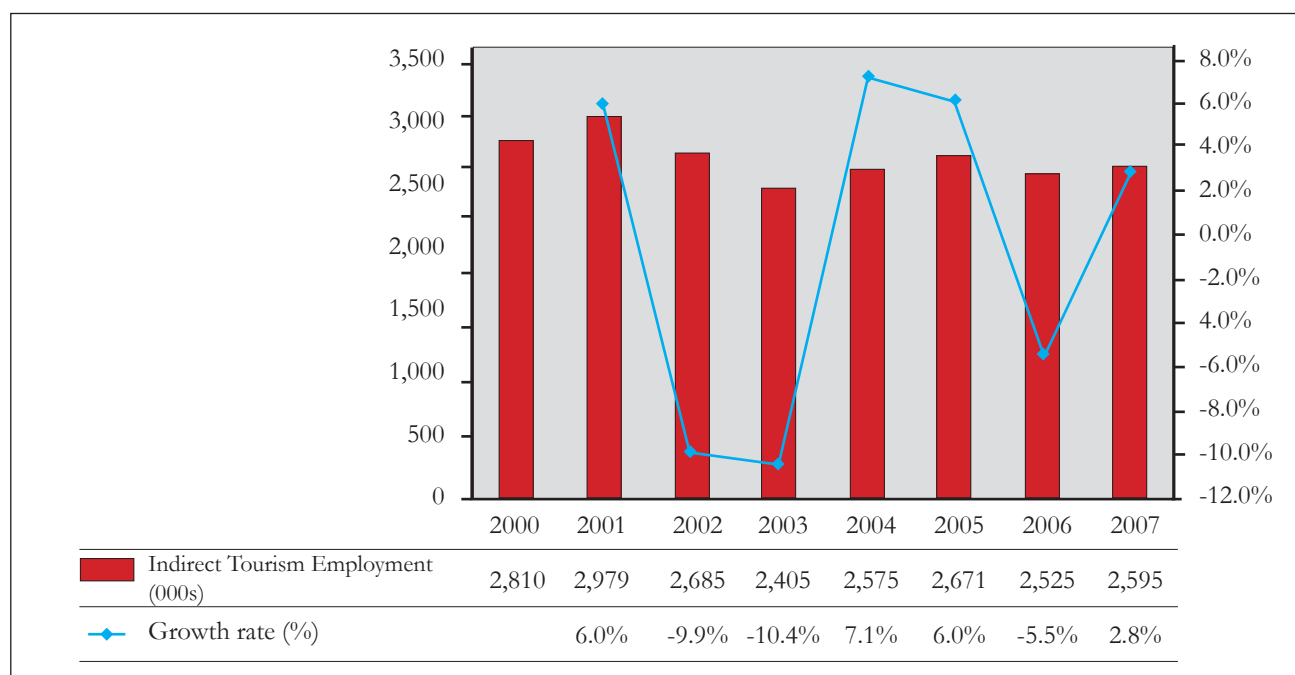
FIGURE 4 – DIRECT TOURISM EMPLOYMENT IN INDONESIA (2000-2007)



Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

Indirect tourism employment is that which arises from upstream suppliers such as fuel and catering businesses, laundry services and accounting firms.

FIGURE 5 – INDIRECT TOURISM EMPLOYMENT IN INDONESIA (2000-2007)



Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

Employment information from the MCT for the period of 2005-2007 (see Figure 6) shows the absolute dependence of the restaurant and food service sub-sector during 2006 for employment generation. However, it is unclear what proportion of this total is actually the result of tourism as opposed to leisure activities. The hotel sub-sector provides a better indication of the impact of tourism and this has grown by roughly 10% from 2005 to 2007. Indonesia typically has a surplus of unskilled labour with a high availability of manpower for low-skilled positions. However, skilled labour demand has outstripped supply and this factor has, in the view of many, constrained growth in the development of the tourism sector (including during 2000-2007).

FIGURE 6 – DIRECT TOURISM EMPLOYMENT ACCORDING TO SUB-SECTORS IN INDONESIA (2005-2007)

Tourism Employment Sector	Year		
	2005	2006	2007
Hotels	225,045	227,499	247,622
Travel and Tour Operators	n/a	9,434	17,282
Travel Agents	n/a	23,729	n/a
Other Travel Operators	n/a	3,100	n/a
Recreation Facilities/Parks	3,393	11,058	14,308
Restaurants and Food Services	n/a	3,874,740	n/a

Source: Ministry of Culture and Tourism 2009

3.4 Migrant Workers

The issue of migrant workers in the tourism sector is significant in Indonesia. Indonesian migrant workers tend to work in restaurants and hotels in the Middle East and SE Asia as well as spa/therapy positions, the cruise ship sector, golf caddying (in SE Asia) and handicraft production. Balinese and Javanese craftsmen are sought after for their creative handicrafts and often travel to the South Pacific, Africa and South Asia to help raise the standard of handicraft production. However, Indonesia typically supplies labour at the unskilled end of the hotel sector such as in the Middle East where, in contrast, Filipinos are more often used in administrative or middle management levels because of their better English language skills. The Ministry of Manpower and Transmigration is supporting the skills and knowledge levels of workers seeking opportunities overseas so that Indonesian workers can fill more vacancies in the skilled and formal sectors. The Overseas Work Training Centres (Balai Latihan Kerja Luar Negeri) are expected to play a key role in providing skills for migrant workers as well as language and culture training prior to traveling. Migrant labour movement in the tourism sector is also an issue within the country with flows to meet demand in Jakarta and Bali.

