

# Youth Advisory Panel (YAP)

## Issue Brief The Power of the Millennials: Boosting Economic Development through Creative Economy and Innovation



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### Overview

It is impossible to discuss Indonesia today without acknowledging the significance of its increasingly rapid pace of change. Change is evident in economic, as well as social and cultural development, and in the viewpoints of its new generation, the young people, often called the millennials.

Millennials are people born from the late 1970s to the mid-1990s, but industry experts say millennials are those who use technologies for communicating, the consuming culture who are more connected and less homogeneous than previous generations. Millennial can also mean youth, aged 15-24 years old. The millennials play an important part in progressive change, due to their share of the population and their awareness of trends in borderless communication and the internet. (Brandau, 2012)

Millennials are “Doing Innovation<sup>2</sup>” through creative activities, knowledge work, and enterprises outside the more formal forms of innovation such as universities, network-rich tech incubators, or venture capital driven accelerators. The innovation is powered by the sheer grit and ingenuity of young people who are cobbling together a mix of resources to forge an open pathway to opportunity. With all of this technological development as a core part of their lives, people from this generation have drastically changed their view about the world. Some of these changes have made them more tech-savvy, but it has also affected their opinions of development. Global popular trends highly influence those who have access to technology such as smartphones, internet, and social media. When such technologies are supported by the right education, they can encourage a broader view of the world and can increase a person’s ability to think creatively and reshape traditional economic practices to suit today’s need. There is a wide interest, knowledge, access and opportunity for young people to such technologies to encourage connectivity in a country with Indonesia, due to the size and demographics, which has various ethnicities, environments, and social inequality.

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1 **Disclaimer** : The findings, interpretations and conclusions presented in this document are those of the authors and do not reflect the policies, views and positions of UNFPA and the Government of Indonesia

2 Innovation is social, and one of the most crucial resources in any vibrant innovation ecosystem is the capacity to cultivate social capital, that is, rich social connections and relations to provide access to vital resources such as expertise, financial capital, and mentoring. (Watkins, 2015)

Behind all of these new possibilities is the reality that not all young people in Indonesia can access the same medium to communicate to others, especially those who are marginalized, part of minority groups, or live in rural and remote areas. Let alone to access to technology, it is still a challenge to ensure to access to basic needs such as good education and health services, including sexual and reproductive health and rights, which in turn affects their future employment opportunities and their ability to eradicate poverty.

The youth population is a heterogeneous group, and there are significant differences across groups relating to their potential for the labour market and the barriers they face. Some groups that face particularly strong labour market challenges include ethnic minorities, those living in deprived areas, those from low-income families, and those with low education levels.

This issue brief summarizes key priorities and facts on youth and economic development within Indonesia's context, and connects these facts with the new trends towards creative economy and innovation. The issue brief uses youth-related studies, publications, lessons learned, and findings conducted by different stakeholders, including UNFPA and partner agencies. It is developed by the UNFPA Youth Advisory Panel, a group of young people under the age of 24 who advocate for the involvement of young people in UNFPA's mandates and programmes.

### **Indonesian Economic Outlook: Young People, an Opportunity or a Threat?**

Indonesia, which was the 16th largest economy in 2012, has been projected to become the 7th largest by 2030 by McKinsey Global Institute. This optimistic perspective is the result of Indonesia's excellence in achieving development of its macro economy. Referring to the study from McKinsey Global Institute, Indonesia now has 55 million skilled workers, 45 million members of the consuming class, and 53% of the population in cities producing 74% of Growth Domestic Production (GDP). These are such big, positive and potential numbers for a developing country like Indonesia which has up to 65 million young people aged 10 to 24 years old.

However, some challenges remain for Indonesian youth to be able to get decent jobs. In 2011, World Bank published data stating that, globally, a young person's risk of being unemployed was three times higher than that of an adult. Even worse, the World Bank Group Entrepreneurship snapshot presented a very low pattern of job creation specifically on entrepreneurship in Indonesia, with less than 2%. This is low compared with Thailand's 4.1%, and Singapore's 7.2%.

Indonesia has to decide how to deal with the above situation and encourage youth engagement in education, employment, and entrepreneurship so that they can be more competitive during the ASEAN economic integration. However, if youth is properly prepared once they enter the working age population, these same youth can be the drivers of Indonesia's sustainable development to build the future Indonesia wants (UNFPA Indonesia, 2015). The large youth population should provide an opportunity for Indonesia, not act as a threat to its development, as it offers productive human capital if met with the right investments from related stakeholders.

