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Employer Tracer Study and Perception of Public Vocational Training Centre (BLK) Graduates

► **Employer Tracer Study and Perception of Public Vocational Training Centre (BLK) Graduates**

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Employer tracer study and perception of public vocational training center (BLK) graduates

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From the Director General of Vocational Training and Productivity (Binalattas)

Upgrading Indonesia from a low- to upper-middle-income country and the implementation of our job creation law that will boost investment and economic growth, requires human resource development that fits industrial demand. This is particularly true for our youth, and given the country's predicted demographics for the next ten years.

Involving the industrial sector in vocational training development is crucial to ensuring the skills of BLK centre graduates fit with industrial needs and contribute to addressing skill gaps and mismatches. This will also reduce underemployment and unemployment.

To date, the Government of Indonesia has intervened to improve the quality and competency of BLK graduates through its integrated skills development policies involving various industry sectors.

The government has initiated industrial involvement, through TVET and partnership forums, to develop competency-based vocational education and apprenticeships that promote a smooth transition from training to the world of work. This includes involving industry in skills development through the Sector Skills Council/ Forum under the framework of the National Vocational Committee.

Among other strategies is creating a human resource plan that is a focus for the current administration in matching vocational development with Industrial Revolution 4.0.

An indication of a successful BLK is the competency and skill of its graduates and how well they are absorbed by employers in a job that is in line with the subject for which they trained.

The Ministry of Manpower welcomes the findings of this study as it assesses the absorption level of BLK graduates and how they are viewed by potential employers.

The study's assessments will be useful as a reference for improving the competency and quality of BLKs in preparing people with skills that match industrial demand.

This study complements relevant research and a tracer study of BLK graduates conducted by the Ministry of Manpower in collaboration with the University of Indonesia. Both studies show a similar percentage of BLK graduates being absorbed by employers in various industries.

In addition, this study identifies a number of findings regarding the skills currently in demand and industry expectations, and information on the skills required by the labour market which need to be developed in the future.

This will contribute to a "link and match" between vocational training and absorption of skilled and competent workers by industry. It will also address the issue of skill mismatches, underemployment and unemployment, particularly for the youth.

By regularly targeting businesses, this type of tracer study will be useful in allowing BLKs to receive updated information on the skills needed by industry in the future. Furthermore, this will provide direction on how to improve the capacity of BLKs in the areas of competency standards and vocational training.

Jakarta, Juni 2022

Budi Hartawan

Director General of Vocational Training and Productivity
Republic of Indonesia - Ministry of Manpower

Foreword ILO

Indonesia is experiencing skill gaps and shortages, reflecting a mismatch of skill supply and industry demand. This circumstance contributes to unemployment and underemployment, particularly for younger people. Statistics suggest that the youth unemployment rate in Indonesia was 17.04% in 2019, higher than the global average of 13%.

While there are many factors that affect skill mismatch, one factor from the supply side is the capacity of Public Vocational Training Centres (Balai Latihan Kerja/BLK) to provide and deliver competency-based vocational training that meets industry needs.

To date, there are more than 300 BLKs throughout the country, with 21 of them under the direct supervision of the Ministry of Manpower (MoM). The remainder are managed by the provincial, municipal or district governments with varying capacities and performance levels.

To address skill mismatch and improve the effectiveness of BLKs in undertaking vocational training that matches industry demand, it is crucial to capture employer perceptions of BLK graduates, particularly from those companies located around BLKs, regarding their technical, soft and digital skills.

To complement the Ministry of Manpower's assessment of BLKs, the ILO's Industry Skills for Inclusive Growth (INSIGHT) Phase-2 Project produced an Employers Rapid Assessment on BLK Graduates from November to December 2020. The study was based on quantitative and qualitative data collection and analysis.

The objective of this study is to provide a snapshot of the absorption level of BLK graduates by industry, and to capture employer opinions of the competency and performance of BLK graduates.

The study aligns with one of the INSIGHT-2 Project priorities which is to enhance and make more responsive skills development systems and policies. This includes allowing BLKs to receive feedback on what skills are expected by employers and what they see as areas for improvement.

Another priority is to ensure that the vocational training run by the BLKs is responsive to industry demand, in the hope it will increase the absorption of BLK graduates by the industrial sector. This eventually will address skill mismatch and unemployment, particularly for the youth.

One of the study's findings indicates that the absorption level of BLK graduates is only 60%, which is similar to the percentage found by the MoM tracer study on BLK graduates undertaken in collaboration with the University of Indonesia.

This study also suggests that there is a need to have industries more engaged in developing the BLK curricula, and for more effective discussion forums between BLK and industry on skills development. This is in line with the ILO's sectoral approach to addressing skill gaps and mismatches.

This study is timely as the Government of Indonesia (GoI) is currently prioritising human development and improving technical vocational education and training.

We hope this study, written by Diah Widarti, together with Dede Sudono and Tauvik Muhamad, will contribute to improving skills development systems, particularly in supporting public vocational training centres to be more responsive to job market requirements.

We would like to extend our appreciation to Indonesia's Ministry of Manpower for their insight and support.

We also thank the Government of Japan for their generous contribution to financing the research and project activities.

Jakarta, Juni 2022

Michiko Miyamoto

Director ILO Country Office for Indonesia and Timor Leste

Acknowledgement

Words of thanks are extended to Michiko Miyamoto, the Director of ILO Jakarta, and Kazutoshi Chatani, Employment Specialist of ILO Jakarta, who provided support for our research. Many thanks also to Akiko Sakamoto, Senior Skills and Employability Specialist, ILO Regional Office for Asia and the Pacific, in Bangkok, for her input and comments during the formulation of the questionnaire as well as on the draft report.

Many thanks are extended to Eka Novitasari and the INSIGHT-2 Project for their valuable assistance toward the completion of the questionnaire.

My gratitude and appreciation also go to *Kementerian Ketenagakerjaan* (MoM) and other related government offices for their valuable data and information.

Executive Summary

The objective of this study is to examine the effectiveness and efficiency of the Public Vocational Training Centres (Balai Latihan Kerja, hereinafter BLK) in producing its graduates. To achieve this goal, a survey of employers was carried out to rate the performance of BLK graduates who were working with the surveyed firms.

The study researchers intended to survey 611 companies. Unfortunately, due to the COVID-19 pandemic that lead to the closure of businesses and working from home arrangements, not many responses were received. The target number was reduced to 100, but only 73 companies responded to the survey. In the end, there were only 42 responses that could be used for further analysis. The other 31 respondents did not fill out the questionnaire sufficiently.

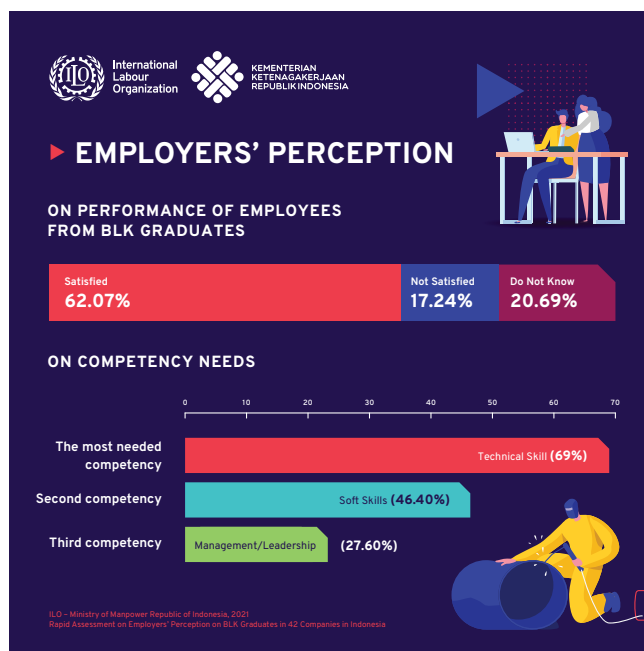
The companies that responded were mainly from the manufacturing and construction sectors. The study looked at the technical and digital abilities as well as soft skills of the surveyed workers. Employers rated the BLK graduates' technical skills at a moderate level whether it was for their first, second and third competence levels. In addition, a majority of employers were moderately satisfied with the graduates' computer literacy and their ability to use computers at work. Most of the surveyed companies were also moderately satisfied with the BLK graduates' soft skills such as: problem-solving, ability to learn new skills and do jobs other than those specified in their job description.

Most employers were moderately satisfied with the current graduates, but BLK needs to improve its strategies in promoting digitalization-related training by exploiting available international digital resources and adapt to the growing digital era.

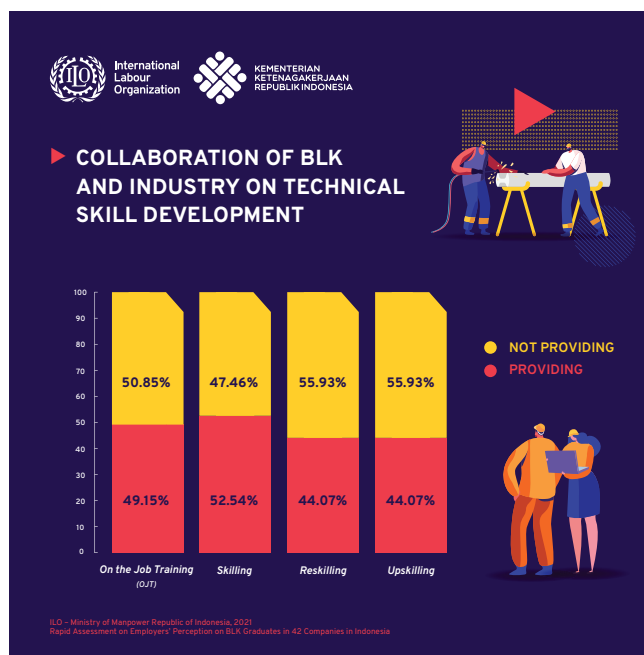
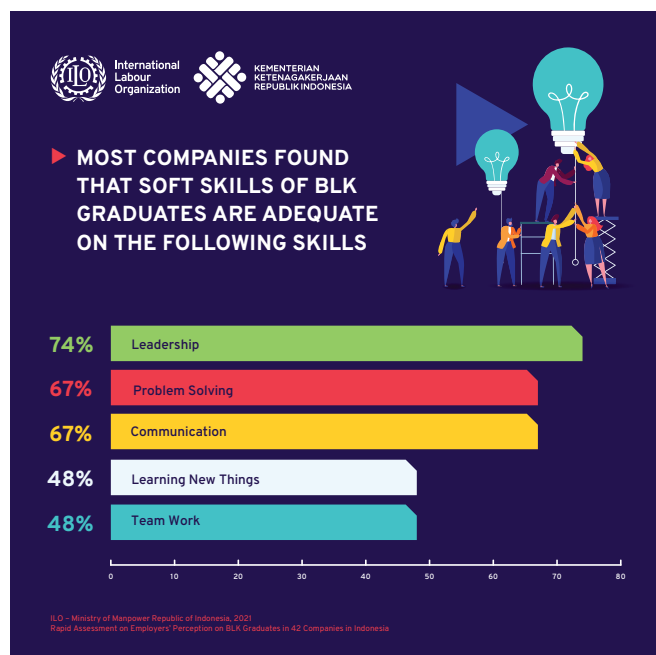
In addition to employer satisfaction toward BLK graduates, this report also explores the extent to which the companies knew about BLK itself. Surprisingly, almost 85% of the surveyed companies had no information regarding BLK. This report also finds that the percentage of companies that have a current contract or Memorandum of Understanding with BLK was relatively low, only 13.3%. Related to the findings, BLK needs to improve and promote its services to companies, employer associations and other institutions, and through communication forums that can introduce BLK to the business sector.

The findings and recommendations of this study are expected to contribute to the government's efforts, particularly the Ministry of Manpower, to continuously improve the BLK training system.

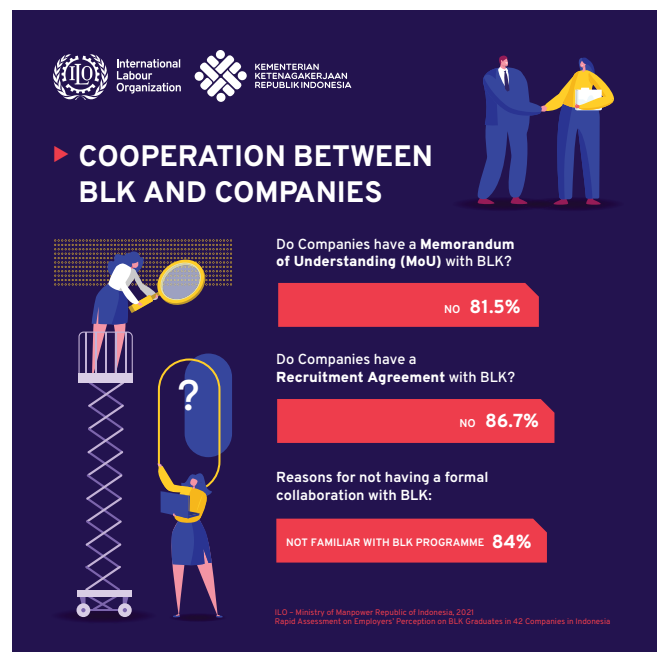
The following is a summary of the tracer study:



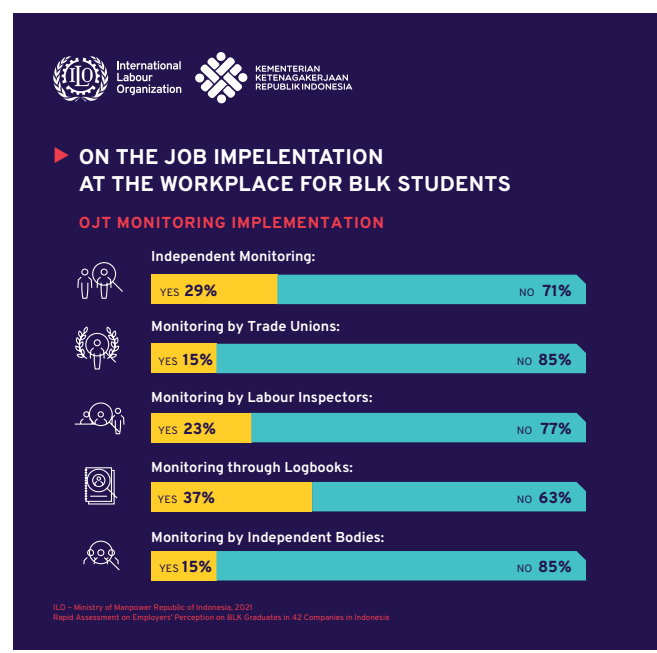
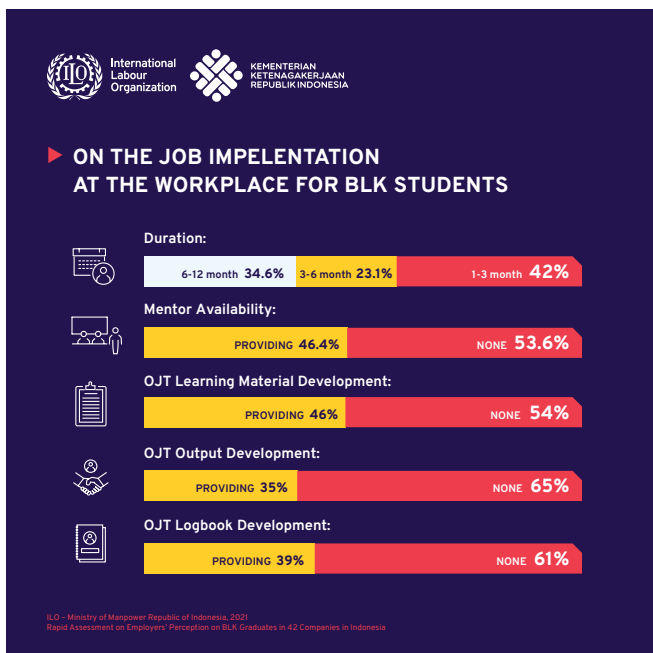
1. The study found that 59% of the industries employ BLK graduates, 77% of whom have technical competencies at the operator and technical/analyst level; 78% were recruited through application; and 58% were junior staffers.
2. Employers perceptions: 64% of employers stated they were satisfied with the performance of their BLK graduates, and 69% confirmed that the graduates need more competencies on a technical level.