4 Tourism and Employment Trends in Indonesia (2007-2009)

4.1 Global Tourism Context

The latest UNWTO World Tourism Barometer (October 2009) (2) reports that August 2009 results indicate that the decline in global international visitor arrivals may have levelled off. Thus, international arrivals for July and August registered a drop of 3% compared to that for the previous year, whereas comparative declines in the first two quarters were roughly 10%. If current trends continue then the UNWTO anticipates that the full year will register a decline in international visitor arrivals of between 4-6%. In addition, those on the UNWTO Panel of Tourism Experts who considered that conditions for the coming four months would be 'worse' dropped from 62% to 42%. In Asia and the Pacific, the second best performing region (after Africa) of the UNWTO's five global regions, growth for the year to August registered a decline of 5% in foreign visitor arrivals. The region was seen as having one of the clearest signs of improvement with August turning to positive growth, due principally to encouraging economic conditions in north east Asia.

Receipts from international tourism have contracted in real terms by 9-10% in the first six months of this year and are expected to decline by 6-8% for the whole of 2009 (4). This would be a greater decline (by one or two percentage points) than that for international visitor arrivals during the same period. Hotel performance data for the first eight months of the year also shows that occupancy rates in the year to August was down in all regions and, it is interesting to note, with a more marked drop in the Asia Pacific region of -8%. The WTM Report for 2009 (4) also states that even global chains are now discounting. The air transport sector has experienced a shallow recovery and passenger traffic during the period to August this year declined by 5%. Some charter airlines have gone bankrupt and a number of scheduled airlines are consolidating by pursuing strategic alliances and in some cases seeking government financial support.

4.2 Indonesian Economy

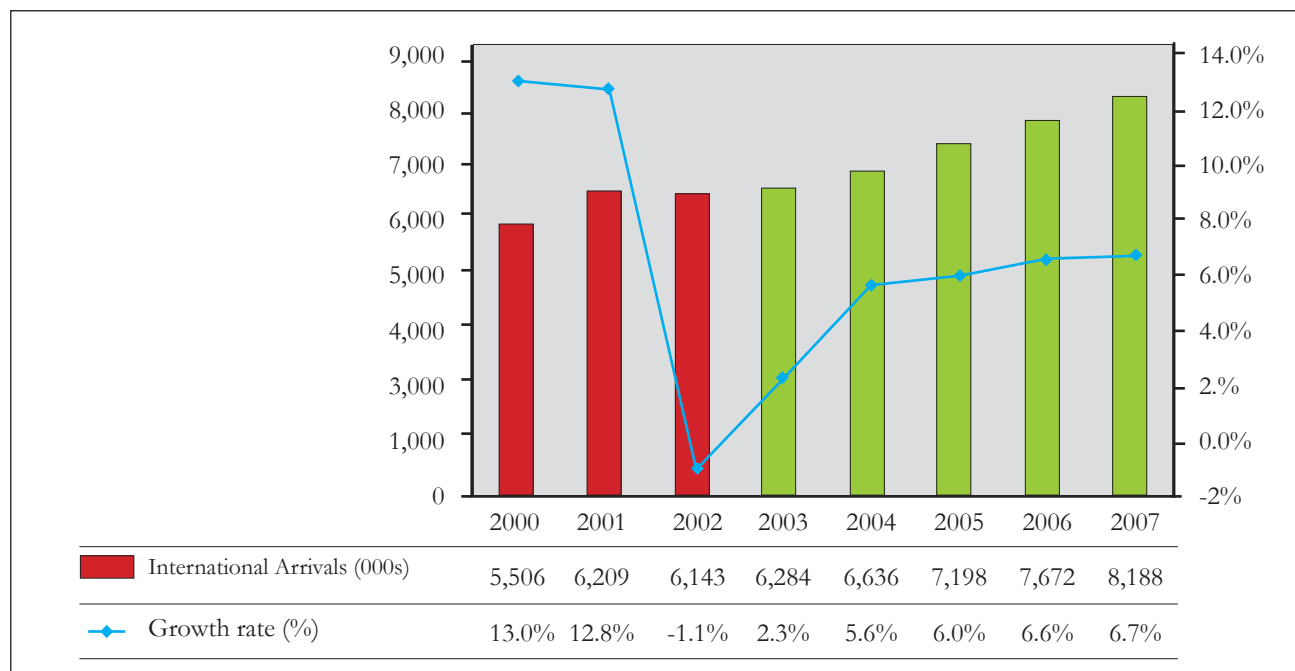
Economic Impacts: The Indonesian economy grew by 6.1% in 2008 and continued to develop in the first half of 2009 by just over 4% with forecasted expansion of between 3-5% for the year – well below the growth rate necessary to keep up with population increase. The global economic crisis has had an impact in Indonesia through a sharp drop in exports (especially in oil, gas, iron and steel). This situation has been further exacerbated by a tightening of credit from banks, especially to SMEs that are so prevalent in the tourism sector. However, the overall job market has witnessed a fall in unemployment and a rise in informal employment as formal wage rates are cut and often replaced by lower productivity and informal economic activities (1). Indonesia's overseas migrant workers have also been vulnerable to the global downturn and are often the first to be laid off and return home. In response to this situation the Indonesian government has implemented stimulus packages that include corporate and personal tax cuts, infrastructure project investment and rural empowerment programmes. The infrastructure stimulus programme alone is expected to absorb up to 1.1 million workers.

