



COORDINATING MINISTRY FOR ECONOMIC AFFAIRS

Implication of Changing Forms of Employment and New Business Models on Industrial Relations in Indonesia

Assistant Deputy of Employment



(021) 34832620



asdep.ketenagakerjaan@gmail.com

Jakarta, 19 July 2018

OUTLINE

1

Industrial Relation Reform

2

Improvement of Skill and Competency of Workforce

As strategic steps from government in providing qualified workers to create considerably and dynamically industrial relation in the future

3

Social Protection System to Facilitate Changing Trends of Employment in the Future

As one of efforts to create considerably and dynamically industrial relation in the future.





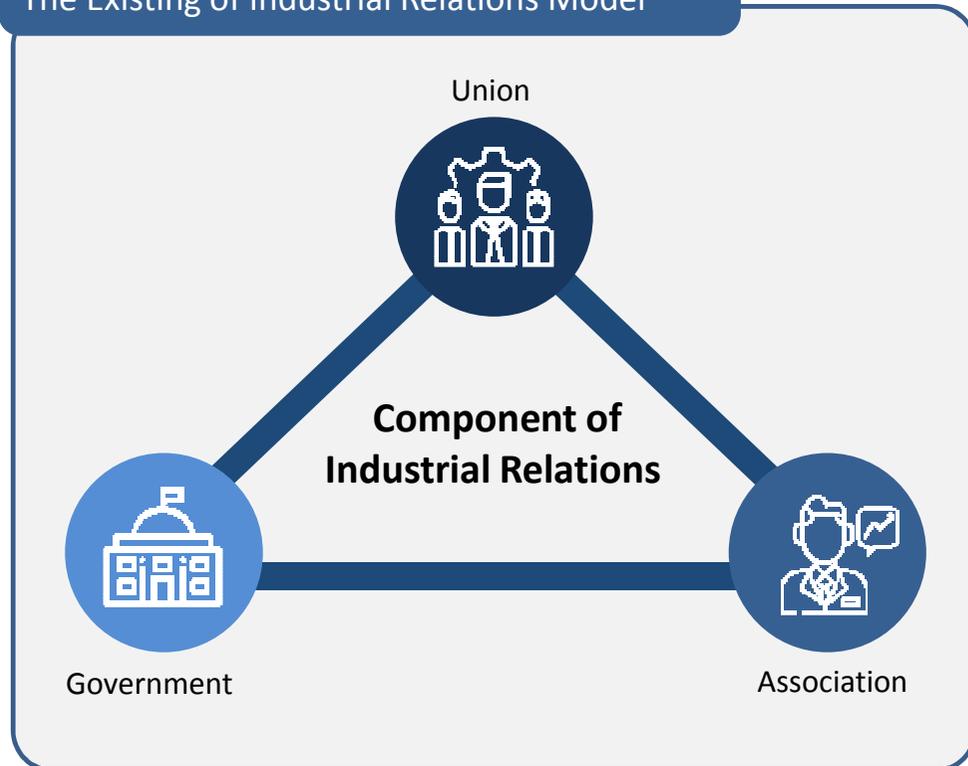
INDUSTRIAL RELATIONS REFORM



1.1 OVERVIEW INDUSTRIAL RELATION SYSTEM IN INDONESIA

The industrial relation system in Indonesia has gradually changed from one which is autocratic to one which is more democratic to compare to other ASEAN (Association of South East Asian Countries). It is undergoing a transition from heavily centralized and government-controlled system, to a more decentralized system where employers and employees negotiate the terms and condition of employment.

The Existing of Industrial Relations Model



1

The concept of Industrial Relations System refers to social partnership model, where employees place as an Importance assets for the productivity improvement and hence management and employers values their presence.

2

In practice, most of the employer-employee relation are in dispute due to wages wise, terms and condition of works, rights in employment agreement, company regulation and etc.

3

Most disputes can be resolved through bipartite dialogue. However, if this negotiation can be solved, it should be brought up to tripartite dialogue and in labour court (Industrial Relation Court)

4

Industrial relation is a key success factor for company and workers, so that there should be an increment of the awareness about productivity relations from both parties. For this case, Government's role is important also to encourage them to increase their awareness for this relation.