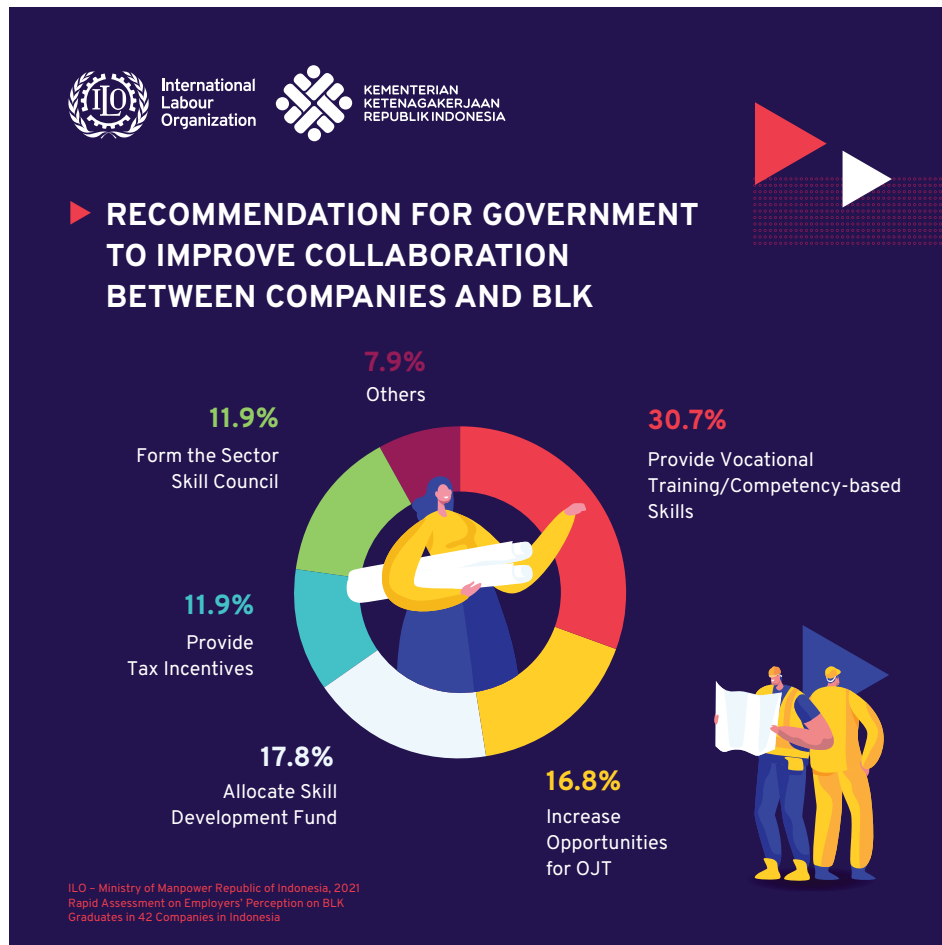
3. Most industries found that the highest non-technical skills of BLK graduates were team work and learning new things. Decision making and communication skills were seen as moderate compared to non-BLK graduates.
4. Almost 50% of the industries surveyed hold reskilling, skilling, upskilling and on the job training in an effort to improve employee skills.



- About 59% of the companies anticipate recruiting higher than operator level employees. Various activities are being conducted by the companies such as collaborating with BLK to provide training at a higher than operator level, and providing instructors to BLK, among others
- Most companies do not have an MoU or recruitment agreement with a BLK as they do not have a clear understanding of BLK's programmes.



- Regarding on-the-job-training (OJT) for BLK students at the workplace, most companies provide OJT for less than three months; do not have mentors at the workplace; are not involved with learning materials development; or output and logbook development.
- OJT implementation at the workplace: Most companies do not conduct OJT monitoring programmes independently, by trade union, nor independent institutions.



9. About 30% of the companies recommend that the government should provide and ensure quality vocational training based on competencies.

List of Abbreviations/Terms in Italics

AMCHAM	American Chamber of Commerce in Indonesia (<i>Kamar Dagang Amerika</i>)
APINDO	<i>Asosiasi Pengusaha Indonesia</i> (Indonesian Employers' Association)
BLK	Vocational Training Center under the Ministry of Manpower (<i>Balai Latihan Kerja</i>)
CMHD & CA	Coordinating Ministry for Human Development and Cultural Affairs (<i>Kementerian Koordinator Bidang Pembangunan Manusia dan Kebudayaan</i>)
DISNAKER	<i>Regional</i> (Provincial or District Office of the Ministry of Manpower/ <i>Dinas Tenaga Kerja</i>)
GDP	Gross Domestic Product (<i>Produk Domestik Bruto</i>)
HRD	Human Resource Development (<i>Sumber Daya Manusia</i>)
ISCO	International Standard Classification of Occupation (<i>Standar Internasional tentang Golongan Okupasi</i>)
IR4	Industrial Revolution 4
KPMG	KPMG stands for Klynveld Peat Marwick Goerdele International Limited (or simply KPMG) is an Anglo-Dutch multinational professional services network, and one of the Big Four accounting organizations.
LKP	<i>Lembaga Kursus dan Pelatihan</i> (Training and Course Institutions)
LPKS	<i>Lembaga Pelatihan Kerja Swasta</i> (Private Job Training Institution)
MOM	Ministry of Manpower
MONE	Ministry of National Education
NGO	Non-governmental organization
OJT	On-the-job-training
PEMDA	Regional Government (<i>Pemerintah Daerah</i>)
PPP	Purchasing Power Parity
SD	Primary School (<i>Sekolah Dasar</i>)
SMA	Senior Secondary School (<i>Sekolah Menengah Atas</i>)
SMK	Senior Secondary Vocational School (<i>Sekolah Menengah Kejuruan</i>)
SMP	Junior Secondary School (<i>Sekolah Menengah Pertama</i>)
TNA	Training Need Analysis (<i>Analisa Kebutuhan Pelatihan</i>)
UPTP	<i>Unit Pelaksana Teknis Pusat</i> (Central Technical Implementation Unit)_
UPTD	<i>Unit Pelaksana Teknis Daerah</i> (Regional Technical Implementation Unit)
VTF	Vocational Training Fund (<i>Dana Pelatihan Vokasi</i>)

► Daftar Isi

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Chapter 1

Introduction

1.1. Background

Since recovering from the Asian Financial Crisis in the late 1990s, Indonesia experienced relatively stable economic expansion with a continuing drive for growth. According to Bank Indonesia (2019), overall economic growth in 2019 was 5.02%, although that is lower than the 2018 achievement of 5.17%. Indonesia is now officially included as an upper-middle-income country, an upgrade from its previous status as lower-middle-income (World Bank, 2020a).¹

Indonesia is the world's fourth most populous nation and a member of the G-20 countries, as well as the world's 10th largest economy in terms of purchasing power parity. However about 25.1 million Indonesians out of its population of around 267.3 million, still live below the poverty line. Indonesia has made massive gains in poverty reduction, cutting the poverty rate by more than half since 1999, to 9.8 % in 2018. However, the March 2019 data shows that approximately 20.6 % of the entire population remains vulnerable to falling into poverty, as their income hovers marginally above the national poverty line (World Bank, 2020b).

Almost half of Indonesia's total number of workers have only a primary school education. It seems that the higher the education level, the lower its share of Indonesia's workforce.

In 2020, 27.7 % of Indonesians were employed in the agricultural sector, 22.7 % in industry and 49.6 % in the service sector (Statista, 2020).²

Over the past decade, the largest share of Indonesia's Gross Domestic Product (GDP) has been from the industry sector, at around 45.7%, closely followed by the services sector. With the rapid improvement of Indonesia's economy, the unemployment rate is decreasing, with most Indonesians working in the services sector (including tourism, hospitality, etc.). The GDP and GDP per capita have been steadily increasing simultaneously (Statista, 2020)³ Indonesia's GDP per capita has almost quadrupled over the past decade, with its GDP increasing at the same rate, it is now one of the world's largest.

1 This article was published in [thejakartapost.com](https://thejakartapost.com/news/2020/07/02/indonesia-now-upper-middle-income-country-world-bank-says.html#:~:text=Indonesia%20is%20now%20officially%20an%20upper-middle%20income%20country%2C,based%20on%20gross%20national%20income%20%28GNI%29%20per%20capita..) with the title "Indonesia now upper middle-income country". See <https://thejakartapost.com/news/2020/07/02/indonesia-now-upper-middle-income-country-world-bank-says.html#:~:text=Indonesia%20is%20now%20officially%20an%20upper-middle%20income%20country%2C,based%20on%20gross%20national%20income%20%28GNI%29%20per%20capita..>

2 Statista, 2020. see <https://www.statista.com/statistics/320160/employment-by-economic-sector-in-indonesia/>

3 Ibid.

Human Resources

Human resources are key to sustaining development. A skilled work force helps empower companies to innovate and improve productivity and efficiency. Thus, human resources can be either beneficial or unbeneficial for firms, depending on how they are developed. Over time, human resources play an important role in whether an economy will thrive or not. A productive private sector generates more jobs and taxes needed for public investment in various services such as health, education, and others.

Education and Skills

According to the ACT/EMP and ILO report (2017), 79% of workers in Indonesia are medium-skilled and employed in such positions as clerks, service and sales workers, and plant and machine operators, among others. About 13% of workers are low-skilled and work in jobs requiring only elementary education. The remaining 9% of the workforce is highly-skilled and work as managers, professionals, technicians and associate professionals.

Vocational training under the authority of the Ministry of Manpower, carried out either in government-owned vocational training centres (BLK) or a company's or privately-owned centres (*Lembaga Pelatihan Swasta*), is one of the government's efforts to promote and develop qualified human resources.

In 2019, there were 303 BLKs spread throughout Indonesia including 19 Central Technical Implementation Units (*Unit Pelaksana Teknik Pusat*, UTPT) and 284 Regional Technical Implementation Units (*Unit Pelaksana Teknik Daerah*, UPTD) operated by provincial and regency/city governments. The BLK units can accommodate up to 275,000 participants in total.

The Chapeau paper (2019) reported a slight difference on the country's technical and vocational education and training (TVET) systems with a total of 305 BLK, of which 17 are UTPT and 288 are UTPD, that can accommodate a total of 27,937 participants.

According to the Ministry of Manpower (2019), the condition of BLK supporting equipment is relatively good. The number of BLKs has increased every year from 2017-2018 by a total of 55 units. The number of BLKs in the good category reached 277 units during the year.⁴

However, a few reviews assert that the BLK system is plagued with some issues preventing it from effectively supporting national TVET systems. In 2018, there were nearly 8,700 total public and private vocational training institutions (BLK and LPKS), but only 1,348 institutions were accredited (16% of the total). All are under the oversight of MoM (Abdul Malik, Thia Jasmina, and Tauhid Ahmad in Chapeau Paper, 2019).⁵

In addition, there are 19,000 private course providers (*Lembaga Kursus dan Pelatihan*, LKP) under the authority of MoEC (Abdul Malik, Thia Jasmina, and Tauhid Ahmad in Chapeau Paper, 2019).

All the BLKs in the system consist of central government managed (UPTP) and local government managed (UPTD) units. All of them are public training institutions and fully funded by the national and local governments. A primary problem, voiced mostly by those involved in BLK management, is a lack of equipment⁶ and quality instructors. Only 36% of the instructors have industry experience. The employment status of BLK instructors creates problems in itself as there are occasions where instructors move around and land in a job within the bureaucracy, but not at a training centre. Though most of the BLKs are under the authority of local governments, local BLKs still depend on funding from the central government for some 54% of the total cost of training.

That funding is also inefficient. The unit cost of training in a BLK under the central government is significantly higher compared to a similar training centre operated locally. On the programme side, many of the BLK have not implemented competency-based training with standardised testing. As presented in a World Bank survey in 2011, around 95% of the BLKs still conduct their own evaluation without monitoring and/or verification by independent assessors. This needs attention as it is crucial to the achievement of more effective skill training nationally, particularly in the non-formal stream. It is worth noting that some industries have been involved in BLK graduate training such as through apprenticeship programmes. In addition, the establishment of the Industry Network Forum is deemed useful for

4 Kementerian Ketenagakerjaan. 2019. Pertumbuhan BLK di Indonesia: 303 Balai Latihan Kerja Tersebar di Seluruh Indonesia.

5 See Abdul Malik, Thia Jasmina, and Tauhid Ahmad. 2019. Chapeau Paper Indonesia Technical and Vocational Education and Training.

6 The available equipment is facing a shortage in number and is deteriorating; many are in poor condition, not to mention the outdated technologically. The World Bank in 2011 suggests that around 67% of BLKs have not received equipment in the last two decades, and only 17% of them received equipment in the last five years.

employers as it is used as a communication tool among industries and their associations regarding improvement of worker skills. Through the forums, BLKs can find out what skills are required by industry and make adjustments to the training they provide.

According to the Ministry of Manpower, there are 7,764 LPKS. However, only 5,047 of them have registered at the ministry and have a *vocational identification number* (VIN) from the Directorate of Training Institutions of the Directorate General of Training and Productivity, at the Ministry of Manpower.⁷

With this background there is a strong reason to obtain employer views on worker competency, particularly on those who have been trained by public BLKs, and to look into the skills most likely required of workers in the future given that the world of work is entering Industrial Revolution 4.0.

“Tracer Study of Employers’ Perception on Public Vocational Training Centre (BLK) Graduates” focuses on the performance of workers and their employers’ perception of the skills and performance of those workers that graduated from BLKs. The survey results may be used as feedback for both the government and private sector in mapping future training needs.

Funded through the ILO’s Japanese Government-funded INSIGHT-2 Project, this tracer study was undertaken via an online survey that was developed together with the INSIGHT-2 Project and input from ILO experts. The survey covers firms in most of the big cities in Java and includes small, medium, and large companies.⁸ The survey also includes companies in the non-agricultural, formal, public and private economies, as well as state-owned companies across all sectors. This report presents the key findings after analysis of the current skill level of workers and skill requirements of different economic sectors.

1.2 Objectives

General Objective

This study was aimed at determining the satisfaction level of employers on the competencies and performance of BLK graduates in the workplace.

- ▶ The study aimed to identify key challenges of employers regarding their workers.
- ▶ To understand the perception and expectation of employers toward Indonesia’s human resources in general and specifically at their own company.
- ▶ To assess the performance of workers at the company level.
- ▶ To provide recommendations and policy options to employers on how to strengthen and empower their workers.

Specific Objectives

- ▶ To provide general information on industries/firms employing BLK graduates.
- ▶ To determine indicators on the level of employer satisfaction regarding the BLK graduates working for them.
- ▶ To review employer acceptance of the BLK assessment and certification programme.
- ▶ To identify skills required by industry.
- ▶ To identify areas for improvement in BLK training.

⁷ Source: Reactor.co.id. “LPKS Diminta Tingkatkan Kualitas Pelatihan Kerja.” June 28, 2019.

⁸ Indonesia’s Ministry of Industry defines size of companies in terms of the number of workers: 5 to 19 (small), 20 to 99 (medium), and 100 or more (large).

1.3. Coverage

There were 611 questionnaires sent via Google Forms to firms during October-December 2020 in the hopes of receiving feedback from around 100 companies. However, most possibly because many firms were shut due to the pandemic⁹ and were busy at the end of the year, only 73 responses were received. Of those, only 42 responses could be used for analysis as the remainder did not fill out the questionnaire sufficiently.¹⁰

1.4. Methodology

This study is based on primary and secondary data and is aimed at top managers, business owners and human resource managers. The primary data was obtained from company representatives, who in most cases were managers of the firms.

Secondary data were retrieved from non-published data and information from the Ministry of Manpower and other sources such as the ILO, the Organization for Economic and Corporation Development (OECD), the World Bank, the World Economic Forum (WEF) and other relevant research/studies on related topics. The questionnaire used as the tool to collect data and information was designed in consultation with the Ministry of Manpower.