Investment Climate: Despite being South East Asia's largest economy with the world's fourth largest population, a European Union study (14) found that trade and investment in Indonesia was lower than for neighbouring countries with smaller economies. Indonesia suffered severe impacts following the 1997-1998 Asian economic crisis and then experienced growth during the global economic boom of 2002-2007. Projections by the IMF and World Bank indicate that the country, as with other emerging market nations, will return to growth more rapidly after the global economic crisis than developed countries. However, Indonesia is also expected to lag behind some of the larger developing countries as it has a low level of investment. There are challenges to the country's ability to fulfil its growth potential and these include skills' shortages, low rates of infrastructure development and poor protection of intellectual property rights. Investment policies and the regulatory framework were amended as part of changes to the Investment Law in 2007, which whilst intending to enhance transparency in fact appeared to increase uncertainty for investors (14).

4.3 International Tourism Arrivals

International visitor arrivals have shown strong growth rates since 2007 although this year recorded a slight decline of just over one percent (see Figure 7). This foreign arrivals picture could be attributed to the support from Asian visitor inflows and Indonesia's greater reliance on this region for source markets, as well as their relatively healthy economies. Indonesia's tourism destinations are also increasingly dependent on the growing domestic market and the developing strength of the country's middle class.

FIGURE 7 - INTERNATIONAL TOURISM ARRIVALS IN INDONESIA (2007-2014)

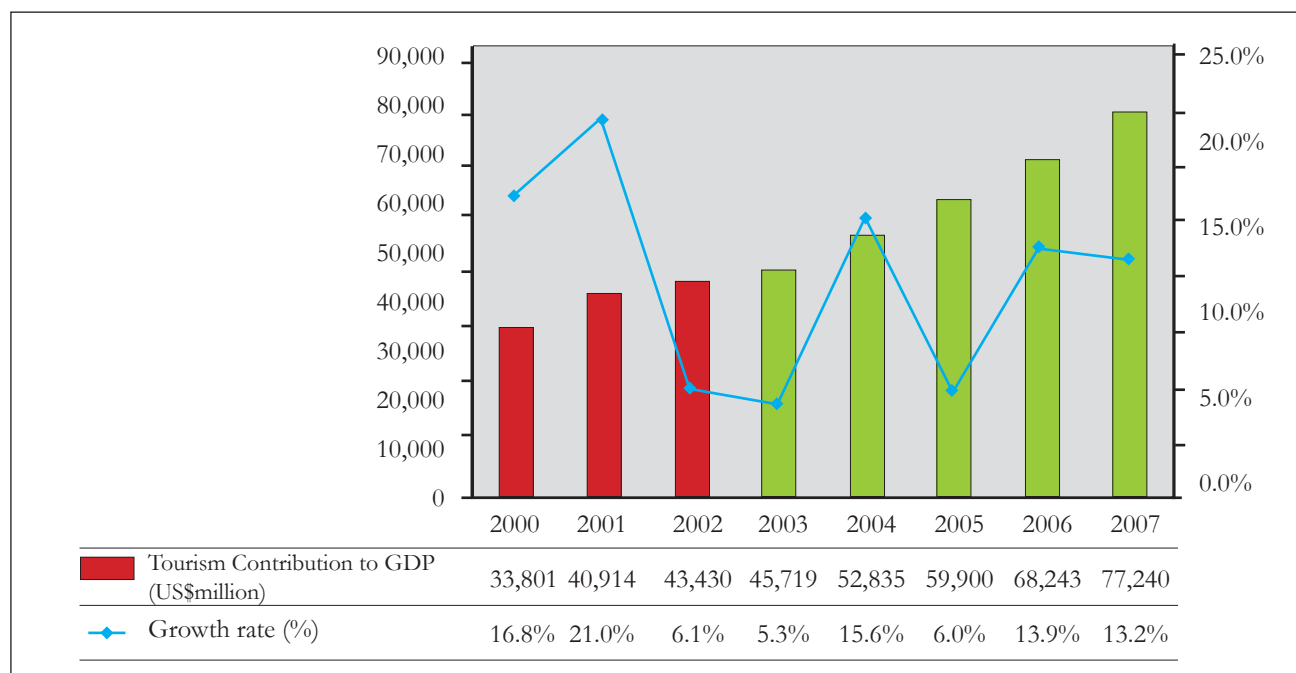


Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

4.4 Contribution of Tourism Revenue to GDP

The contribution of tourism revenue to Indonesia's GDP has increased significantly from 2007 to this year (see Figure 8) with almost 17% growth in 2007 and 21% growth in 2008. This rate is expected to slow this year to just over 6%.

FIGURE 8 – CONTRIBUTION OF TOURISM REVENUE (DIRECT AND INDIRECT) TO INDONESIA'S GROSS DOMESTIC PRODUCT (2007-2014)