1.2 THE BENEFITS OF STABLY INDUSTRIAL RELATIONS

Stably industrial relations is important for all relevant stakeholder, such as employer, workers, and government.

THE BENEFITS OF STABLY INDUSTRIAL RELATIONS



FOR WORKERS

Obtain protection and assurance to fulfill their rights, such as:

- Better pay
- Adequate social protection
- Decent work
- Adequate training for skill and competence



FOR EMPLOYER/ INDUSTRY

- Stably Industrial relation will increase the productivity
- Productivity will increase competitiveness and resilience inter company/industry.
- This stably industrial relation also will affect expanding and creating new job.



FOR GOVERNMENT/ ECONOMY

- Stably industrial relations will increase economic growth overall.
- Competitiveness global marketplace
- Reducing unemployed
- Globalization
- Controlling the economy



FOR SOCIETY

- Living wage
- Equality of opportunity
- Work-life balance
- Rights of the individual



1.3 NEW EMPLOYMENT TRENDS



RECENT EMPLOYMENT TRENDS

- The labour situation across Indonesia as of February 2017 involves 131.5 million workers, of which 120.7 million are employed; most of them are in the agriculture, industry, and construction sectors.
- There has been a sharp decline in recent years in the number of disputes and strikes, and most business ensure that workers basic rights are realized, including payment of minimum wage and protection through social security programs such as (i) a death scheme, (ii) accident scheme, (iii) an old age scheme, and (iv) universal pension program.
- The government has prioritized developing industrial relation infrastructure, such as bipartite cooperation institutions, tripartite cooperation institution, company regulation, collective labour agreements, statutory labour laws and regulation and labour-dispute settlement institutes.



EMPLOYMENT TRENDS IN 5 YEARS AHEAD

1. Increment of Professional Freelance
2. Increment of workers who work based on demand services online for example gojek
3. Increment of workers who have side job or double job.

New model of Industrial Relation is needed to accommodate employment trend change.



1.4 IMPLICATION OF FUNDAMENTAL CHANGE TO EMPLOYMENT TREND

To adopt employment trend change, we need to know that fundamentally change of technology and trend will have implication as follow:

2 Major challenges for policies and institution to built the standard employment model

4 Labor regulation must be adapted to diverse forms of employment



1 The employment relationship is becoming less

3 Policies to broaden and develop social protection

5 Global supply chains can contribute to economic growth but the quality of employment and social upgrading require additional effort



1.5 OTHER FACTORS THAT AFFECT TO INDUSTRIAL RELATION CHANGE

In addition to the employment trends that affect to industrial relations change, hereunder that other factors:

