

# SUPPLY OF NON-FORMAL TRAINING IN INDONESIA

GORM SKJAERLUND AND THEO VAN DER LOOP

TNP2K WORKING PAPER 23 - 2015  
*February 2015*

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# Supply of Non-Formal Training in Indonesia

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Gorm Skjaerlund and Theo van der Loop

*February 2015*

## ABSTRACT

This study examines the current situation with regard to non-formal training in Indonesia. Specifically, the paper seeks to clarify the role of the most important stakeholders in skills training and the extent to which the national skills training system – consisting of public and private training providers as well as the apprenticeship system – is able to meet labour market demands. The immediate objective of this study is to inform the discussion on reforming the skills training system in Indonesia by establishing a Skills Development Fund (SDF).

Little documentation is available on the non-formal public training system and only a few brief reports are available on private training provision. Consequently, while there are approximately 20,000 registered private training providers, the role they play in national skills development is unknown as is their potential role if they were adequately supported by government policies and funding. Therefore this study focuses on the role of private training providers and offers a number of recommendations to improve the efficiency of the present training system.

Information for the study was obtained through desk research and face-to-face discussions with stakeholder representatives in three provinces. While a discussion guide was developed for each stakeholder group, the survey process was not exhaustive or definitive. Rather, the report sought to offer a realistic view of the skills training system as expressed by a selection of stakeholders in three provinces.

The study revealed that while a workable skills training system is in place, its implementation is compromised by inadequate communication, coordination and cooperation among stakeholders at national as well as regional levels. Two major concerns that emerged are, firstly, that two almost identical non-formal skills training systems are operating in parallel with no meaningful communication or cooperation between them. Secondly, that employers, one of the primary beneficiaries of the skills training system, do not play a more active role in ensuring that the national skills training system is able to supply the skills that the labour market requires.

As a result, the skills training system is fragmented. While public training providers are supply driven, private training providers are typically driven by student demand. These providers are often locally based and lack the financial and human resources to offer a high quality service and become significant participants in the national skills training system. Another serious result of the fragmentation is that no provincial or district administration has details of its combined skills training resources. There are no records of combined capacity, quality and suitability for local labour market requirements or any other essential information, making the task of designing policies to improve the system extremely challenging.

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<sup>1</sup> Non-formal training is skills training that takes place after a person has left the formal education system. The training may take place in public and private training institutions or as an apprentice.

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## Terms and abbreviations

APINDO	<i>Asosiasi Pengusaha Indonesia</i> (The Employers Association of Indonesia)
BAN-PNF	<i>Badan Akreditasi Nasional Pendidikan Nonformal</i> (Non-formal Accreditation Authority, Ministry of Education and Culture)
BKSP	<i>Badan Koordinasi Sertifikasi Profesi</i> (Professional Certification Coordinating Board)
BLK	<i>Balai Latihan Kerja</i> (vocational training centre)
BLKI	<i>Balai Kerja Latihan Industri</i> (industrial vocational training centre)
BNSP	<i>Badan Nasional Sertifikasi Profesi</i> (Indonesian Professional Certification Authority)
CBT	<i>pelatihan berbasis kompetensi</i> (competency-based training)
<i>Dinas</i>	regional office (as used in this paper)
DISDIK	<i>Dinas Pendidikan</i> (regional office of the Ministry of Education)
DISNAKER	<i>Dinas Tenaga Kerja</i> (regional office of the Ministry of Manpower)
DKI	<i>Daerah Khusus Ibu Kota</i> (special capital region of Jakarta)
FKJP	<i>Forum Komunikasi Jejaring Pemagangan</i> (Apprenticeship Communication Forum)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Federal Enterprise for International Cooperation)
HILLSI	<i>Himpunan Lembaga Latihan Seluruh Indonesia</i> (Association of Indonesian Training Institutions)
HIPKI	<i>Himpunan Penyelenggara Pelatihan dan Kursus Indonesia</i> (Association of Indonesian Training and Course Providers)
HIPMI	<i>Himpunan Pengusaha Muda Indonesia</i> (Indonesia Young Entrepreneurs Association)
ILO	International Labour Organisation
KADIN	<i>Kamar Dagang dan Industri</i> (Indonesian Chamber of Commerce and Industry)
KKNI	<i>Kerangka Kualifikasi Nasional Indonesia</i> (Indonesian Qualifications Framework)

LA-LPK	<i>Lembaga Akreditasi Lembaga Pelatihan Kerja</i> (Non-formal Accreditation Authority, Ministry of Manpower)
LKP	<i>Lembaga Kursus &amp; Pelatihan</i> (private courses and training institutions)
LSK	<i>Lembaga Sertifikasi Kompetensi</i> (Competency Certification Authority, Ministry of Education and Culture)
LSP	<i>Lembaga Sertifikasi Profesi</i> (professional certification organisation)
LPK	<i>Lembaga Pelatihan Kerja</i> (private training institutions, Ministry of Manpower)
MoEC	Ministry of Education and Culture
MoM	Ministry of Manpower
MoMT	Ministry of Manpower and Transmigration
MoT	Ministry of Transport
MP3EI	<i>Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia</i> (Masterplan for Acceleration and Expansion of Indonesia's Economic Development)
SKKNI	<i>Standar Kompetensi Kerja Nasional Indonesia</i> (Indonesian National Competency Standards)
SKL	<i>Standar Kompetensi Lulusan</i> (Competency Standards, Ministry of Education and Culture)
SMK	<i>Sekolah Menengah Kejuruan</i> (senior secondary vocational school)
TAB	Training Advisory Board
TKI	<i>Tenaga Kerja Indonesia</i> (Indonesian in foreign employment)
TNP2K	<i>Tim Nasional Percepatan Penanggulangan Kemiskinan</i> (National Team for the Acceleration of Poverty Reduction)
TUK	<i>Tempat Uji Kompetensi</i> (competency assessment centre)
TVET	technical education and vocational training
WB	World Bank



## Executive Summary

The purpose of this paper is to inform the discussion on establishing a Skills Development Fund to reinvigorate the skills training system in Indonesia. The paper outlines the current situation with regard to training providers. The information was compiled from desk research and through a survey of a number of primarily private training providers. To provide some essential background information, the paper summarises the present situation focusing on the most important stakeholders in training. The paper also offers recommendations in relation to the proposed Skills Development Fund.

### *The skills training system*

The Indonesian non-formal education and skills training system is defined as “the path of education outside the formal education system that can be structured and tiered” (Government of Indonesia 2003).<sup>2</sup> In the context of this report, non-formal training provision comprises public training institutions (Balai Latihan Kerja Industri (BLKI) and other ministry-operated training institutions), private training institutions and course providers (registered either with the Ministry of Manpower, the Ministry of Education and Culture or, on a small scale, at other ministries) and the apprenticeship scheme. The system discussed in this report provides training at what is termed the operator level of the Indonesian Qualification Framework (KKNI) levels 2–4.

The most important facilities, systems and regulations are in place to deliver high numbers of qualified workers for the most important industrial sectors. The national skills training standards, based on competency-based training, were put in place in 2004 and certification to national standards commenced in 2006. Public and private training institutions are operating in every province and there are quality assurance bodies in place to accredit training institutions and assess and certify graduates of the training system. Nevertheless, doubts – in particular among employers – are expressed about the capability of the skills training system to supply the required quality and quantity of skilled manpower.<sup>3</sup>

While there are many reasons for the less than optimum performance of the non-formal skills training system, a few issues stand out:

- The fragmented system – this is due to two ministries being responsible for largely identical activities, uncoordinated regulatory policies and financial regulations, and a lack of cooperation between central and regional level authorities;
- The lack of data – there is no functioning labour market information system and almost no monitoring of processes and outcomes in the private training or apprenticeship systems;
- The lack of an effective quality assurance system – in particular, there is no effective accreditation of training providers and the national certification scheme has been slow to start;
- Lack of communication and cooperation – this is a problem at all levels between stakeholders in training but particularly at provincial and district levels.

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<sup>2</sup> *Pendidikan nonformal adalah jalur pendidikan di luar pendidikan formal yang dapat dilaksanakan secara terstruktur dan berjenjang* UU No. 20 Tahun 2003 TENTANG SISTEM PENDIDIKAN NASIONAL.

<sup>3</sup> Two of many documents on skills training in Indonesia: <http://www.ilo.org/jakarta/areasofwork/skills-and-employability/lang--en/index.htm> (ILO undated) ; Indonesia Skills Report Trends in Skills Demand, Gaps, and Supply in Indonesia (World Bank 2010)

## *Training providers*

Both public and private training providers need to participate in the non-formal training system. Before the local autonomy law<sup>4</sup> came into force, the BLK system under the Ministry of Manpower had the potential to become the backbone of the non-formal training system. With one large ministry-managed BLK centre situated in each provincial capital and approximately 200 smaller BLK centres situated all over Indonesia, these centrally-managed centres could have been developed into a standard-setting training system. Apart from providing market-oriented training, they could have become centres of excellence, mentoring private training institutions and supporting the apprenticeship system with institutional training. The local autonomy law as well as the 1997–1998 Asian economic crises, however, put a stop to this development. Almost all BLK centres were transferred to provincial and district administrations. With the loss of direct authority it became difficult for the Ministry of Manpower to maintain uniform standards and provide adequate support to the BLK system and regional authorities were not sufficiently prepared to assume responsibility for them. The state of provincial and district BLKs now depends entirely on the support regional authorities provide to these institutions in their areas. A few provinces and districts have maintained the BLKs and they are still in good condition but most centres have deteriorated.

Private training institutions cater mostly for young people exiting the educational system at middle and high school levels. There are approximately 26,000 private training providers registered with the Ministry of Education and Culture and the Ministry of Manpower. However, many are registered with both ministries and are counted twice. The actual number of private training providers is estimated to be 20,000. To a large extent training providers design their own course programmes, often using the national standards as reference. Courses are short and aim to enable graduates to qualify for employment or start businesses in the shortest possible time. Assessment of trainees is done in-house. Graduates are provided with certificates of training that in some cases are co-signed by the local regional ministry office. Clients of private training institutions typically have little means and no possibility of seeking further education at universities or polytechnics. Their aim is to seek the quickest and cheapest training that will qualify them for a job. Their lack of paying power sets a limit on what private training providers can charge for their courses and this leaves these institutions with little surplus to invest in improving their services. Most private training providers operate with contract-employed instructors and rudimentary and often obsolete equipment. Despite these shortcomings, private training providers form the mainstay of skills training. However, the lack of effective monitoring means that little is known about the number of graduates the system produces or about their employment outcomes.

The regulated apprenticeship system is a small part of the non-formal system that is regulated by the Ministry of Manpower. However, a much larger unregulated apprenticeship system exists and operates without being subject to regulations or monitoring. Through short-term contracts (maximum 12 months) the regulated apprenticeship system seeks to provide apprentices with basic competencies that qualify them for entry-level jobs. The Ministry of Manpower has introduced basic regulations to ensure basic social protection for apprentices and to stipulate outcomes. While the unregulated apprenticeship system is probably the single largest provider of skills, regulated apprenticeships still only play a minor role in non-formal skills training due to the lack of resources at ministerial and regional levels.

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<sup>4</sup> Law Number 22 of 1999 regarding Local Government (Undang-Undang No. 22 Tahun 1999 tentang Pemerintahan Daerah)

## *Stakeholders*

The regional autonomy law makes regional governments responsible for training. With a few exceptions, BLKs have been taken over by provincial and district administrations. Private training providers and companies employing apprentices register at the local Ministry of Education and Culture or Ministry of Manpower offices. However, localising authority and responsibility for training has not spurred stakeholders to engage more actively with each other and with local authorities to ensure that the training system in a given area operates to the advantage of the local community. No stakeholder boards or any other forums have been established, resulting in limited and incidental communication and cooperation between training providers, employers and local authorities. Without stakeholder groupings that discuss and agree on the direction of skills training, the system will continue to be fragmented, with each stakeholder operating in isolation and pursuing their own objectives.

