

Appendix 2

**THE STUDY ON THE IMPROVEMENT OF
EMPLOYMENT SERVICES
IN
THE REPUBLIC OF INDONESIA**

Summary

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**JAPAN INTERNATIONAL COOPERATION AGENCY
Overseas Vocational Training Association**

THE STUDY ON THE IMPROVEMENT OF EMPLOYMENT SERVICES IN THE REPUBLIC OF INDONESIA

Study Background

1.1 High in unemployment rate mainly among the young

Since the economic crisis in 1997, Indonesia had experienced continuous growth of the number of the unemployed, hitting the complete unemployment rate of 11.24% in 2005. Despite the rate having declined to 9.8% in 2007 and to 8.5% in February 2008, the recent global financial crisis may cause the rate to rise again in the future. Further, the substantive unemployment rate which adds the number of the involuntarily-unemployed among job seekers and the number of the completely-unemployed exceeds 20% every year, showing that approximately one in five labour forces is unemployed.

The majority of the unemployed have been concentrated in the age group between 15 and 24, and the number in this group alone counts approximately 4.56 million as of February 2008. This number is equivalent to 48.4% of the total unemployed people of nearly 9.43 million. Moreover, the addition of the age group between 25 and 29 leads the number of the unemployed to approximately 6.33 million, making up 67.1% of its total.

Positioning a solution to the employment issues as one of the most important tasks under the current administration, the Indonesian Government has sought to lower the complete unemployment rate to 5.1% by 2009 in the Presidential Directive “National Mid-term Development Plans (2004-2009)”.

1.2 Low in usage of public employment exchange agency

The public employment exchange agency in Indonesia is the Manpower Office of local government (hereinafter referred to as “MOLG”) located in 465 provinces and cities nationwide (444 at the time of the preliminary survey). However, its public awareness being low hinders its effective functioning as an organization that connects employers and job seekers.

A questionnaire survey to Japanese companies revealed that at the time of their recruiting activities many of them adopted a way unique to them (e.g. direct recruiting at schools, newspaper ads, request to private employment exchange agencies) without using the MOLGs.

Further, while the number of the unemployed as of February 2007 was approximately 10.55 million, the MOLGs had about 2.36 million registrations as job seekers as of September, showing there are a large number of the unemployed who do not make use of the MOLGs.

1.3 Offering fair and equal employment opportunities

At present, job seekers wishing to acquire job information have to rely on informal information paths including those provided by the school they belong to or by someone they know. Therefore, their availability of information varies depending on their position or status, and thus depriving them of fair acquisition of job information. Although employment exchange must be fairly and equally implemented, “offering fair and equal employment opportunities” has not been achieved due to such situations as frequent recruiting through a personal connection, regional differences in the demand of workers, or regional gaps in the levels of their employment services.

1.4 Request by the Indonesian Government

Under the above-mentioned circumstances, the Government of Indonesia (hereinafter referred to as “GOI”) has requested the Government of Japan (hereinafter referred to as “GOJ”) to support them for this development study called “ The Study on the improvement of Employment Services in the Republic of Indonesia (hereinafter referred to as “the Study”) to analyse and improve the public employment exchange system. In the Study, preferable circulation of economic growth and employment expansion will be promoted by improvement of the employment environment including reduction of the unemployment rate, and such accomplishment will be fairly distributed to the entire nation to contribute to reduction of poverty.

On the basis of this request, the development study was implemented with the Directorate General of Manpower Placement Development (hereinafter referred to as “DGMPD”) in the Ministry of Manpower and Transmigration (hereinafter referred to as “MOMT”) as the counterpart.

Objectives and Implementation of the Study

1.5 Objectives of the Study

The objectives of the Study is to propose an efficient employment exchange system deployed in what MOMT and MOLGs must do to provide the “fair and equal” employment services.

The Study also seeks to enhance the ability of the staff engaging in employment exchange in terms of their employment exchange services in the MOLG.

1.6 Study implementation procedure and system

The Study was implemented with the following three stages:

[Stage 1]: Survey of present situations and development of the Model Program

The Study was implemented in relation to information on employment and the labour market in Indonesia, the methods for services in public employment exchange agencies, and the relationships among vocational training organizations, educational organizations, business establishments and the public employment exchange agencies. Based on this survey, the issues on employment services were analysed to develop the “Model Program”. The implementation areas for the Pilot Project which experiments the “Model Program” were also selected.

[Stage 2]: Implementation of the Pilot Project

The Pilot Project which experiments the “Model Program” was implemented in the selected areas to verify its effectiveness and adaptability. Further, the “Model Program” was modified based on the evaluation of the experimentation results.