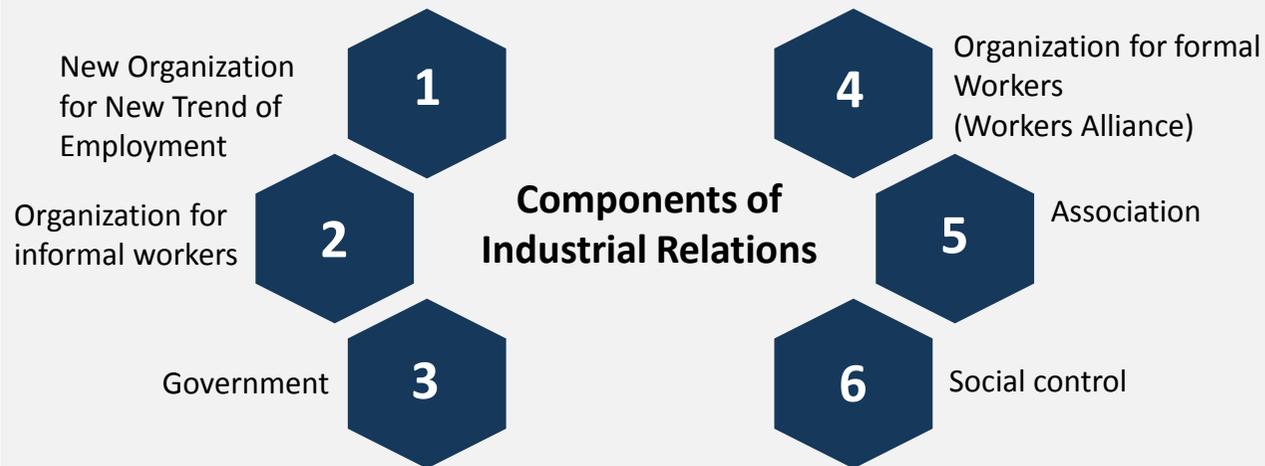
1. **Technological disruption on employment:** The increment in the use of robots across sectors is changing employment
2. **Vulnerable employment:** Workers in vulnerable employment are less likely to have formal work arrangements and lack decent working condition, adequate social security and “voice” in representation through trade unions and similar organization
3. **Gender gap in labour participation:** The gender gap in labour force participation has narrowed slightly but remains wide and persistent, at 26,4 percent globally.
4. **Demographic changes and Youth Unemployment:** One implication of ageing population is an increasing concern for the sustainability of development. Increasing youth unemployment due to various factors, including slow job creation, rise in the economy, automation and adoption of information and communication technology, has created and imbalance in the labour market.
5. **Low public expenditure on social protection and low coverage:** Based on ILO survey, public expenditure on social protection I ASEAN countries is low when compared with the global average of 8.6 per cent.
6. **Disparity in minimum wages:** Minimum wages are still in ASEAN countries, with little social protection and corporate benefit for workers, which pushes the workers to undertake overtime work
7. **Migration:** Migrant workers contribution to the economic engine in labour-receiving countries and are a financial resource for economic development in labour-sending countries.



1.6 INDUSTRIAL RELATIONS CHANGE

Rapidly technology development has forced fundamental change toward work and business model relation of company. This drives the existing industrial relation model which runs well for tripartite concept ineffective to be applied. It needs breakthrough to adopt the change to maintain good industrial relation

More Dynamically Industrial Relation Model



New Industrial relation should be able to facilitate:

- Improve the quality of industrial governance and industrial relations cooperation
- Ensure a fair wage system, particularly for workforce in new trend employment
- Empower the Wage Council members
- Boost social protection programs for workers and increase training to industrial relations personnel on the prevention and settlement of labour disputes
- Improve the quality of governance of employment, welfare and discrimination analysis
- Advocate new trend of employment to be able to protect fundamental needs of workers (such as: social protection, decent work and adequate wages)

Government should:

1. Provide qualified workers to occupy formal sector as fundamental step to create dynamically industrial partnership in the future
2. Create social protection to adopt new trend change of employment that can take a part in creating dynamically industrial partnership



Worker's Skill and Competency Improvement

Is one of strategic steps from Government to prepare qualified workers to create considerably and dynamically industrial relations in future.



2.1. Focuses of TVET Institution

One of the Government's efforts to provide workforce as a first capital to create dynamically and considerably industrial relations is by improving their skill and competency through TVET reform in Indonesia. It is already done by CMEA through Roadmap Vocational Development Policy 2017-2025

Several Fundamental Policy in the Vocational Roadmap

TVET Institutions should focus on their function and task so that the authority and output are not overlap.



Providing education for workers in operator level (KKNI level 2) and in line with industry 4.0



Providing education for workers whose higher level thinking and white collar job



Providing training for workers who: (i) require skill in the short time (ii) require upskilling and reskilling due to automation and economic crisis.