## *The Skills Development Fund*<sup>5</sup>

To overcome the effects of the present fragmentation and reinvigorate the skills training system, a draft proposal has been presented on establishing an institution called the Skills Development Fund. This fund would have the power to introduce regulatory financial and other measures and to reform the skills training system. The major objectives of the fund are to eliminate the present systemic shortcomings and to introduce a more efficient means of subsidising the skills training system. To ensure that the fund would be able to operate across ministerial and private sector borders, the governing board of the Skills Development Fund should comprise ministries with training programmes and representatives from the private sector, industrial sector associations and training providers.

The fund should operate through established institutions and implement its programmes through a three-phase reform plan:

1. Establish the Skills Development Fund institution, create demand and get the basics right: carry out a public awareness campaign and pilot programmes; review and unify accreditation standards; and strengthen the competency certification system;
2. Start supporting selected sectors in upgrading their services and their training: continue the public awareness campaign; partner stakeholders through their boards; support training providers in upgrading their institutions; and subsidise training, certification and the establishment of new professional certification institutions;
3. Move towards a nationwide sustainable system: continue the public awareness campaign; prepare to fully implement the new system; strengthen stakeholder boards; and expand cooperation between training and education sector institutions.

At regional (provincial and district) levels the Skills Development Fund will need to operate through local stakeholder boards. These boards should serve as the extended arm of the Skills Development Fund and play a key role in recommending programmes for support. Centres of excellence should be established and operate to national standards, acting as mentors for other training providers in the region.

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<sup>5</sup> Note: This is the author's summary of a draft proposal, which is still under discussion.

## *Conclusions and recommendations*

The full capacity of private sector training provision was unknown at the time of the study. Judging by the number of private training providers, the private training system trains substantially more people than the public training system. Therefore, unless private training provision and apprenticeships are included in the national training system and supported to develop their capacity and capabilities to the fullest, the national skills training system will not be able to meet the country's need for skilled human resources. This may not affect the large companies and industrial groups that already have in-house training facilities in place. However, for small and medium sized companies that employ the vast majority of skilled workers, the availability of skilled personnel is an urgent issue that cannot be resolved in-house.

The field visits clearly showed that private training providers are by and large on their own as they receive little support from ministry offices and have only a case-to-case relationship with employers and other training providers. While a few training institutions have managed to become preferred training providers for multinational companies or have specialised in certain sectors, most cater for the vast market of young people who are excluded from further formal education for various reasons. With a few notable exceptions, BLKs, particularly those under district administrations, are not thriving. General neglect, an aging and retiring instructor base with outdated skills and lack of budgets for routine and training expenses are issues for most BLKs.

The findings point to an absence of communication between stakeholders in training at national as well as regional levels. A significant reason for this is the two parallel systems that manage the non-formal training system. Operating two systems creates confusion and means institutions cannot pool their resources, particularly at regional level.

Major reforms are required to reinvigorate the national skills training system. Assigning responsibility for all non-formal training to one authority is strongly recommended. At the national level, a board (as described under the draft proposal for a Skills Development Fund) comprising inter-ministerial and private-sector representatives needs to be established to develop a concept that puts the responsibility for all non-formal training under one roof. At all levels, systems for accountability and sanctions for inadequate performance need to be instituted.

Reforms at regional levels are equally important. Provinces and districts need to assume full responsibility for managing skills training in their respective areas. Regional governments should independently ensure that they set out a human resources development policy. In cooperation with Statistics Indonesia, local Ministry of Manpower offices need to develop the resources to provide detailed labour market information and ensure that data on all training resources in the area are collected, analysed and disseminated.

Employers are beneficiaries of the skills training system and currently they benefit from it with no direct cost to their companies. They may argue that the present state of the skills training system does not warrant paying anything but for the system to improve, they need to assume a more prominent role in training. It is imperative that employers ensure that the skills training resources in their areas meet their requirements. Employers need to initiate and participate in forums or stakeholder boards where all relevant issues are discussed and all stakeholders are involved and committed. Being included and

becoming an active member of the Skills Development Fund board as well as the regional stakeholder boards should provide strong incentives for employers to become more actively involved.

Prior attempts to establish stakeholder boards have met with limited success. The main reasons for this were that with no changes to the skills training system, the boards saw no role for themselves and financing board activities became a matter for discussion. With the establishment of the Skills Development Fund the stakeholder boards are expected to play a formal and permanent role. By virtue of serving as the extended arm of the Skills Development Fund, a major function of the stakeholder boards would be to receive and evaluate applications for funds for purposes laid out under the Skills Development Fund rules. Another important role would be to participate in the public awareness (*sosialisasi*) drives.

Without employers taking a leading role in the stakeholder boards it is doubtful that the Skills Development Fund concept could succeed. The private sector needs to invest time and resources and participate on a more than occasional basis. Training does not come free and only with all stakeholders involved and committed will the changes to the system succeed.

The Skills Development Fund is the most advanced and concrete idea to date for reforming the skills training system in Indonesia. However, to succeed as outlined, all stakeholders – national and regional – need to step back from old practices and be willing to embark on an inclusive mode of operation, which emphasises cooperation across long-established boundaries. Ideally this would mean a gradual but steady development towards a single and effective non-formal skills training system.



## 1. Introduction

Broadly speaking, skills or vocational training encompasses the skills training that takes place in public and private institutions as well as within businesses. For example, senior secondary vocational schools (*sekolah menengah kejuruan* – SMK) are part of the formal government system whereas institutions such as the national industrial training centres (*balai kerja latihan industri* – BLKI) and other government-operated training institutions are part of the non-formal vocational training system. This system also includes private training and course providers that are registered with the Ministry of Manpower (MoM) and the Ministry of Education and Culture (MoEC) district offices as well as training carried out through apprenticeships.<sup>6</sup> Training provided in non-formal training institutions produces graduates at levels 2, 3 and 4 of the Indonesian Qualification Framework (*Kerangka Kualifikasi Nasional Indonesia* – KKNI).<sup>7</sup>

While basic data on public training providers, such as capacity and output, are documented, no detailed data is available on private training and course providers. Yet the number of graduates from the private system far exceeds the number from public training institutions, even by conservative estimates.<sup>8</sup> The total number of private training and course providers is known through the compulsory registration systems at the two ministries but due to lenient reporting requirements and the lack of capacity in the two main accreditations bodies, virtually nothing is known about their capacity and quality.

The purpose of this limited research was “to provide recommendations on how the Skills Development Fund can address the lack of supply or the low quality of training providers” (Abdurahman 2014). In a presentation<sup>9</sup> on the Skills Development Fund, the main beneficiaries of the fund are foreseen to be:

- industry or company associations;
- education and training institutions;
- professional certification institutions;<sup>10</sup>
- job seekers and unemployed people; and
- apprentices.<sup>11</sup>

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<sup>6</sup> The apprenticeship concept, discussed in this report, applies to the Ministry of Manpower administered apprenticeship system.

<sup>7</sup> See annex IX for a graphic representation of the Indonesian Qualification Framework.

<sup>8</sup> In a recent presentation, the chairperson of the Association of Training Providers (HILLSI) under the Ministry of Manpower, claimed that his association has 8,000 members with an estimated 800,000 graduates per year. Assuming the same is the case for the Ministry of Education and Culture registered course providers, the total number of graduates of private training provision would be two million per year. The estimated number of graduates from the public BLK system is approximately 120,000.

<sup>9</sup> Source: “Training Fund Governance Proposal” by Sumarna F. Abdurahman

<sup>10</sup> It is assumed that the vocational schools will continue to be funded through Ministry of Education and Culture budgets and will not be eligible for Skills Development Fund support.

<sup>11</sup> The apprenticeship system was not included in the initial presentation listing beneficiaries of the training fund but it is assumed that the apprenticeship system will also benefit from the Skills Development Fund.

The paper is based on discussions with the most important stakeholders in the non-formal skills training system, including:

- Ministries at provincial and district level: the Ministry of Manpower and the Ministry of Education and Culture;
- Quality assurance bodies: Indonesian Professional Certification Authority (*Badan Nasional Sertifikasi Profesi – BNSP*), professional certification organisations (*lembaga sertifikasi profesi – LSP*), the Non-formal Accreditation Authority, Ministry of Manpower (*Lembaga Akreditasi Lembaga Pelatihan Kerja – LA-LPK*), the Non-formal Accreditation Authority, Ministry of Education and Culture (*Badan Akreditasi Nasional Pendidikan Nonformal – BAN-PNF*), the Competency Certification Authority (*Lembaga Sertifikasi Kompetensi – LSK*) and the Indonesian National Education Standards Board (*Badan Standar Nasional Pendidikan – BSNP*);
- Employers: Indonesian Chamber of Commerce and Industry (*Kamar Dagang dan Industri – KADIN*), Employers Association of Indonesia (*Asosiasi Pengusaha Indonesia – APINDO*) and Indonesia Young Entrepreneurs Association (*Himpunan Pengusaha Muda Indonesia – HIPMI*);
- Industry: sectorial industry associations;
- Training providers and associations: private training institutions (*lembaga pelatihan kerja – LPK*); private courses and training institutions under the Ministry of Education and Culture (*lembaga kursus & pelatihan – LKP*); national BLKs and other ministry training institutions; the Association of Indonesian Training and Course Providers (*Himpunan Penyelenggara Pelatihan dan Kursus Indonesia – HIPKI*); and the Association of Indonesian Training Institutions (*Himpunan Lembaga Latihan Seluruh Indonesia – HILLSI*);
- Apprenticeship: Apprenticeship Communication Forum (*Forum Komunikasi Jejaring Pemagangan – FKJP*);
- Coordination of professional certification: Professional Certification Coordinating Board (*Badan Koordinasi Sertifikasi Profesi – BKSP*); and
- Workers' representatives: employees' federations.

## Background information

The BLK system under the Ministry of Manpower was last researched and documented by the World Bank (2011) in *Revitalizing Public Training Centers in Indonesia: Challenges and the Way Forward*. This report was based on comprehensive research into BLKs and the operation of the Ministry of Manpower's district offices. The report also contains recommendations on steps that may be considered to reinvigorate the BLK system.

Private training provision, on the other hand, has not been mapped recently, if at all. Consequently very little is known about private providers' training capacity and outcomes or their contribution to the overall supply of skilled labour. Also, little is known about the conditions under which they operate. A

World Bank report (2010) estimated that there were about 25,000 training centres registered with the Ministry of Education and Culture and the Ministry of Manpower. These institutions were estimated to offer more than 100 different training courses in ten major categories and train as many as 4.5 million students per year. While this estimate cannot be verified and may be unreliable since many training providers are registered with both ministries, there is little doubt that the private training system is an essential component of the total non-formal training system. Due to its importance and the scarcity of information available on private training and course providers, the field work undertaken for this review focused on gaining a better understanding of the private training institutions, their output and outcomes and the conditions under which they operate.

Information on the apprenticeship system is equally inadequate. This may partly be because there is no agreement among ministries on what the term “apprenticeship” covers and partly because between 2007 and 2013 a total of only 100,000 apprenticeships were registered according to Ministry of Manpower regulations. Unregistered and unregulated apprenticeships outnumber registered apprenticeships by far. A recent World Bank/ ILO document stated:

“...of the 616 responding enterprises, almost one in three had participated in the apprenticeship programme, taking on more than 2,500 apprentices in 2007 for an average length of 49 days. Roughly 30 percent of the firms that took in apprentices subsequently hired them” (World Bank/ ILO 2013).

Although there is no documentary evidence to substantiate this assumption, this indicates that apprenticeships, in a variety of shapes, are the most common form of skills development in Indonesia.

The apprenticeship system is not a primary subject of this report. However, in order for the apprenticeship system to operate as intended in the relevant regulations, training providers must be available to supplement apprentices’ on-the-job training with institutional training.

