

Labor market issues in Indonesia: an analysis in a globalization context

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Abstrak

Indonesian economy has grown significantly for the past quarter of century. However; welfare of the labors are still in a poor condition This was indicated by their wages which only around the minimum wages, even after the government of Indonesia raised them several times. In the era of globalization or in a borderless economic framework, factors of productions become more mobile. Mobility of both capital and labor could be driven by comparative advantages of local and regional markets. When the wage IE' too low domestically, and when there is a high demand for low-skill workers abroad, tlte labor will migrate to higher-wage countries. On the other hands, when the wage is too high in indonesia, foreign investors who invest in footloosee industries may relocate their industries to lower-wage countries. In addition, employer can cut down employment to reduce production cast if the wages are too high. Titus, the scissor effects have to be dealt wisely. Increasing minimum wages is not the only way to increase worker's welfare. Improving the _productivity of the labor through formal and informal education is an indirect way of raising the welfare of workers. Considering that the quality of Indonesia's labor is still very low and the fact that factors of production are more mobile in this globalization era, improving the quality of workers to be more competitive globally is seen as a key situation to the problem.