2.2 STRATEGIES OF TVET DEVELOPMENT

1

REFORMING EDUCATIONAL INSTITUTION

- Increasing productive teachers through ToT program
- Adjusting curriculum with industry needs
- Improving accreditation process
- Improving regulation of students enrolment and final examination
- Optimizing the use of e-learning



3

BUILDING INTERNSHIP ECOSYSTEM

- Improving the number of certified trainee
- Optimizing the involvement of industry in apprenticeship program
- Reforming apprenticeship scheme



5

MOBILIZING FUND

- Providing tax incentive for Industry to develop vocation
- Reallocating government's budget to vocational education
- Arranging Unemployment Benefit and Skill Development Fund scheme



2

DEVELOPING COMPETENCY STANDARD

- Improving competence certification process in order to be recognized by industry
- Improving Professional Certification Institution (LSP)



4

IMPROVING INFRASTRUCTURE AND PRACTICAL EQUIPMENT

- Simplifying regulation of teaching factory
- Providing infrastructure and practical equipment
- Optimizing the involvement of industry to provide facility for apprenticeship.



6

ACTIVATING COORDINATION

- Coordinating with Ministry, Institution, Local, and KADIN (in long term will be formed national vocational institution)
- Increasing the number of vocational committee in province level
- Arranging online job platform





2.3 ENCOURAGE THE FULFILMENT OF WORKFORCE IN GOVERNMENT'S PRIORITY SECTOR AND PROGRAMS (1/2)

6 Government's Priority Sector

MANUFACTUR

Increment of added value and employment absorption, particularly in sub sector of Food & Beverage; Textiles; Automotive; Chemistry; and Electronics

AGRIBUSINESS

Increment of employment absorption in agribusiness sector, particularly in commodities of palm oil, rubber, sugar cane, coffee, coconut, cocoa and horticulture.

TOURISM

Increment of tourism potential in 10 National Strategic Tourism Zone (KPSN) that requires massive human resource

HEALTHCARE

Increment of demand for human resources in health services that in line with the rising incomes of society and the existence of health insurance schemes.

DIGITAL ECONOMY

Increment of demand for digital economic talent, along with the rapid growth of digital economy (e-commerce).

MIGRANT WORKERS

Increment of competence for Indonesian migrant workers, to improve the quality and competitiveness of workers at the global level.



2.3 ENCOURAGE THE FULFILMENT OF WORKFORCE IN GOVERNMENT'S PRIORITY SECTOR AND PROGRAMS (2/2)

I. Program Infrastruktur

NATIONAL STRATEGIC PROJECTS



Workforce for road and highway construction



Workforce for railway's facility and infrastructure development



Workforce for airport construction and development



Workforce for ports construction and development



Workforce for housing construction and development



Workforce for construction of refineries and LPG terminals



Workforce for dam construction



Workforce for dam and irrigation



Workforce for smelter construction



Workforce for electricity development (35 GW)