## 2. Research Methodolog

### Scope of the research

This study was carried out by reviewing the literature available on skills training issues in Indonesia and discussing the issues with training providers and other stakeholders in skills training. The paper does not purport to be based on a representative sampling of stakeholders. Rather it is based on the authors' impressions and interpretations of the current situation formed through desk research and personal interviews with a substantial number of diverse stakeholders in the three provinces. Due to time constraints it was not possible to visit representatives of all stakeholders. Emphasis was put on discussions with training providers and their associations, and with representatives of employers and key government offices. Information included in the report on stakeholders that were not visited was gleaned from available reports.<sup>12</sup>

### Stakeholders

The following stakeholders were included in interviews and discussions:

- selected registered private training providers;
- BLK institutions;
- relevant directorates of the Ministry of Manpower and Ministry of Education and Culture and provincial and regional offices of both ministries;
- Indonesian Chamber of Commerce and Industry, Employers Association of Indonesia;
- Association of Indonesian Training Institutions in the Ministry of Manpower (*Himpunan Lembaga Latihan Seluruh Indonesia – HILLSI*);
- Association of Indonesian Training and Course Providers in the Ministry of Education and Culture (*Himpunan Penyelenggara Pelatihan dan Kursus Indonesia – HIPKI*); and
- workers' representatives.

(Annex I gives details on interview visits.)

### Geographical areas of research

Three areas were selected for field surveys. Due to diversity and proximity, DKI Jakarta (*Daerah Khusus Ibu Kota* – the special capital region of Jakarta) was targeted as one area for the survey. With seven BLKs and 131 private training providers registered under the Ministry of Manpower and 781 private course providers registered under the Ministry of Education and Culture, the DKI Jakarta province

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<sup>12</sup> It was not possible to visit individual companies and, due to time and availability, we did not visit not all regional offices.

represents all aspects of public and private training provision in an urban industrialised environment. Focusing on DKI Jakarta provided time to not only research a significant number of private training providers but also to revisit two of the seven BLKs that are located in the DKI Jakarta province.

South Sulawesi was selected for the second area of focus. The province has 295 registered training providers and a ministry-managed BLK in Sulawesi Selatan as well as 546 private course providers registered under the Ministry of Education and Culture. It represents both industrialised and rural areas and had the potential to provide evidence of differences in training conditions between an urban industrialised area and a light industrial and rural environment.

Bandung was selected as the third area for field visits. West Java province is among those with the largest number of training providers. While similar to DKI Jakarta, West Java has large industrial areas with employers of all sizes requiring large numbers of skilled workers.

## **Selection of interviewees**

Due to time constraints it was not possible to visit representatives of all stakeholders. Emphasis was put on discussions with private training and course providers as well as some BLKs. Meetings were also arranged with training providers' associations and representatives of employers and key government authorities. (See annex I for a complete list of interviewees.)

During initial discussion with the programme team, we planned to select individual private training providers in a given geographical area that would provide data on training for a number of different sectors, with emphasis on the skills required for priority industrial sectors in the area.

Training providers included in the survey were based on a choice of criteria:

- sectors that were the most popular with students at the time and presumably provided the best prospects for employment;
- priority sectors in the area where the training institutions were located; and
- the most successful training providers and those with potential identified through discussions with stakeholders, in particular with the Association of Indonesian Training Institutions, the Employers Association of Indonesia and the regional office of the Ministry of Manpower.

## **Constraints**

A few major constraints made the selection of private training providers challenging:

- Although virtually all training providers in Indonesia are members of either the Association of Indonesian Training Institutions (representing approximately 7,500 training providers registered with Ministry of Manpower) or the Association of Indonesian Training and Course Providers (representing approximately 18,500 course providers registered with the Ministry of Education and Culture), it was difficult to obtain detailed information to serve as a firm basis for selecting interviewees. The two organisations do not keep data on their members and rely on the ministries

for information. Information available from the Ministry of Manpower and the Ministry of Education and Culture on training and course providers also lacks detail.

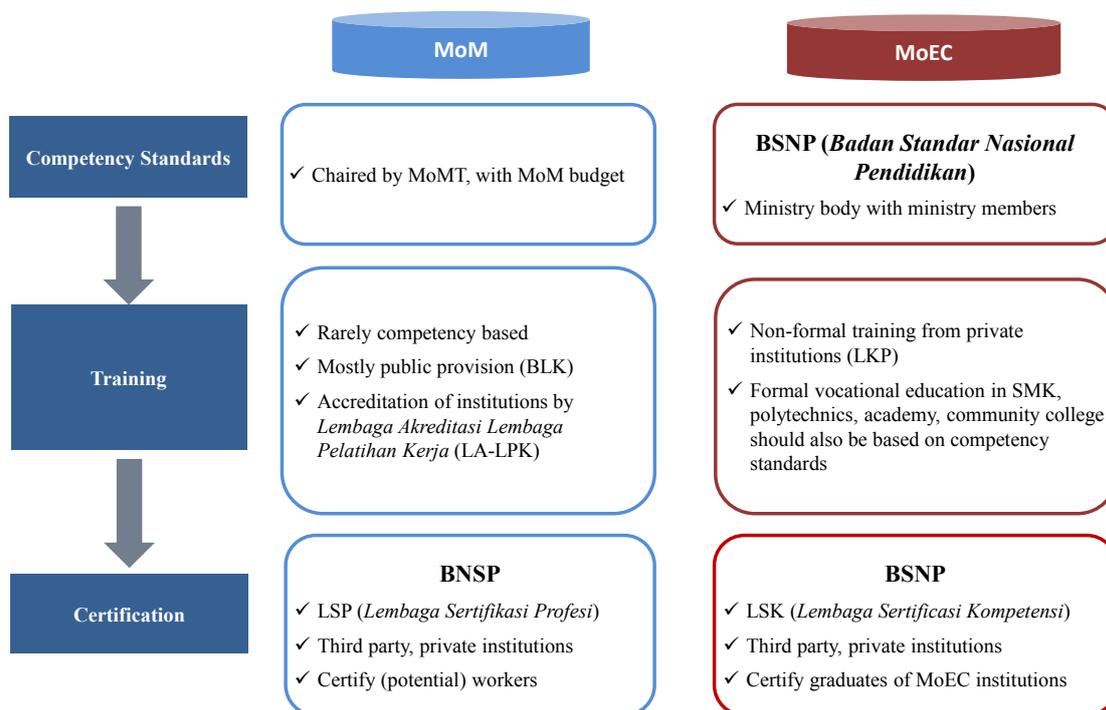
- Most private training providers (about 70 percent) limit their operations to six skills areas that require the least equipment and lend themselves to universal employment or self-employment. Relatively few private training providers engage in capital-intensive sectors, such as automotive and machine shop skills. Most of the training is in computer skills, various personal care related skills areas and language training.
- While we tried to compile a comprehensive list of interviewees that would shed the most light on the current skills training situation, a significant number of those identified were either not interested in participating in the process or were unable to confirm an appointment within the timeframe available. Industry sector associations cited various reasons for not being interested as did a few key training providers. The most common reasons for not wishing to participate were their workload, the timing (the research was done in the middle of the fasting months) and key staff being absent.

### 3. The Skills Training System

The Indonesian skills training system consists of public and private training providers that are regulated through a number of ministerial and non-ministerial authorities. The ministries undertake some form of skills training and have varying and uncoordinated forms of regulation and quality control.

Most public and private training institutions are regulated under the Ministry of Manpower and Ministry of Education and Culture. Figure 1 gives a broad view of the two training system streams that are discussed in this paper.

**Figure 1: The two major skills training streams**



Note: MoMT = Ministry of Manpower and Transmigration; MoM = Ministry of Manpower; BLK = public vocational training centre; LA-LPK = Non-formal Accreditation Authority, Ministry of Manpower; LSP = Professional Certification Institution; MoEC = Ministry of Education and Culture; BSNP = Indonesian National Education Standards Board; LKP = private courses and training institutions; SMK = vocational schools; LSK = Competency Certification Authority, Ministry of Education and Culture

### Stakeholders

The non-formal national skills training system consists of four major groups of course and training providers:

- the BLK programme under the Ministry of Manpower;
- community colleges under the Ministry of Education and Culture (only recently developed and not considered in this report);

- private training and course providers:
  - private training institutions (*lembaga pelatihan kerja* –LPK) registered with and accredited by the Ministry of Manpower
  - private courses and training institutions (*lembaga kursus dan pelatihan* – LKP) and community learning centres (*program kegiatan belajar masyarakat* – PKBM) – registered with and accredited by the Ministry of Education and Culture; and
- the national apprenticeship system under the Ministry of Manpower.

Other ministries also support training either through their own training institutions or by supporting private training institutions registered with them. These have not been considered as they have limited capacity compared to the main groups providing training. However, they play an important role in their respective sectors.

In order for the skills training system to function, stakeholders need to communicate and cooperate on national as well as regional levels. The most prominent stakeholders in the skills training system are:

- Regulatory ministries:
  - Ministry of Manpower, Ministry of Education and Culture and other ministries to a lesser extent;
- Training and course providers:
  - national industrial training centres – Ministry of Manpower, provincial and district administrations;
  - private training institutions registered with the Ministry of Manpower (Association of Indonesian Training and Course Providers – HIPKI);
  - private training providers registered with the Ministry of Education and Culture (Association of Indonesian Training Institutions – HILLSI);
- Apprentices:
  - registered and non-registered apprentices (Apprenticeship Communication Forum – FKJP);
- Quality system authorities:
  - Non-formal Accreditation Authority (BAN-PNF) for course providers registered with the Ministry of Education and Culture;
  - Non-formal Accreditation Authority (LA-LPK) for training providers registered with the Ministry of Manpower;
  - Indonesian Professional Certification Authority (BNSP);

- Professional Certification Institution (LSP) under the Indonesian Professional Certification Authority;
- Competency Certification Authority (LSK), the professional certification institution under the Ministry of Education and Culture;
- Employers:
  - Indonesian Chamber of Commerce and Industry, Employers Association of Indonesia and Indonesia Young Entrepreneurs Association, representing employers.
  - industrial sector associations;
  - Professional Certification Coordinating Board (BKSP) (set up through cooperation between the Indonesian Chamber of Commerce and Industry and the Indonesian Professional Certification Authority);
- Employees:
  - workers' federations.

Discussions with stakeholders revealed little cooperation or coordination between these stakeholders, either at national or regional levels. The two parallel systems regulating skills training are a major reason for stakeholders not communicating. At the regional level where the day-to-day decisions on training are made, the parallel system and the lack of cooperation between the two authorities seemed particularly counterproductive. There were other reasons for this lack of communication – the lack of employer engagement being the most obvious. Employers are not reaching out to stakeholders and, as one training institution manager mentioned, employers are only interested in cooperating when trainees are about to graduate. Training providers try to reach out, particularly to employers, but they have little leverage. Their main clients are young people who are not well-to-do. It also seems that training is a buyers' market, further limiting the leverage of training providers.

### **Regulatory ministries<sup>13</sup>**

The two ministries regulating most non-formal training provision maintain parallel systems that basically fulfill the following functions:

- maintain provincial and district offices for largely similar functions;
- register identical training institutions in two separate database systems;
- provide similar but separate support schemes to private training providers;

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<sup>13</sup> It is not the intention to provide a detailed analysis of the regulatory environment, rather to illustrate that the main ministries engaged in non-formal training have overlapping functions.

- operate parallel accreditation systems;
- support parallel skills certification organisations; and
- help develop similar but slightly different competency standards.

### **Ministry of Manpower**

The Ministry of Manpower manages the BLK system through the Directorate General of Training and Productivity (Binalattas). However, the system is decentralised and the ministry has direct authority over only 14 of the approximately 200 BLKI institutions in Indonesia (Ministry of Manpower 2013). Most BLKs are supervised by either provincial or district administrations. Due to this lack of direct management control, developing a uniform approach to training and enforcing uniform quality standards is challenging. The ministry's role is limited to advising, mentoring and subsidising regionally-managed BLKs.

The Ministry of Manpower registers, accredits and provides limited programme and equipment support to private training providers through the province and district offices. The ministry is also tasked with overseeing the development of the national competency standards and packaging and levelling the qualifications. While the ministry is not officially in charge of the Indonesian Professional Certification Authority, it provides secretarial support and with the exception of the present chairman the chairpersons of the authority have all been former Ministry of Manpower senior staff.

