

# Indonesia:

## Labour market information systems and services



International  
Labour  
Organization

### Labour market information<sup>1</sup>

Data from labour market information systems serve as important sources of information for education and skills planning, development planning, and workforce planning. There are two core types of labour market information in Indonesia, including macro data that is collected by Statistics Indonesia and micro data that is collected by the Ministry of Manpower and Transmigration.

Statistics Indonesia captures data through its labour force survey of households, which covers aspects including estimation of the labour force, employment, and unemployment, while also providing information on the characteristics of those employed including sectoral employment, occupation, wages, working hours, and status in employment. Statistics Indonesia also undertakes surveys of enterprises. The Ministry of Manpower and Transmigration captures administrative data on job seekers, job vacancies and placements through both public and private employment services that provide online and face-to-face employment services in Indonesia. These employment services provide a registration facility that collects, codes and stores this labour market information.

Administrative data on the characteristics of job seekers (labour supply) and job vacancies (labour demand) that is captured by employment services provides important information for monitoring employment outcomes across the economy. For example, it provides information on supply and demand fluctuations that can provide signals for policy interventions. It can provide information on matches or mismatches between the educational attainment of job seekers and the expectations of employers for qualifications. It can also provide information on sectoral and occupational growth, as well as outcomes by gender and age groups. This information can be shared with education and training institutions to support the production of a 'work ready' labour force.

The purpose of this briefing note is to provide a discussion on labour market information in Indonesia, with particular focus on the micro data that is captured by employment services. The brief describes employment services in Indonesia and reports a range of trends from the users of employment services. It

discusses issues relating to data quality and the usage of data within these services, in order to provide recommendations on strengthening labour market information in Indonesia.

#### Box: The regulatory environment of labour market information services in Indonesia

The Ministry of Manpower and Transmigration has the authority and responsibility to develop and supervise employment services and labour market information systems in accordance with the following:

- Law No. 7 of 1981 requires that all employers are obliged to register information related to employment, including job vacancies, with the district office that handles issues in the area.
- Law No. 13 of 2003 on Labour (*Ketenagakerjaan*) covers all areas of labor administration including labour market information systems and employment services.
- ILO Convention No. 88 of 1948 was ratified by Indonesia in 2002 and guarantees free provision of public employment services for citizens.

### Employment services in Indonesia

Employment services match job seekers with employment opportunities and are thus vital to the functioning of the labour market. The major role of employment services is to support labour market transition for workers and enterprises through providing information on the labour market, assisting with job search and employment placement, and acting as a referral mechanism for other types of labour market programmes.<sup>2</sup>

In Indonesia, employment services are provided online and through traditional administrative systems, as well as through job fairs. Employment services are also provided by both public and private organizations.

The Ministry of Manpower and Transmigration provides two online platforms to support job search and employment placement, both of which are free of charge. The first platform is known as the "Info Pasar Kerja" website, which is provided by the Directorate General for Employment Placement

<sup>1</sup> This briefing note was prepared by Emma Allen and Kee Beom Kim and was supported by the Korea/ILO Partnership Programme. It draws on a technical workshop on employment projections and labour market information, Jakarta July 2014.

<sup>2</sup> Other labour market programmes may include public employment programmes, employment subsidies, training programmes and self-employment programmes.

(BINAPENTA). The “Info Pasar Kerja” website provides a registration page for individual job seekers and companies, and an interactive list of current job opportunities.

Figure: Info Pasar Kerja website



The second platform is the “Kios 3 in 1” website, which is provided by the Directorate General for Training and Productivity (BINLATTAS). The Kios 3 in 1 is associated with vocational training centers (BLK) and is provided both within the BLK and online. The “3 in 1” programme combines vocational training and skill certification with employment placement services.

Figure: Kios 3 in 1 website



In addition to online services, the Ministry of Manpower and Transmigration organizes job fairs and public employment service offices provide face-to-face interactions for job seekers and employers. In 2010 there were 441 public employment offices across Indonesia.

The public employment service issues a job seeker card, known as the “yellow card” (kartu gunning), which is required by certain employers, particularly the civil service, as a requirement of job applications. The public employment service also focuses its efforts on supporting employment placement in the formal economy, and does not link with the informal economy through placement or training programmes.

Due to the increasing need to provide effective employment services to a diverse labour market, Indonesia has allowed the private sector become a provider of employment services. Private employment agencies, known as “Lembaga Penempatan Tenaga Kerja Swasta” (LPTKS), are able to provide job matching services with approval from the Ministry of Manpower at the national level or from the Governor at the province level. A selection of online providers also provide search engines that support job search. In addition, the private sector and some universities organize job fairs to help companies and targeted job seekers, such as university graduates, to interact.