[Stage 3]: Development of recommendations based on results of the Pilot Project

This stage developed the recommendations that contribute to improvement of employment services, with a view to functional enhancement of MOLGs using the “Model Program” and the nationwide future deployment of such Model Program in Indonesia.

Study Overview

1.7 Present situations and issues of Indonesian employment services

The Study investigated and considered the employment services provided and implemented in the MOLGs, and extracted the issues of the following four fields:

1. Issues regarding services related to job seekers with handling of employment applications including inadequate job counseling and lack of pre-employment training ;
2. Issues regarding services related with handling of accepting employer's order for workers and insufficient job canvassing for order for workers;
3. Issues to more effectively and efficiently implement employment exchange services including systematic business implementation, data management, utilization of information on the labour market, and implementation of job fairs;
4. Issues regarding the framework to improve employment services such as improvement of the user's convenience, development of human resources, and improvement of the staff's quality, expertise and motivation.

1.8 Pilot Project implementation

The Study developed the "Model Program" regarding employment services and their implementation procedure that must be performed in the MOLGs nationwide, and implemented the Pilot Project to verify the program.

As for the areas to implement the Pilot Project, Bekasi of West Java was selected as the "employment exchange model in an industrial area near a metropolis where there are a large number of job opportunities", Semarang of Central Java as the "employment exchange model in a local city where there is a smaller number of job opportunities than the number of job seekers" and the "employment exchange model of data management/operation using the computer and the use of these data", and Batam of Riau Islands as the "regional employment exchange model collaborating with the other MOLGs to a free-trade zone (e.g. Batam Desk in the Semarang MOLG)".

With the survey of these areas implementing the Pilot Project, the Model Program was verified from six pillars including job counseling by each MOLG, job canvassing for order for workers, effective implementation of job fairs, pre-employment training before being employed, collaboration with related organizations (e.g. educational organizations, vocational training organizations), and data management/search by using the computer.

1.9 Content of Recommendations

Based on the results of the pilot program, recommendations regarding the following four fields were made to establish the fair, equal and efficient employment exchange system:

1. Handling of services for job seekers

Reviewing the content, the services for job seekers should be reorganized as the job counseling task by the addition of: (1) collection of desired occupations conditions, (2) creation of database on the collected information, (3) supply of information on the labour market, (4) supply of job information corresponding to one's desired occupations condition(s), and (5) job counseling. The regular pre-employment training sessions regarding successful job interviews, attitude towards working, etc. (pre-employment training) should also be provided to job seekers before being employed.

2. Handling of services for employers

Reviewing the work for taking employer’s order for workers should newly add: (1) instructions to employers regarding compliance and setting of fair recruiting conditions, (2) collection from job vacancy information such as employment application conditions and employment conditions, (3) creation of database on the collected information, (4) introduction of job seekers corresponding to their employment application condition(s), and (5) follow-up to employers including response to the results of introduction or insufficient recruiting. Further, systematic and institutional visit to business establishments should be made for job canvassing for order for workers

3. Method to implement employment exchange more effectively and efficiently

This field includes systematic business implementation, data management/operation by using the computer; reviewing how to collect information on the labour market and its analysis and utilization; improvement of job fairs; establishment of the collaborative system between MOLGs; intraregional and regional employment exchange in collaboration with private employment exchange agencies and business establishments; and collaboration with related organizations.

4. Framework to improve employment services

This field aims at improvement of the user’s convenience through establishment of a committee on improvement of services for speedy and kind response, change in layout, or establishment of a satellite office. It also includes activities to improve employment services such as training the staff in charge of employment exchange, systematic and institutional training, and improving the staff’s quality, expertise and motivation by building the principles on services.

Recommendations overview

1. Recommendations regarding handling of services for job seekers

Proposal 1	Implementation of job counseling
	Reviewing the content, the services to register job seekers should be reorganised as the employment counseling task by the addition of: 1) collection of desired working conditions, 2) creation of database on the collected information, 3) supply of information on the labour market, 4) supply of job information corresponding to one’s working condition(s), and 5) job counseling.

Proposal 2	Implementation of pre-employment training sessions
	The regular training sessions regarding successful job interviews, attitude towards working, etc. should be provided to job seekers before being employed.

2. Recommendations regarding handling of services for employers

Proposal 3	Establishment of recruiting acceptance system for active and efficient employment exchange
	Reviewing the work for recruiting acceptance should newly add: 1) instructions to employers regarding compliance and setting of fair recruiting conditions, 2) collection from employers of information such as application conditions and employment conditions, 3) creation of database on the collected information, 4) introduction of job seekers corresponding to their recruiting condition(s), and 5) follow-up to employers including response to the results of introduction or insufficient recruiting.