### **Ministry of Education and Culture**

The Ministry of Education and Culture Directorate of Non-formal Education and Training Development is responsible for regulating private course and training providers registered with the Ministry of Education and Culture district offices. The ministry assesses the performance of training providers while a nominally independent body, the Professional Certification Coordinating Board (BAN-PNF), is responsible for accrediting them. The ministry supports training providers in various ways, for example with equipment and programme support as well as by sponsoring course participants from the Ministry of Education and Culture.

The Ministry of Education and Culture supports a competency certification scheme that is separate from but similar to the system that comes under the Indonesian Professional Certification Authority.

(See annex V for the Ministry of Manpower and the Ministry of Education and Culture regional offices in Kota Bandung 2013 assistance and annex VI for a list of important government rules and regulations.)

### **The BLK System (BLKI)**

The state of the BLK system is documented in the internal World Bank (2011) publication, *Revitalizing Public Training Centers in Indonesia: Challenges and the Way Forward*.<sup>14</sup> The report also contains comprehensive suggestions for means to improve the BLK system.

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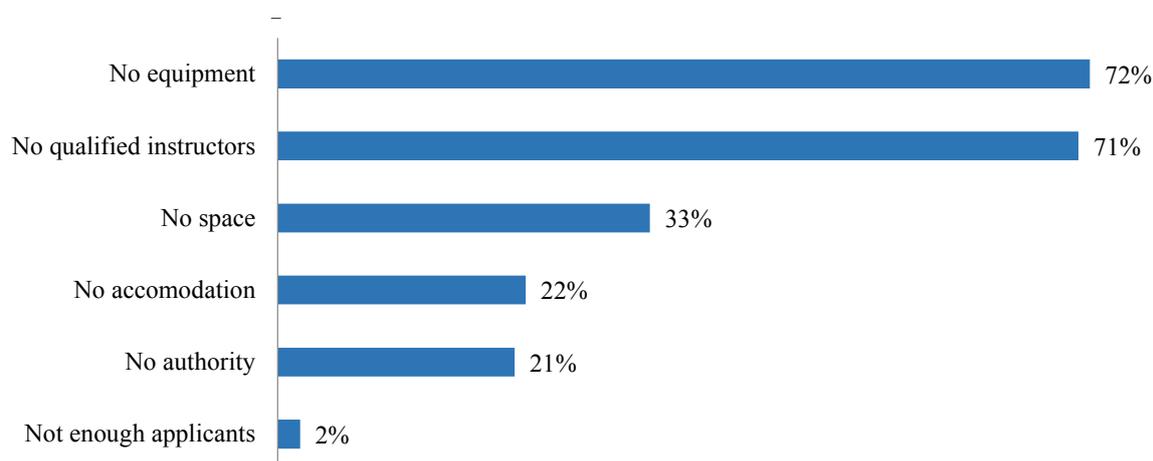
<sup>14</sup> The World Bank report (2011) was based on a survey of 119 of a total of 185 BLK institutions.

The Ministry of Manpower has direct control over only 14 out of approximately 200 BLKs. The remaining centres are administered either by provincial or - for the majority of them - by district authorities. While much effort has been dedicated to upgrading the ministry-managed BLKs to a uniformly high standard, their development depends entirely on the importance regional authorities attach to developing human resources. The district-managed BLKs particularly lack the attention and funds to keep them operating to acceptable standards.

Due to delays in the availability of annual budgets, no government-funded training takes place between January and April each year. During this period some BLKs are able to conduct courses sponsored by companies or other parties but almost all of them are idle. Being unable to conduct training for four months of the year obviously severely limits the efficiency of the BLK system.

In interviews for the World Bank report (2011) a sample of more than 100 BLK managers listed the most important obstacles to expansion and improvement at their institutions, as shown in figure 2.

**Figure 2: BLK challenges**

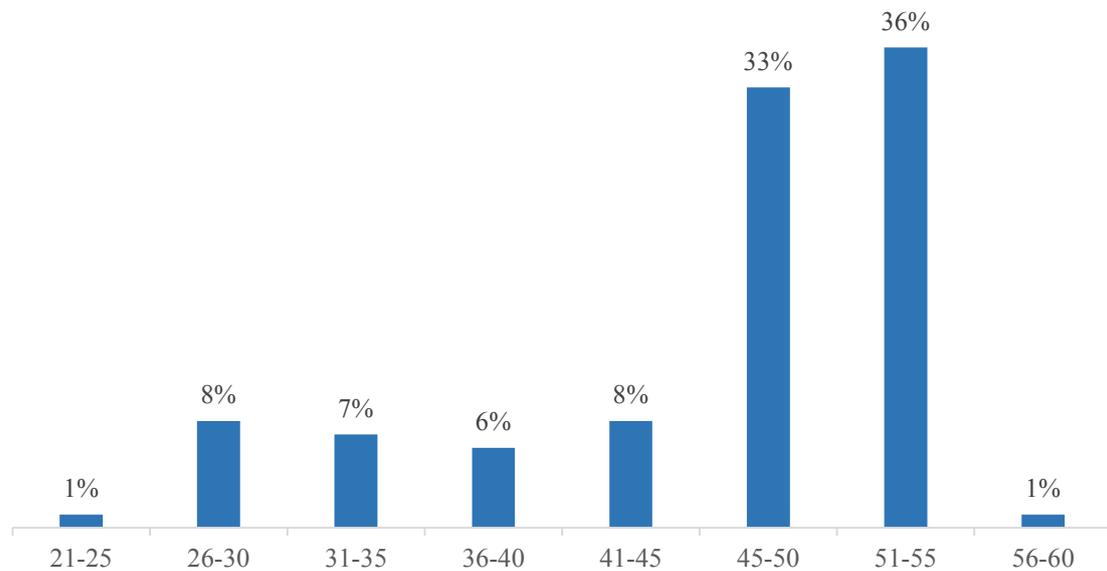


Source: The World Bank

While the BLKs claim to communicate and cooperate with stakeholders, the efficiency of this communication is questionable. Stakeholders are well aware of the BLKs and their potential. However, stakeholders see them as entities that report to authorities that do not necessarily have anything to do with them. The BLKs do not depend on market conditions or on income from paying trainees, so some employers' organisations consider the training they offer out of step with the labour market.

The issue of human resources is particularly difficult at BLKs. Instructor recruitment has not kept up with the natural attrition due to aging, as shown in figure 3.

**Figure 3: BLKs: the issue of aging instructors**



Source: The World Bank

This has resulted in BLKs having to employ private sector instructors on contract. On the surface that would seem to be a welcome development as one concern expressed about BLK instructors was their lack of contact with the workplace. However, the experience with private sector instructors has been mixed. Due to the relatively low salary these institutions can offer, the managers do not have a large pool of private sector instructors to choose from and they often have to employ whoever is available, regardless of qualifications. Not many private sector instructors have national standard certification and some BLKs have helped contract instructors upgrade their skills and attain formal skills and instructor qualifications.

Managing BLKs presents particular challenges that can only be met by properly trained managers. In the past, centre managers were largely promoted from instructor rank. This was not a perfect solution although it did ensure that centre managers understood training issues and had grown up in the system. However with the local autonomy regulations in force, that pattern has changed. According to the World Bank (2011):

“The appointment of BLK managers is not currently characterised by a uniform process. In total, 50 percent of managers were appointed directly by the regional head; 27 percent were appointed on the basis of civil service seniority; and 17 percent on the basis of technical background and seniority. Most Ministry of Manpower regional office heads (86 percent) were not aware of any formal prior requirements for candidates for the BLK manager positions. In total, 65 percent of the Ministry of Manpower regional office heads stated that newly appointed BLK managers are offered training after appointment, with 80 percent saying training consisted of ‘management courses relevant to BLK operations’.”

The claim that “relevant training” is offered to newly-appointed BLK managers was not verified during the survey exercise. However, it is evident that due to the responsibility for most of the centres being regionalised, a uniform standard is no longer applied in employing and training centre managers. There were no reports of private sector professional managers being employed in the BLK system.

## Private training providers

Private training institutions are usually owned by one or more individuals who are interested in providing training courses. Few training institution owners, if any, enter the business of training because it is considered a sound business; it is clearly not. Almost all training providers have other enterprises that support their business of providing training courses.

To be able to operate, all private training and course providers must be registered either under the Ministry of Manpower regulations or under the Ministry of Education and Culture regulations. Other ministries also register a small number of training providers, for example, companies providing training for the airline business are registered with the Ministry of Transport. The registration process is relatively simple and may rely on rented facilities and contract-employed instructors.

Once registered, training providers are largely left on their own. The Ministry of Manpower and the Ministry of Education and Culture district offices do not have the resources to monitor private training providers. Although there is a formal biannual reporting requirement<sup>15</sup> (Ministry of Education and Culture registered institutions), little information is available on the private institutions after their initial registration. While the Ministry of Education and Culture provides more details on private course providers than the Ministry of Manpower, overall the information available from either ministries or their regional offices is scant. There is no up-to-date information on whether or not a training provider is still active, what their capacity is and what level of training they offer.

The total number of private training providers is therefore difficult to determine. Table 1 shows the information available on this from the Ministry of Manpower and the Ministry of Education and Culture.

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<sup>15</sup> *Peraturan Menteri Tenaga Kerja dan Transmigrasi Nomor. PER.17/MEN/VII/2007 tentang Tata Cara Perizinan dan Pendaftaran Lembaga Pelatihan Kerja Paragraph 27.* Regulation available at [http://jdih.depnakertrans.go.id/data\\_puu/PER\\_17\\_07.pdf](http://jdih.depnakertrans.go.id/data_puu/PER_17_07.pdf)

**Table 1: Total number of registered private training and course providers**

PROVINCE	LPK MoM	LKP MoEC
Jawa Barat	1,109	2,603
Jawa Timur	981	3,000
Jawa Tengah	857	2,090
Sumatera Utara	656	1,647
Sumatera Barat	321	325
Sulawesi Selatan	295	542
Lampung	288	594
Banten	253	423
Kalimantan Timur	251	337
Bali	247	543
Sumatera Selatan	228	553
Bengkulu	197	263
Kalimantan Selatan	194	307
Kalimantan Barat	172	262
Sulawesi Tengah	161	376
Bangka Belitung	142	151
Nusa Tenggara Barat	133	485
DI Yogyakarta	131	294
DKI Jakarta	131	776
Nusa Tenggara Timur	120	443
Sulawesi Utara	117	290
Jambi	77	354
Nanggroe Aceh Darussalam	71	393
Papua	67	50
Kalimantan Tengah	67	137
Kepulauan Riau	67	296
Riau	64	268
Maluku Utara	46	132
Sulawesi Tenggara	40	237
Gorontalo	30	96
Sulawesi Barat	29	173
Maluku	25	86
Papua Barat	13	28
<b>TOTAL LPK /LKP 2012</b>	<b>7,580</b>	<b>18,554</b>

Sources: MoEC and MoM (July 2014)

However, the figures in table 1 are misleading as some training institutions are registered with both ministries. The main reason for double registration is that a training institution may qualify for assistance from both ministries. The ministries and training provider associations do not know how many training and course providers carry double registration. This means that the total number of training and course providers is lower than the sum of the Ministry of Manpower and Ministry of Education and Culture registered institutions.

There are many private training providers but from the statistics available most of them are small operations with individual owners and fewer than 10 employees. No data is available on their output. Doubts about the accuracy of the data are amplified by the surprisingly low number of private training providers that are registered with the Ministry of Manpower in some provinces, such as DKI Jakarta, Sulawesi Barat and Aceh.

The difference between “training” providers and “course” providers is difficult to discern. The two providers offer similar courses and they often register their establishments with both ministry offices. While they perform similar tasks, the Ministry of Manpower and Ministry of Education and Culture maintain separate departments to register and accredit training and course providers. Separate entities also operate the assessment and certification bodies. The two ministries support training or course providers through separate and largely uncoordinated schemes. Most support is in the form of contracting packages of training out to training providers. However, programme and equipment support is extended to private institutions, although on a limited basis. Little, if any, inter-ministerial coordination of activities related to training and course provision, takes place.