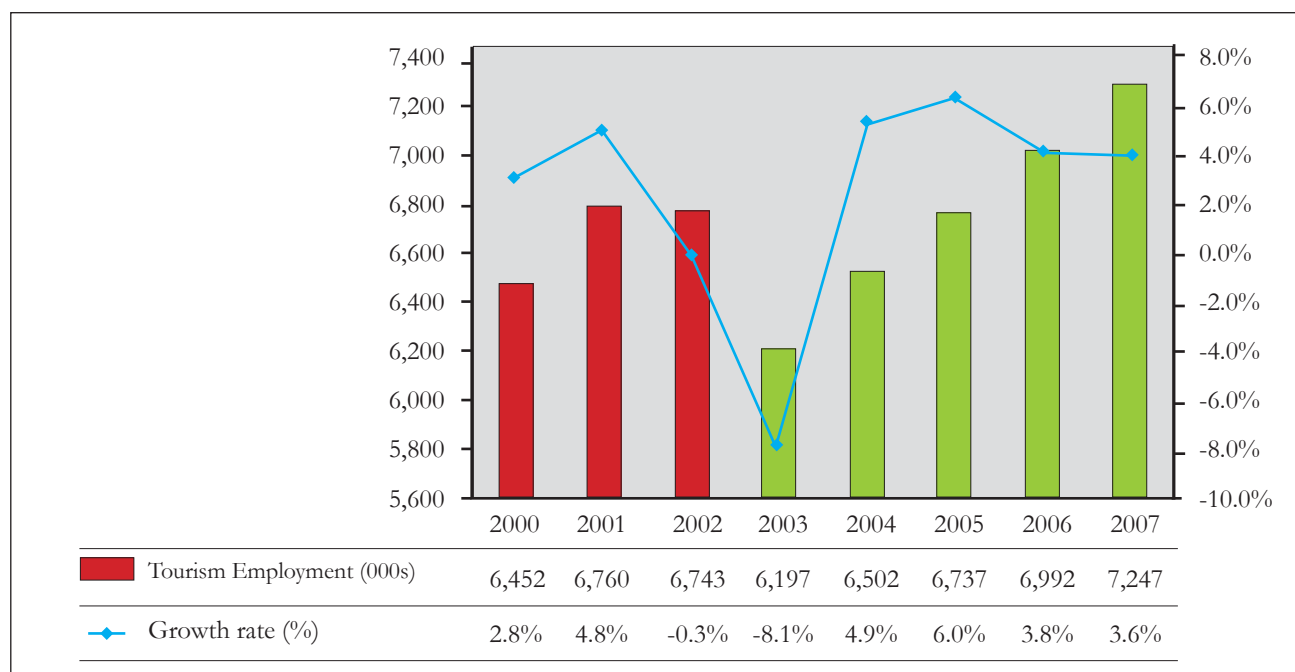


Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

4.5 Tourism Employment

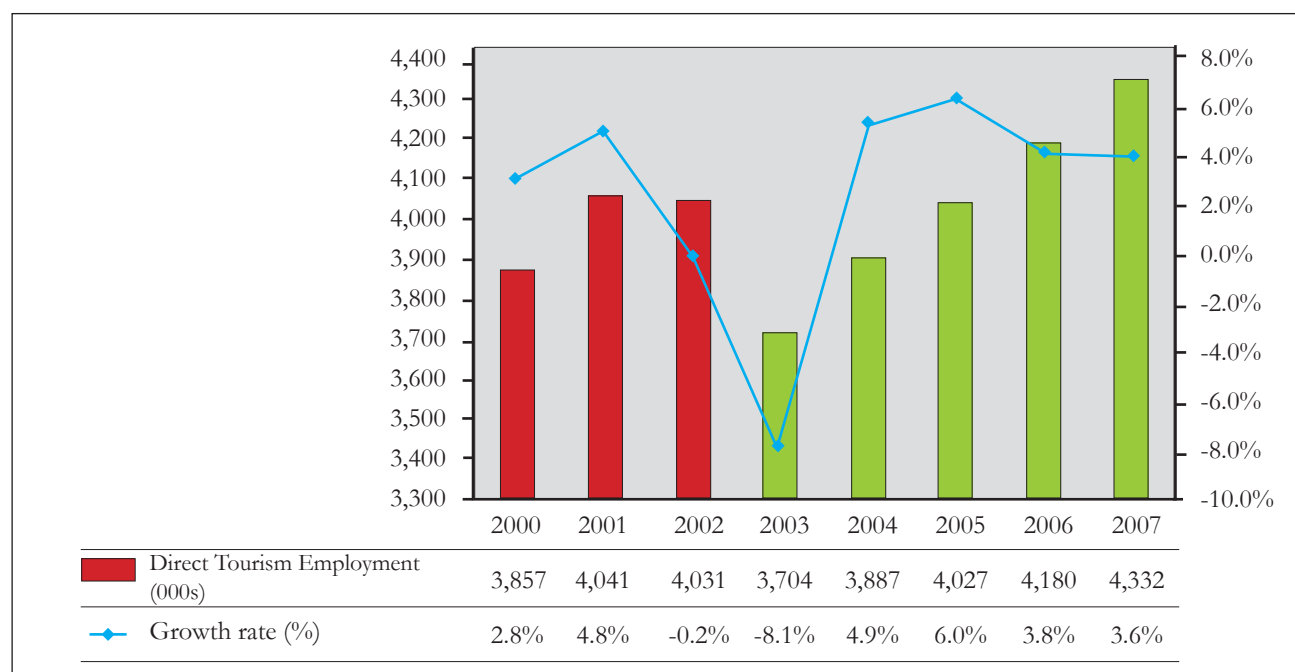
Tourism employment figures grew during 2007 and 2008 at an average rate of 3.8% per annum. This year they are expected to drop very slightly with a significant drop of more than 8% next year (see Figure 9). There are similar patterns, separately, for direct and indirect employment (see Figures 10/11).

