Youth Employment and Skills Development

Launch of the Labour and Social Trends Report 2011
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1. YOUTH EMPLOYMENT IN INDONESIA
In Indonesia, in spite of progress, unemployment of youth (15-24 years) remains above the regional average, and the share of young people unemployed to all unemployed is high.

Source: ILO, 2011, Key Indicators of Labour Market
Average skills levels of graduate is a concern, but skills is not identified as the main bottleneck by private sector in all recent Business Climate Surveys.

Indonesian GDP growth has marginal impact on share of youth employment in informal economy while youth median earnings are in steep decline in the formal economy.

Source: YEN, Benchmarks for Youth Employment, 2010
Cost associated with youth joblessness

Economic: loss of opportunities

Social: social exclusion, increased crime, violence, social unrest

Psychological: Discouragement, mental health, drug taking
Main reasons for high youth unemployment

**Demand side**
- Constraints to business development
  - Informal economy is not often linked to major value chains
  - Lack of infrastructure
  - Business regulations
  - Limited access to micro-/SME finance (c.f. Korea and Japan)
- Labour-intensive manufacturing slowed down
  - Strong Rupiah increased Indonesian workers’ wages in US$
  - Strong competition
  - Growing sectors are more capital and knowledge intensive.

**Supply side**
- Mismatch between education/training and employers’ skills demand
  - Low productivity, lack of work experience, particularly of senior secondary school graduates
- Hard school to work transition
- Compartmentalized approach to education and skills within decentralized system of Governance
- Limited labour market information
  - Over-expectations of secondary school graduates beyond labour market reality
- Lack of bridges enforced to bring drop-out back to school.
2. RECENT LESSONS LEARNT IN INDONESIA AND FROM INTERNATIONAL EXPERIENCE
Four recent lessons learnt from ILO EAST project

- Skills gaps assessments should include jobs / markets based on historical trends in the province, but also those created because of Government priorities, and those linked to specific value chains.

- Modular approach to vocational and business skills has great impact.

- Gender awareness at the skills training recruitment stage results in more women / men trained in non traditional skills, and getting jobs in these fields.

- Cross departmental funding is important.

- Selection of training providers based on skills demand analysis and on capacity of the provider (rather than the membership to an institution network) is key to success.
## Lessons learned from international experiences in youth employment programmes

<table>
<thead>
<tr>
<th>Type of programme</th>
<th>Advantages</th>
<th>Disadvantages</th>
<th>Selected examples of successful programmes</th>
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</thead>
<tbody>
<tr>
<td>Labour market training</td>
<td>Works better with broader technical and employability skills that are in demand and includes work experience as well as employment services.</td>
<td>May produce temporary, rather than sustainable solutions and if not well targeted, may benefit those who are already “better off”. Training alone may not be sufficient to increase youth employment prospects.</td>
<td>PLANFOR (Brazil)</td>
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<td>Employment services (job search, career guidance and labour market information)</td>
<td>Can help youth make realistic choices and match their aspirations with employment and training opportunities; improve information on job prospects as well as efficiency, effectiveness and relevance of initiatives.</td>
<td>May create unrealistic expectations, if not linked to labour market and often cover only urban areas and the formal economy.</td>
<td>New Deal for Young People (UK)</td>
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<td>Employment subsidies</td>
<td>Can create employment, if targeted to specific needs (e.g. to compensate for initial lower productivity and training) and to groups of disadvantaged young people.</td>
<td>High deadweight losses and substitution effects (if not targeted); employment may last only as long as the subsidy.</td>
<td>Employment Plan (Belgium)</td>
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Source: ILO, Youth Employment Programme; www.ilo.org/youth
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<td>Employment intensive public works and community services</td>
<td>Help young people gain labour market attachment and, at the same time, improve physical and social infrastructure and the environment - especially if combined with development and sectoral strategies – and enhance employability, if combined with training.</td>
<td>Low capacity for labour market integration; young workers may become trapped in a carousel of public works programmes; often gender-biased; displacement of private sector companies.</td>
<td>American Conservation and Youth Service Corps (US)</td>
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<td>Entrepreneurship promotion</td>
<td>Can have high employment potential and may meet young people’s aspirations (e.g. for flexibility, independence); more effective if combined with financial and other services, including mentoring.</td>
<td>May create displacement effects and may have high failure rate, which limits its capacity to create sustainable employment. They are often difficult for disadvantaged youth, owing to their lack of networks, experience, know-how and collateral.</td>
<td>Self-employment Programme (Bulgaria), Youth Entrepreneurship Training (Peru)</td>
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3. POLICY OPTIONS IN SUPPORT OF SKILLS DEVELOPMENT AND DECENT WORK FOR YOUTHS
Policy Options 1/4: Within primary and secondary schools

Prevent early drop-out and **enforce bridges between informal education and formal schools**; and facilitate transition between levels.

Improve **quality of teaching** with focus on **cognitive skills** of students before they reach senior secondary education, and improve deployment.

Mainstream **core-work skills, entrepreneurship and employability skills** in secondary curriculum.
Policy Options 2/4:
Skills training undertaken for pre-determined and accepted competency standards & verified by independent assessment

- **Build trust** of the industry into credible certification system to allow industries to reduce hiring costs and predict cost of training.
- **Increase outreach and reduce cost of assessment and certification.**
- **BNSP's mandate** to include accreditation of training institution of vocational teachers and instructors.
- **Enforce power of BNSP** over all training provision in the country.
- **Raise technical and methodological capacity of training providers** to undertake training to national standards and assessment.
Policy Options 3/4:
De-compartmentalize Skills Training Delivery

Improve labour market information flows
- Map out what institutions generate what labour market information for whom, and for what purpose; and address the gaps along the flows
- Institutionalize labour market information collection and dissemination (train bursa kerja, guru BK etc.) and improve job search services.

Government funding to go to public/private agencies that have a proven track record of trainees that started a business or are employed.
- Mapping of skills delivery capacity and proven impact, for optimum use of resources
- Establishment of training pathways between training providers based on agreed competency standards
- Cross-departmental funding

Central and provincial Governments programmes run a common quality assurance and knowledge management system.
- Constant monitoring/systematic evaluation ensures (a) quality of training for jobs, (b) efficiency of funds utilization
  - Linkage of budget attribution to performance
  - Knowledge management process allows for replication of good practices.
Policy Options 4/4:
Concerted efforts of Governments, Workers, Employers and Education Providers

Build capacity of local Governments to integrate Skills and Employment into economic and social planning at provincial and district levels.

Skills trainings built on enlarged Public-Private Partnerships involving: Public and private training providers, Private sector (including SMEs), Trade unions for youth rights at work, Banks, PNPM for start up capital

Increase capacities of SMEs (technology, skills and training) and informal enterprises for stronger integration into value chains.

Promote inclusiveness: Together, identify and tackle barriers to gender equality, and to the participation of vulnerable Indonesians, and Indonesians with disabilities to skills development programmes.
Thank you.