Proposal 4 Enhancement of job canvassing for order for workers
Systematic and institutional visit to business establishments should be made for recruitment exploitation.

3. Recommendations regarding methods for more efficient employment exchange

(1) Implementation of systematic service

Proposal 5 Implementation of systematic services
An annual service plan should be developed to implement appropriate services securing the local government budget and the Ministry's delegated budget (subsidies). In addition, the service plan should regularly be monitored and evaluated to develop and implement improvement measures as appropriate.

(2) Data management/operation

Proposal 6 Adoption of a computer-aided service system
A computer-aided service system compliant with the database standard should be adopted for swift and accurate employment services. The system used will be gradually improved, and the data centre should be established in the future to collectively manage the data on job seekers and recruiting provided by each labour bureau.

Proposal 7 Development of and instruction on a database standard
MOMT should establish a team to develop the database standard for its development. The information on this database standard should be published and informed thoroughly while labour bureaus having developed their own system should be instructed to comply with the standard.

(3) Utilisation of information on labour market

Proposal 8 Unification of information items (definition) on the labour market, and modification of a report form
The information items (definition) on the labour market should be unified, and the report form should be modified to develop the system so that the information minimum required can be swiftly and timely collected.

Proposal 9 Variety of information contents on the labour market
Statistics Indonesia (Badan Pusat Statistik: BPS) should analyse the labour market in cooperation with the labour force survey so that the DGMPD in MOMT offers a variety of information contents on the labour market.

Proposal 10 Effective utilization of information on the labour market
The information on the labour market should be used to promote employment services and to improve public relations with labour bureaus.

(4) Implementation of small job fairs

Proposal 11 Implementation of small job fairs
Small job fairs should be implemented with several companies capable of selecting job seekers corresponding to their employment condition(s) and of efficient matching.

- (5) Offering recruitment information in special economic zones (implementation of intraregional and regional job placement)

Proposal 12	Offering recruitment information in special economic zones (implementation of intraregional and regional employment exchange)
A collaborating system should be established to share recruitment information between MOLGs, and training and instruction to private employment exchange agencies should be enhanced. The employment exchange services in collaboration with employers should also be provided.	

- (6) Collaboration with related organisations

Proposal 13	Collaboration with related organisations
Periodic meetings with related organisations should be held to share information and to promote the system of special job placement offices.	

4. Recommendations regarding the framework to improve employment services

- (1) Improvement of user's convenience

Proposal 14	Establishment of a satellite office
A satellite office should be established as required to improve the user's convenience.	

Proposal 15	Establishment of committee on service improvement
The "committee on service improvement" should be established to improve the user's satisfaction.	

Proposal 16	Improvement of a public image
The content of services provided by MOLG should be informed to the related organisations, students and general public to improve its image.	

Proposal 17	Improvement of layouts, spaces, information boards, etc.
Facilities should be improved by such ways as elaborated layouts or information boards and as securing space for relaxed consultation, for the user's convenience.	

- (2) Framework to improve employment services

Proposal 18	Development of human resources engaging in employment services
All staff in the department of employment services should be trained to develop human resources capable of employment exchange services.	

Proposal 19	Implementation of systematic and institutional training
In addition to the existing training, a systematic and institutional one should be implemented setting the training to bring IT into services. A trainer's training should also be implemented so that training can be made to the "general staff" rather than to "experts".	

Proposal 20	Building principles on services
Ensuring to offer the services needed by users, the missions and objectives of MOLG should be clarified to improve the user's satisfaction. The staff's quality, expertise and motivation should also be improved.	

These recommendations above, which are to be submitted to the Central Government (MOMT), importantly need their dissemination to MOLGs across the nation and efforts by the Government for on-site implementation as the employment services are to be implemented by the MOLGs.

See Figure 4-1 for tasks to be done by MOLG in case of the contents of these recommendations being implemented.

