



## **The Evaluation of Indonesian Labour Market in Optimizing Demographic Dividend in 2016**

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### *Abstract*

*Indonesia has had demographic dividend in the recent times. In line with it, the challenges for Indonesia has also increased with the beginning of Asean Economic Community (AEC) activation. The demographic dividend which is happening must be optimized well. If it can't be optimized, Indonesia will be hard to get the welfare in these demands of the times. Because of that, the evaluation in the beginning era of demographic dividend become important. This research intends to know the description of the labour market in Indonesia, find the major problem and suggest the best solution to solve it. The method which is used in this research is Multiple Linear Regression. To find the best model, backward elimination method is used. Gross Domestic Regional Product is used as dependent variable. The independent variable is the indicators of labour market that is the average of the wage laborers, the percentage of agriculture workers, the open unemployment, the under fifteen hours workers and the educated unemployed. The best model is the model with under fifteen hours workers and the educated unemployed as independent variables. Both of the variables have negative and significant effect to the economy. Therefore, the major problem in the labour market is the under fifteen hours workers (can be identified as disguised employment) and the educated unemployed. The best solution we can recommend is to encourage the educated workforce to participate in Micro and Small Manufactures by processing the major agriculture product become ready-to-consume goods. The majority of the under fifteen hours workers which is in agriculture sector can also participate in the manufactures and also be able to be motivated to increase the production. By implementing this, both of the major problems will be able to be solved.*

*Keywords : demographic dividend, disguised unemployment, educated unemployed, labour market*