

Indonesia

1. Overall Condition of Labor Market

The population of Indonesia now exceeds 210 million, and the labor force population constitutes approximately 100 million of the total population. The percentage of young people (aged under 25) in the labor force has shifted at a rate of 20% to less than 30% over the past few years with no significant change (as of 2002). Despite an abundance of labor, Indonesia has seen tough labor market conditions since the currency crisis. The unemployment rate rose from 5.0% in 2000 to 9.1% in 2002. Labor market problems are very serious. There are many people who are not fully employed because they work less than 35 hours a week. Among other things, youth unemployment is a serious, deep-seated problem. The government intends to improve the situation by implementing a nation-wide vocational training policy.

2. Outline of the Vocational Training Policy

(1) Basic Principle for the Vocational Training Policy

Circumstances surrounding the labor market have worsened since the currency crisis. The central government is making a strong effort to improve the quality of the labor force through the vocational training system it has established. Based on the new Labour Law No. 13/2003 on manpower, the government aims to establish three major pillars for its national vocational training policy - the "Vocational Training Coordination Institution," the "National Vocational Training System" and the "National Skills Certification System" - at the earliest possible date.

Firstly, the "Vocational Training Coordination Institution" refers to an organization that coordinates vocational training activities and evaluates training programs to determine the direction of vocational training for the country as a whole. The central government, employers' associations, vocational training centers, and other organizations participate in the organization. Transcending ministerial boundaries, they work together to deliver more efficient vocational training.

Secondly, with regard to the "National Vocational Training System," the central government has been transferring power to local governments based on the Law No. 22/2000 on decentralization. Presently, the central government leads efforts to establish rules and guidelines concerning vocational training, with local governments offering actual vocational training programs. The central government intends to provide thorough instruction to local governments, in order to address issues concerning vocational training such as any shortage of instructors.

Lastly, the government has been working to redevelop the "National Skills Certification System" since 2003. The new system aims to properly evaluate the skills of the labor force, so that highly capable workers can find jobs both at home and abroad. Skill certification and certificate issuance are

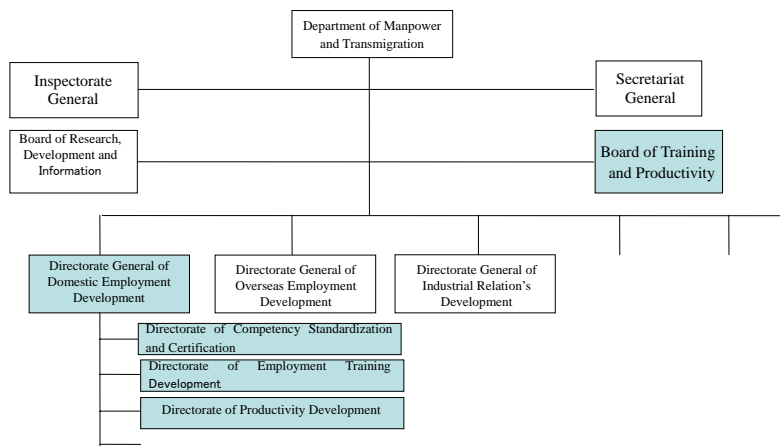
conducted by a government-accredited organization called LSP (certification organization by occupation). Presently, there are seven LSP organizations in Indonesia.

(2) Vocational Training Budget and Administrative Organization

The Ministry of Manpower and Transmigration's budget for fiscal 2000 was approximately 900 billion rupiah, and approximately 62 billion rupiah of the total budget was allocated to the Directorate General of Domestic Employment Development. The budget is mostly spent on development of training programs, operation of training facilities, personnel expenses for instructors, and public relations activities (to disseminate information). Under normal circumstances, the national budget for vocational training should include budgets allocated for vocational training by other ministries and agencies of the central government, local governments, and the private sector. According to the central government, detailed figures are not available at the present stage.

The following is a brief overview of the Department of Manpower and Transmigration (see the chart below). There are two units that oversee vocational training. One is the "Directorate General of Domestic Employment Development," under which five directorates are operating, namely the "Directorate of Competency Standardization and Certification," the "Directorate of Employment Training Development," the "Directorate of Productivity Development," the "Directorate of Employment Development and Expansion" and the "Directorate of Manpower Utilization and Supply." The "Directorate of Employment Training Development" has duties to develop training programs, secure and train instructors, and formulate standards for and monitor activities of vocational training institutions. The "Directorate General of Domestic Employment Development" oversees the operation of six country-level vocational training centers: (i) Agricultural Training Center, Rembang; (ii) Industrial Training Center, Serang; (iii) Industrial Training Center, Medan, Sumatera; (iv) Industrial Training Center, Makassar; (v) Industrial Training Center, Samarinda; and (vi) Industrial Training Center, Surabaya. A total of 153 vocational training schools were operating under the control of the central government in the past. Presently, most of these schools are operating under the control of local governments due to the central government's decentralization policy. The six country-level vocational training centers have duties to communicate the central government's policies to other vocational training schools that have been placed under the control of local governments.

Another unit that oversees vocational training is the "Board of Training and Productivity," under which several units are operating including the "Centre of Overseas Workers Training," "Centre of Employment Training for Manufacturing and Services Industry," and "Centre of Labour Productivity." These units provide vocational training mostly to instructors of vocational training schools, workers requiring advanced skills, and civil servants.