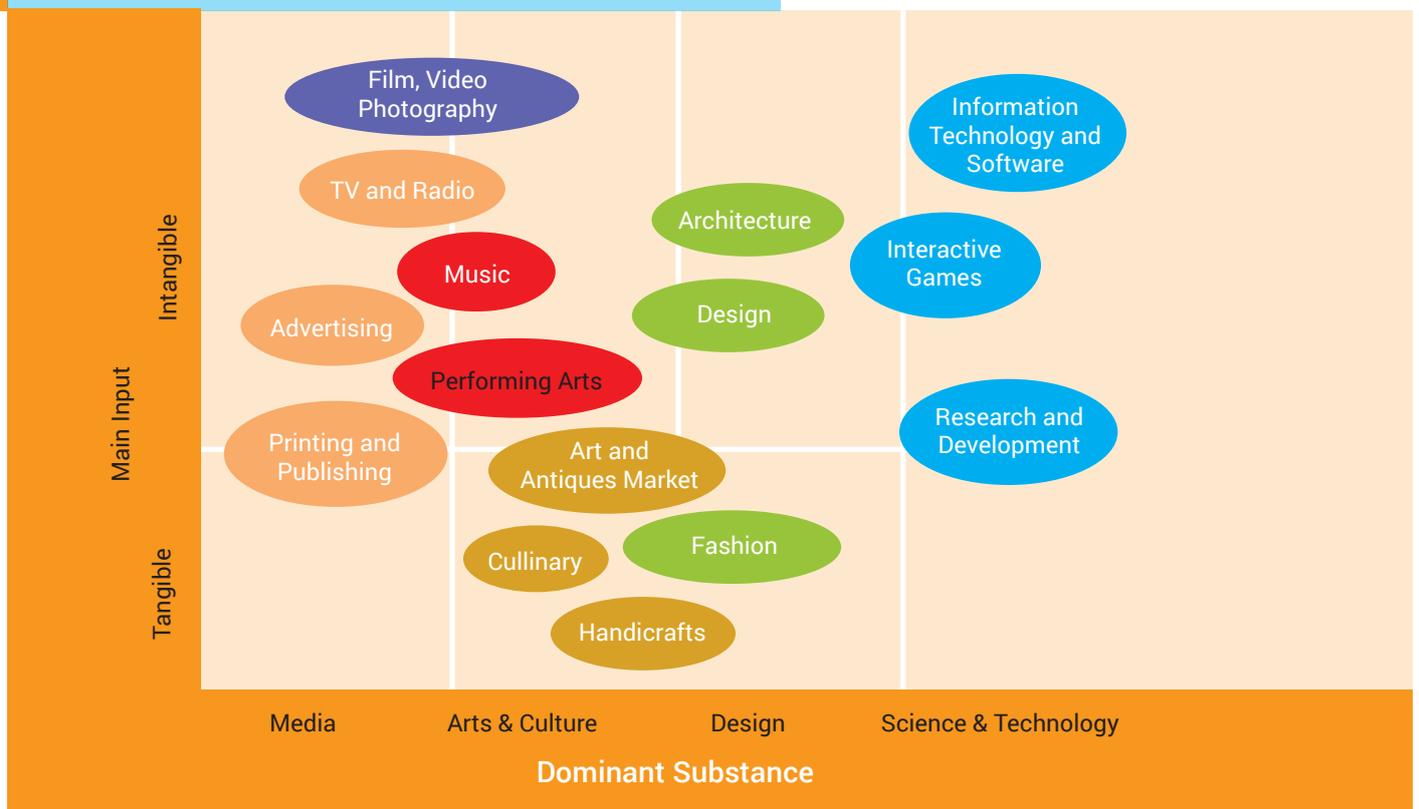
## Youth and Creative Economy

Youth unemployment is one of the principal social and economic challenges of this decade around the world. Long spells of unemployment can have serious long-term effects on individuals, such as reduced earnings and social exclusion. However, new trends have emerged where creative young people establish together a venue for dealing with the creative economy.

A creative economy <sup>3</sup> may be defined as one in which businesses promote creativity, knowledge convergence, and advanced scientific technology based on coordinated learning to create new markets and new jobs. A creative economy can be a new exciting approach to force growth and sustain the national economy in global competition, especially in developing countries. As a developing country, Indonesia has incredible assets in its national and ethnic cultures and arts, and aspires to promote them in pursuit of national pride and economic gain.