1.5. Organization of the Paper

The report is organized as follows. Chapter 1 presents the background and objectives of the paper as well as the methodology used in the study. Chapter 2 presents the businesses covered in this survey and employer perception of their workers in terms of technical, digital and soft skills. Chapter 3 describes the efforts of firms in promoting worker skills. Chapter 4 briefly discusses the skills required in the future. Chapter 5 provides information on industry involvement in training. Chapter 6 presents the conclusions and recommendations useful for stakeholders.

9 VOI. **56 Companies in Jakarta Are Temporarily Closed Due to COVID-19** (12 August 2020)

10 AmCham Indonesia reported the following: 75% of firms experienced a significant reduction in output/revenue/sales. That reduction was due mostly to lack of demand (79%), and 72% of firms experienced supply chain interruptions.

Up to 43% of firms already have or are considering reducing operations or production and up to 27% may re-shore operations. Up to 48% may move operations from China to another country.

Chapter 2

Business Firms And Employers' Perception On Worker Skills And Competency

The Indonesian government is striving to enhance the skills and productivity of the nation's workforce by establishing vocational training centres, allocating more state funds for human resource development, and preparing a pre-employment programme to provide training incentives. According to a Japanese company survey, Indonesia's productivity is lower than other ASEAN countries (The Jakarta Post Jakarta, 2020).¹¹

This chapter presents employer perception of their workers who graduated from a BLK. The firms covered in this survey are from various economic sectors as seen in Table 2.1.

2.1. Business Firms by Economic Sector

Table 2.1. shows the distribution of the surveyed firms by economic sector, a total of 42 firms.¹² As shown in the table, firms in manufacturing responded the most by percentage, followed by the construction sector. Details of the geographical spread of the companies is shown in section 2.2 (Figure 2.1.).

Table 2.1. Number of firms by Economic Sector, 2020

Economic Sectors	No of Firms	%
Manufacturing	14	33.3
Water supply. sewerage. waste management. remediation activities	2	4.8
Construction	9	21.4
Wholesale and retail trade; repair of motor vehicles and motorcycles	5	11.9
Accommodation and food service activities	3	7.1

¹¹ The Jakarta Post. February 12th, 2020. "Indonesia's productivity lower than ASEAN countries, Japanese company survey says".

<https://www.thejakartapost.com/news/2020/02/12/indonesias-productivity-lower-than-asean-countries-japanese-company-survey-says.html>.

¹² The survey was conducted via Google Forms. The targeted number of firms could not be achieved partly because of the pandemic, and some firms were shut down. Apart from that many firms were not willing to be interviewed.

Economic Sectors	No of Firms	%
Information. Communication and Technology	3	7.1
Education	4	9.5
Human health and social work activities	1	2.4
Other	1	2.4
Total	42	100.0

Table 2.2. shows that men are more concentrated in medium-size companies and to a lesser extent in large companies. Meanwhile women are more evenly distributed in various companies, from micro, small, medium and large, although they are more prevalent in medium and large companies.

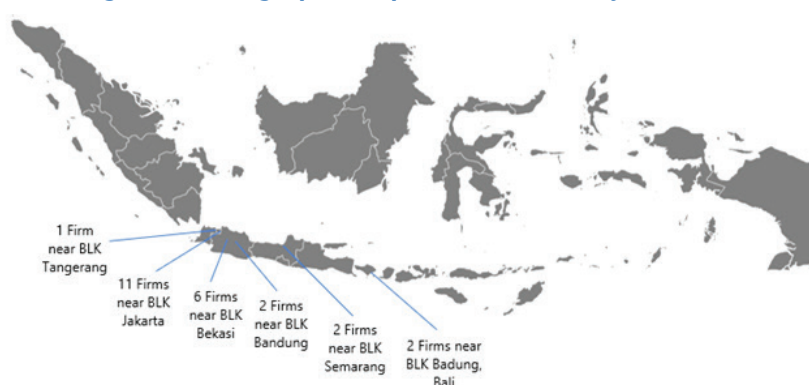
Table 2.2. Number of Firms by number of permanent workers and gender, 2020

Number and % of Firms	Male		Female	
	Firms' Permanent Workers			
	No.	%	No.	%
Micro (1-4)	4	9.5	6	16.3
Small (5-19)	3	7.1	11	25.6
Medium (20-99)	23	54.8	13	30.2
Large (>100)	12	28.6	12	27.9
Total	42	100.0	42	100.0

2.2. Business Firms and BLK graduates

The surveyed firms are located less than 20 kilometres from a BLK. From the total respondents, 24 firms confirmed that their office or branch offices were located near a BLK and that they recruited BLK graduates from the nearest BLK centre. Figure 2.1. shows the geographical spread of the surveyed companies, mostly located near BLKs. A majority of the surveyed firms are located in Java, with 11 being in Jakarta, six in Bekasi, two firms in Bandung, Semarang and Bali, and one in Tangerang.

Figure 2.1. Geographical Spread of the Surveyed Firms



According to the survey, employers identified the candidates coming from a BLK through the application that was sent to them. Most companies used the job application as a tool to identify a candidate's background. A less common method was through cooperation between the company and the BLK (Table 2.3.).

Table 2.3. Method of Companies in Identifying BLK-graduated candidates

Company Methods of identifying BLK-graduated candidates	Response	
	No. of Firms	%
From Job Application	24	77.4
Cooperation with BLK	5	16.1
Others	2	6.5
Total	31	100.0

Almost 60% of the surveyed firms employed BLK graduates (Table 2.4.). However, since the number of BLK graduates employed at the companies was not asked, the percentage of BLK workers per total workers at a particular company cannot be specified.

Table 2.4. Number of firms having BLK graduates as workers

Existence of workers graduating from BLK in your company	No. of Firms	%
Yes	25	59.52%
No	17	40.48%
Total	42	100.00%

As shown in Table 2.5., those BLK graduates who work at the surveyed firms were assigned at different competency levels. Around 60% of the graduates were employed as junior staff (competency level 1). As many as 26.9% were employed as senior staff (competency level 2) and those recruited as supervisors (competency level 3) was only 7.7%.

Table 2.5. Job Categories of BLK graduates

Level Category	No. of Firms	%
Junior Staff/Competency Level 1	15	57.7
Senior Staff/Competency Level 2	7	26.9
Supervisor/Competency Level 3	2	7.7
Others	2	7.7
Total	26	100.0

Table 2.6. shows the job categories of workers in the surveyed companies as known among the industries.¹³ The table also shows that around 78% of the surveyed firms employ BLK graduates with technical a competency level of 1, 2, 3, 4 or 5. Around 18.5% of BLK-graduate workers were involved in mostly non-technical competencies.

Table 2.6. Competency of BLK Graduates

Competency	No. of Firms	%
Mostly non-technical	5	18.5
Mostly technical (competency level 1, 2, 3, 4, or 5)	21	77.8
Equal no. of technical and non-technical workers	1	3.7
Total	27	100.0

After graduation, BLK students should have received a certification. As shown in Table 2.7., 23 firms or 82.1% of those surveyed acknowledged this. However, there was no response regarding the 18% graduates that did not obtain their certification.

Table 2.7. Provision of Incentives to BLK graduates or Skilled Workers

Provision of Incentives	No. of Firms	%
Yes	23	82.14%
No	5	17.86%
Total	28	100.00%

As shown in Table 2.8., the type of incentives that the workers received from employers varied from salary increases (23.3%) to promotions (26.7%). The incentive that most workers deemed most rewarding or very important was job security, as stated by 36.7% of the firms.

Table 2.8. Types of Incentive provided to BLK graduates/certified workers

Types of Incentive	Responses	
	No. of Firms	%
Salary Increase	7	23.3
Promotion	8	26.7
Job Security	11	36.7
Others	4	13.3
Total	30	100.0

¹³ Companies do not apply the **International Standard Classification of Occupations (ISCO)**, an [International Labour Organization \(ILO\)](#) classification structure for organizing information on [labour and jobs](#)

2.3. Competency Required by Firms

This section describes what competencies were required by firms, as well as employer perceptions regarding worker competence. The surveyed employers state their first, second and third most required competency. Employer satisfaction regarding worker competence is indicated by their satisfaction level toward their workers' skills and competence.

As shown in Table 2.9., the types of competence vary according to a firm's requirements, with technical skills (69%), being the most sought after by the surveyed firms.

The second most required competency mentioned by 46.4% of the firms is for soft skills, which includes team work and communication, followed by digital literacy. Around 76% of the firms listed managerial/leadership, technical competency and soft skills combined as the third most required competency.

Table 2.9. Types of Competency Required by Firms, 2020

First Most Competency Required by Firms	No. of Firms	%
Technical Skills	20	69.0
Computer/digital literacy	1	3.4
Soft skills (teamwork, communication)	7	24.1
Managerial/Leadership	1	3.4
Total	29	100.0
Second Most Competency Required by Firms	No. of Firms	%
Technical Skills	5	17.9
Computer/digital literacy	8	28.6
Soft skills (teamwork, communication)	13	46.4
Interpersonal skills	1	3.6
Managerial/Leadership	1	3.6
Total	28	100.0
Third Most Competency Required by Firms	No. of Firms	%
Technical Skills	7	24.1
Computer/digital literacy	3	10.3
Soft skills (teamwork, communication)	7	24.1
Interpersonal skills	4	13.8
Managerial/Leadership	8	27.6
Total	29	100.0

As per Table 2.9., the competency most needed by firms in the manufacturing (31%), construction (24.1%), and the accommodation and food services (6.9%) sectors is in technical skills (69%), based on the survey's findings.

The second-most needed competencies are in soft skills (46%), as confirmed by companies in the construction (21%), education (7%), information, communication and technology (7%), and accommodation and food services (7%) sectors.

The third-most required competency by the firms is managerial/leadership (27.6%) skills, as confirmed by companies involved in manufacturing (14%), construction (3.4%), water supply, sewerage, and waste management (3.4%), accommodation and food services (3.4%), and (3.4%) in the information, communication and technology (ICT) sectors. According to the survey results, there is a relatively high demand (third-most) for technical skills (24%) in the construction and ICT sectors.

Since its establishment, the BLK programme was designed to help young and unemployed people by providing skills training to meet industry demand. Referring to the survey results in Table 2.5., the majority of BLK graduates are working in junior staff/competency level 1 (58%) roles given their relatively young age.

The BLK curricula and learning materials mostly consist of basic training in electronics, mechanical-electrical, automotive, graphic design and other technical subjects. Based on the learning materials offered, it is expected that BLK graduates will also work at jobs that match their training. The survey's findings show that 78% of employers confirmed that BLK graduates mostly work at technical jobs at their company.

2.4. Employers' Satisfaction on Workers' Competence

Regarding employer satisfaction toward worker competence, employers were first asked for their general views on their workers, followed by their views on their employee's digital and soft skills.

2.4.1. General View

Twenty-nine firms responded to the question regarding their satisfaction with their workers' performance. Encouragingly, the data demonstrates that 62% of firms were satisfied with the performance of BLK graduates, while the rest either stated "not satisfied" or "do not know", at 17.24% and 20.69%, respectively (**Table 2.10**).

Table 2.10. Employers' satisfaction with BLK-graduated worker performance, 2020

Employers' satisfaction with BLK-graduate workers' performance	No. of Firms	%
Satisfied	18	62.07
Not satisfied	5	17.24
Do not know	6	20.69
Total	29	100.00

Table 2.11. elaborates further on employer rates of satisfaction according to the skill level of their workers. When employers were asked whether they were satisfied with the competency of their workers at skill level one, 82.1% of the respondents said they were moderately satisfied.

Table 2.11. Level of employers' satisfaction on worker competency skills at the 1st, 2nd, and 3rd level

Employers' Satisfaction of 1 st Skill Level Workers	No. of Firms	%
Low	3	10.7
Moderate	23	82.1
High	2	7.1
Total	28	67,4

Employers' Satisfaction of 2 nd Skill Level Workers	No. of Firms	%
Low	1	3.6
Moderate	22	78.6
High	5	17.9
Total	28	100.0

Employers' Satisfaction of 3 rd Skill Level Workers	No. of Firms	%
Very Low	1	3.7
Moderate	21	77.8
High	4	14.8
Total	1	3.7

When employers were asked regarding their satisfaction toward their workers' performance at the second and third skill levels, again the majority of them said that they were moderately satisfied (Table 2.11.).

Briefly, most employers considered the skill of their workers at the first, second, and third tier competencies as at a moderate level.

2.4.2 Digital Skills

To measure their digital competency, employers were asked to rate their workers' digital skills using two indicators:

- ▶ computer literacy level
- ▶ computer level and knowledge skills

Computer literacy level

Table 2.12. below displays employer satisfaction regarding the performance of their workers who graduated from BLK. The majority of employers (67.9%) expressed moderate satisfaction. Only 14.3% were highly satisfied and 17.9% rated the performance of BLK-graduated workers as low.

Table 2.12. Employers' satisfaction level towards BLK-graduated workers on computer literacy level

Employers' Satisfaction Level	No. of Firms	%
Low	5	17.9
Moderate	19	67.9
High	4	14.3
Total	28	100.0

Computer Skills and Knowledge levels

Table 2.13. demonstrates that employer satisfaction toward workers with a BLK qualification in computer skills and knowledge levels was mostly moderate, as indicated by a 70.4% satisfaction level.

Table 2.13. Employers' satisfaction level towards BLK-graduated workers on computer skills and knowledge level

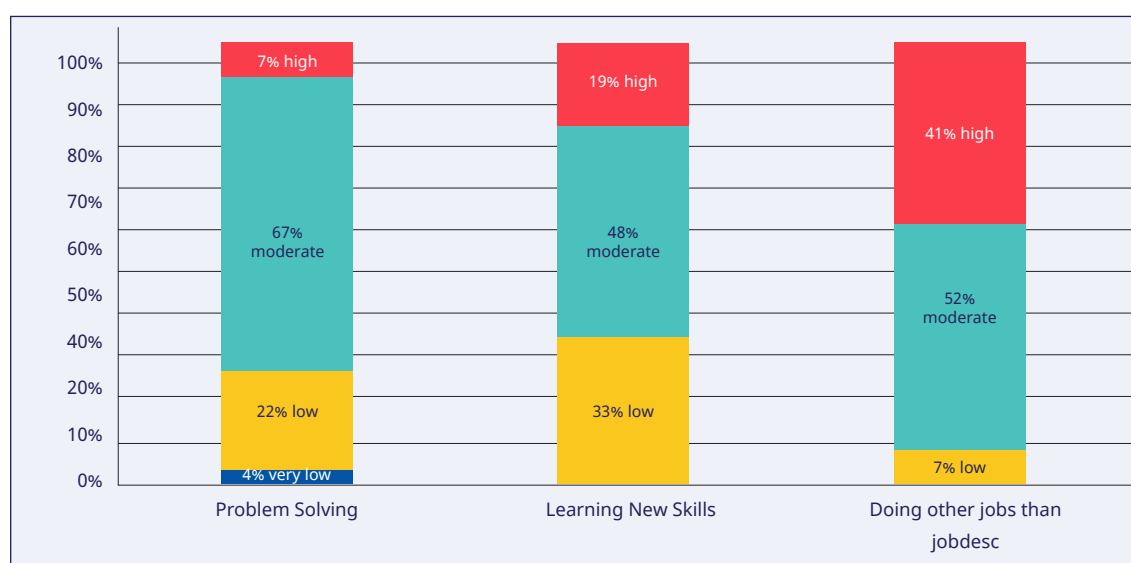
Employers' Satisfaction Level	No. of Firms	%
Low	4	14.8
Moderate	19	70.4
High	3	11.1
Total	1	3.7

2.4.3 Soft Skills

Apart from technical skills, these days firms are also looking into a candidate's soft skills, which are considered very important for workers to possess. To rate the soft skills of BLK graduates, the analysis was based on a few abilities as follows:

- ▶ ability to solve problems related to work
- ▶ ability in learning new skills related to work
- ▶ ability to do jobs other than those specified in their job description

Chart 2.1. Employer perceptions of their BLK graduates' ability to problem solve, learn new skills, and do jobs not specified in their job description, 2020



Ability to solve problems related to work

Chart 2.1. shows that 67% of employers were only moderately satisfied with their BLK-qualified workers' ability to solve problems related to work, and 27% considered that their ability to solve problems related to work was low. Only 7% perceived their BLK-trained workers to have high-level problem solving skills.