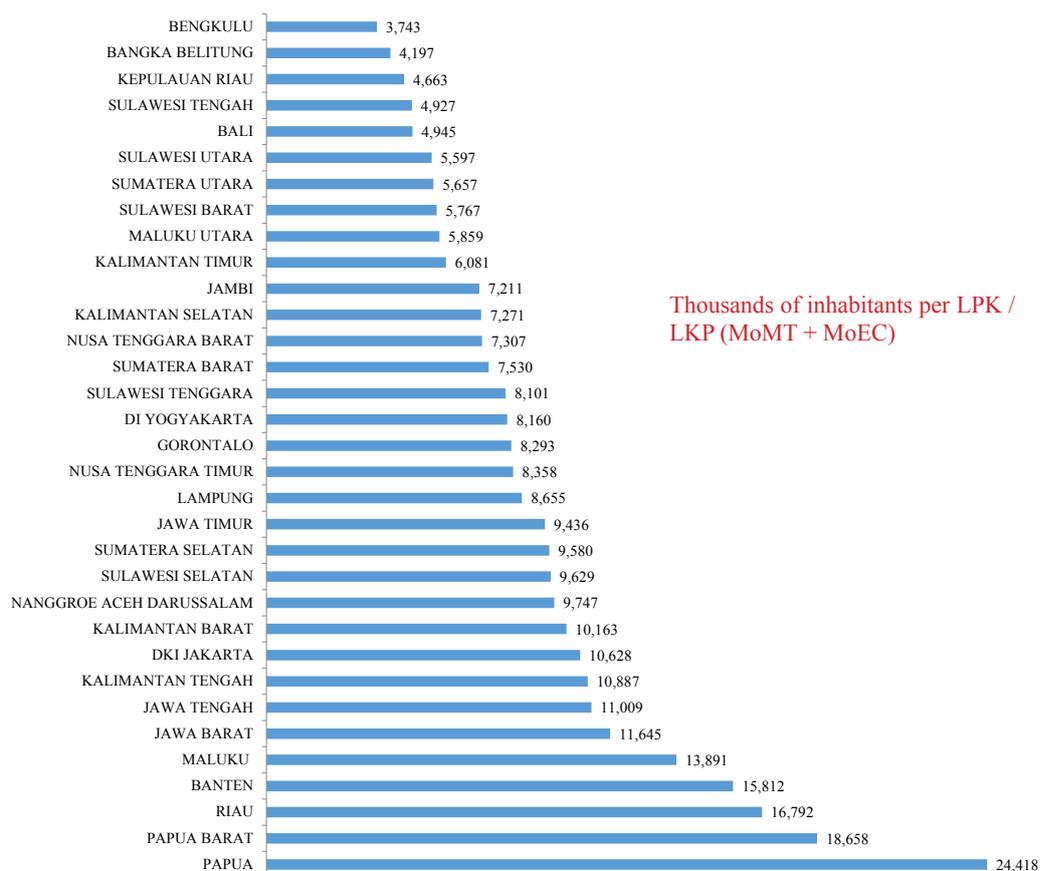
Most private training providers (registered with either ministry) cater for school leavers and other segments of the population that have not acquired employable skills through the formal education system. Private training providers focus on courses that are marketable and do not demand large investments in equipment. The preferred courses are computer skills, languages, sewing and various aspects of personal care (hairdressing, skin care and so on – see annex III for details). Courses are short and aim to qualify course graduates to take up employment or to start businesses in the shortest possible time. To a large extent training providers design their own course programmes, often with the national standards as reference. Trainees are assessed in-house. Graduates are provided with certificates of training that are sometimes co-signed by the local regional office of the relevant ministry.

A minority of training providers operate in niches, for example internal company training units may register as training providers so they can train people who are not employed by the company. Other training providers specialise in industrial sectors and bid for training packages that companies outsource. The oil and gas and mining industries are two examples of sectors that require a high volume of specialised training, usually to their own specifications. Some private training providers specialise in skills that require official certification, such as tower crane operators and other occupations where health and safety concerns are regulated. Foreign joint-venture training institutions are allowed but must have majority Indonesian ownership. Most joint-venture training institutions registered are in the field of language training. Franchised training is prevalent in sectors with high service content, such as motorcycle mechanic training. The hotel and tourism sector also provide specialised training, for example to specifications from cruise ship operators.

## Geographical distribution

Private training institutions are not evenly distributed between provinces (annex II). There is a significant difference in opportunities for training depending on location. Figure 4 shows the number of training institutions per 1,000 inhabitants in each province. From the information available it is not immediately obvious why some provinces have a greater density of training providers than others.

**Figure 4: Density of training providers in each province**



Note: This graph does not take into account possible double registration

Sources: PBS, MoMT MoEC

Overall, training institutions registered with the Ministry of Education and Culture are more evenly distributed according to population density, while the least developed provinces (Papua, Papua Barat, Riau and Maluku) are also disadvantaged in this respect.

## *Permits and accreditation*

The Ministry of Manpower or Ministry of Education and Culture district offices issue training providers with permits to operate. Registering is a simple process and, judging by the varying states of repair seen during the research, the operational conditions of registered training institutes are not effectively audited.

While accreditation is not compulsory,<sup>16</sup> training providers need to be accredited by the Ministry of Manpower or the Ministry of Education and Culture to qualify for various assistance programmes that the regional offices offer. The two systems of accreditation are similar<sup>17</sup> although the Ministry of Education and Culture has a slightly more elaborate system in place, with training providers being graded on operational performance before being eligible for full accreditation. Due to capacity constraints none of the accreditation systems are able to meet the requests for accreditation received from training or course providers and only a small percentage of them are accredited.

## *Instructors*

Instructors at private training providers are usually employed on contract and engaged as and when there are courses to be conducted. There is no set standard for their qualifications. Most training providers claim that instructors are from industry and hold formal qualifications. However, only a few training providers insist that instructors should be qualified and certified by a professional certification organisation or be qualified as assessors. Our impressions from interviews confirmed that instructors are generally closely associated with the private sector through full-time or part-time employment.

## *Courses provided and cost of training*

Based on Ministry of Education and Culture data (annex III), while registered training and course providers offer 74 different courses, 80 percent of them concentrate on just 10 different courses. Computer operator courses are the most popular, followed by language training and sewing courses. Comparable information is not available from the Ministry of Manpower. However, information from three provinces shows similar results with the exception of DKI Jakarta, where there is a more diverse selection of training courses (figure 5).

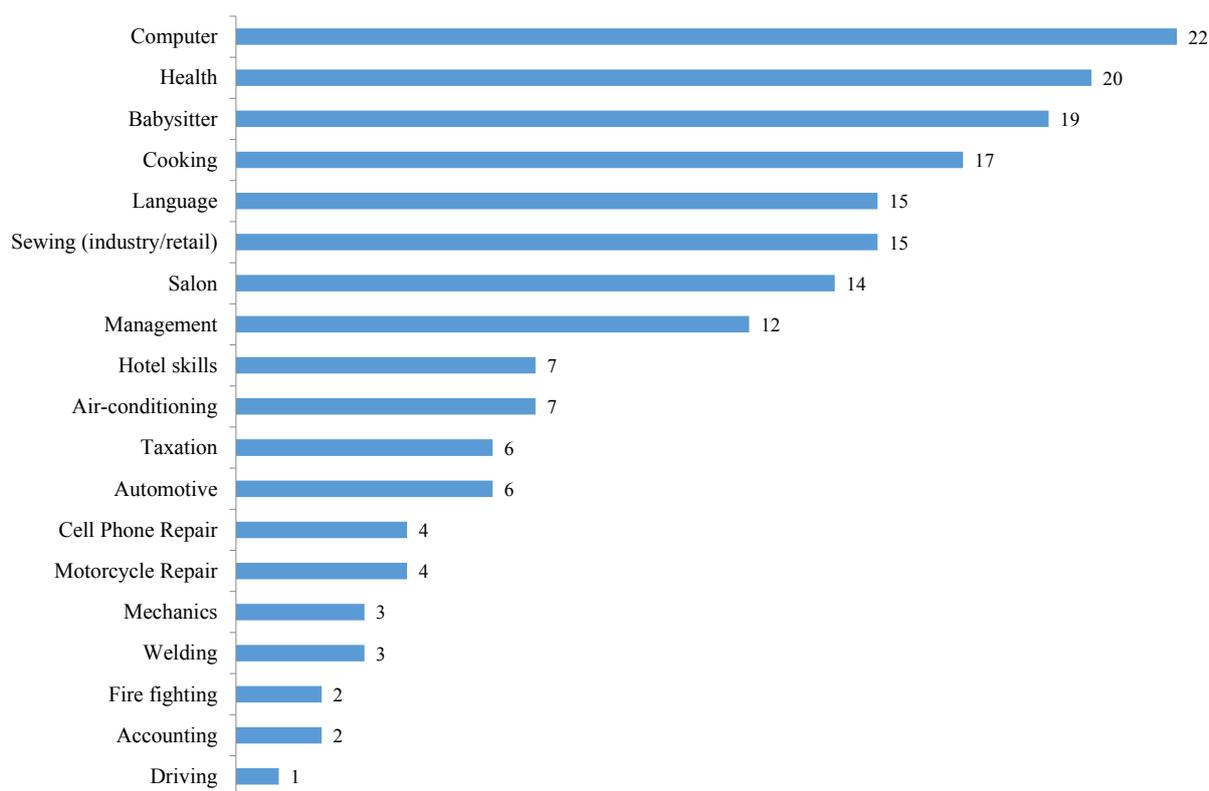
The popularity of certain courses does not necessarily reflect the skills most in demand by employers. The training institutes' clients are young people seeking skills for employment and the popularity of certain courses reflects their ideas of what they need to find a job or start their own businesses. Training providers are flexible and will shift their course orientation to match the patterns of demand. In recent years the strong need for computer skills represented a significant change in demand for training. Other courses, such as sewing and various personal care skills, reflect the demand for courses that enable graduates to either set up their own business or seek employment in the micro enterprises that specialise in hairdressing and bridal make-up, for example.

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<sup>16</sup> Except for training providers offering training for migrant workers.

<sup>17</sup> Changes to the system to link accreditation to the national skills training system is being discussed at the Ministry of Manpower.

**Figure 5: Training providers registered with the Ministry of Manpower in DKI province**



Sources: MoMT

Training providers do not discuss common approaches to the duration and cost structures of their courses. While there are no standards for the length and content of courses, courses tend to be short term. This is largely determined by the clients' ability to pay and their need to take the fastest possible route to obtaining employment. The duration or number of hours of training varies greatly among training providers. However, the promotional material from training providers is not particularly clear and it is not easy for someone seeking training to understand exactly what is being offered. Few training providers mention the actual number of hours of training in their promotional material although they usually specify the number of training sessions.

The cost to the trainee per hour of training is also difficult to ascertain and there are no standards to go by. Each training provider charges according to the local market for training. The cost of training depends on the type of course and whether or not training providers have their own equipment or have to rent facilities for training. Annex V provides the details gleaned from separate inquiries made from a number of training providers. Table 2 summarises information gathered on duration and cost of training.

**Table 2: Duration and cost of training**

Course	Hours of training	Cost per hour of training (IDR)
Beauty salon	48 – 192	5,210 – 20,800
Computer skills	18 – 48	14,200 – 27,100
Motorcycle mechanic	48 – 256	14,600 – 19,200
Auto mechanic	48 – 192	10,420 – 21,530
Excavator operator	30 – 130	74,000 – 108,000

Training providers that have been in business for many years and have built up a reputation for quality can charge significantly higher prices for courses than the smaller operators. Several training providers mentioned that the main source of new students was through referrals from previous graduates.