FIGURE 9 – TOURISM EMPLOYMENT (DIRECT AND INDIRECT) IN INDONESIA (2007-2014)

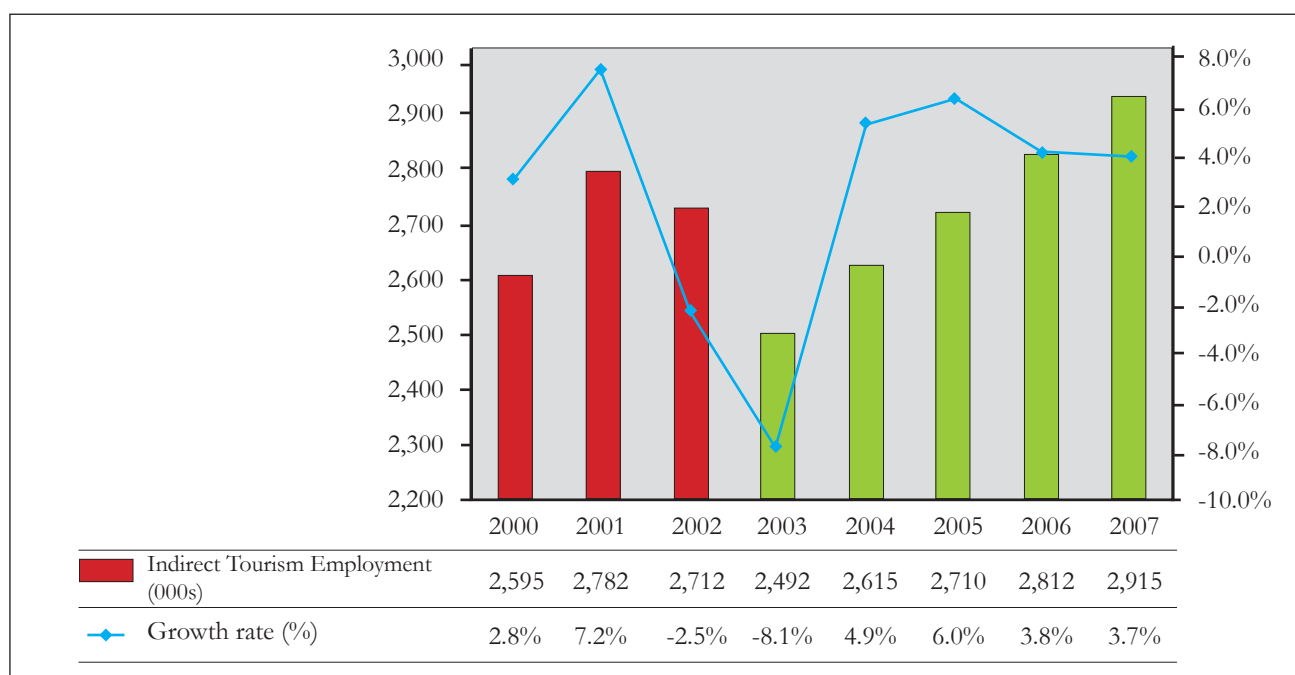


Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

FIGURE 10 – DIRECT TOURISM EMPLOYMENT IN INDONESIA (2007-2014)



Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

FIGURE 11 – INDIRECT TOURISM EMPLOYMENT IN INDONESIA (2007-2014)

Source: World Travel and Tourism Council 2009 (using Ministry of Culture and Tourism figures)

4.6 Key Tourism Issues in Indonesia since 2007

Overall Economic Impacts: Travel and tourism in Indonesia during the period 2007-2009 has fared well in relative terms due mainly to the comparative health of its economy and Asia's robust economic performance in the face of the global crisis. The overwhelming reliance of Indonesia's tourism sector on domestic visitors has also helped in this regard, although Jakarta and Bali are somewhat different in relying more on foreign inflows and in the case of Jakarta on overseas business visitors.

The global economic crisis has not had such a negative effect on the tourism sector in Indonesia in comparison to impacts from terrorist attacks in Bali and Jakarta since 2002. In addition, it should be remembered that it is not just the global economic crisis that has affected the tourism sector and that the influenza (H1N1) pandemic, political tensions and natural disasters are also factors for the Asia Pacific region. In the case of Indonesia the country has been afflicted with a series of natural disasters (earthquakes, flooding and mud slides) in the last three years, which are thought to have had a more significant impact on tourism than the global economic crisis.

Tourism Planning: The last national tourism master plan for Indonesia was produced in 1998 and is now being reviewed. At the provincial level there are few tourism plans and if they exist they are often out of date (as in the case of East Java Tourism Master Plan which has not been updated since 1994). Despite the regional autonomy process there are also few land use or tourism plans at the local level. Consequently, the opportunities for administrative collaboration in the tourism sector are limited or, if they exist, are not based on any foundations of strategic tourism planning.

Tourism Marketing: In an effort to attract foreign visitors to Indonesia, the MCT pursued the Visit Indonesia 2008 programme and a series of tourism events to help improve awareness and build collaborative links with other Asian destinations. This is thought to have helped in boosting foreign arrivals, including for business purposes, from Asian countries. Notwithstanding this, the prevailing perception amongst tourism professionals is that Indonesia's tourism marketing campaign is still weak and in particular under-performing it's potential (in relation to what the country has to offer), especially when compared to marketing campaigns in Thailand and Malaysia.

Tourism Investment: Hotels and restaurants/food service are two sectors of the country's tourism industry that have experienced the most dynamic growth since 2007. There has been a recent and significant expansion of international food outlets in Indonesia. Many hotel chains have also noticed the emerging potential of Indonesia and have expanded their businesses particularly in Bali and Jakarta (including a Kempinski and two Ritz Carlton hotels), as well as in second tier cities such as Surabaya. Many independent and older chained hotels are also being renovated to provide better quality service and facilities. However, it should be noted that beyond second tier cities, investment into hotel accommodation is weak and the standard of accommodation generally poor, especially in outlying areas of Indonesia such as Nusa Tenggara.