NATIONAL NON STRATEGIC PROJECTS



Workforce for Bus Rapid Transit (BRT) construction



Workforce for ports construction



Workforce for procurement of vessel



Workforce for railway construction

II. Program Pemerataan



Surveyor



Workers for social forestry program



Workforce for land distribution



Workforce for plantation rejuvenation

III. Development Zone Program



Workforce for special economic zone



Workforce for industrial zone



Workforce for tourism zone



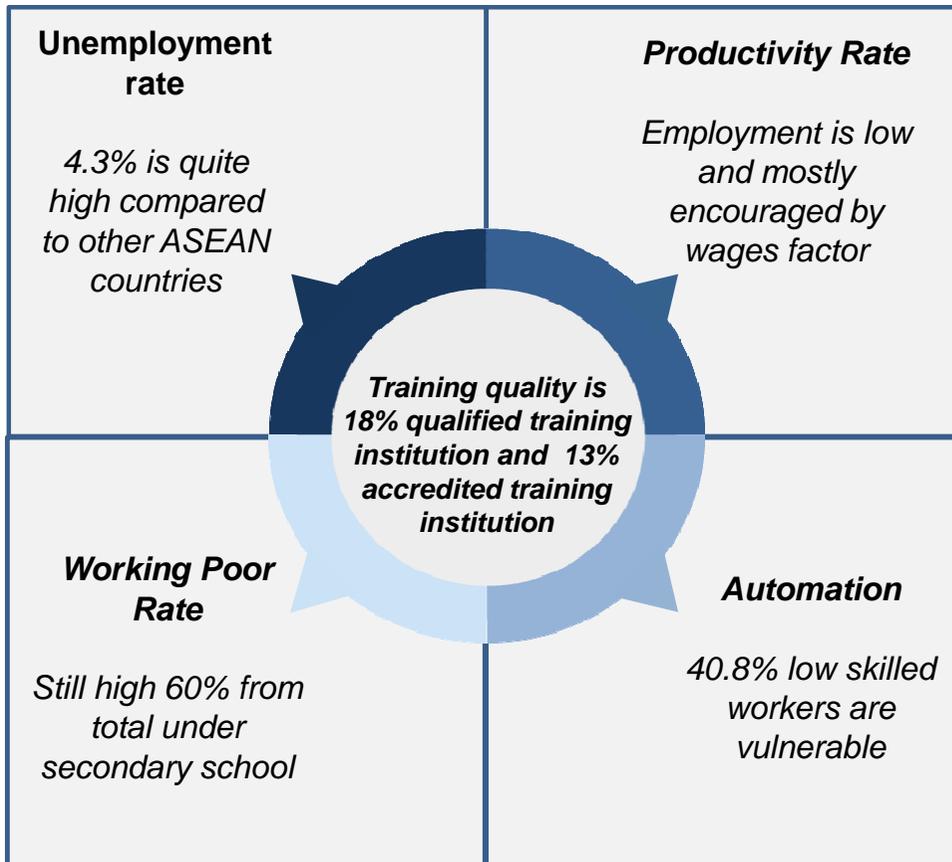
Social Protection System To Facilitate Changing Trends of Employment in The Future



3.1 THE IMPORTANCE OF ADDITIONAL SOCIAL PROTECTION IN INDONESIA

To maintain stably industrial relation and courage dynamically industrial relation in the future, it is necessary to design additional social protection of employment compared to existing social protection recently. It is expected to solve current challenges of employment issues and new trend of employment.

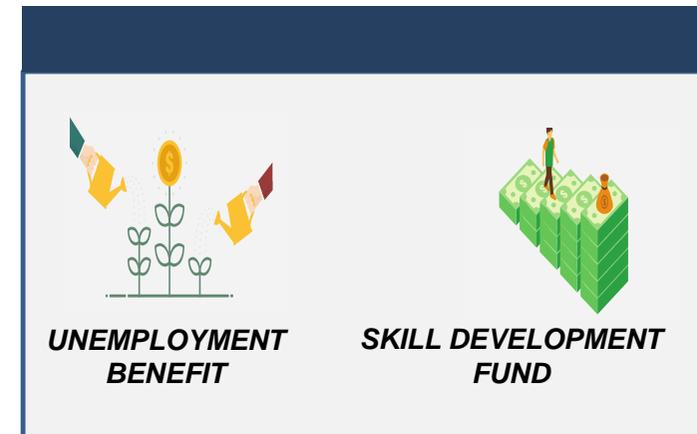
Employment Issues Today



New Trend of Employment as the impacts of technology development and digital economy



The Importance of Additional Social Protection





3.2 UNEMPLOYMENT BENEFIT

UNEMPLOYMENT BENEFIT (UB)

The Importance of UB Implementation

- ❖ Declining the risk of workers due to automation of Industrial Revolution 4.0, it forces government to provide scheme to lower social and economy impacts.
- ❖ Company in Indonesia tends to recruit short term workers (outsourcing), this increases repeated unemployment risk without any social security and opportunity to upgrade the skills

Crucial stuffs to be concerned in the implementation of UB

- ❖ Restriction of UB benefits to lower fiscal burden
- ❖ Focus on formal sector workers at the initial step
- ❖ Adequate and affordable dues/premi for workers and entrepreneurs
- ❖ Professional and independent UB institutions
- ❖ System reform for work training
- ❖ Time implementation UB should be fast (e.g: stable economy low inflation rate, termination risk due to economy condition and technology)
- ❖ Alternative to utilize budget and existing protection institution (e.g: BPJS Ketenagakerjaan)



3.3 SKILL DEVELOPMENT FUND (SDF)

SKILL DEVELOPMENT FUND



The Importance of SDF

- ❖ Skill and productivity of workforce in Indonesia is still low
- ❖ Demand and Supply is not link and match in Indonesia
- ❖ The number of company who conduct training still low
- ❖ There is no awareness from workforce regarding the importance of training while it has significant effect to get jobs.
- ❖ Limitation of qualified training institution
- ❖ Certificate of training and competence is not recognized by industry.