Currently Indonesia has up to 15 fields of creative industries, classified into four main areas, which are media, arts and culture, design, science and technology according to its input (either tangible or intangible)<sup>4</sup> as shown in Figure 1. All these areas are actually a field that is close and connected with young people.

**FIGURE 1:**  
**Classification of Creative Industries in Indonesia**



Source : Sumirat, A Erman, Widiyanto, Sunu (2010), Pangestu (2008).

3 The creative economy may be inferred to be a new paradigm of economic development that breaks away from the chase-and-imitate economic model and turns toward a new one promoting innovation. (Evans, 2009)

4 The presentation entitled "Ekonomi Kreatif Dalam Perspektif Masa Depan Indonesia (Creative Economy from the Perspective of Future Demographic in Indonesia). (Pangestu, 2015)

In this new development era, where per capita productivity in all sectors is still relatively low and needs improvement through high quality post-secondary education, and traditional manufacturing sector shifting their plants to new countries to uphold a labor and production cost advantage, there is a continuous increase in the demand for skilled workers to be supplied by polytechnics and other vocational training institutes. Softer skills, such as entrepreneurship and leadership, are increasing important skillsets that need to be incorporated into higher education systems using innovative and often unconventional teaching methods (UNFPA Indonesia, 2015). Thus, while creative economy combines economy, culture and environment, it is important to understand that creative economy is important and can be a source to increase value and to achieve sustainable development.

There are six goals of Indonesia's creative industry, namely: 1. Nurturing creative human beings with a creative mind-set; 2. Developing industries that are leading in the domestic market and abroad, nurturing the local entrepreneurs; 3. Developing technology that supports the creativity of Indonesian people; 4. Utilizing domestic raw materials effectively for the creative industry; 5. Encouraging Indonesian people to appreciate and consume local products and; 6. Winning high trust from financing institutions for the creative industries in the economic sector as an attractive industry

The creative economy will have a positive impact on various sectors such as the economy, business, technology, culture, and tourism sectors, by promoting innovation in each sector using a new approach to creativity.

The creative economy cannot solve issues of poverty or uneven development single-handedly. Yet, development of a creative economy can form an integral part of any attempt to redress inequality, provided that the process also brings about broader structural changes to ensure that creative workers are themselves not disadvantaged in relation to other workers (UNESCO, 2013).

Indonesia has the fourth largest number of Facebook users (65 million people) and is the fourth largest user of Twitter. Mobile banking and mobile payments, social media, information, online selling, and delivery of services are all being facilitated by the mobile telephone. Telemedicine can deliver health care to remote areas, and digital learning tools can improve the quality of education and teacher training across the region. Mobile internet, in particular, is a useful vehicle for overcoming Southeast Asia's geographical barriers and widening access to information, products and services for rural populations. In this case, skilled youth will play an important role, not only in product or process innovation in running a creative economy, but also in promoting connectivity between the products/services and the market through offered on technology platforms, such as social media. The creative economy will help young people to empower themselves with decent job opportunities and ways to participate in development, while concurrently youth participation in development will drive the innovation for a more creative economy. Youth, with their active engagement in creative ideas, may become the drivers of the proliferation of the creative industry. Youth indeed can promote, contribute, and connect players in the creative industry. Therefore the more youth that can have this opportunity, will be better for the economy.

Ensuring the availability of equal access to quality education is crucial for youth development. This education will benefit those young people who are still in school, such as young people who fall under the definition of adolescent (10-19 years old). There is a need to have an education system that allows students and graduates to learn “beyond classroom” and touch upon their life-skills and non-formal education. On another note, there is also a need for related stakeholders to ensure smooth transitions from education to decent work. Youth often lack of knowledge about labour market opportunities and are unaware of their career prospects (UNFPA Indonesia, 2015). By providing them with guidance and information to ease transition, enable students and graduates to meet the requirements to be employed in their area of interest, including in the creative economy. Higher education must strike a delicate balance between providing students with a broad foundation that is adaptive to changing job market, while also providing relevant and often specific skills needed for local development (UNFPA Indonesia, 2015). Public and private sectors can contribute to this by providing opportunities for hands-on experience for youth through volunteerism, fellowships, as well as internship programmes.