Increase of Low Cost Airlines: Prior to 2007 Indonesia's airline industry experienced growth with a significant number of new domestic airlines emerging, especially low cost carriers. Following a series of air accidents in the last three or four years, some airlines have improved their safety measures and have also added new domestic and international routes. The European Union's ban on Indonesian carriers flying to Europe (and indeed European travel agents' use of them for local flights) spurred changes to airline safety measures. For example Garuda, the national airline, has recently upgraded its fleet and services. Although there was an overall drop in revenue in March 2008 for low cost airlines, following the bankruptcy of Adam Air, those such as Lion Air, Sriwijaya and Air Asia have since improved seat sales with some carriers expanding their Asian international routes.

Tourism Employment: The total employment figure for Indonesia during 2008 was estimated to be 102.5 million, with an unemployment rate of approximately 8% (Statistics Indonesia, 2008a, 2008b). Although definitive employment data is not available, statistical collections of figures by different sub-sectors give an indication of the significance of tourism employment for Indonesia. Based on the industry classification (tourism falling in 'wholesale trade, retail trade, restaurants and hotels' and 'transportation, storage and communication') used by Statistics Indonesia (2007), up to 27.4 million people were employed in the tourism industry in 2007. However, much of this employment could not realistically be considered as tourism-related and are much higher than those estimates from the WTTC for tourism employment of 6.45 million.

Labour Protection: Indonesia's labour market has some of the strongest employee protection mechanisms of any country within the ASEAN region. The Manpower Law of 2003 provides regulations on the use of temporary and fixed term contracts, minimal wage guidelines, dismissal procedures and severance pay, among other matters. Notwithstanding this, the Indonesian hotel trade union (FSPM) has recently indicated that there is a developing trend from permanent positions to temporary contracts.

In 2004 the MCT embarked on a programme of 'zero unemployment' within one year of graduation for students emerging from tourism and hospitality courses. As part of this initiative there is an annual 'Grand Recruitment' drive at various locations throughout the country. There are numerous training institutes for tourism of which two of the best-known Skola Tinggi Pariwisata in Bandung and Bali received TedQual certification from the UNWTO. However, one of the main problems is ensuring that graduating and skilled employees obtain work in Indonesia in an effort to reduce the 'tourism brain drain', as many go abroad in search of higher paid work.

Tourism Skill Shortages: Tourism industries in the Asia-Pacific region are experiencing a shortage of skilled labour. Furthermore, the inability of the tourism sector to compete against other industries in terms of wages and working conditions has undermined attempts to recruit and retain skilled employees. Although the Indonesian government imposes restrictions and monthly levies (ostensibly to fund the training of Indonesians) on foreigners that are employed, continuing skills' shortages have seen increasing numbers of organisations import labour (including Filipinos for management positions) to meet their needs. Furthermore, in Bali for example, it is not only managerial and skilled jobs being filled by immigrants, but migrants from surrounding regions of the country that are also employed in unskilled tourism positions.

In 2009 the UNWTO commissioned a scoping study (13) to examine tourism sector labour shortages in the Asia Pacific region. The aim of the study was to review the tourism labour market in ten countries, including Indonesia. This work was conducted as part of collaboration between the UNWTO and the ILO within the framework of the UN's Employment and Decent Work Agenda. Respondents to the UNWTO opinion leader survey for Indonesia concluded with the following key points:

- Fluctuating tourism demand (of international visitors) was having an impact on the stability and growth of the country's tourism labour market;
- Low wages and unfavourable working conditions, as well as low barriers to entry especially in the informal sector, were undermining the formal tourism sector. Consequently, organizations in the formal sector often have to compete with low prices and maintain good standards of service in the face of weakly developed management skills, for example;
- There is a need for standardization and increased capacity in the education and training system in order to meet demand for skilled labour. This was seen as particularly evident in the lack of English speaking capabilities amongst frontline service staff; and,
- Demand for skilled labour in the tourism industry far outstrips supply and could constrain future growth.

These problems were far more prevalent in the rural and less developed areas of the country where access to skilled labour is not as readily available as in Bali or Jakarta. The country's skills' shortages could also be attributed to insufficient capacity in the education system to supply the volume of required personnel. The level of in-house training varies between organisations with the most comprehensive programmes generally restricted to five star hotels. In smaller organizations training is typically limited to that conducted on-the-job.

Study respondents saw the lack of skilled labour as a key factor in restricting growth and affecting the competitiveness of Indonesian tourism. They identified a number of areas where the country needs to develop skills in order for the tourism industry to remain competitive, namely: managerial skills; entrepreneurship; information technology; English language capabilities; and, general business skills/professionalism.

5 Tourism Outlook, Key Issues and Recommendations

5.1 Global Outlook

Global Economic and Tourism Outlook for 2010: The IMF projects global economic growth for 2010 to be 3.1% with a stronger pace for emerging economies (5.1%). Overall unemployment is expected to rise during 2010 and the prime concern is that the phasing out of government stimulus measures will have negative impacts on employment. Initial UNWTO forecasts for 2010 (5) indicate that international tourist arrivals could experience a moderate recovery with growth of between 1-3%. Asia is expected to provide the strongest recovery and, it is noted, that South East Asia will perform particularly well in relative terms. Nevertheless, the outlook still anticipates a difficult year with modest recovery.

Further ahead, the WTM Report for 2009 forecasts that a full economic recovery to pre-crisis levels will not happen until 2013 with emerging economies expected to lead this. Low global consumer confidence will crimp demand with rising job losses and increased public debt leading to higher taxes. Consumers are expected to adopt thrift into the long term and the tourism sector will have to adapt to this change. This will clearly have an effect on visitor numbers from North America and Europe to Asia.

5.2 Indonesia Tourism Outlook

International Tourism Arrivals: Growth in foreign visitor arrivals to Indonesia is expected to increase to 2014, especially after 2010, at an average rate of over 6% per annum (see Figure 7). Much of this demand is likely to arise from visitors from the increasingly important Asian source markets.