Table 2.14. also shows that 26% of interviewed employers expressed their dissatisfaction in a BLK graduate's ability to problem solve.

Table 2.14. Ability of BLK Graduates to solve problems related to work

Employers' Satisfaction Level	No. of Firms	%
Very low	1	4%
Low	6	22%
Moderate	18	67%
High	2	7%
Total	27	100%

Ability in learning new skills related to the work

Table 2.15. and Chart 2.1. demonstrate that employer satisfaction toward the ability of BLK graduates to learn new skills related to work was mainly moderate, as shown by 48% of surveyed firms, while 33% expressed low satisfaction, and only 19% of the firms confirmed their high satisfaction.

Table 2.15. BLK Graduates' ability to learn new skills related to their work

Satisfaction Level	No. of Firms	%
Low	9	33%
Moderate	13	48%
High	5	19%
Total	27	100%

Ability to do jobs other than those specified in their job description

Table 2.16. and Chart 2.1. show that more than half of the surveyed employers said that they were moderately satisfied with the ability of BLK graduates to do jobs other than those specified in their job description. Of the interviewed employers, 41% expressed their satisfaction that BLK graduates could perform jobs other than those in their job description, while 52% said that BLK graduates had adequate abilities in that regard.

Table 2.16. BLK graduates' ability to do jobs other than those specified in their job description

Satisfaction Level	No. of Firms	%
Low	2	7%
Moderate	14	52%
High	11	41%
Total	27	100%

2.5. Comparison of soft skills between BLK graduates and non-BLK graduate workers

The charts below show how the employers surveyed perceive the performance of workers coming from a BLK and those who did not.

Fewer employers (48%) perceive the teamwork abilities of non-BLK graduates as moderate than the 57% that view BLK graduates as having moderate teamwork abilities. Employers only perceived BLK graduates as having very high teamwork abilities. This suggests that BLK graduates overall perform better than non-BLK graduates in teamwork ability according to their employers. It also underlines the fact that teamwork ability is important and in dire need of improvement in general. While the overall view of BLK graduates' skills, as expressed in the previous analysis (section 2.4.3), are in need of improvement, it is clear that BLK graduates' skills (although not great) have the edge in a comparative sense (Chart 2.2.).

Chart 2.2. Employers' Perception towards workers' teamwork ability (BLK and Non-BLK)

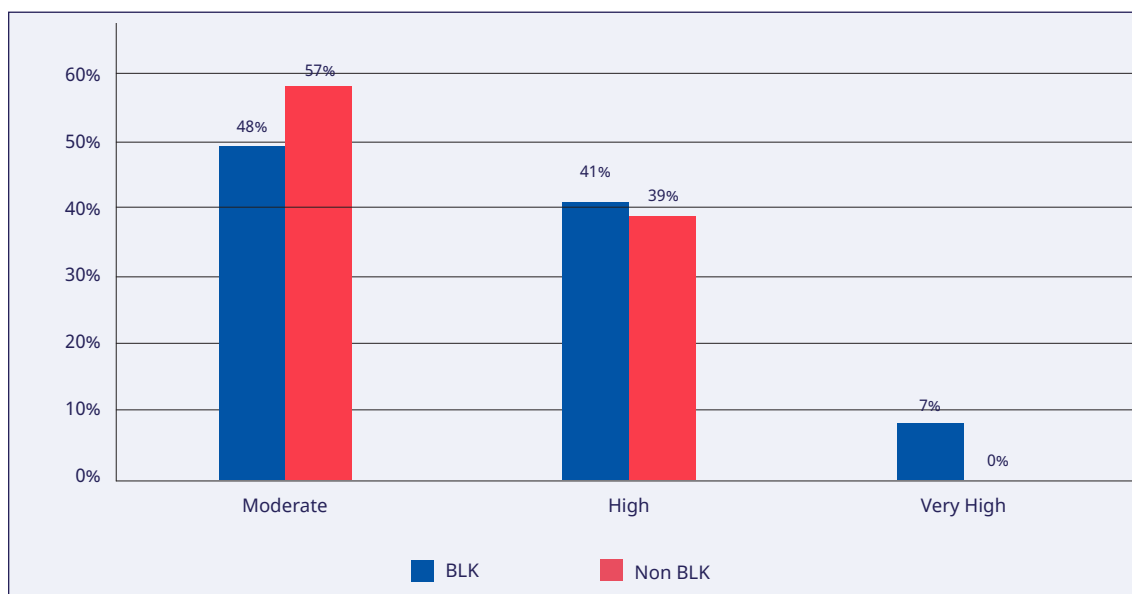


Chart 2.3. Employers' Perception towards workers' communication skills (BLK and Non-BLK)

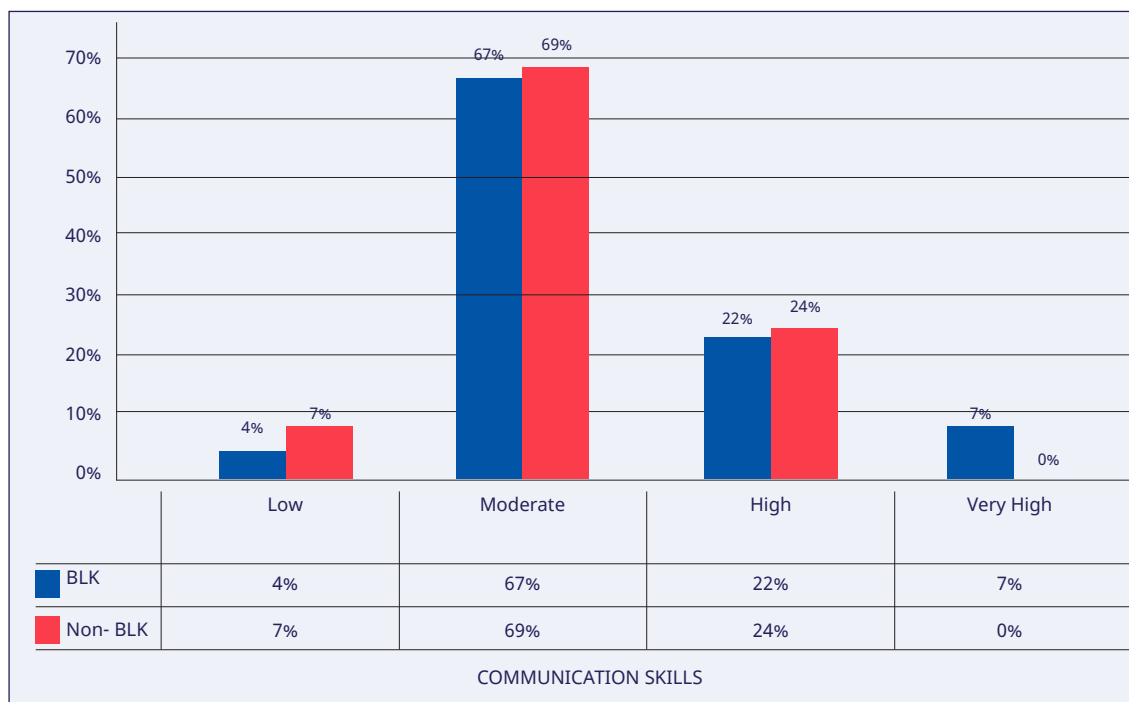


Chart 2.3. reveals that the communication skills of non-BLK graduates are perceived differently at different levels. Most companies saw the communication skills of non-BLK graduates as moderate, but slightly better than BLK graduates (69% compared to 67%). However, more employers (7%) perceived non-BLK graduates as having low-level communication skills compared to BLK graduates (4%). While 24% of employers perceived the communication skills of non-BLK graduates as high, only 22% perceived BLK graduates at the same level. The distinction is very fine. However, that no non-BLK graduates are included in the very high-level group is encouraging because more employers tend to perceive BLK graduates as being in the very high-level communication skills group rather than in the two lowest level groups (low and moderate).

To look at the data another way also tends to confirm a pattern. If the two lower- level groups are combined (low or moderate skills) it shows that more employers (76%) see non-BLK graduates as having low to moderate communication skills compared to 71% who perceive BLK graduates with low to moderate communication skills. The opposite pattern is observed in the two higher level groups, i.e. if they are combined, 29% of employers see BLK graduates as having high to very high-level communication skills while only 24% of employers saw non-BLK graduates fitting into the same category. The combination of these patterns in the data suggests that while the general perception of communication skills is quite low (71%-76% of employers), the BLK graduates are generally seen as being at a higher level. The upshot is that although improvement in communication skills is required in general, it appears that BLKs are leading in terms of providing those skills (Chart 2.3.).

Chart 2.4. Employers' Perception towards workers' managerial/leadership ability (BLK and non-BLK)

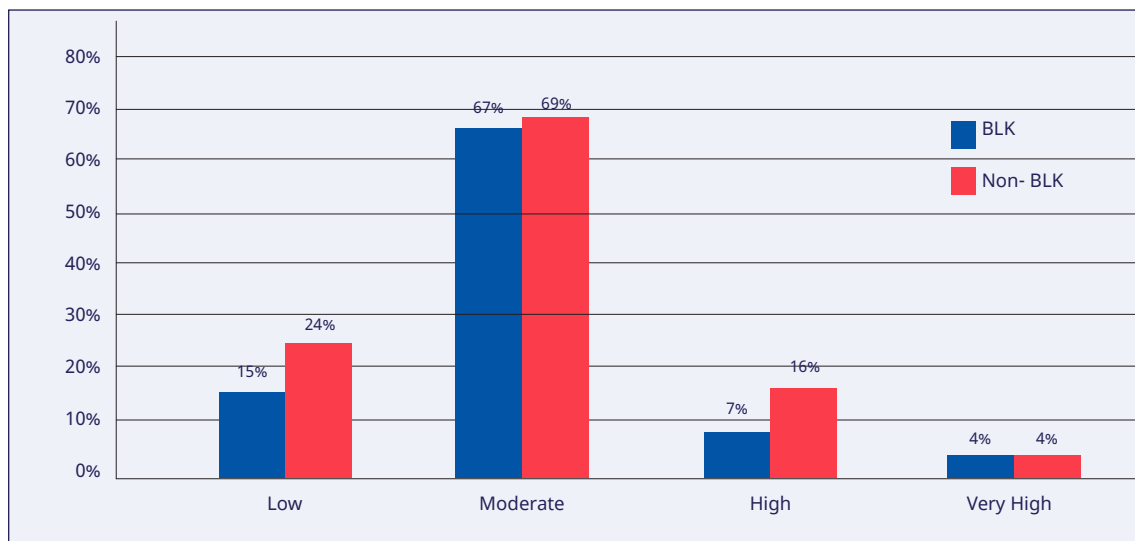


Chart 2.4. indicates that most employers perceive the managerial/ leadership ability of both BLK and non-BLK graduates as at the moderate level. By following a similar analysis to communication skills a strong pattern emerges that suggests the managerial/ leadership abilities of BLK graduates are not as well perceived as non-BLK. For example, almost 90% of employers perceived BLK graduates' managerial and leadership ability as low to moderate, while only 11% of employers perceived BLK graduates as having high to very high skills in this area. Conversely, 80% of employers saw non-BLK graduates as having low to moderate skills and 20% as having high to very high-level managerial and leadership skills. Many BLK graduates may not take managerial positions because their focus is usually on blue-collar jobs. A talented and ambitious BLK graduate could work their way into a managerial or leadership position, but most of those would likely be reserved for graduates with higher educations (Bachelor degree or MBA).

On the whole this reflects a preference for non-BLK graduates in this skill area. However, this is to be expected because BLKs largely provide shorter duration courses (often with Technical/ Vocational School (SMK)/Senior High School (SMA) graduates), whereas most workers who are employed in positions that require routine managerial and leadership decisions are likely to be graduates of higher education institutions. This makes it a difficult variable to compare. The data generally shows that non-BLK graduates perform better in this area. However, improved training in managerial and leadership skills are required across the board.

From the above tables and charts, there is a slight difference in employer perceptions of the soft skills of both BLK and non-BLK graduates. In teamwork and communication skills, BLK graduates seem to be perceived by employers as

being at a higher level than non-BLK. Employers contemporaneously seem to perceive that non-BLK graduates have low to moderate soft skills. When it comes to managerial and leadership skills, the opposite is true.

The fact that BLK graduates come out ahead of non-BLK graduates in terms of employer impressions of their communication and teamwork skills indicates a solid trend that the soft skills (or generic workplace skills) provided by BLKs through their relatively short courses are having a positive impact. The fact that large percentages of employers perceive both BLK and non-BLK graduates as having moderate to lower-level soft skills indicates that more emphasis needs to be put on improving them, especially the delivery, quality and availability of generic workplace skills like communication, teamwork,¹⁴ and problem solving. Most of the employers who responded to the survey rated both BLK and non-BLK graduates' soft skills (communication, teamwork, managerial/ leadership) at a moderate level. Although it is worth noting that employers appear reasonably satisfied with the teamwork ability of both BLK and non-BLK graduates.

In the upcoming era, it is expected that Indonesia's workforce will need to have not only good technical skills, but also great soft skills in order to close the gap in competencies required by industry. BLKs seem to be the most reliable provider of soft skills for lower- to middle-level workers and therefore they should provide extensive, accessible and constantly improved soft skills and generic workplace skills-related-training to increase the capacity of its trainees and apprentices. BLKs could probably significantly increase capacity in this area by tapping into the Internet as a serious resource and developing their digital training capacity.

¹⁴ The skill set around "management of self", although not mentioned in this analysis, is very important to round out the soft skill set, as it relates to self-esteem at work which is a key attitudinal driver of performance and the ability to confidently adapt to skills that fall outside a formal job description or taking initiative under certain permitted circumstances.

Chapter 3

Efforts to Improve Employee Skills

This chapter presents the efforts of employers to improve their employee skills, including BLK graduates and non-BLK.

In order to promote worker abilities, firms need to pay equal attention to both hard and soft skills.¹⁵ While hard skills are necessary to successfully perform technical tasks at a job, they only generally require learning the material and developing the muscle memory that is needed to perform the related physical tasks. Soft skills however, are essential for career growth and to create a positive and functional work environment. There is also an important psychological element. Soft skills and generic workplace skills are generally aimed at overcoming psychological barriers related to confidence and self-esteem. For this reason, employers often seek individuals who possess proven soft and hard skills. Some employers may prefer to select candidates who have a stronger set of soft skills over hard skills, as soft skills are at times more difficult to develop.

For years, the Indonesian Government has strived to improve TVET programmes which includes the improvement of BLKs throughout the country. There is a pressing need to rejuvenate vocational training centre facilities and to improve their abilities in providing adequate training for graduates to fulfil the demands of the labour market. Through BLKs, the government expects to reduce the gap between industry demand and school curricula — one of the key problems in the country. BLKs also play an important role in providing adequate training for school-dropouts to compete in the tight job market. However, cumbersome workplace laws and regulations related to child labour currently discourage this. So, apart from soft skills development, an adequate way to respond to the need for training and employment for those youths who do not complete 12 years of formal education must be found.

Respondents involved in this survey come from various economic sectors that include different ranges of male and female workers. The majority of firms involved in the survey were medium-sized enterprises (employing 20 to 99 permanent workers) as well as large-scale enterprises (employing more than 100 permanent workers).

Realizing that companies need to keep up with advances in technology, employers are making efforts to improve their workers' skills and competencies. As shown in Table 3.1., the surveyed companies attempt to promote their workers' skills through a few different methods.

¹⁵ *Hard skills* are the technical skills of workers that allow them to do a particular task, like working with specific computer programmes. *Soft skills* refer to emotional intelligence, communication ability, change management and other personal and interpersonal skills that help workers to develop efficiently within a modern company. Soft skills are personal habits and traits that shape how you work, on your own and with others. Effective communication, for example, is a key soft skill many employers seek. Some others include dependability, effective teamwork and active listening.