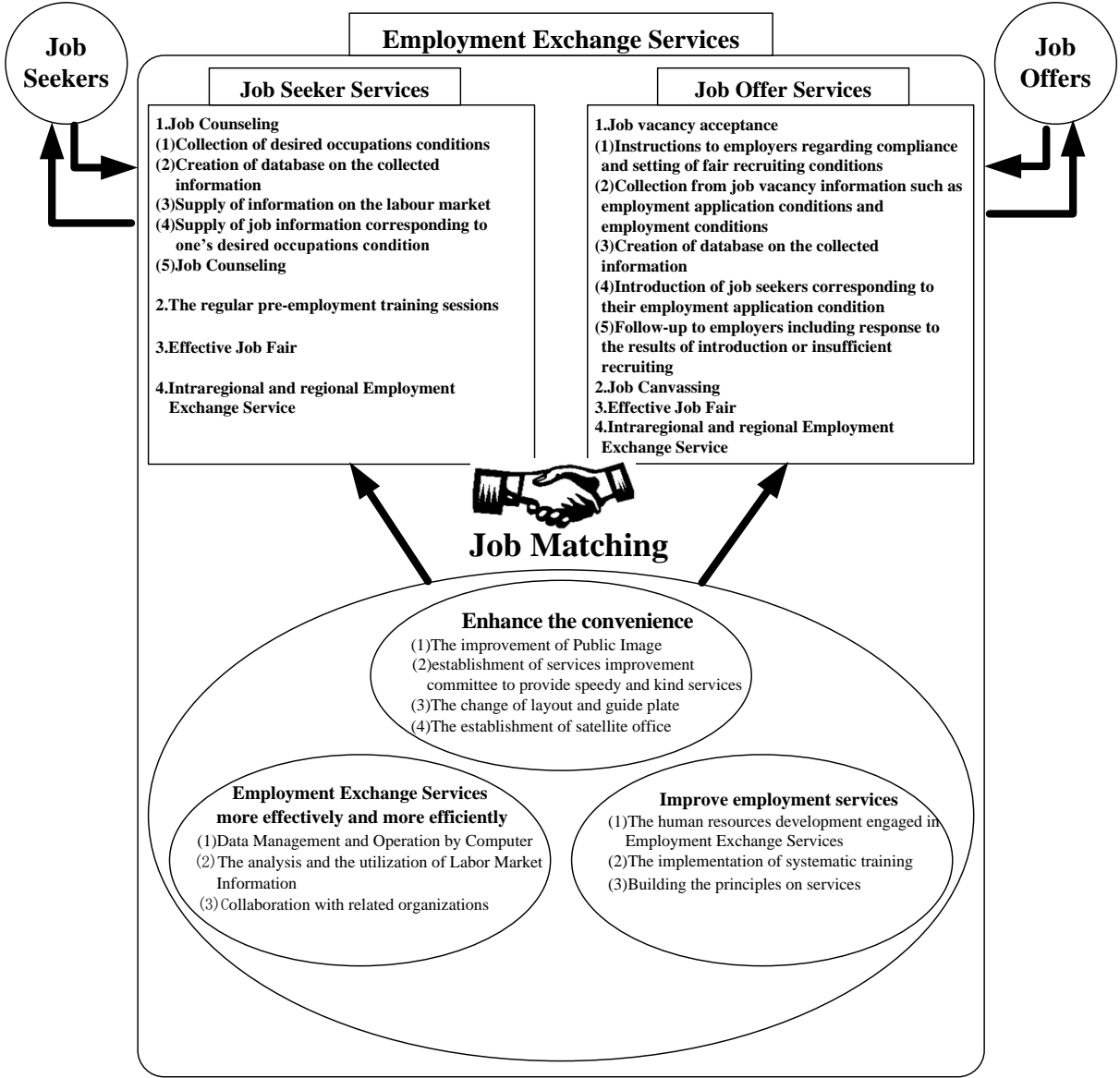


Figure 4-1 Tasks of MOLG in case of the contents of these recommendations being implemented

Enhancement of efforts by the Central Government

At present, differences in budget allocation or personnel distribution have resulted in large variations in employment services available in different regions due to the differences in priority and perception in each local government (regency/city). The Central Government is thus required to correct these variations so that any Indonesian citizen can fairly and equally receive effective employment services. Implementation of the recommendations necessitates enhancement of efforts by the Central Government, particularly that of the actions to local governments. The following shows the efforts to be made by the Central Government in each recommendation:

(1) Actions to local government chiefs;

It is hard to implement the recommendations without the cooperation by the chiefs of regencies and cities as the responsible organizations for the employment services, and therefore their understanding and cooperation for improving such services is required. In particular, they essentially need to commit themselves to budgetary steps with a view to organizing the system and institution, distributing personnel and promoting IT into the services.

(2) Enhancement of collaboration with local governments (provinces);

The Central Government should make efforts to cooperate with the provincial MOLGs for the programs to improve employment services, especially the training programs for MOLGs staff.

(3) Appropriate subsidy allocation to MOLGs and monitoring/evaluation;

(4) Appropriate training to MOLG staff;

(5) Clear expression to MOLGs of the policies of employment services and various criteria and provision of manuals, guidance or as such regarding their implementation;

(6) Enhanced functions of monitoring and evaluating employment services to MOLGs.