Contribution of Tourism Revenue to GDP: WTTC research on Indonesia's tourism trends anticipates the sector's contribution (directly and indirectly) to GDP will rise from 7.8% (or US\$43.4 billion) in 2009 to 8% (US\$135.3 billion) by 2019. In terms of tourism's direct contribution to GDP, this was expected to be 2.4% or US\$13.2 billion in 2009 and would rise to 2.5% of the total or US\$42.9 billion by 2019. It is instructive to compare this with the estimated direct contributions of South East Asian countries to GDP in 2009 (an average of 3.7%) and that of global countries reviewed that posted an average direct contribution of 3.2% in 2009. Thus, Indonesia performs poorly in comparison.

In terms of growth rates the contribution of tourism revenue to Indonesia's GDP is expected to increase at a slower pace for 2010 at 5.3%, although this is anticipated to pick up significantly thereafter to 2014 with an average of 12.2% growth per annum (see Figure 7). This healthy growth rate, more than double that for international visitor arrivals, could indicate yet again the strength of the domestic tourism market and the growing size and economic power of the country's middle class.

Tourism Employment Patterns: Tourism employment (direct and indirect) in Indonesia is expected to rise from 6,743,000 jobs in 2009, or 6.4% of total employment (1 in every 15.6 jobs), to 8,262,000 jobs, or 6.6% of total employment (1 in every 15.2 jobs) by 2019. Tourism employment figures for the period from 2011 to 2014 are expected to increase at an average rate of 4.8% per annum (see Figures 9-11). There are similar patterns, separately, for direct and indirect tourism employment as shown by Figures 10 and 11.

5.3 Comparative Assessment of Indonesian Tourism

Tourism Contribution to GDP: In 2009 the WTTC ranked Indonesia as 22nd in its ‘absolute’ size of the contribution of the tourism economy to GDP out of 181 countries assessed (see Figure 12). However, in terms of its ‘relative’ contribution to the national economy Indonesia came 106th. By 2019, the WTTC expects an improvement in Indonesia’s ranking of ‘absolute’ size to 16th although a drop in its ‘relative’ size to 110th.

Total Economic Demand: In terms of ‘total demand’ from tourism (including government expenditure, capital investment, exports, business and other relevant tourism expenditure), the WTTC calculated that in 2009 Indonesia would attain US\$57.1 billion of economic activity and that this would rise (in real terms) to US\$184.7 billion by 2019. In 2009 Indonesia’s share in terms of the South East Asian region for ‘total demand’ of tourism activity was 17.92%, and placed the country in 24th place in ‘absolute’ terms in the global table for this category. However, by 2019 Indonesia would rise to 16th place in ‘absolute’ size as a result of 6.1% annualised growth. Within the context of South East Asia, Indonesia is a clear first in terms of its ‘absolute’ size of tourism economy, although it ranks eighth in terms of its ‘relative’ contribution to the national economy and third for forecast growth.

FIGURE 12 – COMPARATIVE ASSESSMENT OF INDONESIA TOURISM

Indonesia Ranking	Indonesia Ranking in World Country List (out of 181) 2009			Indonesia Ranking in World Country List (out of 181) 2019		
	Absolute Size	Relative Size	Growth (1)	Absolute Size	Relative Size	Growth (2)
Travel and Tourism Demand	24	--	79	16	--	21
Direct Industry GDP	23	115	77	16	114	26
Travel and Tourism GDP	22	106	52	16	110	39
Direct Industry Employment	6	124	80	6	122	73
Tourism Economy Employment	4	115	43	4	118	91

(1) 2009 real growth adjusted for inflation (%). (2) 2010-2019 annualised growth adjusted for inflation (%). Source: World Travel and Tourism Council 2009

Tourism Employment: The worst position in comparative terms for Indonesia was its standing (at 124th position) in 2009 for the country's 'relative' size of its direct industry employment. By 2019 this was expected to improve marginally to 122nd. Its 'absolute' size in global terms put it in 6th position for both 2009 and 2019. Consequently, it is clear that Indonesian tourism is expected to under-perform substantially for employment in comparison to its potential.

When Indonesian tourism's contribution to total employment (6.4% in 2009) is compared with the global perspective, the country drops to 116th place, well behind the Philippines (10.1% and 70th), Vietnam (10.4% and 67th) and Thailand (11.1% and 60th), of the 181 countries surveyed. Whilst the WTTC anticipates that Indonesia's position in this global tourism employment league table will improve to 91st (with 2.1% annualised growth) in ten years time, it can be understood that the country is still lagging in terms of its ability to maximise tourism employment generation.

5.4 Global Tourism Market Trends

The following are anticipated to be the main global tourism market trends (sources from WTTC, UNWTO and WTM), some of which have been driven by the economic crisis:

- There will be demand for greater travel flexibility, last minute bookings and more independent travel options that could be packaged for specific requirements. This is reflected in the growth of 'concierge travel services';
- Tourists are increasingly seeking authentic and rewarding experiences ('experiential travel', 'real tourism' and 'slow tourism') rather than the traditional 'sun, sea and sand' tourism;
- Visitor demand has become more specialised with interest groups becoming more knowledgeable about destinations. This also applies to facilities with, for example, the development of female-only accommodation in the Middle East;
- There is more emphasis on socially responsible tourism, especially in terms of environmental concerns (sustainable tourism and eco-tourism) in tandem with an increasing reluctance to fly long haul. There is also a desire to ensure that local communities receive the benefits of tourism (community-based tourism);
- The global economic crisis has sharpened the demand for more regional and local travel ('staycation') with visitors opting for destinations closer to home;
- In conjunction with the move towards more local holidays is the growing popularity of short breaks spread throughout the year;
- The importance of computer technology (and access to the internet) has managed to support greater travel flexibility with more freedom for travellers to arrange their own holidays. This opens up the possibilities for tourism attractions, which are not tied to tour operators, to take a greater market share. In addition, information communication technologies (ICTs) are able to supply more relevant and immediate information;
- Sport has become an increasingly popular tool for generating visitor income, especially through major events that can also be used as a marketing tool (such as cross-country running or triathlon events in scenic locations). The WTM has also noted the continuing enthusiasm in Asia for golf and golf-related developments which are anticipated to continue with the increasing size of China's visitor market and the growth of the country's middle class; and,

- Tourism investment has moved towards more flexible short-term approaches that can respond to ever changing market demands and can meet more immediate visitor needs. Thus, long-term tourism investment plans have less relevance. This is exemplified by the modular or ‘pop-up’ hotels, which are emerging in developed economies, which are quickly built at lower costs to meet short-term demands.

5.5 Key Requirements for Tourism Employment in Indonesia

Indonesian tourism has not been too badly affected by the global economic crisis. Nevertheless, it is clear that the country is not fulfilling its tourism potential that arises from its immense and varied resources and attractions. There may be many reasons for this including those related directly to tourism employment factors and ILO’s possibilities for project intervention. Clearly, the realisation of Indonesia’s full tourism potential will have positive consequences on not only the number of tourism-related jobs, both in terms of direct and indirect employment, but also on the quality of the work created and whether it is able to match the principles of ILO’s ‘Decent Work Agenda’.

From the assessment outlined in this paper there are a number of key requirements, which are relevant to employment generation in the tourism sector, as follows:

- **Need for a Coordinated Approach to Tourism Development:** This is pertinent to tourism planning at the national, provincial and local level. Tourism plans are needed, albeit more at the five-year timescale than for ten years, so that infrastructure can be provided to support attractions and also so that administrative bodies and the private sector can properly work together. Indeed, partnership approaches to developing tourism projects are a far more effective way of generating sustainable employment than initiatives being pursued in isolation. This could also be extended to better cooperation with other neighbouring countries.
- **Need for Skills Development:** There is a clear shortage of skills that could hamper tourism growth in the country. Future training needs should focus on developing managerial ability, entrepreneurship, information technology, English language capabilities, general business skills and professionalism. This should be done in partnership with hotels, training institutes and the MCT and must aim to bring disadvantaged groups into the training process.
- **Need for Investment Clarity:** Indonesia is not attracting the private sector investment that it should be, and this is starkly evident when compared to smaller neighbouring countries. This could be for a number of reasons, namely pervasive corruption, protectionism, lack of confidence in legal protection for investors and, indeed, the lack of clarity in general for investors. This is also the case for those investing in tourism projects.
- **Need for Greater Public Sector Investment into Tourism Infrastructure:** More public sector investment is needed to support private sector initiatives, especially in terms of improved road access and utility provision (such as water supply, water treatment and electricity). Ideally, this should be directed at more disadvantaged areas. It should also be borne in mind that this type of investment has wider community-related benefits.
- **Need to Ensure a Spread of Tourism Benefits:** Whatever tourism improvements emerge in Indonesia need to be spread to the more disadvantaged sections of the population, to local communities and indeed geographically to areas such as Nusa Tenggara, which are not receiving the benefits of economic development.

- **Need for Better Tourism Employment Information:** Tourism employment figures are currently collected by Statistics Indonesia, principally from Ministry of Manpower and MCT information. However, it is readily acknowledged that these figures are patchy. MCT indicates that the last statistically comprehensive work on tourism employment was undertaken in the mid-1980s. In addition, Indonesia has yet to implement the TSA framework, which also relies on tourism employment figures.

5.6 Potential Project Recommendations

The following are suggested policy approaches that could help to support the generation of tourism-related employment in Indonesia:

- Encourage the coordinated development of tourism planning and a partnership approach to tourism projects;
- Promote a comprehensive human resources development strategy in the tourism sector;
- Focus on the development of skills in the tourism sector that are in demand;
- Highlight the need for legal clarity for investors, be they foreign or domestic, that wish to pursue tourism development projects;
- Support public sector investment in tourism-related projects;
- Promote tourism investment in more disadvantaged parts of the country and at the grass roots community level; and,
- Support the improved collection of tourism employment statistics as a better foundation for planning for the tourism industry.

Appendix 1

Meetings Held

Sixteen organisations were contacted from the travel trade and hotel industry, donor agencies and major tourism destinations in the Jakarta area in an effort to supplement desktop research work and to get an impression of the up-to-date situation of tourism employment.

Those that made themselves available for meetings are acknowledged and thanked for their contribution, as follows:

- 1 United Nations Development Programme (Monday, November 30, 2009 at 1430). Anton Sri Probiyantono (Programme Officer) and Shehbu Bakar (Acting Head of Poverty Reduction Unit).
- 2 European Union Delegation Trade and Economic Section (Wednesday, December 2, 2009 at 1000). Walter van Hattum (First Secretary) and Minna Piekkari (Trade Officer).
- 3 World Bank (Wednesday, December 2, 2009 at 1430). Sri Probo Sudarmo (Housing Reconstruction Expert).
- 4 Ministry of Culture and Tourism (Thursday, December 3, 2009 at 1000). Henky Hermantoro (Director of the Centre for Tourism Research and Development) and Hamdan Rivai (Director of Human Resource Development).

Appendix 2

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