The Objectives of SDF

- ❖ Manage efficient budget for training
- ❖ Provide training access for marginal group
- ❖ Improve quality of training institution
- ❖ Reform labour market information access
- ❖ Increase private sector engagement in improving workforce competency
- ❖ Increase productivity and competitiveness of workforce



3.4 STRATEGY TO APPLY UB

- a. Maintaining severance pay system
- b. Integrating severance pay into UB for long term

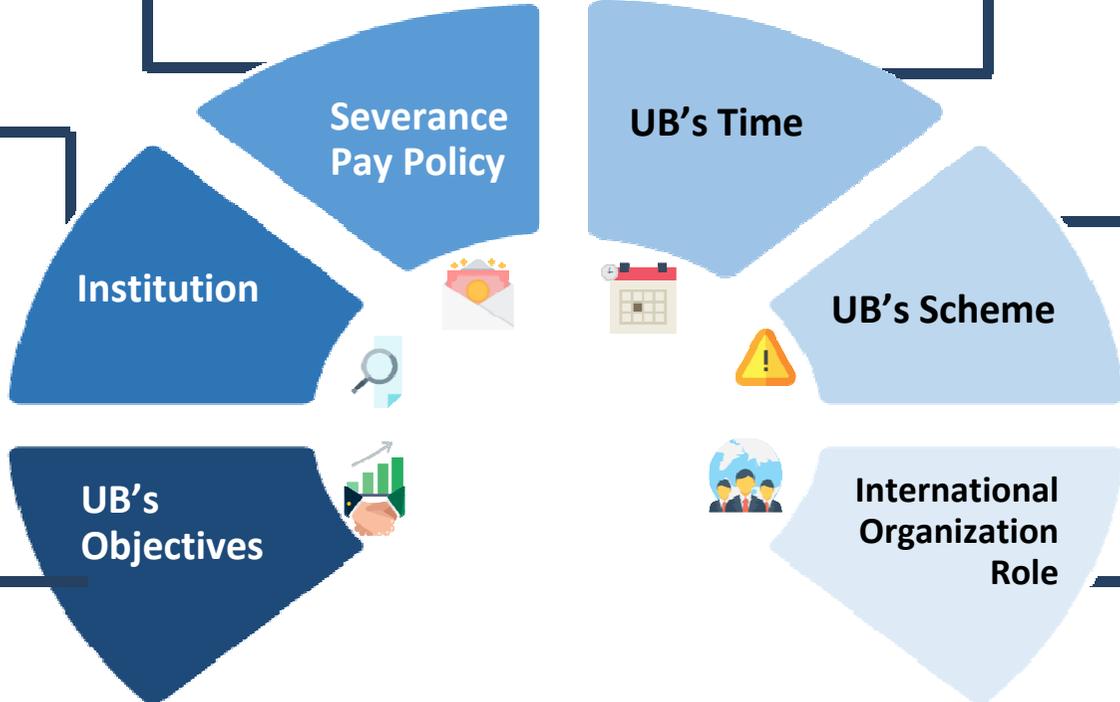
- a. Stabilizing economic condition
- b. Applying UB in Indonesia recently is appropriate , (stable economy, low inflation; and industrial revolution 4.0 risk)

- a. Forming independent and professional Institution
- b. Reforming work training system

- a. Having effective Scheme
- b. Having low premi

- a. Maintaining financial stability post PHK;
- b. Giving motivation to find new job