### *Quality of training courses*

Most training providers claim that their course curricula are based on the national competency standards. However, no training providers included in this review were conducting true competency-based training. They rather structured their course content and designed their course training materials in-house, possibly loosely based on the national standards. All student contact was time-based and often, due to shortage of equipment, structured into group work. Most training providers claimed they provide approximately 30 percent of theory content and 70 percent of practical content. However, many of the training providers' facilities were substandard and it was difficult to visualise how they could realistically conduct practical training.

Most training providers claim that employability skills are included in their course curricula. This was difficult to ascertain as nothing is mentioned on the subject in their course material.

In almost all instances, trainees were assessed and certified in house. Only one training provider, registered with the Ministry of Education and Culture, was using the ministry's certification body to do their assessments and issue certificates. Most certificates issued are certificates of attendance and some certificates state the subjects covered during the training. In most cases the certificates are co-signed by the local regional office administrator, whether under the Ministry of Manpower or the Ministry of Education and Culture. The regional ministry office acknowledgement lends some credence to the certificate although it is not based on a quality assurance process other than the original accreditation of the training institutions. Some training providers offered certification from the Indonesian Professional Certification Authority or the Competency Certification Authority under the Ministry of Education and Culture rules. However, the process of assessment is costly and rarely required by either employers or trainees. (See section on quality assurance.)

With only rare cases of external training assessments and no external audits of training providers, it is difficult to ascertain the quality of training courses. On seeing the average facilities available at private training providers, there are little grounds for optimism. Most operate under cramped conditions with

obsolete and insufficient equipment. The ultimate test of quality of training is the employment prospects of graduates. Unfortunately, without detailed tracer studies that is difficult to assess as the regulating authorities (the regional ministry offices) are not as a rule engaged in monitoring training and course providers' activities. According to training providers their graduate employment rate is high although they are unable to back up such claims with tracer study data. However, they assert, justifiably, that they would not be in business if their training courses did not lead to employment.

### ***Employment***

As a rule training providers do not assist graduates with employment but almost all of them have a network of employers they cooperate with in various ways, mostly by arranging work experience for their trainees. Both public and private training providers consider this valuable as work practice often leads to permanent employment after the trainees complete their courses. Training providers often attempt to strengthen and formalise their relationships with employers by drawing up formal memoranda of understanding. While course providers do not undertake tracer studies, they take an interest in what happens to their graduates since their business depends on employment outcomes. Several training providers also asserted that they had a network of employers who depend on their training institute for graduates.

Technical education and vocational training graduates can seek employment in all kinds and sizes of organisations. Their training is basic and general which means that the graduates from private and public training institutions often require specialised training at their future workplace. In areas with little opportunity for formal employment, training institutions encourage their graduates to consider self-employment and some include entrepreneurial content in their training. Many skills areas lend themselves well to self-employment, for example, motorcycle repair and maintenance, cell phone or electronic equipment repairs, dressmaking and tailoring. While female course participants have the full range of courses to choose from that are equally suited to formal and self-employment opportunities, the courses most popular among them include, for example, dressmaking, personal care, computer skills and basic bookkeeping. Some women also take courses in cell phone repair and some go on to open their own stalls selling phone cards and servicing cell phones.

From this review and from examples documented by the ILO (2011) it is clear that private training providers catering for lower income groups in the community fulfil an important role in providing the basic skills that enable young people to apply for jobs or set up their own businesses.

### ***Marketing training courses***

Most training providers operate on tight budgets. For many that means they have little funding available for marketing which used to mostly consist of newspaper and radio advertising, distributing fliers and word-of-mouth referrals through graduates. With the internet that has changed. All course providers can set up an impressive internet site but this also makes it difficult for prospective students to assess what sort of training is actually being offered. Some promise a great deal ([www.technoprada.com](http://www.technoprada.com), [www.automitsuda.com](http://www.automitsuda.com)) but they are actually small operations while others have websites that accurately reflect their competencies ([ariyanti.ac.id](http://ariyanti.ac.id), [www.fujibijak.co.id/aboutus\\_id.html](http://www.fujibijak.co.id/aboutus_id.html)). Being able to advertise on the internet and via social media at little cost has boosted smaller training providers. Several training providers have been able to accept students from the eastern provinces of Indonesia who signed up

because of the information provided on their home pages. Training providers also depend on referrals from graduates of their training courses. Established training providers see this “repeat business” as significant, especially if they have been in business for 10 to 20 years. Maintaining good relations with employers is a must for training providers and prospective students seek out the institutions that have a good reputation with employers in the region. Few employers actually pay the training providers to train their employees. However, in some sectors, such as hotels and tourism or cruise ship operations, they have agreements with the training providers to train new employees to company specifications. Also, health and safety courses taught according to government requirements are often subcontracted to private training providers.

### ***Private training provision as a business***

Virtually all training providers said that it was difficult to operate a training institution as a business. Private training providers get little or no support from government agencies or employers so they survive entirely on fees charged to individual students or to companies who outsource training. Their customer base is mostly local and mainly young people who are trying to qualify for their first job. Young people’s ability to pay for courses usually depends on the assistance they get from their parents. However basic skills training is not the first choice for families with the means to provide education for their children. If family funds are available, young people tend to seek more advanced training with *politeknik* (post-secondary) level being the most likely choice. Most training providers therefore cater for families that cannot afford more advanced training or education. To be in this market, courses have to be relatively short and cheap. Due to these constraints, not many training providers have been able to make training a viable business and even one of the best training companies has had to close down. (See the case study on the Yayasan German Garment Training Centre in annex VIII.)

Training providers economise in a number of ways. They operate from their own premises – often from the family home or from low-cost shopfronts. Owners keep fixed staff at a minimum and employ instructors on contract. Many also operate businesses related to the courses they offer at their training institution. Despite these measures, the biggest issue for training providers is how to accumulate sufficient funds to keep and maintain their own premises and maintain and upgrade their equipment. Judging from the institutions visited, providing training is a marginal business opportunity. When asked why they were in business, most owners said they had a personal interest in training and wanted to provide training for young people. Training providers that specialised in particular industrial sectors or training with particular certification requirements appeared to be doing slightly better than those whose clientele were young people seeking skills for employment. Training providers that are well-known and have been in business for years are usually able to attract sufficient numbers to operate their courses at full capacity. The lesser-known providers encounter challenges when they advertise a new course.

### ***Cooperation with government agencies***

Private training providers communicate with the local regional offices when they register – and possibly when they are accredited. However, unless training providers wish to qualify for the few training packages and other support that the regional ministry offices make available, there is little need or advantage in institutions maintaining relations with the regional offices. Training providers are meant to report on their activities to the regional ministry offices (for either the Ministry of Education and Culture or the Ministry of Manpower) but few of them do and equally the regional offices do not actively request

their reports. This lack of communication and monitoring has a number of negative consequences. The regional offices are not aware of the standard of training being provided and have no information on the number of people being trained, what skills are being taught and what employment outcomes are achieved. Vital information that should be channelled into a region's labour market information system is not being collected and analysed.

Some details about the assistance extended to private training providers were available at ministry and regional levels. The Bandung Ministry of Education and Culture regional office, for example, had some information on the type of assistance they had extended to course providers but Bandung Ministry of Manpower regional office did not have such information at hand. On the national level, it was not possible to obtain precise information. (See annex VI for more details on assistance programmes.)

### *Cooperation with other stakeholders*

Training providers appear to operate in isolation. No stakeholder forums have been established in any of the provinces although it would be in all their interests to have such a means of communication and cooperation. Neither the Indonesian Chamber of Commerce and Industry nor any of the employers' associations cooperated with training providers or their associations (Association of Indonesian Training Institutions and Association of Indonesian Training and Course Providers). Training providers limit their cooperation to a few individual companies or employers that are usually located in their vicinity. One would expect training providers' organisations to develop stakeholder relationships but, with a few exceptions, the Association of Indonesian Training Institutions and the Association of Indonesian Training and Course Providers did not appear to be effective in furthering the interests of their members at any level. From our discussions the predominant impression was that little is gained from engaging in stakeholder activities. Most training providers are fully occupied with operating their businesses and have little time for anything else; employers are happy with their present loose relationship with their preferred training providers and neither training providers nor employers see any gain in engaging with the regional ministry offices.

### *Public-private partnerships*

The issue of public-private partnerships was discussed, particularly as a means of improving the performance of the BLK system. Furthermore, the visits to private training providers and discussions with them demonstrated that the sector is agile and able to adjust to changing situations. They are keenly tuned to what skills the market requires – or what skills young people think they require to get a job. However, with a few notable exceptions, the private training sector consists of many small operations with less than ten permanent members of staff and a few hundred graduates from short-term courses annually, at the most.

Private companies do not appear to be as flexible in that they are not interested in cooperating closely with training providers. For example, a training provider with an excellent training record and recognised standing in the industry was unable to attract sufficient industry interest to survive (annex VIII). From this and other reviews, it is clear that employers do not want to divert resources to closer cooperation with training providers unless it is for specific purposes. More commitment could be in the form of loaning instructors, providing equipment and assisting with course design. Closer cooperation could also lead to employers entrusting training providers with some of their training requirements. However, it is doubtful that this non-engagement stand of employers will change unless employers can either apply for subsidies for training purposes or are forced to pay for training in one way or another.

## Training and course provider associations

The two main associations representing training providers are much alike. These are the Association of Indonesian Training and Course Providers (*Himpunan Penyelenggara Pelatihan dan Kursus Indonesia – HIPKI*), representing course providers registered with the Ministry of Education and Culture, and the Association of Indonesian Training Institutions (*Himpunan Lembaga Latihan Seluruh Indonesia – HILLSI*) representing training providers registered with the Ministry of Manpower. They were set up to act as communication channels between ministries, their regional offices, other stakeholders and their members. The main role of the associations is to convey their members' interests to other stakeholders, in particular to government bodies and employers. Both are organised through a national board and have elected representatives at provincial and district levels. Membership is compulsory if training and course providers wish to apply for ministry or regional office assistance.

At the national level it is not clear what either association has achieved but more has been accomplished at the provincial and particularly the district levels. However, without assistance in the form of funding and capacity building for their board members, little progress can be made. The associations do not charge fees and all work on their behalf is done on a voluntary basis.

## Apprenticeships

### *The apprenticeship system*

In 2010 an International Labour Organisation (ILO) sponsored report concluded that:

“At present, the national apprenticeship system is not coordinated by a single policy.

Indonesian ministries run apprenticeship and training programmes independently, refusing to recognise the legitimacy of each other's' certification. Their programmes are industry-specific.

Efforts at sector planning have been underway for a number of years, but the national policy on apprenticeship has not yet emerged as one unified umbrella” (ILO 2010).

While the present situation is not ideal, the apprenticeship system has improved significantly since the ILO report was published. The apprenticeship regulation of September 2009<sup>18</sup> provided a framework of basic protection for apprentices while also anticipating employers' responses to a system that could have been considered stringent. The Ministry of Manpower, as the ministry in charge of apprenticeships, in cooperation with the Employers Association of Indonesia, initiated public awareness programmes specifically to inform employers about the advantages of the apprenticeship system. An apprenticeship forum (FKJP) was set up and, according to the Ministry of Manpower. This is still active in some provinces.