Table 3.1. Type of company efforts to improve worker skills

Company effort to improve worker skills	Responses	
	No. of Firms	%
On the Job Training	11	23.4%
Skilling (basic training)	15	31.9%
Reskilling	10	21.3%
Upskilling	10	21.3%
Others	1	2.1%
Total	47	100.0%

Table 3.1. reveals that around 32% of surveyed firms conducted skilling for their workers, followed by on-the-job-training (23.4%), and reskilling or upskilling at 21.3% each.

With the emergence of the digital revolution, new professions specialising in technologies like big data and artificial intelligence (AI) are thriving at a rate the labour market cannot keep pace with. In an attempt to fill this gap, companies are offering staff training to optimise their performance (upskilling) or to “recycle” them for a different post (reskilling). Training through modalities such as reskilling or upskilling becomes key in a changing work environment.¹⁶

According to McKinsey & Company, the job market is failing to match the pace of the digital revolution. This means that over the next few years we will find ourselves — in fact it’s already happening — with a shortfall of professionals to fill some posts that call for individuals with specialised technological skills (McKinsey and Company. 2019).

The digital revolution has landed in Indonesia. In recent years, rapid growth in the number of people gaining access to the Internet through mobile devices, an explosion in the use of cloud computing, and greatly increased take-up of the Internet of Things, big data and advanced analytics, have been noted.¹⁷

Having been taken by surprise by the Fourth Industrial Revolution, firms have experienced huge internal changes over the past few years including updating their corporate culture, computerising, and encouraging creativity and innovation amongst their staff. Workers, from their side, are obliged to adapt (lifelong learning) to avoid getting left behind. Clearly, the digital revolution is moving at a pace that is asking too much by continually creating new professions and roles for which there are not enough candidates with the right training. Some occupations have not yet even been identified.

The following are the methods being used by employers to promote their employee skills and competencies.

3.1. On the Job Training (OJT)

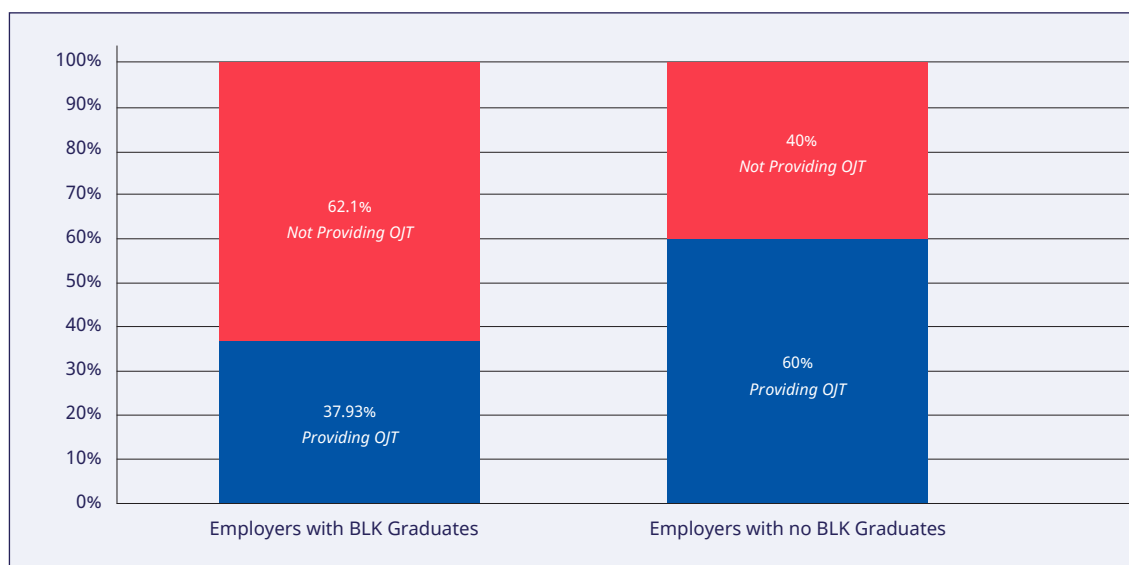
The surveyed firms confirm that OJT is one of their methods to improve the skills of their workers. As per the previous chapter, the survey respondents confirm that 77.8% of BLK graduates work in a technical capacity, as do 70% of non-BLK graduates.

According to the survey results, 37% of employers with BLK graduates and 60% of employers with non-BLK graduates provide an OJT programme for their workers. It is worth noting that 67% of employers with BLK graduates do not consider OJT programmes as one of their efforts to improve their workers’ skills (Chart 3.1.) as it is expected that companies provide more OJT opportunities.

For most companies, OJT is a familiar and inexpensive method to introduce trainees or new workers to their working environment. In OJT, workers learn, adapt and perform their tasks under the guidance of an appointed mentor who through demonstrations, verbal or written instructions pass on their knowledge.

¹⁶ Iberdola. undated. “Reskilling and upskilling: work training in the digital transformation era” (Iberdola <https://www.iberdola.com/talent/reskilling-upskilling>).

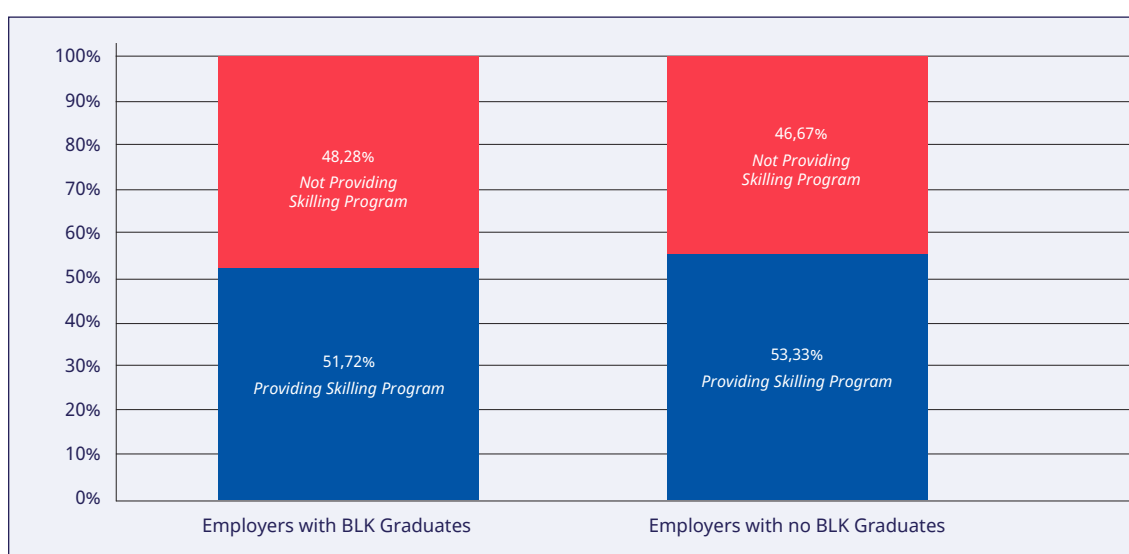
¹⁷ <https://www.mckinsey.com/featured-insights/asia-pacific/digital-revolution-what-it-means-for-indonesian-business>

Chart 3.1. Employers providing skills improvement through On-the-Job-Training (OJT), 2020

3.2. Skilling

The surveyed firms were also asked whether they provide skilling programmes for their current workers that meet industry demands. Chart 3.2. reveals that more than 50% of the employers provide skills improvement through skilling programmes. This is mainly external training and most probably through *Kartu Pra Kerja* (Pre-employment Card) system or other ways, but there are recent efforts to try to get more in-house skilling programmes through company networks.

With the development of technology and in the digital era, firms in Indonesia face great challenges in addressing the skill gap in their industries. The survey found that skilling is considered as the best method to improve worker skills by most of firms, compared to the other improvement methods.

Chart 3.2. Employers providing skills improvement through skilling, 2020

The increase in skills mismatch correlates with companies choosing skilling programmes. According to a study by J.P. Morgan (2016)¹⁸, the ASEAN-5 Countries (Indonesia, Philippines, Singapore, Malaysia and Thailand) share common challenges in their education systems in that they are unable to meet industry demand. It is expected then that educational institutions revise their outdated curricula, while the private sector strengthens the TVET roadmap by emphasizing cooperative training to reduce the gap between education and industry. It is also probably much more efficient to prepare people for employment through shorter and more focussed training programmes, rather than relying on the formal education system. For example, many SMK graduates take short BLK-based courses to prepare themselves better and increase their chances of getting a job.

3.3. Reskilling and Upskilling

Reskilling and upskilling are additional options for companies to equip their staff with the new skills to meet business needs.

The objective of upskill and reskilling training:

- ▶ Upskilling aims to teach workers new skills to optimize their current performance
- ▶ Reskilling, also known as professional recycling, sets out to train workers to adapt to a different post within the company

The benefits of reskilling and upskilling training include:

- ▶ bridging the digital divide at the heart of the company and make it more competitive.
- ▶ less selection procedures and, therefore, shorter adaptation periods.
- ▶ helping to create loyalty and talent retention as staff realise that the company is investing in them to improve their professional profile.
- ▶ offering continuous training enhances the corporation's reputation.
- ▶ contributing towards achievement of the UN Sustainable Development Goals (SDGs), specifically numbers 8, 9 and 10.
- ▶ encouraging a dynamic business culture adapted to an environment in constant evolution.

3.3.1. Reskilling

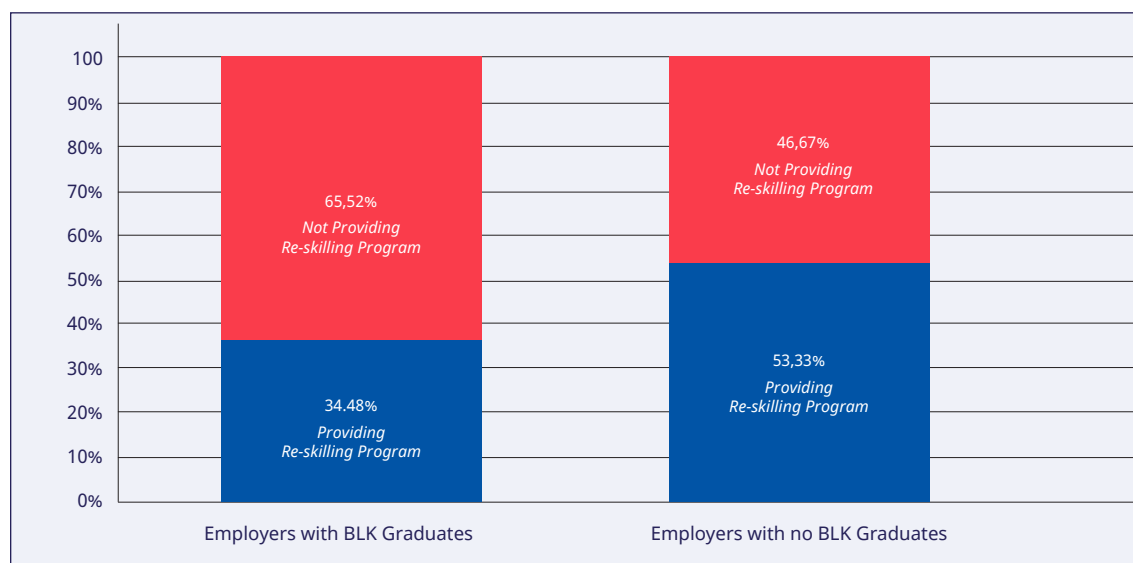
Reskilling involves providing training on an entirely new set of skills to prepare workers to take on new or different roles compared to their current job descriptions. Reskilling often occurs when a worker's previous experience becomes irrelevant to their new tasks and responsibilities. As technologies and business models are changing rapidly to different extents in different economic sectors, companies may choose reskilling programmes to address talent gaps in their organization.

In terms of improvement, reskilling programmes often focus on building employee skills in critical thinking, leadership and management, as well as advanced data analysis (McKinsey & Company, 2020)¹⁹. In 2020, due to the devastating impact of the Covid-19 pandemic, a company may have chosen to reskill its workers rather than hiring new talent, as well as to reduce the operational cost of new hires. On the other hand, companies might take the opportunity to let furloughed staff go and take advantage of the pandemic's impact to renew their workforce. There is already anecdotal evidence that this is occurring in Indonesia. In this situation skilling and upskilling becomes even more important to retaining employee numbers as newer, younger and less experienced staff are less expensive to support, while existing, older, more experienced staff are more expensive.

Chart 3.3 shows that 34% of employers with BLK graduates provide reskilling programmes, while more than 50% of employers with non-BLK graduates provide reskilling programmes for their workers.

¹⁸ J.P. Morgan. Managing Skills Challenges in ASEAN-5. 2016

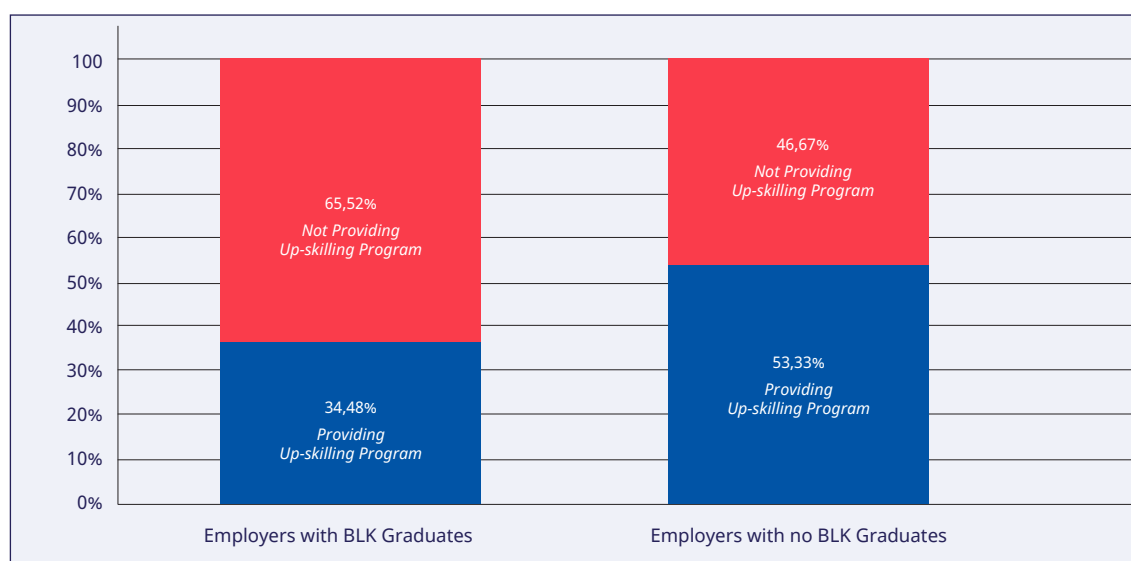
¹⁹ McKinsey & Company. 2020. Beyond hiring: How companies are reskilling to address talent gap. <https://www.mckinsey.com/-/media/McKinsey/Business%20Functions/Organization/Our%20Insights/Beyond%20hiring%20How%20companies%20are%20reskilling%20to%20address%20talent%20gaps/Beyond-hiring-How-companies-are-reskilling.ashx>. 2020

Chart 3.3. Employers providing skills improvement through reskilling, 2020

3.3.2. Upskilling

The Indonesian Coordinating Ministry for Human Development and Cultural Affairs (*Kementerian Koordinator Bidang Pembangunan Manusia dan Kebudayaan*) states that around half of Indonesian workers need upskilling in order to increase their skills and knowledge for the competitive labour market and fierce competition in the digital era (Kompas, 2020)²⁰. Since the Covid-19 pandemic, transforming business models into technology-related-businesses have become necessary for many firms in Indonesia.

Digital transformation for businesses is now an important factor in order for them to survive the uncertainty due to the pandemic. A study from **Cisco and Oxford Economics** (2018)²¹ predicts that by 2028, the six largest ASEAN economies (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam) will require 28 million fewer workers to produce the same level of output in a year as today. This constitutes substantial productivity gains from more widespread technology adoption which will drive growth. While this will create a batch of 6.6 million new jobs, an overall reduction in demand for workers is inevitable in the near future.

Chart 3.4. Employers providing skills improvement through upskilling, 2020

²⁰ Kompas : Upskilling of Indonesian Workers Pivotal to Triumph in Digital Era. <https://go.kompas.com/read/2020/12/22/213921974/upskilling-of-indonesian-workers-pivotal-to-triumph-in-digital-era>. 2020.