There are two global challenges currently faced by Indonesia: the decrease in economic growth, and the increase of production fragmentation caused by changing technology and the integrated world. Youth empowerment and the ability of young minds to adapt and be involved in the creative economy by making the best use of technology and other innovative initiatives will be the answer to solving those challenges.

In the regional, Indonesia will also become ASEAN Economic Community (AEC).<sup>5</sup> The ASEAN Economic Community not only presents some challenges for Indonesia’s economy, but it creates some problem for young people. At some point, the ASEAN integration will benefit young people who are technology-savvy, more mobile, and more educated. However, are Indonesian young people skilled enough for the integration? Are they ready to embrace competition among ASEAN countries?

ASEAN has 603 million people about a third are young, with this huge number ASEAN will require to focus on young people. Youth should be included to the integration process of ASEAN Community because of three reasons : (a) youth were the future leaders; (b) youth could make influence and powerful contribution; and (c) youth could build a shared understanding between youth in ASEAN member states.

ASEAN has prioritized 12 industry sectors for full integration within the AEC. Of these, five were identified as ideal launching pads for young entrepreneurs: information technology, tourism, textiles, food processing and automotive parts. In addition to these priority sectors, young people should be adventurous enough to explore emerging sectors such as creative industries and green businesses which have huge regional and global market potential.

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5 AEC the largest integration effort attempted in the developing world. If realized, it will create a single market with the free movement of goods, services, capital, foreign direct investment and skilled labour, encompassing nearly 600 million people.

On the other hand, many Indonesian youths are not catching up with the development of this community such as on what to prepare and what the effect of AEC is to Indonesia. One of the highlights for young Indonesians is that professionals have greater ease in moving to the other countries which results in tougher competition. Even if we are not planning to move abroad, there is the probability that there will be more foreigners who will work in Indonesia. Hence to stay competitive, the Indonesian youths need to shape good academic performance and technical skills, in addition to having a good attitude as these are some of the keys for excellent individual quality (Global Indonesian Voice, 2014).

### **Youth and Creative Economy: Barriers**

Despite the opportunities available for young people to start a creative economy project, youth still appear to be facing barriers preventing them from turning ideas into projects. These barriers arise in three major areas: education both in soft skills and hard skills, financial inclusion, as well as market challenges. These barriers are inter-related, which implies the need for a package of policy tools, rather than a single one-shot solution.

Creative economy and the participation of young people will also be characterized by inequality. While young people have the same ideas and excitement about new technology and creativity, access to the technology itself is still concentrated in the large cities and urban areas. The urban/rural divide is also relevant to the other barriers such as inadequate entrepreneurship education, lack of work experience, lack of access to loan and credit, and lack of networks.

Encouraging young people to contribute to the creative economy will require empowering them to be actors in the globalized world. Investing in young people is key to empowering them.

Market Barriers also affect youth entrepreneurship. Financial market may be biased away from supporting youth business. Youth owned businesses may also face discrimination in product market, with customer who can be sceptics about the reliability of their products or service. Young people likely have limited business networks and business related social capital. This may have consequences for setting up and running their business and building legitimacy amongst key stakeholders (Customers, suppliers, Etc).

Furthermore, as Indonesia is currently facing a decrease of economic growth and an increase of production fragmentation caused by changing of technology and integrated world (Pangestu, 2015), youth may be less willing to take 'risks' with creative professions and instead settle for working in their comfort zone.

### **Recommendations**

Young people have an abundant role in fostering the creative economy as they are the major users of social media and new technology but also in the transition phase of their lives and more open to innovations than previous generations. Though not all young people are considered affluent, those who live in urban areas and have access to education and technology has better chance to be an entrepreneur and actor in creative economy.



Today, there are 65 million youth in Indonesia. Youth, with their active engagement in creative ideas, may become a driver to proliferate the creative industry. Youth have the power to develop successfully the creative economy and should be supported to do so in the national development and regional economic integration. To achieve this, youth have to be treated as a partner in, rather than an object of, development. There are six recommendations that will support young people in creative economy :

1. Academic Engagement and Transition: Stakeholders have to realize that education is closely related with career opportunities, and it can determine whether a young person is to become an employee or active actor of the creative economy. Given that, there is a need to have an education system that allows students and graduates to learn “beyond classroom” and touch upon their life-skills and non-formal education. Regulations to make creative economy as a part of the curriculums are strongly needed for it takes not only academic institutions but also businesses and the Government such as Ministry of Education, Ministry of Manpower to collaborate to ensure smooth transitions from education to decent work. This would enable students and graduates to

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