In 2011, there were 97 LPTKS institutions with permission to provide job-matching services in Indonesia. Of these, 24 were in Riau Islands, 19 in Jakarta, 9 in Papua and 5 in Central Java. The location of the centres is not determined by the level of unemployment, formality of the labour market, or the number of large enterprises. Rather it is determined by the number of subdistricts and population size. The location of LPTKS also seems to be influenced by access to the internet. For example, the smaller number of LPTKS in Central Java in comparison to Papua is likely due to a greater number of online employment services in Central Java (39) than in Papua (1).

Close collaboration between public and private employment services is important, as information on job vacancies and job seekers can be used to provide signals that are linked to policy responsiveness and to the ongoing labour market reforms and associated training institutions. However, even though the establishment of private employment service is regulated by the Government, until now close cooperation between these two types of employment services has been limited.

**Box: Global trends in employment services<sup>3</sup>**

Employment services have traditionally provided job matching services through supporting the placement of job seekers in vacancies. Nowadays employment services are increasingly becoming single window for accessing a range of employment services. For example, many employment services now provide referral mechanisms, with unemployed job seekers able to access public employment programmes, training programmes, apprenticeships, and self-employment programmes through employment services.

For example, Korea has developed an integrated employment services system that is administered by the Ministry of Employment and Labour, with 96 job centers that are staffed by approximately 4,000 employment counselors across the country. The service administers unemployment insurance and provides a range of employment counseling, job search assistance and job matching services. It also coordinates access to vocational skill development and other active labour market programmes.

The provision of a range of employment services through a single window allows employment policy to be more responsive to the needs of the labour market. It also provides a mechanism for assessing the efficiency and effectiveness of different types of labour market interventions in facilitating employment outcomes.

3 Korea Employment Information Service (2012) Development and Evaluation of the Public Employment Service in South Korea, Ministry of Employment and Labour, Seoul.

## Labour market trends from the users of employment services

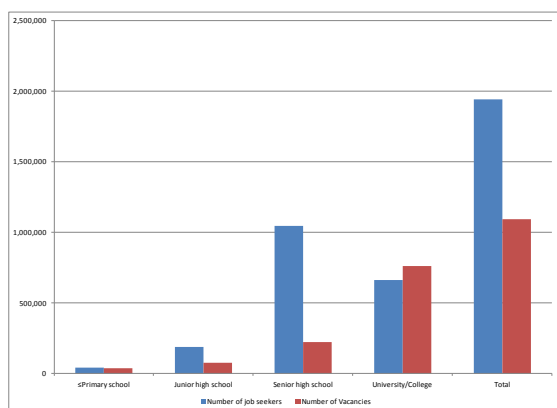
The Ministry of Manpower and Transmigration captures data on job seekers, job vacancies and placements through its employment services and online systems. It is useful to analyze such data in order to better understand the profiles of job seekers and job vacancies. This can provide information on the emergence of structural issues within the labour market, such as skills mismatch, discrimination and regional inequality.

In 2011, the number of job seekers that registered with employment offices was 1,941,434. This is significantly smaller than the number of people that were estimated to be unemployed by Statistics Indonesia in 2011, which was 8,319,779. Discrepancies between the number of people unemployed and the number of people registered with employment services indicate that these services are currently playing a limited role in getting people into work. Therefore, the effectiveness of the data in providing information on the overall employment and macroeconomic context is likely to be limited. Nevertheless, the data captured provides useful information on job seekers that use employment services and on vacancies.

For example, the number of registered job seekers with university degrees that use employment services has been decreasing in recent years. This may be due to the provision of job fairs and other types of job search support that are increasingly being provided through universities, or it may be due to competition from internet service providers.

Further analysis of data captured by employment services indicates that unemployment in Indonesia is in part caused by a skills mismatch between registered job seekers and the vacancies on offer. That is, the demand for labour with tertiary education outstrips the supply of such labour. On the other hand, there is an oversupply of labour with junior high school and senior high school as their highest level of educational attainment compared to the number of vacancies requiring such levels of educational attainment. This situation indicates that there is a mismatch between the education level of job seekers and the requirements of the respective job vacancies.

**Figure: Formal job seekers and vacancies in 2011 (No.)**



Source: Dit. PKK Ditjen Binapenta.

Further research in this area indicates that the skills mismatch is likely to become an increasing issue within the Indonesian labour market. Estimates suggest that workers with insufficient qualifications may fill 63 per cent of all high-skill employment (13.3 million positions) in Indonesia by 2025.<sup>4</sup> It is likely that the lack of labour market information and wide spread of informal recruitment processes could exacerbate the challenge.

Employment services can facilitate the functioning of the labour market, particularly for vulnerable groups. For example, analysis indicates that in aggregate women account for more successful job placements than men, therefore indicating that public employment services may help to facilitate women's access to employment. However, a closer look at the data indicates that outcomes are not necessarily better for women. For example, in 2011 there were more female job seekers with a university degree than men, but a higher number of men were recruited for jobs with university education requirements. Women's participation in higher education is now rising and the unemployment rates for women with post secondary education are higher than those of men, suggesting further efforts may be needed to support women to get into work.

