

# Growing social crisis in Indonesia ahead of presidential election

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A central feature of the campaign for Indonesia's upcoming presidential election, due to be held on February 14, is the candidates' response to the worsening economic situation and social crisis. The Indonesian economy has suffered major impacts from the COVID-19 pandemic and the subsequent rampant global inflation.

The outgoing administration of President Joko Widodo has imposed the burden of the economic shocks on the vast Indonesian working class and rural masses, with poverty, unemployment and wealth inequality figures climbing since 2020.

Economic growth in 2023 reached 4.9 percent in the third quarter, the slowest in two years. The slowdown is largely attributed to domestic interest rate hikes over the past two years, along with weakening global demand and falling commodity prices. According to the IMF, GDP growth in 2024 is forecast at just 5.0 percent.

The World Bank states that Indonesia has yet to fully recover to its pre-2020 economic trajectory. The global economic shock brought on by the COVID-19 pandemic led to a recession in 2020, Indonesia's first since the 1998 Asian financial crisis. Before this, however, the country was already confronting economic stagnation in the 2010s.

In 2022, the resource-rich nation experienced a relative expansion, riding a global commodities boom, while the government worked to rapidly reopen the tourism industry even as COVID-19 continued to spread. Economic commentators are now warning that the incoming government will face major economic challenges.

In January 2023, *Tempo* magazine reported that the KAHMI Entrepreneurs Association chairman, Kamrussamad, told stakeholders in a Jakarta meeting titled *Economic Outlook 2023*: "We all know that the unemployment and poverty rates have not experienced any significant decline in the past five years, even though economic growth has started to improve."

The Central Statistics Agency (BPS) recorded Indonesia's unemployment rate in August 2023 at 5.3 percent, or 7.86 million people. BPS said that, although this marked a 0.54

decrease from the same month last year, the labour market had not returned to the pre-pandemic level.

This official rate, however, only gives an indication of the real social crisis facing workers and youth. Unemployment is underestimated as there is no government data for underemployment, referring to part-timers and casuals who cannot find full-time work or skilled workers in low-skill jobs. This continues to be a major issue in rural areas and among urban poor, especially after the wave of job losses since the pandemic began.

BPS noted an explosion of young people working informally in hospitality, including accommodation and food and beverages. Of the total number of working individuals, 23 percent are self-employed while 14 percent are in businesses assisted by non-permanent labour.

According to the World Bank, 9.5 percent of Indonesians, or 26.2 million people, are living below the poverty line, with a greater proportion of poor living in cities than in rural areas. However, as with unemployment figures, this only provides part of the full picture.

Over 40 percent of the Indonesian population is deemed "economically insecure" by the World Bank, with a "high risk" of falling back into poverty in the event of economic shocks and downturns, or events such as pandemics and natural disasters, whose frequency and severity are increasing due to climate change.

University of Indonesia economist Fithra Faisal Hastiadi said that inflation continues to be a major concern for lower income earners. "For people in the bottom 40 percent of income earners ... this [inflation] rate is not affordable ... [therefore] jobs and prices are viewed as their top priorities," Fithra told *Al Jazeera*.

In the capital, Jakarta, a rapidly growing megacity of over 32 million residents, the cost of living has soared over the past four years. The city's average monthly household consumption rose to IDR14.88 million (\$US950) last year, a major increase from pre-pandemic surveys.

The Indonesian rupiah is ranking among the worst-performing currencies in Asia. In response to an interest rate

hike last October, car loans and housing mortgages have skyrocketed. Food insecurity was also on the rise last year with the price of rice, Indonesia's main staple, surging into the new year.

Many workers have posted on social media that 2023 was the worst year they had ever experienced. According to the *Straits Times*, a Jakarta copywriter, Adhin Ardhana, wrote on Twitter/X: "All prices rose. ... Equity stock prices down, [financial] wars, a lot of businesses collapsed, widespread job cuts ... Everyone is trying to deal with his own problems. No one is helping you except yourself. Be ready."

Jakarta State University (UNJ) economist Dianta Sebayang told *Jakarta Post* last August, "The poor's income vulnerability is highly correlated to fuel, electricity and food prices, all of which depend on energy and agricultural subsidies." This was demonstrated in 2022, when a wave of price hikes in basic commodities, including cooking oil and fuel, sparked mass protests.

Dianta warned, "Widening inequality will bring about social conflict."

The Widodo government's pro-corporate response to the COVID-19 pandemic, involving massive bailout packages for the financial elite, has resulted in an explosive growth in social inequality. In March 2023, reports showed that the expenditure gap between the rich and poor had reached a record high in the past five years. The wealthiest 20 percent accounted for nearly 50 percent of national spending.

As of 2022, Indonesia ranked sixth in the world for wealth inequality. Income disparity has grown faster over the past 20 years than in any other Southeast Asian country. Oxfam estimates that the four richest individuals in Indonesia are worth more than the combined wealth of the poorest 100 million people.

From 2020 to 2023, inequality as measured by the Gini coefficient on a scale of 0 [complete equality] to 1 [absolute inequality] inched up to 0.409 from the previous 0.393. Financial research institute Indef admitted that government policies had contributed to this bump in inequality, including luxury tax cuts for the wealthy and Bank Indonesia's interest rate hikes. "With no increase in income, the poor [need to scale back consumption]," said institute researcher Nailul Huda.

This is the highly volatile social context for the 2024 presidential election campaign. As part of his efforts to promote himself as a defender of ordinary people, Ganjar Pranowo, the candidate of Widodo's party PDI-P, recently promised to create 17 million new jobs, particularly aimed at young people, in a "Quick to Get Work" initiative. Youth unemployment officially stood at 13 percent by the end of 2022.

The other two candidates have not commented specifically

on social issues, but have elaborated their own economic policies.

Prabowo Subianto, Widodo's defence minister, who is currently leading in the polls, has stated he will continue Widodo's infrastructure investment and "downstreaming" policy, with commodities mined in the country to be processed domestically rather than exported. His election manifesto also pledges to develop rural areas, providing direct cash aid and building low-cost homes.

Anies Baswedan, the former governor of Jakarta, has pledged to reform the country's booming natural resources industry. Anies' spokesman, Tom Lembong, told *Al Jazeera* that economic growth had become dominated by mining industries and that putting growth on a "more diversified and sustainable footing" would lessen the "divides between the rich and poor as well as developed and less-developed regions." This will include developing other industries in at least 14 smaller cities, so that each becomes a "more dynamic growth engine for the regions around them."

Such bogus promises serve to disguise the underlying agenda of all three candidates, who are all committed to defending Indonesian capitalism at a time of international economic and geopolitical crisis. This requires the systematic suppression of wages and destruction of workers' conditions to ensure global competitiveness.

The Indonesian ruling class is keenly aware of the social consequences of these dire economic conditions. This is precisely why such a figure as Prabowo Subianto, the notorious Suharto-era general, has been promoted at this time as a key presidential candidate. With the growing danger of social unrest, calculations are being made by the country's financial elite as to which candidate can best use authoritarian measures to suppress opposition.



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