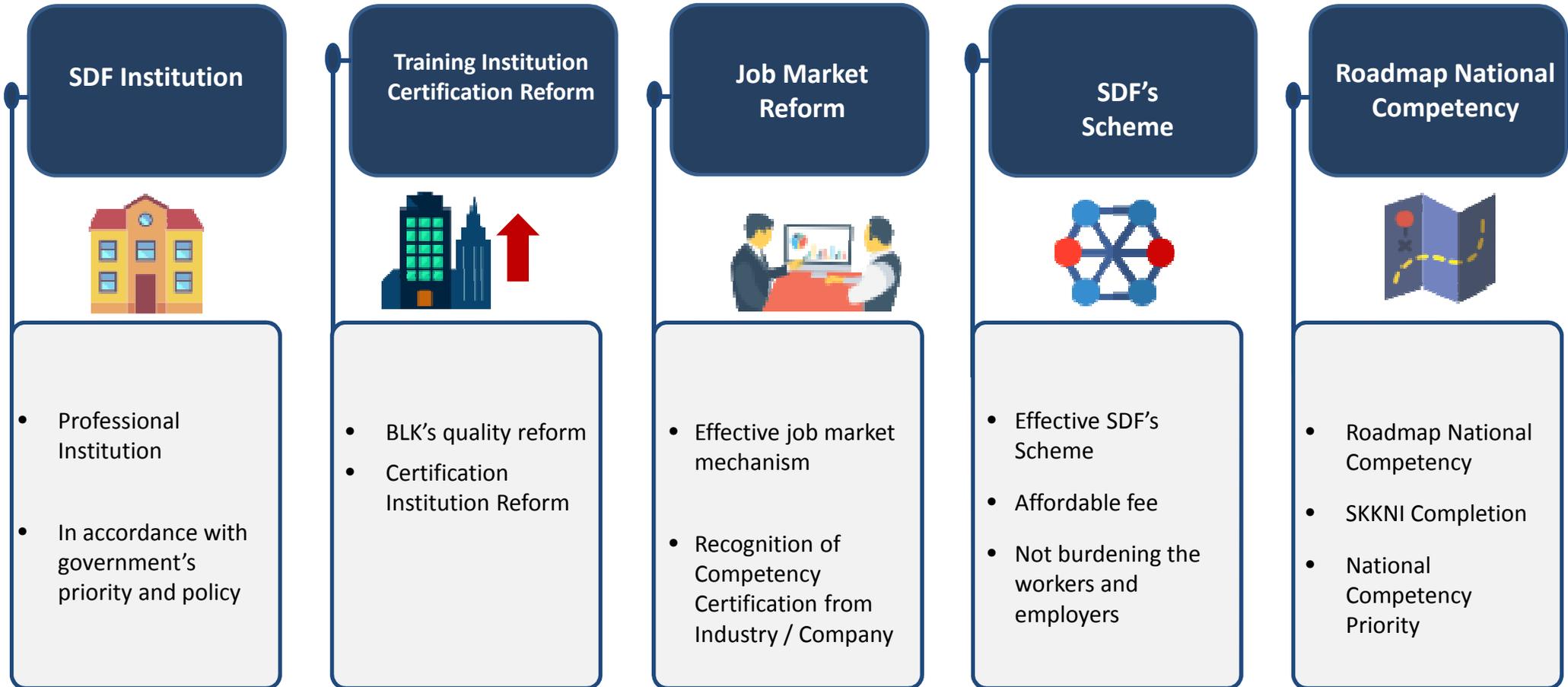
- a. Convincing stakeholders
- b. Changing perception of the difficulty of UB application



Sumber: Ministry of Labor Republic of Korea, Jung Kim 2009, Employment Insurance White Paper, Employment insurance system in Korea and recent revision, Kamimura, Asami, 2009, Employment Structure and Umemployment Insurance in East Asia, Unemployment Insurance in Thailand,



3.5 STRATEGIS TO APPLY SDF



**DEPUTY MINISTER FOR CREATIVE ECONOMY, ENTREPRENEURSHIP, AND COOPERATIVE'S AND SME'S
COMPETITIVENESS**



Jl. Merdeka Barat No 7, Jakarta Pusat 10110



(021) 34832592



(021) 34832589