

Challenge to improve the public employment services in Indonesia
– From the experiences of “The Study on the Improvement of Employment Services in the Republic of Indonesia” by JICA (Japan International Cooperation Agency) –

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1. Outlook of Labor Market Conditions in Indonesia

The population of Indonesia now exceeds 231 million, and the labor force population constitutes approximately 117 million of total population. The percentage of young people (aged under 30) in the total population is around 50%, which means Indonesia is rich in young human resources. Despite an abundance of labor force, Indonesia has seen tough labor market conditions since the currency crisis in 1997. The unemployment rate has been improved these past four years, but labor market problems are still very serious. 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 labor forces is unemployed. Among others, youth unemployment is a serious problem. 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 4.82 million as of August 2009. This number is equivalent to 53.8% of the total unemployed people of nearly 8.96 million. Moreover, the addition of the age group between 25 and 29 leads the number of the unemployed to approximately 6.36 million, making up 71.0% of its total.

Solution to the employment issues is one of the most important tasks under the current administration of the Indonesian Government. According to the Presidential Directive “National Mid-term Development Plans (2010-2014)”, the target of the government is to lower the complete unemployment rate to 5 - 6% by 2014.

2. Safety net for employment

Basic safety net policy for employment in Indonesia is public employment service and vocational training. There is no unemployment insurance system in Indonesia.

(1) Public employment service

The public employment exchange agency in Indonesia is the Manpower Office of local government (hereinafter referred to as “MOLG”) located in 465 Kabupaten(districts) and Kota(cities) nationwide. After the Regional Autonomy Law was put into effect in 2001, MOLG is being under the control of local government. The quality of services provided by MOLG became worse because of a shortage of experts or experienced staff in the field of employment services. Its public awareness being low hinders its effective functioning as an

organization that connects employers and job seekers. Depending on the policy of each local government, the difference in staff assignment of public employment services is taking place after the decentralization.

After the JICA's Study mentioned below, Ministry of Manpower and Transmigration (hereinafter referred to as "MOMT") has been promoting the employment service improvement in cooperation with JICA in order to spread the effective job matching service system through Indonesia.

(2) Vocational training

After the decentralization, most of vocational training facilities and staff were handed over to local governments, at Kabupaten/Kota level.

In recent years, most of the vocational training service centers are facing problems of budget constraints, decrepit facilities, a shortage of trainers etc. MOMT has been implemented the revitalization of vocational training centers through increasing the number of trainers and budgeting for renovation of facilities.

Vocational training service centers can provide employment service by permission of local governments. The ministry has been promoting "3 in 1 policy" which is the combined services of vocational training, skill certification and placement. In order to implement "3 in 1 policy", the "Kiosk 3 in 1" (a service unit), which is intended to provide information about training, certification and placement, were established in eleven national vocational training centers in 2009.

(3) Unemployment insurance system

There is no unemployment insurance system in Indonesia.

Based on the Labor Law No.13/2003, employers have to pay a large amount of retirement allowance regardless of reason of worker's retirement, which plays a similar role to unemployment benefit for workers.

3. The Study on the Improvement of Employment Services in the Republic of Indonesia

Under the above-mentioned circumstances, the Government of Indonesia has requested the Government of Japan 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 analyze and improve the public employment exchange system. On the basis of this request, the development study was implemented with the Directorate General of Manpower Placement Development in MOMT as the counterpart.

The Study (1) collected and analyzed the basic data about the labor market and employment status across Indonesia, and the basic statistics and general information on employment exchange services provided by MOLGs; (2) investigated the present situations of labor and employment administration by the Central Government; (3) investigated the relationship between the Central Government and the MOLGs; (4) investigated the present situations of the employment services provided by the MOLG as the responsible organization for such services; (5) investigated collaboration between the MOLG and educational and vocational training organizations; and (6) investigated job seekers and business establishments as the users.

In addition, the Study developed the “Model Program” regarding employment services and their implementation procedure that must be performed in the MOLG nationwide, and implemented the Pilot Project to verify the program.

Bearing in mind these implementation results, the Study provided some recommendations to establish the fair, equal and efficient employment exchange system.

(See the attached summary of project’s final report)

4. After the Study – On-going project by JICA

Setting a high valuation on the result of the study, the Government of Indonesia requested the Government of Japan to continue to support them for spreading improved employment service system to whole Indonesia.

JICA started a new project, “Developing Capacity of Employment Service Center(ESC) in the Republic of Indonesia” in September, 2009 (Project Period: September, 2009 - September, 2012).

In this project, JICA, in cooperation with MOMT, has been developing program for job-matching and labor market information connecting the network and model/guideline of employment services targeted, which should be utilized in every employment service offices in Indonesia.

5. Conclusion

Public employment services at public employment exchange agencies are one of the basic and important programs of social safety nets for employment.

In Indonesia, most of 465 public employment exchange agencies under the control of local governments are not functioning well because their services provided with do not meet the needs of job seekers and employers. In order to improve the serious employment situation of youth in Indonesia, public employment services should be improved and strengthened through introducing such services as conducting job counseling for job seekers, positive job canvassing, utilizing labor market information or database concerning job seekers and job vacancies, improving the expertise and the motivation of each staff by training, developing well managed job matching system through using information technology, etc., which JICA’s on-going project is introducing.

It would be useful to investigate the actual conditions of public employment services in Asian developing countries and develop model programs for each countries to establish the efficient employment exchange system of a basic and important program of social safety nets for employment.