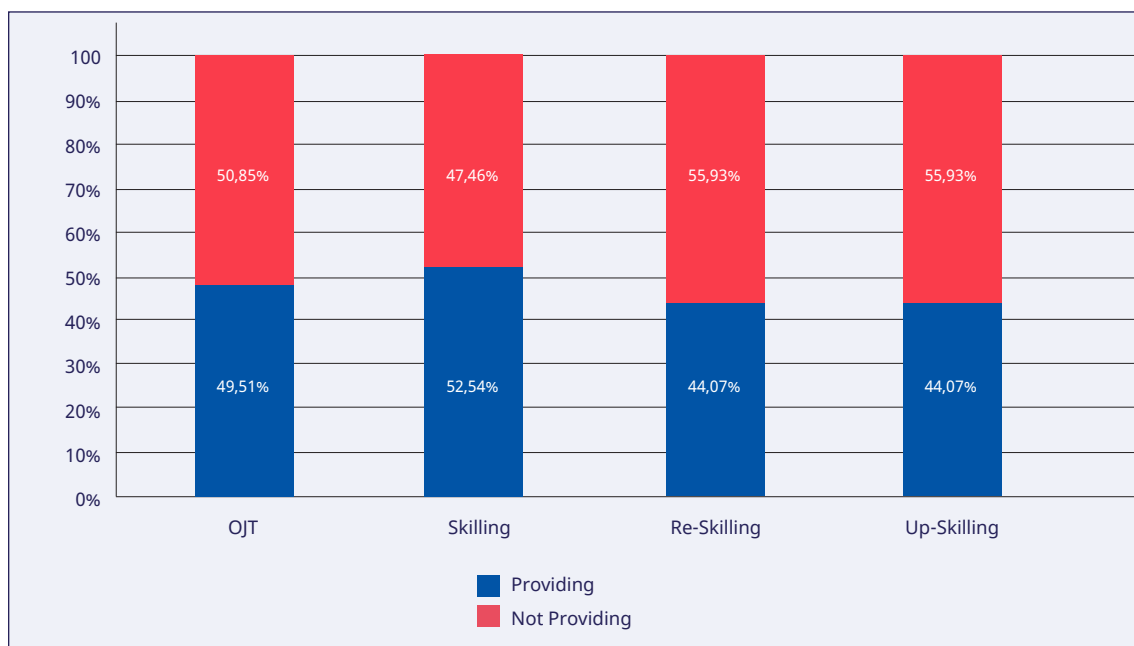
²¹ Cisco & Oxford Economics: Technology and the Future of ASEAN jobs. The impact of AI on workers in ASEAN's six largest economies September 2018 https://www.cisco.com/c/dam/global/en_sg/assets/csr/pdf/technology-and-the-future-of-asean-jobs.pdf. 2018

According to the survey, only 34.5% of employers with BLK graduates provide upskilling programmes for their workers. Meanwhile, 53% of employers with non-BLK graduates provide more opportunities through upskilling programmes for their workers (Chart 3.4). This difference could be influenced by the fact that employers of BLK graduates have invested in workers with prior training and skills from BLKs such that they perceive them as having skill levels already appropriate for their company. On the other hand, the higher incidence of upskilling in companies that employ non-BLK graduates could indicate that more companies in this category have workers with less initial exposure to skills training at the time they joined the company.

Overall Company Efforts in Workers' Skills Development

Chart 3.5. describes the extent of the surveyed firms in improving their workers. Overall, company efforts in providing OJT, skilling, reskilling and upskilling are in the 45% to 52% range.

Chart 3.5. Company's efforts in improving worker skills, 2020



Based on the survey's findings, most of the firms provide skilling (52.4%) rather than OJT, reskilling or upskilling (less than 50%), as confirmed by the respondents. This may be related to the educational mismatch in Indonesia. According to Sattinger (2012)²², educational mismatches arise when the qualifications of workers, individually or in the aggregate, are different from the those required by or specified for their jobs, and as such there can be an over/under education imbalance. Related to the survey findings, companies may feel their current workers (BLK and non-BLK) possess different skills that force them to provide skilling programmes in order to ensure the continuation of their business process and maintain productivity.

In general, company efforts to improve worker skills need to be increased, as graduates (BLK or non-BLK) may not possess the skills needed by the market. According to Pinat (2015)²³, the quality of TVET training in Indonesia is low, with undue emphasis on theory and certification rather than on skills acquisition and proficiency testing. Inadequate instructor training, obsolete training equipment, and lack of instructional materials are some of the factors that combine to reduce the effectiveness of training in meeting the required knowledge and skills objectives.

For BLK and non-BLK graduates, competition in the labour market could become tighter as the Covid-19 pandemic triggers one of the worst employment crises in many countries, including Indonesia. In a neighbouring country such as Singapore, job seekers are willing to accept lower salaries and lower job positions as the result of the pandemic

²² Sattinger, M (2012). Assignment Models and Quantitative Mismatches. University of Albany, New York. https://melbourneinstitute.unimelb.edu.au/assets/documents/hilda-bibliography/conference-papers-ectures/2012/Sattinger_Assignment_Models_and_Quantitative_Mismatches.pdf

²³ Muhammad Thaufiq Pinat. Industrial Support in Vocational Education and Training Development to Achieve Quality Assurance of Indonesian Professional Labour Force. 2015.

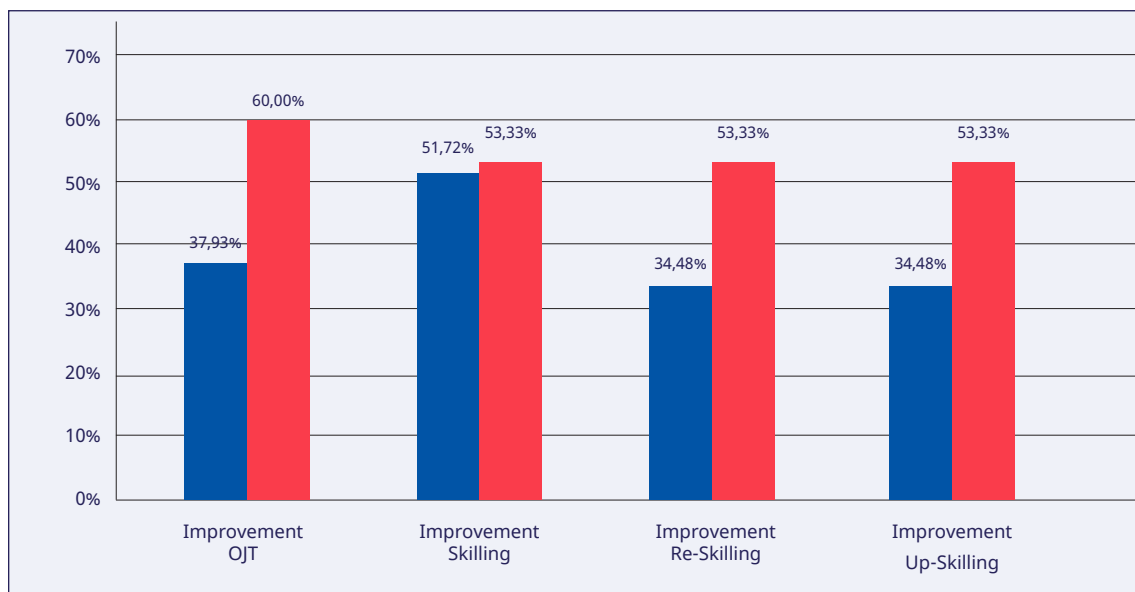
situation (The Straits Times, 2021)²⁴. The same situation is expected in Indonesia as BLK graduates compete with job seekers who already have a diploma degree (D3) or even a bachelor's degree (S1). Hence, it is important for training institutions to develop particular fields of expertise and skills for their apprentices so they will have what is needed by the labour market to earn revenue and survive the crisis, and beyond.

According to KPMG (2021)²⁵, the Covid-19 global pandemic has caused a digital acceleration equal to three to four years of progress, and the changes from this digital transformation will be permanent in that there will be no return to the ways of even two years ago. Therefore, workers should be trained to cope with rapid digital transformation during the pandemic and in the future. Upskilling workers is also important for companies as the business landscape is changing rapidly due to the demand for digital features and for contactless customer service.

Comparison

The study also finds a difference between the treatment of BLK and non-BLK graduates working at the surveyed companies. Chart 3.6. shows that employers tend to provide more training for non-BLK graduates via OJT, skilling, reskilling and upskilling programmes. Hypothetically, firms may feel that some employees who do not come from TVET institutions need to be trained further with improvement programmes. Note that 60% of non-BLK graduates are given OJT, which shows that employers need to introduce their working environment to non-BLK graduates so they can adapt to it as well as learn skills from company trainers and counsellors.

Chart 3.6. Comparison of Employers' efforts to improve worker skills, 2020



3.4. Rewards and Incentives

The minimum wages in ASEAN countries gradually increase to follow the rise of monthly living costs. Similar trends also occur in Indonesia where the monthly minimum wage increase is formulated based on the country's inflation rate and its GDP growth over the previous 12 months. In 2021, due to the severe impact of the global pandemic, the Ministry of Manpower decided not to increase the minimum monthly wage for workers.

In the survey, employers were asked whether they offered incentives to their workers, and 55.8% of them said they do (Table 3.2.). When employers were asked to describe the types of incentives given to BLK graduates or certified workers in their organizations, the incentives varied from salary increases, promotions, job security and others (Chart 3.5.). The positive effect of giving incentives to workers correlates to an increase in worker productivity. Giving incentives to

²⁴ Sue-Ann Tan. 2021. The Straits Times : Job seekers in Singapore willing to accept lower pay as Covid-19 pandemic hits hard. <https://www.straitstimes.com/business/economy/job-seekers-willing-to-accept-lower-pay-as-pandemic-hits-hard>. 2021

²⁵ KPMG: Digital Acceleration. <https://home.kpmg/us/en/home/insights/2020/09/digital-acceleration.html>. 2021.

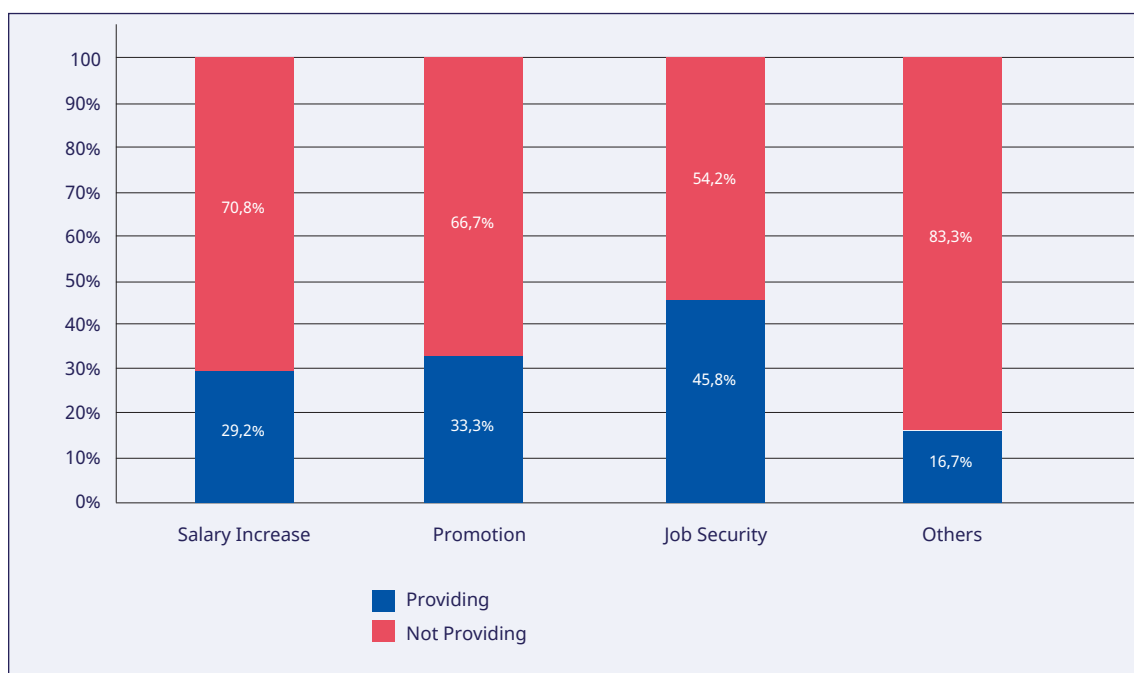
workers also decreases turnover rates and promotes attracting top talent. Moreover, it is expected that companies can reduce operational costs and loss of time as a result of higher worker productivity.

Based on the survey's output, Chart 3.5. displays the extent of incentives given to workers with certification and BLK graduates. It shows that the majority of employers do not provide many incentives to their workers. Only 29.2% of surveyed firms provide salary increases, 33.3% award job promotions, and 45.8% provide job security as company incentives. Several respondents (16.7%) provide "other" specific incentives such as providing training abroad, covering worker certification costs, and different career path acceleration.

Table 3.2. Provision of Incentive for BLK graduates

Providing Incentives	No. of Firms	%
Yes	24	55.8
No	5	11.6
Total	29	67.4
System (missing)	14	32.6
	43	100.0

Chart 3.7. Incentives Given to BLK Graduates or Certified Workers, 2020



Chapter 4

Skills in the Future

This section deals with the skills that companies foresee as needed in the future. Prior to obtaining what types of training a company needs, they normally should carry out a training needs analysis. The section below tries to explain what is a training needs analysis (TNA).

In the modern world, competency has become a buzzword. Every organization strives for a competent workforce that will drive it toward a progressive future. But the reality is that with the passage of time and the advent of new technologies, workforce competency decreases and worker skills become obsolete. So, what's the solution? A TNA provides insights and concrete data to identify the training needs and gaps within an organization. This infographic highlights TNA's benefits (Sushmitha Kolagani, 2020).²⁶

Training needs analysis is a process where businesses determine all the training that needs to be completed in a certain period to allow their team to complete their jobs as effectively as possible, as well as progress and grow (Kim Morrison, 2019).²⁷ There are three key steps involved in TNA that ensure (your) business is making the most of the process:

1. Decide on Skill Sets

The first stage is to decide on the skill sets that you require all your team members to have in order to do their jobs properly. This means looking at every job role within your business separately and considering things like the different departments or levels of seniority which will affect this as well.

2. Evaluate the Skills of Staff

The second stage is to look at all your team members and evaluate their current skill levels in relation to the skills you have laid out in the first stage of this process. This will allow you to see who is meeting your expectations, and who needs to complete further training in order to meet the expected skill level.

²⁶ Sushmitha Kolagani, 2020. CommLab India. 5 Benefits of Training Needs Analysis. <https://blog.commlabindia.com/elearning-design/training-need-analysis-benefits-infographic>

²⁷ What Training Needs Analysis Is And How It Can Benefit Your Organization <https://elearningindustry.com/training-needs-analysis-benefit-organization>

3. Highlight the Skills Gap

Once you know where you want your team to be and the level they are currently at, you will easily be able to see the gaps (if any) that have appeared between the two. After you know what the gap is, you need to use training to help close that gap and ensure your team is at the level you expect them to be.

4.1. Training Need Analysis and Skills Competency in the Future

Conducting a TNA is a very logical measure as with it companies will know exactly what kind of skills their workers really need, how many workers will need to enter their training programme, and the classification of job categories in order to streamline their operations.

Table 4.1. below demonstrates that most companies (85.2%) carried out a training needs analysis to measure the needs of the skills that they plan to require. This means that companies are aware of the importance of TNA and are anticipating the demand for different skills in the future.

Table 4.1. Conducting Training Needs Analysis (TNA)

Conducting Training Needs Analysis	No. of Firms	%
Yes	23	85.2
No	4	14.8
Total	27	100

More than 60% of surveyed companies plan to recruit workers at competency level 1 within the next five years. Only 20% of firms state that they plan to recruit workers at competency level 2, and to a lesser percentage, 17% of companies plan to recruit workers at competency level 3 (Table 4.2).