## Job vacancy statistics

Indonesia's labour market information system currently lacks a labour market signalling framework, which can provide detailed analysis of fluctuations in labour market supply and demand. In order to support policymakers, it may be useful to develop measures that provide better information on job vacancies, including the level of unoccupied positions, job vacancy rates and unemployment-to-job vacancy ratios.

A job vacancy index can also provide information on a potential slowing of employment growth or on emerging bottlenecks across sectors and occupations within the labour market, both of which many demand appropriate policy responses. Job vacancy statistics provide information on job demand in the labour market and help identify areas at risk of human resource shortages, which is important for education and vocational training institutions.

### Box: Employment projections as a form of labour market information

Employment in Indonesia is expected to continue to grow as Indonesia reaps the benefits of a demographic dividend which will see the number of people that are part of the working age population increase from 181.2 million in 2014 to 197.4 million by 2019. Job seekers and new labour market entrants need information on sectors and occupations that are growing, so that they can make informed career choices about the future. Employment projections that provide detailed information on occupations can be useful in supporting the choices of individuals and for developing a labour force that is more productive and competitive. For example, employment projections for Indonesia

<sup>4</sup> ADB and ILO (2014) ASEAN community 2015: Managing integration for better jobs and shared prosperity, International Labour Organization, Bangkok.

indicate that demand in the services sector for professionals is likely to increase in the coming period. It would be important that employment services, career guidance counsellors and training providers share such information with students and job seekers, so that they may develop their skills and career in areas where demand is emerging.

## Labour market information and data quality

The central government and the province and district governments have a joint responsibility for the management of labor market information systems in Indonesia. While legal frameworks are in place to support the collection of data on job seekers and job vacancies by Manpower Offices, there is scope to enhance the comprehensiveness of this data. Moreover, data sharing from private providers tends to be limited.

Therefore, further efforts are needed to provide an integrated labour market information system for Indonesia. In this regard there are a range of budgetary and governance issues. For example, funding from the national budget is used to provide local governments with grants to support labour market information collection, processing and reporting. However, the budget available to support district governments is limited and the national budget is not able to cover all district governments. Moreover, there are only approximately 300 staff working in the employment service across the country, which means that the service is severely under resourced.

In addition, the quality of data collected by employment services is influenced by decentralization and the mobility of civil service officials. The movements of government staff at the district and province levels has seen trained staff promoted and replaced by new officers that have a limited background in labour market information. Subsequently constant training of new technical staff is required at local levels.

In order to improve labour market information services and overcome the challenges associated with decentralization, the Directorate for Labour Market Information at the Ministry of Manpower and Transmigration has been improving its online labour market information services. Since 2004, the Ministry has provided 497 districts with hardware and software to support access to online job search systems within the public employment service. There is a need for the information entered in the online platform and information collected by employment services to become more seamless, so that both employment services and the utility of labour market information for supporting policy can be optimized.

## Policy implications

A number of implications arise from review of the employment services and labour market information systems in Indonesia, including:

- ◆ As the rate of usage of employment services is low, further collaboration between the Ministry of Manpower and Transmigration and regional offices is required to

### *increase the use of employment services by jobs seekers and employers* by improving access to the system.

- ◆ In addition, the Ministry can provide leadership and strengthen the **collaboration with private providers**, to ensure that the services they provide are of a desired quality and that data is collected and delivered on time to the Ministry.
- ◆ To build a more enabling environment for employment services in Indonesia, the Ministry may consider undertaking **a review of the legal context** to ensure that it follows best practice and facilitates the effective functioning of these institutions.
- ◆ Information collected by labour market information systems can provide a **signalling framework** for policymakers, which details fluctuations in labour market supply and demand. Using labour market information in such a way may allow policy makers to be more responsive to labour market distortions and economic opportunities and challenges.
- ◆ The strengthening of labour market information systems will allow for employment outcomes to be more **closely monitored** in Indonesia. In this regard, it may be useful to assess of the utility of producing a “job vacancy rate” or “employment projections” as part of employment monitoring systems.

In addition, social security systems and employment services are not linked in Indonesia. In particular, Indonesia does not provide unemployment assistance or unemployment insurance. This means that many potential job seekers don't have adequate incentives to use the public employment service, as the benefits are perceived to be minimal. It is important to establish a link between employment services and social security, as it can be beneficial for supporting poverty reduction and also open mechanisms for formal economy expansion and the legitimization of the taxation system.

Employment services may also consider developing and strengthening linkages with other labour market programmes, such as apprenticeships, training and job creation programmes, in order to increase the employability of job seekers and their access to the world of work. In this regard, it may be beneficial to establish mutual obligations across access to a range of labour market programmes and participation in job search activities.

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