The only statistics available on apprenticeships are those recorded by the Directorate of Apprenticeship at the Ministry of Manpower that are based on reporting by the provincial and district regional offices of the Ministry of Manpower. The accuracy of the information is difficult to ascertain although it may

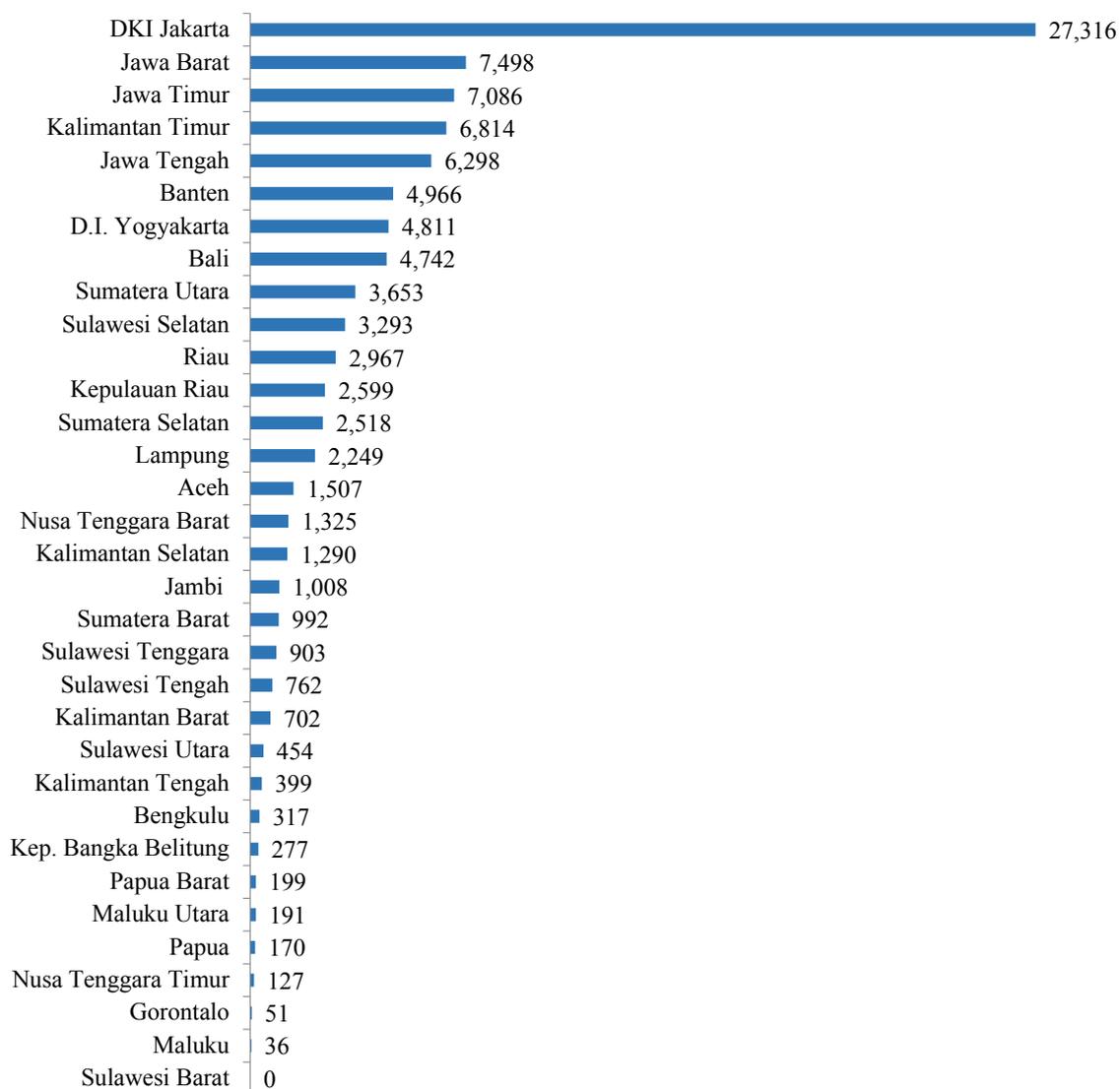
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<sup>18</sup> PER. 22/MEN/IX/2009 Tahun 2009 tentang Penyelenggaraan Pemagangan di Dalam Negeri

be safe to assume that the information available on apprenticeships subsidised by the government is reasonably accurate. However the information on apprenticeships funded through the private sector is probably not accurate as, according to some chapters of the apprenticeship forum, there is no incentive for companies to report, rather the opposite. Reporting may result in monitoring visits by the regional office of the Ministry of Manpower which can lead to unwanted scrutiny. The latest information available from the Ministry of Manpower on the total number of domestic apprenticeship contracts recorded between 2007 and November 2013 puts them at 97,520. The geographical locations of these apprenticeship contracts are indicated in figure 6. The disproportionately high number of apprenticeships registered in DKI Jakarta is due to direct efforts by the Directorate of Apprenticeship under the Ministry of Manpower to promote the apprenticeship system.

Based on interviews with a selection of small and medium sized companies, unpublished research by the ILO concludes that the number of unregistered apprenticeships by far exceeds the number registered. It is assumed that most small and medium sized companies accept trainees to ensure that skilled manpower is available for their businesses. These relationships are unrecorded and so little is known about the terms under which this training takes place and how often the training results in permanent employment after the completed training period. Without thorough research it remains difficult to support and develop this training resource into a system that can be managed and supported.

**Figure 6: Number of domestic apprenticeship contracts 2007– November 2013**



Source: MoMT (2013)

### **Apprenticeship Communication Forum**

The Apprenticeship Communication Forum (*Forum Komunikasi Jejaring Pemagangan – FKJP*) was established through ministerial decree No 2 of 2012. It was established for a period of three years and was assigned the following three tasks:

- Establish and coordinate the Apprenticeship Communication Forum chapters at provincial and district levels;
- Provide advice and guidance to the minister through the Director General of Training and Productivity on the policy formulation framework relating to apprenticeship issues;
- Draft a working programme for the Apprenticeship Communication Forum.

The ministerial decree that set up the forum stated that:

“...all costs associated with the implementation of the decision of the Minister are charged to the budget of the Directorate General of Training and Productivity.”<sup>19</sup>

However, only limited funding has been available to cover the operational and administrative costs of setting up and operating the forum at national and provincial or district levels. At the national level, this has resulted in no activity taking place. The Employers Association of Indonesia, as the national coordinator, does not see financing the forum’s activities as its role. The only activities with a national scope that have taken place since the decree were three national workshops paid for and conducted by the Directorate of Apprenticeships. The objectives of these workshops were to introduce the apprenticeship system and to set up a work plan for the Apprenticeship Communication Forum.

The Employers Association of Indonesia, as the national coordinator, believes that the ministerial decree is not an effective basis for the Apprenticeship Communication Forum and would prefer to see an independent forum, operating under a non-governmental organisation umbrella. Discussions with the provincial chapters showed a lack of alignment with the national forum point of view. The provincial chapters were critical of the forum’s inactivity and lack of leadership and in some cases they have initiated independent activities to promote the apprenticeship system.

## Quality assurance

### *Competency certification*

The implementation of the national training system, based on competency-based training, also introduced a national uniform assessment and certification system. The principle of competence being assessed and certified to known and uniform standards is an advantage for trainees as well as employers and is particularly important for workers seeking employment overseas.

The Indonesian Professional Certification Authority (*Badan Nasional Sertifikasi Profesi – BNSP*) is responsible for the certification process. It grants licenses to professional certification organisations that are, as a rule, private organisations that charge a fee to undertake competence assessment.

The certification process started in 2006 but despite this the number of skills certifications issued has not lived up to expectations. Table 3 shows the present state of the certification system (Abdurahman 2014 ).

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<sup>19</sup> Profile of Central Technical Unit, Directorate General of Training and Productivity, Ministry of Manpower. 2013.

**Table 3: Summary of national skills certification**

Activity	Target until 2014	Realisation	Achievement (%)
Skills certification (no of people)	2,500,000	2,086,688	84 %
Licensed by a professional certification institution	250	118	47 %
Assessors trained	13,900	19,052	137 %
Master assessors trained	140	115	82 %
Assessment centres (TUK) licensed	1,250	1,143	91%

At first glance at the figures in table 3, it appears that the number of skills certifications has approached the target figure. However, most of the people certified (approximately 76 percent) were overseas workers in domestic employment – for whom certification is compulsory. Comparing the total number of workers employed in the formal economy in Indonesia, which stood at 53 million in 2013 (ILO/BPS 2013), with the remaining approximately 500,000 certified workers employed shows that the skills certification system has yet to have a significant impact.

There are a number of reasons why training providers have not introduced national certification:

- The national training system, including certification, is poorly understood by training providers and employers alike;
- Employers do not insist that graduates are certified as they have more confidence in the reputation of individual training institutions than in the national certification system;
- Only a few public and private training providers have had the required training to implement training to national standards;
- Only a few public and private training providers have the training facilities to implement training to national standards;
- Certification is costly, particularly in areas other than Java where there are few or no professional certification organisations.

The World Bank (2011) survey listed the reasons why BLKs did not train to national standards:

- The instructor base in the BLK system is aging and there is a shortage of instructors making it difficult to upgrade and certify instructors;
- The cost of upgrading instructors has to be borne by the provincial or district governments and funds may not be available or this may not be a priority for regional administrations;

- Trainees have to be assessed through professional certification organisations but these are not yet available in many of the skills areas and in many of the provinces;
- The cost of assessment is high due to professional certification organisations having to operate on at least a cost recovery basis;
- The facilities and equipment available are not sufficient to train according to national competency standards;
- There is no significant demand among employers for certification.

Private training institutions largely claimed that they train to national standards. They based this assertion on the fact that many used the national competency standards (*Standar Kompetensi Kerja Nasional Indonesia – SKKNI*) as a basis for their programme development. However, only two of the institutions interviewed offered national certification as an option. Lack of demand, cost issues and, in the case of Makassar, the few professional certification organisations available, were the main reasons for private training providers not considering certification to national standards.

Instead of offering national certification, public and private training providers issue their own certificates. Information about the courses is usually indicated on the back of the certificates but they do not provide evidence of competence. In reality they are certificates of attendance. They do gain some authenticity by being co-signed by the regional ministry office. According to training providers, rather than worrying about certificates, employers base their judgment of graduates on the experiences they have had with previous graduates from training institutes located in their areas.

### ***Accreditation of training providers***

With the exception of those institutions providing training for migrant workers, accreditation is not compulsory for training providers. However, there are reasons for them to apply for accreditation. Some see it as evidence of quality but most apply for accreditation to better qualify for government assistance programmes even though there are not many on offer and participation is on a competitive basis.

Two main accreditation bodies, the Non-formal Accreditation Authority under the Ministry of Manpower (*Lembaga Akreditasi Lembaga Pelatihan Kerja – LA-LPK*) and the Non-formal Accreditation Authority under the Ministry of Education and Culture (*Badan Akreditasi Nasional Pendidikan Nonformal – BAN-PNF*) are responsible for accrediting non-formal training and course providers. The two systems accredit similar institutions in terms training and course programmes. While there is no cooperation between the two authorities they use similar processes and many training providers are accredited by both bodies.<sup>20</sup> Each accreditation body assesses eight aspects of the training providers' operations, as shown in table 4.

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<sup>20</sup> No data is available on how many training providers are accredited by the Non-formal Accreditation Authorities in either of the ministries.

**Table 4: The eight aspects of training providers' operations assessed by the non-formal accreditation authorities**

LA-LPK	BAN-PNF
1. Facilities	1. Curriculum content standards
2. Organisation	2. Standards of processes
3. Human resources	3. Graduates' competency standards
4. Administration	4. Teachers and education personnel standards
5. Working programme	5. Infrastructure standards
6. Training programme	6. Standard of management
7. Funding	7. Financing standards
8. Institution cooperation	8. Standard of education assessment

Assessments are done directly by the Non-formal Accreditation Authority under the Ministry of Education and Culture or by regional committees for the Ministry of Manpower. In either case the resources available are not sufficient to cope with all the requests for accreditation. At the moment only 14 percent (1,099) of the 7,764 Ministry of Manpower private training institutions are accredited. The Ministry of Education and Culture has 3,419 accredited institutions or approximately 20 percent of the total number registered (MoM 2012<sup>21</sup>; MoEC 2014<sup>22</sup>).

Having seen the state of some of the accredited training providers, accreditation is not a guarantee of quality. Also, while training providers said they indicate their accreditation in their promotional literature, it does not appear to be an important sales argument. One important function of the system should be to assure clients of accredited training providers that the training and course programmes offered follow national standards. Ideally the accreditation criteria should also ensure that training and course providers would be obliged to provide clear and transparent information on the training or courses offered. However, both accreditation systems focus on physical facilities and in particular on the qualifications of instructors. No criteria that directly aim to protect the clients are included.<sup>23</sup>

<sup>21</sup> <http://www.lemsar.net/datadaninfo/01provinsi-lembaga/41statusakreditasilembaga.php>

<sup>22</sup> <http://www.infokursus.net/datakursus/searchakre.php?kodewil=all&kodekredit=2&x=27&y=8>

<sup>23</sup> At the time of this research the Ministry of Manpower was in the process of revising its accreditation system.