Table 4.2. Competency levels that companies plan to recruit within the next 5 years

Company plan to recruit	No. of Firms	%
Competency Level 1	15	62.5
Competency Level 2	5	20.8
Competency Level 3	4	16.7
Total	24	100

4.2. Forecasting New Recruits with Skills Beyond Competency Level 3

It is interesting to see that almost 60% of the surveyed firms predict the need for new recruits with a competency beyond level 3, and are expecting a general upgrading including their technologies (Table 4.3). For this reason, some companies have initiated a few steps in anticipation of the need for competencies beyond level 3. Most companies are aware of the expected impacts of IR 4.0 and the accelerated move to digitalization because of the pandemic.

Table 4.3. Company's anticipation for the needs of new recruits with competency beyond level three

Anticipation for the needs of new recruits with competency beyond level 3	No. of Firms	%
Yes	16	59.3
No	11	40.7
Total	27	100

As seen in Table 4.4., half of the surveyed firms collaborated with a BLK that runs a training programme beyond level 3. A few companies (12.5%) cooperated with a BLK by borrowing their instructors for company training. The rest of the firms carried on their own way.

Table 4.4. Steps taken by company to anticipate skill competency beyond level 3

Steps taken by company	No. of Firms	%
Collaborate with the BLK that run training programme beyond level 3	8	50.0
Collaborate with the BLK to lend their instructors	2	12.5
Others	6	37.5
Total	16	100

Related to **Table 4.4**, the firms surveyed said they have other methods of preparing their workers to meet the demands for skill competency beyond level 3. These methods do not involve BLK, but rather in cooperation with other training institutions or are organised internally (Table 4.5).

Table 4.5. Company methods to anticipate the need for skill competencies beyond level three

Types of Company Business Sector	Steps Taken By Companies in anticipation of skill competencies beyond level 3
Construction	Certification and Reskilling
Construction	The company has its own division in evaluating and preparing potential workers to take the managerial position
Water Supply; waste management and remediation activities	Sending potential workers to other professional training institution
Manufacturing	Recruiting new workers
Information, Communication and Technology	Through Staff Development Programme (SDP)

From Table 4.5., it can be seen that firms also intend to meet the demand for competencies beyond level 3 internally through their HR divisions, which evaluate and train potential workers for managerial positions. In addition, some of the surveyed firms also cooperate with other professional training institutions for the same purpose.

Chapter 5

Industry Engagement in Vocational Training

In 2020, to achieve their target of having skilled and qualified human resources, the Indonesian government established a good number of BLK *Komunitas* (Community Vocational Training Centres, VTCs) throughout the country.²⁸ A Community VTC is a training unit or vocational training facility sometimes established in religious centres and other community institutions. The VTCs provide job competency/expertise training to nearby students and communities, according to market demand or to encourage entrepreneurship.

The Minister of Manpower and Transmigration's Decree (*Keputusan Menteri Tenaga Kerja dan Transmigrasi*) No. 261/MEN/XI/2004 article (1) and (2) states that companies who employ 100 or more workers are obliged to provide training for 5% of their total workforce.

5.1. Company Involvement with the Training Industry

There are 305 BLKs run by the Ministry of Manpower (MOM) and by regional governments at the provincial, municipality and city levels throughout Indonesia (Kemnaker, 2020).

To achieve their target to have skilful and qualified human resources, the Indonesia government has established a good number of *BLK Komunitas* (Community VTCs) throughout the country, as mentioned above.

Table 5.1. reveals that companies are engaged in promoting employee skills through collaboration with BLKs in on-the-job training programmes. However, it is discouraging to see that the percentage of surveyed companies that have this collaboration as stated in a Memorandum of Understanding was very low, only 18.5%.

Table 5.1 MOUs between Companies and BLK on OJT apprenticeships, 2020.

With an MOU	No. of Firms	%
Yes	5	18.5
No	22	81.5
Total	27	100.0

²⁸ Kemenaker, Selasa, 4 Agustus 2020. Kemnaker Luncurkan 1000 BLK Komunitas tahun 2020 see <https://kemnaker.go.id/news/detail/kemnaker-luncurkan-1000-blk-komunitas-tahun-2020>.

Surprisingly, the percentage of firms that have a current contract or MoU with a BLK was relatively low, only 13.3% (Table 5.2.). However, such a low percentage may be because almost 85% of the companies did not have any information about BLKs (Table 5.3.).

Table 5.2. Firms with contracts with BLKs including an agreement to hire BLK graduates

With a Contract	No. of Firms	%
Yes	4	13.3
No	36	86.7
Total	30	100.0

This demonstrates that collaboration between companies and BLKs for training does exist. However, it is disappointing that the percentage of firms that have a contract with BLK to hire BLK graduates is quite low, at only 13.3%. The majority of surveyed firms, 86.7%, did not have agreements with a BLK to recruit their graduates. This was likely due to a lack of information about what training opportunities are available at BLKs, a lack of funds, and that only 18.5% of firms have MOUs with BLKs regarding OJT apprenticeships.

Table 5.3. Reason of Firms not having cooperation with BLK

Reasons for not cooperating with a BLK	No. of Firms	%
Not having any information regarding BLKs	22	84.6
Not sure about the quality of BLK graduates	2	7.7
Others	2	7.7
Total	26	100.0

Table 5.4. shows that the majority of the surveyed employers (70%) will continue hiring BLK graduates.

Table 5.4. Employer responses to whether they will continue hiring BLK graduates based on their experiences*

Companies who will continue hiring BLK graduates	No. of Firms	%
Yes	28	100
No	0	0

* There were 14 respondents who did not answer this question

Companies were involved with BLKs in various ways. As seen in Table 5.5., the number of companies providing OJT for BLKs was (31%), followed by companies providing soft skills (23%). The rest were involved in different ways such as development of BLK training curricula, BLK training materials/modules, providing instructors, and involvement in competency testing (11.5% each).

Table 5.5. Company involvement in BLK training

Company Involvement in BLK Training Programmes	Responses	
	No. of Firms	%
Development of BLK Training Curriculum	3	11.5%
Development of BLK Training Materials/ Module	3	11.5%
Sent current workers as Instructors	3	11.5%
Involvement in Competency Tests	3	11.5%
Provided OJT to BLK students	8	30.8%
Provided soft skills training	6	23.1%
Total	26	100.0%

Table 5.6. Duration of company involvement in OJT programmes

Duration	No. of Firms	%
1 - 3 month(s)	11	42.3
3 - 6 months	6	23.1
6 - 12 months	9	34.6
Total	26	100

Table 5.6. demonstrates that the duration of company involvement in OJT programmes varies. More than 40% of firms were involved for 1-3 months, followed by 35% at 6-12 months, and those companies that provided OJT for 3- 6 months, at 23%. Again, this shows a preference for shorter training programmes which enable more flexibility and rapid skill turnaround.

Table 5.7. Assignment of a Mentor by Companies to provide guidance to OJT apprentices

Assignment of a Mentor by the Company	No. of Firms	%
Yes	13	46.4
No	15	53.6
Total	28	100

To support collaboration with BLK OJT programmes, as many as 46% of surveyed firms assigned a mentor to guide the apprentices (Table 5.7.).

The joint OJT effort carried out by companies was in the following forms:

- ▶ Developing OJT materials and answers
- ▶ Developing OJT outputs and answers
- ▶ Developing OJT logbooks/daily notes

The participation of companies in each form was not high at only 46%, 35% and 40% respectively (Table 5.8).

Table 5.8. Companies Working with BLK OJT

Developing OJT Materials Answer	No. of Firms	%
Yes	11	45.8
No	13	54.2
Total	24	100
Developing OJT Outputs Answer	No. of Firms	%
Yes	8	34.8
No	15	65.2
Total	23	100
Developing OJT Logbook/Daily Notes Answer	No. of Firms	%
Yes	9	39.1
No	14	60.9
Total	23	100.0

Table 5.9. Employers' responses whether to continue hiring BLK-graduated worker, based on their experiences

Company will continue hiring BLK graduates	No. of Firms	%
Yes	28	100
No	0	0

*) in this question, there are other 14 respondents decided not to answer

Encouragingly, all the surveyed employers stated that they would continue hiring BLK graduates based on their experience with them (Table 5.9).

Companies have varying methods of monitoring and evaluating (M&E) on OJT of apprentices, as seen in Table 5.10., from "self-monitoring and independent evaluation", through "involvement of labour union", "labour inspectors", "using logbook/daily notes", involving "other independent institutions" and "other monitoring and evaluation method". However, the percentage of the surveyed companies who used these methods was relatively low, in a range from 9.5% to 37%.

Table 5.10. Methods of Monitoring and Evaluating OJT apprentices

Self-Monitoring and Independent Evaluation	No. of Firms	%
Yes	7	29.2
No	17	70.8
Total	24	100
Involving Labour Union	No. of Firms	%
Yes	4	15.4
No	22	84.6
Total	26	100.0
Involving Labour Inspectors	No. of Firms	%
Yes	6	23.1
No	20	76.9
Total	26	100.0
Using Logbook/Daily Notes	No. of Firms	%
Yes	10	37.0
No	17	63.0
Total	27	100.0
Involving Other Independent Institutions	No. of Firms	%
Yes	4	15.4
No	22	84.6
Total	26	100.0
Other Monitoring and Evaluation Method	No. of Firms	%
Yes	2	9.5
No	19	90.5
Total	21	100

5.2. Participation in Industry Network Communication Forums²⁹

Social partnership in vocational education and training is suggested as a collaboration between employers, trade unions, public authorities and training institutions to ensure that the training provided is adequate and relevant to labour market needs. This is because occupations are changing and economic restructuring and global competition are destroying old-style jobs, while creating new ones with new demands on human capital. Frequently, young people entering the labour market lack the competencies that are required in many jobs, meanwhile the ageing workforce struggles to keep pace with technological developments. Making training relevant to labour market needs is an issue of concern the world over.

Employers have an important leadership role to play in providing viable pathways into the workforce, particularly amid uncertainty about exactly what the future of work will look like. This leadership can take many different forms, from partnering with local schools, to creating internal skills development programmes, to identifying the skills they need and communicating these skills to local education and community partners.

Technological advances are making it difficult for workers, employers, and educators alike to identify the skills that job seekers need.

Associating with other companies, particularly ones in the same business, is crucial. Realizing their important role, around 70% of the surveyed firms said that they participate in industry network communication forums.

There are currently a variety of employer associations in Indonesia, the largest and the most widely known by the public being APINDO. There are also various employer associations with similar functions and roles in each business sector. In general, these associations have many responsibilities such as communicating the interests of employers engaged in their industry, and establishing communication with the government and labour unions on behalf of their members. In this section, the surveyed firms were asked about the benefit of the associations for their company. Generally, APINDO represents a tripartite membership.³⁰ From the survey, most employers actively participate in industry network forums and employer associations. Such participation is deemed important as companies share various issues from international and national economic and labour market developments, to synergizing labour market needs and skills training.

Table 5.11. shows that employers with BLK graduates tend to be more active (70.4% confirmed their participation) in industry network forums compared to employers with non-BLK graduates (60%).

The surveyed companies (80%) also confirmed that communication forums are useful (Chart 5.1). Furthermore, the surveyed respondents also expressed their satisfaction with the industry network and feel it benefits their company in many ways (Chart 5.1).

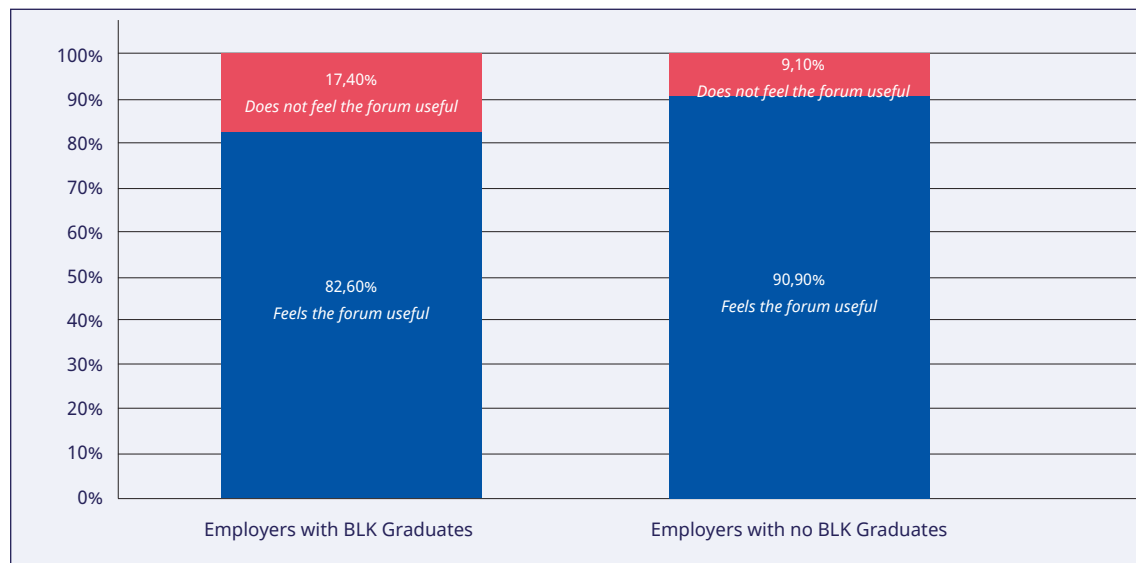
Table 5.11. Company Participation in the Industry Network Forum, 2020

Company Participation in the Forum of Industry Network	Employers with BLK graduates		Employers with no BLK graduates	
	%	%	%	%
Yes	19	70.4%	18	60.0%
No	8	29.6%	12	40.0%
Total	27	100%	30	100%

²⁹ This Industry Network Communication Forum, which is different from the Apprentice Forum, is expected to synergize between the needs of industry and training graduates so that the graduates can be directly employed in the industry, for example between BBPLK Bandung and PT Amatil Coca Cola (BLK Bandung).

See: <https://www.facebook.com/pelatihan.kerja.gratis.bandung/posts/forum-jejaring-komunikasi-industri-bbplk-bandung-tahap-1-tahun-2016-sebagai-wada/1670510709857740/>

³⁰ Tripartite is represented by three elements: government, employers and trade unions.

Chart 5.1. Usefulness of communication forums for company

5.3. Suggestions for the Government in relation to improving worker skills

As can be seen in Table 5.3, there are several suggestions for the government to provide incentives and support for companies to improve the skills in their workforces. The most popular suggestion is that the BLK provide competency-based vocational training (CBT). In fact, the BLK introduced and implemented CBT training many years ago, however, it is unclear whether the implementation was successful. This underlines the need to further develop BLKs to update their skills training programmes. However, to make maximum use of these programmes companies in similar sectors need to work

with each other and the BLKs to synergize the training programmes among them. This will enable more efficient resource use and provide OJT facilities to complement remote technical skills training programmes. This might even provide an opportunity for companies to set up in-house training facilities and programmes that can accommodate trainees from other companies. This is supported by almost 15% of companies who expressed the idea of establishing sector skills bodies.

More apprenticeship opportunities is one of the most important suggestions, with 17 companies mentioning it. However, while more apprenticeship opportunities are a great way to augment skills the way a company may need, the unions and companies have to work together to revamp the apprenticeship laws and regulations to make them less cumbersome, less influenced by the fear of hiring underage workers, and more responsive to the glaring impacts and inequalities they currently create in the workforce. A national apprenticeship commission is required to develop and oversee the implementation of apprenticeships in Indonesia. The current labour law-based approach is cumbersome and adversarial such that companies might not want to take risks that might invite legal action. In addition, Indonesia's unions are centralized and inexperienced in industrial society labour issues because they have not fully evolved in the process of industrial development the way developed, high-income countries have. This means that anyone who seeks to discuss policy (especially related to apprenticeships) needs to approach the issues with a full understanding and empathy of the situation. All parties need to understand the benefits that would accrue for them and their families/children over the long-term if apprenticeships were developed properly, rather than focussing on the short-term impacts that they "think" will occur by applying economic or financial analysis.³¹ A commission on the other hand would take a cooperative approach to the management of apprentices that would interface in a tripartite manner with unions, the government and industry. This is especially important for the millions of youths who did not complete their formal education between the ages of eight to 12.