【Organization Chart of the Department of Manpower and Transmigration (Summary Edition)】

(3) Overall Picture of Vocational Training

A broad range of vocational training programs are provided to young people, unemployed, incumbent workers, and instructors of vocational training schools in Indonesia. Vocational training schools include those operating under the direct control of the central government (the Department of Manpower and Transmigration), those operating under the control of local governments, vocational training centers in the private sector, and training facilities of individual companies. It is reported that training facilities owned by private companies total approximately 32,000, although precise data are not available. The following section covers “vocational training” conducted at country-level vocational training centers under the direct control of the central government (the Department of Manpower and Transmigration).

These training centers provide training programs in seven technical fields: (i) Mechanical Engineering, (ii) Electronic Industry, (iii) Welding, (iv) Agriculture, (v) Commerce (including IT and computer related fields), (vi) Construction, and (vii) Others (such as service). These programs are designed not only for graduates of secondary schools and senior secondary schools but also for unemployed and incumbent workers.

There are a wide variety of training courses. For example, there are some courses that require a few years of training, including the “Technical Expert Development Course” and the “Craftsman Development Course.” The former covers the three fields of mechanical engineering, electronic industry and welding, and the latter provides welding training. On the other hand, there are some courses that complete within the relatively short training period of 600 to 700 hours such as the “Basic Course.” Other courses include the “Mobile Training Course” designed to provide training in

rural areas using a vehicle, and the “Tailor Made Course” that is tailored to meet the needs of individual companies and workers. All of these courses are entitled to a government subsidy.

3. Training Program for Young People - “Technical Expert Development Course”

(1) Training Program Content

Major training programs for young people include the “Technical Expert Development Course” provided at five training centers (except the Agricultural Training Center, Rembang), which operate under the direct control of the central government (the Department of Manpower and Transmigration), as already described. They are aimed at developing technical experts with knowledge and skills required in the fields of “mechanical engineering,” “electronic industry” and “welding.” The course duration is 3 years (6 semesters) or 5,200 hours and above. They provide theory and workshop activity (on-the-job training) in a balanced manner, as shown in the table below.

【Example of Curriculum】

Grade	Course Content
1 st year	Theory: 576 hours (including 96 hours of general theory and 192 hours of technical assignment) Workshop: 1,344 hours
2 nd year	Theory: 960 hours (including 168 hours of general theory and 312 hours of technical assignment) Workshop: 960 hours
3 rd year	Theory: 1,152 hours (including 240 hours of general theory and 336 hours of technical assignment) Workshop: 776 hours

(2) Target and Expense of Training Program

These training programs are designed for graduates of senior secondary schools and young people aged up to 21. To secure a place in the programs, candidates must have a good academic rating for senior secondary education (7 or above on a zero to ten scale), pass the written examination (English, mathematics, chemistry or physics), interview test, aptitude test, and health checkup. Data showing the total number of people who received training at these training centers are not available. On the basis of facts that the maximum enrollment for each test center per year is 216 and that there are five test centers (excluding the Agricultural Training Center), it is estimated that more than 1,000 technical experts are developed across the nation in a year.

A program costs approximately 7 million rupiah for 6 months (or for 1 semester); a trainee bears 1 million rupiah and the central government provides 6 million rupiah. This means that slightly

less than 90% of the cost is covered by a government subsidy.

(3) Job Matching after Training

The central government and local governments do not provide job placement services or other support to help trainees find a job after training. However, there are strong ties between training centers and private companies that offer on-the-job training opportunities to trainees. Many trainees use such connection to find a job.

These programs have an extremely high placement rate. Though it is difficult to conduct a follow-up survey, about 95% of trainees find employment upon completion of training. Many trainees find a job in Czech, Slovakia, Austria, Germany, China, and other countries. These programs receive accreditation from European rating agencies, because they provide trainees with world-class skills. Trainees with welding skills continued to be in high demand particularly with European companies.

4. Certification System

Redevelopment of the “National Skills Certification System” is under way to reflect the changes brought on by the new Labour Law No. 13/2003 on manpower. Under the new law, an independent body accredited by the central government called LSP (certification organization by occupation) implements skill certification and certificate issuance. Presently, seven LSPs are operating in Indonesia and each LSP has certification authority over a specific field.

Traditionally, the certification system placed emphasis on “hours of training.” Since 2003, the emphasis has been shifting towards “competency” in line with the increasing need to adopt international standards. For that purpose, development of skill assessment standards is progressing at a faster pace. Skill assessment standards for “35 occupations” have been developed to date. They are related to automobile, mechanical engineering, and textiles.

Skills required for various occupations are divided into thousands of “skill units.” For example, there are about 170 “skill units” for automobile related occupations. Trainees can obtain a number of certificates by combining various skill units. For instance, they can obtain the “Junior Mechanic,” “Senior Mechanic” or “Advanced Mechanic” Certificate depending on their competency level. Some programs such as “Tune Up” and “Tire Balancing” are created from the viewpoint of developing workers with higher technical skills to meet the requirements of occupations that are segmentalized. To obtain the “Junior Mechanic” Certificate, trainees must earn more than 43 skill units out of about 170 skill units. Individual LSPs (certification organization by occupation) have authority over the skill units. Assessment is based on a skill test conducted at the location of training.

The government has many issues to overcome, including expansion of LSP (certification organization by occupation), development of skill assessment standards for other occupations, and development of cross-occupational national certifications. In Indonesia, development of the skills

certification system is still in its early stage.