³¹ The reference here is to the basic refusal of unions and employers to get behind good apprenticeship policy. Employers seem to fear child labour issues and investing in skills training because they are afraid the workers they invest in will be poached by other companies when they are qualified. Unions seem to fear that a specially scaled low wage strategy for apprentices will impact the income of other workers. We know from experience that one of the best ways to ensure employers get the skills and workers they need, and union members get long-term employment opportunities for themselves and their families, is through demanding opportunities for long-term skills development, and development of long-term apprenticeships based on a model such as that which was being used in Australia in the 1970s. There, apprentice wages are based on their perceived value in terms of levels of skills that are available to their employers.

A skills development fund is a great idea, however there is already a skills development fund of sorts in Indonesia which ostensibly targets skills shortages. The theory is that foreign workers who take up employment in Indonesia are employed because they are needed to fill skills shortages. Each foreign worker who holds a work permit pays USD100 per month into the skills development fund. The big question is not whether or not a skills fund is to be developed, but how the skills development fund is being used to address skills shortages.

There are also significant tax incentives already provided for human resource development in Indonesian companies (PP 45 of 2019).³² However, the incentives are only likely to be effective and utilized by large registered companies that actually pay taxes. The corporate tax rate in Indonesia is 22% of annual profit (this is expected to be reduced gradually to 17% by 2022³³) Companies only pay the corporate tax rate if they have a turnover of more than Rp. 4,800,000,000 (Rp. four billion eight hundred million) per annum. If a company does not make a profit it does not pay tax.

For companies or Micro- Small- and Medium- Enterprises (MSMEs) with an annual turnover of less than IDR 4,800,000,000 (four billion eight hundred million rupiah) their tax rate is only 0.5%. This means if an MSME had an annual turnover of IDR 1,000,000,000 (one billion rupiah) it would pay only IDR 5,000,000 (five million rupiah) in tax. This is a very small amount to invest in human resources development. Most MSMEs have less annual turnover than this, so one wonders how many MSMEs, that make up the bulk of the Indonesian economy, will avail themselves of the tax incentive. Within this context, the current tax incentives seem to only benefit the fortunate few.

The sector skills policy comment is probably referring to something like Sector Skills Councils that organize and network companies according to the industrial sector that they operate in, rather than for example the traditional way in which governments tend to operate which is by geographical groupings. For example, each district or province might have employer associations who provide input into training needs assessments. However, it is easy to see how inefficient this can be as the overlap of work and membership is likely to be great. A Sector Skills Council, for example, might be an international or national body that brings together all the stakeholders in a specific sector to discuss and identify skills shortages that relate to that sector and find ways to effectively overcome them. This approach is likely to work well in Indonesia and is especially relevant to the MSME part of the economy. With a sectoral approach (through a Sector Skills Council), MSME's, who under normal circumstances would not have input into or benefit from good training policy due to their low income and scarce funds, could pool their resources and work with larger companies to access skills training.

Table 5.12. Company suggestions for the government in relation to improving workers/workers' skills

Suggestion for the government	Responses	
	No. of Firms	%
Provide Competency Based Vocational Training	31	30.7%
More apprenticeship opportunity	17	16.8%
Develop skills development funds	18	17.8%
Provide tax incentives	12	11.9%
*) Establish a sector skills body <small>Asked to 42 respondents</small>	15	14.9%
Others	8	7.9%

Based on the survey's results, it may be concluded that employers put relatively little effort into improving their worker's skills. Companies should be more active in providing OJT for new workers and skilling, upskilling and reskilling programmes to upgrade or enhance employee skills, and to reduce the skills gap. However, skills development needs to be combined with effort and support for business upgrading, so that employers feel the need to invest in worker skills. It is important for the government to increase its support for business upgrading (in order to support more investment in skilling, for example).

32 *Perubahan Atas Peraturan Pemerintah Nomor 94 Tahun 2010 Tentang Penghitungan Penghasilan Kena Pajak Dan Pelunasan Pajak Penghasilan Dalam Tahun Berjalan*

33 Akhla, Adrian W., "Indonesia accelerates tax reforms, cuts corporate income tax in COVID-19 playbook" Jakarta Post website, April 2, 2020.

The most effective way to do this is through good apprenticeship policy and a national body to oversee and manage apprenticeships that operates in a cooperative manner, according to, but at arms-length from, implementation of the law. Good apprenticeship programmes are essential, especially in response to the economic impacts of the pandemic. Anecdotal data suggest many companies are furloughing older, experienced and more expensive to maintain workers, while seeking to replace them with younger, more flexible workers who possess updated skills, and with the attitudes and motivation to easily morph into new roles.

Many businesses seem to be following and responding to the old metaphorical adage that ***“you can’t teach an old dog new tricks”***. This is apart from what the older workers demand from their employers. It does not reject the idea of upskilling and reskilling, but it does suggest that in labour market (employment facilitation) theory, the most often claimed productivity enhancer is to ensure the occupation of the worker is the occupation that the worker desires. This is key to unlocking the current issues facing employers and calls into question the overall efficacy of upskilling and especially reskilling of older workers.

The question in the minds of many employers is: can older workers who are accustomed to the old way of doing things, and trained in superseded technologies, especially those who have not subscribed to the idea of lifelong education, adapt readily to new ways of doing things and new technologies, bearing in mind that new technologies and new ways of doing things often require significant background experience and a contemporary mindset? While there will be a place for upskilling and reskilling programmes, more important are apprenticeships and training opportunities for new workers who are willing to adapt to international standards. This is particularly true when employers are looking to refresh their workforces and adapt their businesses, while simultaneously addressing lower income, in the wake of the pandemic.

Employers are lacking in the provision of incentives for their current workers. As shown in Chart 3.5, a plurality of surveyed companies (45.8%) offer job security as an incentive. This might be influenced by the global pandemic, as a majority of companies experienced rapid revenue decreases or had to temporarily close. In September 2020, BPS predicted that at least 82.85% of companies in Indonesia had a decrease in revenue during the pandemic, and only 2.55% were predicted to achieve an increase (CNN Indonesia, 2020)³⁴. This indicates that many companies will not be able to stand by their job security “incentive”. There is anecdotal evidence³⁵ that many companies are using the pandemic conditions to rehabilitate their workforces. The trend seems to be that companies release older or more experienced staff who receive higher salaries and conditions, and then employ younger, less experienced people, who do not demand or are not eligible for higher pay or conditions. It also seems clear that many companies are just not employing as many staff as they did prior to the pandemic because business conditions remain depressed, which is likely to continue for a number of years. This indicates that public employment services need to be strengthened with good counselling and job matching services, as well as opportunities for staff that have been laid off to learn new skills.

Public employment services during an economic and unemployment crisis such as Covid-19 also require the support of resilience-based individual income generation, or income replacement training and micro-finance programmes. A situation in which apprenticeships with a proportional pay rate should be very attractive to companies. (For example, in England minimum wages are set based on age groups³⁶).

Employers actively participate in industry network forums and feel their benefit. The forums can offer insightful discussions as well as provide information regarding the latest innovations related to a company’s productivity. In addition, company involvement in associations also offers a chance to connect with top-level executives from leading companies, and helps to build strategic partnerships for short-term or long-term business growth. (See Sector Skills Councils, as mentioned above).

Sector Skills Councils with international links could bring employers together to identify national skill shortages. The councils could employ skilled foreigners for their collective in-house training programmes and to train or mentor apprentices to develop the required skills in the national economy without fear of brain drain.³⁷ In addition, with the advent of Government Regulation (*Peraturan Pemerintah*) No. 45 of 2019, the cost of employing a skilled foreigner for training purposes may be claimed as a tax deduction, especially when related to development of internships or apprenticeships.

34 CNN Indonesia: 82 persen pendapatan perusahaan merosot di Era Covid-19. <https://www.cnnindonesia.com/ekonomi/20201007131253-92-555422/bps-82-persen-pendapatan-perusahaan-merosot-di-era-covid-19>. 2020.

35 Findings related to the writer through a conversation with a person who was recently in discussions with the staff of a regional manpower services office (Disnaker) in Indonesia.

36 For example £8.20 per hour for 21 to 24 YO, £6.45 for 18 to 20 YO and £4.55 for workers under 18. Apprentices get £4.15 per hour which is the under 18 wage, but with a slight deduction that compensates for learning skills that can be used to significantly increase pay rates after becoming qualified. This implies that people who aspire to be skilled professionals make some sacrifices early in their career in order to increase their incomes in later years.

37 Which often happens when workers are sent overseas for training or education.

Chapter 6

Conclusions and Recommendations

6.1. Conclusions

- ▶ This survey covers 42 respondents. Not all respondents provided complete responses, which resulted in different numbers of answers to each question.
- ▶ Most firms surveyed were from the manufacturing and the construction sectors.
- ▶ Male workers were mainly employed in medium and large firms, while female workers were evenly more distributed between small, medium, and large enterprises.
- ▶ The surveyed employers could identify their workers from BLKs based on their job applications or by cooperating with a BLK.
- ▶ Almost 60% of the surveyed firms had BLK graduates as workers.
- ▶ Almost 60% of the surveyed firms assigned BLK graduates as junior staff (competency level 1), or to a lesser extent as senior staff. Only 7.7% were assigned as supervisors.
- ▶ As high as 77.8% of the surveyed firms hired BLK graduates in technical competency jobs at levels 1, 2, 3, 4, and 5, and 18.5% were hired for non- technical competency jobs.
- ▶ As many as 83% of surveyed employers gave incentives/certifications to BLK graduates in the forms of job security, promotions or salary increases.
- ▶ Competencies that were required by the surveyed firms varied. The most required competency was technical skills, followed by soft skills and digital literacy, and the third most was managerial, soft skills and technical skills.
- ▶ The majority of employers were satisfied with the performance of BLK graduates.
- ▶ Employers expressed moderate satisfaction with workers' first, second and third skill levels.
- ▶ The majority of employers rated the digital ability of workers as at a moderate level.
- ▶ Likewise, the majority of employers rated the soft-skills of workers as at a moderate level
- ▶ Employers were moderately satisfied with the competency of their workers.
- ▶ Comparison between BLK graduates and non-BLK graduates in soft skills was slightly different, with BLK graduates generally displaying better soft skills, according to employer perceptions.

- ▶ Company efforts to improve workers skills varied from OJT, skilling, reskilling and upskilling. These categories are not mutually exclusive. For example, OJT could also be used to support skilling, reskilling and upskilling.
- ▶ More than half of the surveyed firms acknowledge that they give incentives to their workers for being skilful in the form of job security, promotions, and salary increases.
- ▶ Training Needs Analysis (TNA) was used by a majority of employers to analyze the skills that their workers needed.
- ▶ More than half of the surveyed employers planned to recruit workers at competency level 1 in the next five years.
- ▶ Businesses that anticipated skills in the future were mainly in the manufacturing and the construction sector, followed by education and ICT. Other sectors demonstrated low anticipation with regard to skills for the future.
- ▶ Almost 60% of the surveyed firms anticipated the need to hire new recruits at a competency beyond level 3.
- ▶ As many as 85% of the surveyed firms are preparing for skills needed in the future.
- ▶ Steps taken by firms in anticipation of the need for skill competencies beyond level 3 include collaborating with BLKs that run training programmes beyond competency level 3, and inviting BLK instructors to act as mentors or give advice.
- ▶ The Minister of Manpower and Transmigration's Decree No. 261/MEN/XI/2004 article (1) and (2) states that companies who employ 100 or more people are obliged to provide training for at least 5% of their total workers. However, the total MOUs between the surveyed companies and BLK was very low at 18.5%. There is also a target of 1% of the workforce to be filled by disabled workers. However, history has shown that having such targets is not an effective way to address these issues. A better way is to have companies linked through good, mutually beneficial, relationships with public employment services.
- ▶ Surprisingly, almost 85% of the surveyed firms did not have any information regarding BLKs. This relates also to the linkage with public employment services. Public employment services can, by way of labour market profiles and specific links to employers, build an understanding of skills shortages and future IR 4.0 skills needed in local industries. This information can then be made available to BLKs so that they can respond with appropriate programmes. In this way, the public profile of BLKs can be raised so that firms are aware of their services and be more likely to make use of them. BLKs also need to modernize their training programmes to build expertise especially in IR 4.0 and digital technologies. This can be done at some level by tapping into existing international online education and training courses.

Company involvement in BLK training programmes varies from providing OJT to BLK students; providing soft skills training; developing BLK training curricula and materials/modules; sending their workers as instructors to BLK, and involvement in competency testing. However, other findings and comments in the conclusion points above indicate that the relationship between BLKs, public employment services and industry needs to be significantly rehabilitated.

Although it is not covered in this survey, one question is: why do BLKs overlap with *Dinas Tenaga Kerja* (Provincial or District Office of the Ministry of Manpower, Disnaker) in the provision of "3 in 1" services, when most Disnaker offices also provide public employment services? Standardization of these services should be made so that good links are formed between the two organizations nationally. Disnaker can then focus and provide region-wide quality public employment services (including soft skills training). BLKs need to focus on their training role and provide high-quality modernized *technical* training services. Now, perhaps more than ever, the opportunity exists for rapid rehabilitation of BLKs in skills related to digitalization.

- ▶ The training programmes that companies provide normally run 1-12 months, and most often one to three months.
- ▶ Methods of monitoring and evaluation of OJT apprenticeships varied from self-monitoring and independent evaluation; involving labour unions or labour inspectors; using logbook/daily notes; involving other independent institutions, and other methods.

6.2. Recommendations

- ▶ As frequently stated, there is a mismatch between skills possessed by Indonesia's workers and what the industry needs. Yet, the survey results show relatively few employers trying to improve their workers' skills. Companies should be more active in improving employee skills through OJT skilling, upskilling and reskilling programmes in order to meet industry requirements. In terms of the economic impact of Covid-19, well managed apprenticeships as well as a review and updating of apprenticeship policies, will make apprenticeships a more attractive and rewarding way of skilling, upskilling and reskilling. However, apprenticeships should have a remuneration scale based on age and related to the skill level achieved. At the same time, this could also be of interest to older employees who need upskilling or reskilling. Apprenticeship wage rates for skilling, upskilling and reskilling should be slightly lower than for qualified professionals of the same age group.
- ▶ The survey's results demonstrate that while employers provided a lack of incentives to their workers, a majority of those surveyed (45.8%) offer job security as an incentive. This may be due to the global pandemic when a majority of companies experienced a decrease in revenues or even had to close their operations, often not temporarily.
- ▶ In September 2020, BPS predicted that at least 82.85% of companies in Indonesia experienced decreasing revenue during the pandemic, and only 2.55% were predicted to achieve increasing revenue (CNN Indonesia, 2020)³⁸. This shows that many companies will not meet their incentive commitments, especially job security, and that the government will need to change its priority temporarily from skills training to post-crisis response, and ensure there are adequate programmes to handle the surge in unemployment that is likely to continue for the foreseeable future. The new normal, combined with IR 4.0 pressure on companies, is likely to be expressed in persistent levels of high unemployment.
- ▶ Employers are actively participating in industry network forums and benefiting from them as they offer insightful discussions as well as information regarding the latest innovations related to a company's productivity. Company involvement in associations also offers them a chance to connect with top executives from leading companies, and helps them to build strategic partnerships for short-term or long-term business growth. Within this context Sector Skills Councils should be considered, which is in line with the future strategies of the National Vocational Committee.
- ▶ Most of the employers surveyed suggest that the government put more effort toward human resource development as this is their current focus. Among other things, the *Kartu Pra Kerja* (Pre-employment Card) and tax incentives for human resource development are aimed mainly at larger industry players and those people with a good Internet access. More emphasis should be put on how to meet the needs of operators at the smaller end of the industry scale.
- ▶ There is a need to increase the quality of BLKs so they can provide digital-based training, a wider variety of skills training, and continually upgrade their equipment and human resources to keep up with advances in technology and IR 4.0.
- ▶ With the coming of IR 4.0, BLKs need to convert their courses to digitalization-related training.

38 CNN Indonesia: 82% of companies' revenue decline in the Covid19 era
<https://www.cnnindonesia.com/ekonomi/20201007131253-92-555422/bps-82-persen-pendapatan-perusahaan-merosot-di-era-covid-19>. 2020.

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