## Employers

### *Employers and employers' associations*

The Indonesian Chamber of Commerce and Industry and the Employers Association of Indonesia, as representatives of employers – one of the primary “customers” of the skills training system – require graduates with the required skills, knowledge and attitudes to be able to function in the workplace.

Despite this obvious interest in a well-functioning skills training system, employer associations or individual employers do not reach out to training institutions or other stakeholders in their area of operation. In none of the three provinces visited were there any signs of stakeholders’ forums that, as a start, could serve as a space to discuss issues of common interest. While employers and training institutions communicate on an individual basis, employers and their associations do not appear to be interested in actively participating in or initiating activities that would lead to a more efficient regional training system.

### *Sector associations*

Unfortunately, it was only possible to interview one of the targeted industry sector associations, GAPENSI (*Gabungan Pengusaha Konstruksi Indonesia* – an association for construction workers), as the other associations shortlisted for interviews (ALFI/INFA ASMINDO and IPERINDO) were not available for various reasons. Information gathered from prior interaction with a number of associations indicates that one of their main functions is to represent members’ interests and present their concerns to relevant government bodies. However, declining membership (a concern for GAPENSI) indicates that sector associations provide insufficient benefits to their members.

Some associations have a small training section and provide some training relevant to their industrial sector. However, in the case of the training institution associated with GAPENSI, Gaman Krida Bhakti, it was not possible to obtain an exact number of courses offered or graduates trained annually.

Industry sector associations are expected to play a significant role in reviewing and drafting competency standards for their respective sectors. With the exception of a few sector associations, most notably those attached to the hotel and tourism and construction sectors, it is not known to what extent these associations are ready to take on this task.

## Workers' federations

Earlier research indicates that skills training is not a priority issue for workers’ federations. Discussions with an All Indonesian Labour Federation (*Federasi Buruh Seluruh Indonesia* – FBSI) representative also confirmed that the federations are more concerned with other priorities, for example, minimum wage issues, than with how a well-functioning skills training system could also benefit their members.

## Data relevant to training and employment

The detailed, current and relevant data required to manage the skills training system are not available. The information on private training and course providers lacks detail and is not up to date. Similarly, it is not possible to obtain precise and detailed information on the apprenticeship system.

Likewise, detailed data on private training and course providers is not available. While the Ministry of Education and Culture provides more detail than the Ministry of Manpower, neither ministry has detailed data on the number of graduates or on employment outcomes. Data on training and course providers should be particularly important to the regional offices of the ministries. However, in none of the three provinces visited did these regional offices maintain detailed up-to-date records on training and course providers. The reasons for this were the lack of resources and lack of regulations to compel training and course providers to submit data on a regular basis.

The training and course providers associations, the Association of Indonesian Training and Course Providers and the Association of Indonesian Training Institutions, would be expected to maintain a database on their respective memberships but that is not the case. Both associations refer questions on to the respective ministries and cite the lack of resources as one reason for not maintaining a detailed membership database.

## **The Skills Development Fund**

### ***Background***

Almost all ministries provide some courses or training within their respective sectors. However, by far the largest non-formal training takes place under the supervision of the Ministry of Manpower and the Ministry of Education and Culture. Within the non-formal skills provision sector, the two ministries manage or supervise the BLK system (Ministry of Manpower), the private training institutions (Ministry of Manpower), apprenticeships (Ministry of Manpower) and private courses and training institutions (Ministry of Education and Culture).

Of the non-formal training providers only the BLK system is fully funded by central and regional budget resources. Private training and course institutions receive no regular government funding although they are granted packages of government subsidised training (consisting of funds to train a specific number of trainees). Training and course institutions may also apply for programme and equipment development grants from either ministry. Subsidies for apprenticeships are partly funded through the Ministry of Manpower and partly from regional funds. However, funding is only in the form of grants for transport and food allowances as apprentices as a rule do not receive salaries. With a few exceptions, competence certification and development of competency standards are not subsidised.

All aspects of the non-formal training and course provision system are fragmented. Several ministries are responsible for identical activities. Stakeholders in training and course provision do not communicate and any funding for skills training is scattered so its effects are not measurable.

Through recent focus group discussions with public and private stakeholders it was recognised and agreed that the skills training system must be reformed if it is to meet the labour market demand for skilled workers. As discussed in initial presentations, reforms should be driven by a complete change in funding for the whole skills training system.

The introduction to the Skills Development Fund draft concept (Abdurahman 2014) highlights some reasons for recommending a more efficient means of funding the skills and course provision system:

- Few skills and course providers deliver training to competency-based training standards;
- Companies do not carry out enough in-house training;
- The ministerial decision on tax relief to companies undertaking training has not resulted in increased training activities due to complicated procedures and other factors.

### *Draft concept*<sup>24</sup>

The draft concept for a means of reinvigorating the national skills training system through a revised funding concept was presented in a number of focus group discussions and other meetings held between May and July 2014 (Bappenas, TNP2K and World Bank 2014; Abdurahman 2014).

In these meetings the basic concepts were presented for discussion between stakeholders, in particular representatives of ministries and ministry bodies and of the private sector with the participation of representatives from employers' organisations, sector associations and training and course provider associations.

The proposed reformed management and funding system, with the working name of the Skills Development Fund (SDF), is based on existing laws and regulations. Thus it seeks to strengthen the present system by establishing a more efficient means of funding skills training. Currently, multi-sourced funding, distributed through many channels, makes it difficult to measure and assess the effectiveness and efficiency of funding. Whereas the proposed system consolidates all available funding for skills training into one central fund. The proposed areas of focus for the reformed funding mechanism are:

- Training – encouraging industry or companies to conduct competency-based job training for workers and prospective workers;
- Training institutions – improving the quality of the training offered by implementing a competency-based training programme; and
- Competency-based training development – encouraging industry and professional certification organisations to revise and/or develop new competency standards as needed.

The proposal envisages the Skills Development Fund as an independent institution nominally attached to the Ministry of Manpower but under the supervision of an inter-ministerial board. The Skills Development Fund would set up a secretariat which, in close cooperation with ministries and stakeholders, would develop and carry out proposals to reform the skills training system.

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<sup>24</sup> At the time of writing, two presentations expressed the draft concept of the Skills Development Fund: Revitalizing the skills training system in Indonesia: A proposed reform program (Bappenas, TNP2K and World Bank June 2014) and Pengembangan Kelembagaan Pengelola Dana Pelatihan (Abdurahman 2014)

## 4. Conclusions and Recommendations

### The national skills training system

While there are many reasons for the less than optimum performance of the non-formal skills training system, a few issues stand out:

- Fragmented system due to: two ministries being responsible for largely identical activities, fragmented regulatory and financial regulations, and central and regional level authority challenges;
- Lack of data due to absence of a functioning labour market information system and an almost complete lack of monitoring processes and outcomes of the private training system and apprenticeships;
- Lack of an effective quality assurance system, in particular lack of effective accreditation of training providers and slow implementation of the national certification scheme;
- Lack of communication and cooperation on all levels between stakeholders in training, particularly on province and district levels.

When visiting training and course providers in the provinces it became clear that there are no material differences between training providers registered with the Ministry of Manpower and those registered with Ministry of Education and Culture. Many, if not most of them are registered with both ministries or with their regional offices. While we could not verify the exact number of dual registrations, it was clear that operating two parallel systems to regulate and support virtually identical operations, with no communication and cooperation between them, is inefficient and detracts from any effort to implement a national training system.

Duplicating services not only affects the ministries and their regional offices but also results in two parallel registration and accreditation systems, two certification bodies, two associations of training providers and two different support schemes. In addition there seems to be a movement towards developing separate skills training standards. The parallel structure calls into question the whole idea of Indonesia having a uniform national training system. Having to deal with two authorities for the formalities of registration, accreditation and support provides no benefits to the training providers and adds extra costs to their operations.

#### ***Recommendation 1: One system***

It is recommended that one ministry should be responsible for regulating and supporting all training and course provision. The Ministry of Education and Culture has two times more registered institutions than the Ministry of Manpower and also has more advanced systems in place to register training institutions and record basic information about them. On the other hand, the Ministry of Manpower operates the BLK system which should be the backbone of non-formal training provision, operating in close cooperation with private training providers. (See the section on centres of excellence.) If it is not possible to merge the training system into one ministry, it is recommended that one system, uniform in all aspects, is agreed upon and operated by the Ministry of Education and Culture and the Ministry of Manpower – as well as other ministries responsible for non-formal training.

## **The skills training system at the regional level**

Unless each province and district takes responsibility for their own training system, it is doubtful that any progress can be made to improve skills development overall. Regional governments need to articulate clear human resources policies with the development of a skilled work force as an essential component. Targeted policies should mandate strong support for skills training resources, particularly in operating public training institutions under regional administrations and in supporting private training providers and apprenticeships.

Targeted human resources development policies are not the only requirement. One main reason for the lack of coordination in the training system is the absence of strong regional stakeholder forums responsible for coordinating training matters in their areas. In the present situation all of the many stakeholders operate in isolation and with little or no communication between them. Discussions with stakeholders in three provinces revealed an almost complete absence of meaningful and effective dialogue and cooperation between ministry representatives, quality assurance bodies, various associations, industry and other employers, and training providers.

This, combined with the under-resourced labour market information system, results in provincial and district administrations having no detailed information on their combined skills training resources. Without a functional labour market information system or any detailed mapping of skills training resources, any attempts to develop and strengthen the skills training system is at risk of failure.

### ***Recommendation 2: Regional human resources development policies***

It is recommended that, in close consultation and cooperation with employers' representatives, provincial and particularly district level administrations are encouraged and assisted to formulate human resources development policies that follow national policies and emphasise skills training targeted at the requirements of the local labour market. To formulate these policies they will need to set up effective labour market information systems and stakeholder boards or committees to ensure that all stakeholders become involved in – and take ownership of – the policy design process.

### **What skills are required?**

As mentioned earlier, a functioning information system is essential in accurately forecasting what skills are required in a given area. Recent discussions regarding the Skills Development Fund emphasised the need to target skills training at certain industrial sectors and sub-sectors. In this context, being able to identify sector skills requirements particular to geographical areas or economic sectors is vital.

Higher education, from polytechnic level (D-3) up, needs to focus on sub-sectors since graduates are expected to understand sector-specific industrial processes. However, at operator level any specialisation in skills should depend on the industry sector and not always occur during initial institutional training. These workers are not expected to understand the details of complicated mechanical, electrical or electronic processes but need the basic mechanical, electrical or other skills to work on equipment used in production processes. Companies, whether in the palm oil or food and beverage industries, in different kinds of workshops, industrial plants and hotels, all require large numbers of workers with basic training, for example, as mechanics, fitters, machine shop operators, electricians, electronics technicians and general administrators. With the vast array of equipment used, it would not be possible

for any skills training institution to train students on the specific equipment they will have to deal with once they are employed. Rather, workers with a good basic background in any of the skills mentioned will fit into the operator level (as defined in the Indonesian Qualifications Framework). Once employed, a relatively short training period is required to acquire the specialised skills particular to an employer. The great advantage of emphasising broad initial training combined with strong employability skills is that graduates are flexible and may be employed in almost any industrial sector.

### ***Recommendation 3: Skills analyses***

It is recommended that in-depth training needs are analysed at the regional level to explore what skills – both technical and employability – are required in a particular region and what degree of specialisation would be required in the training programmes.

### **BLK Institutions**

The BLK system is the only large government-administered non-formal training provider. With approximately 200 institutions, this system could be the backbone of non-formal training provision. However, only a few of these centres are in a good enough state to be used as examples for other training institutions. The World Bank (2011) suggested a number of recommendations for reforms that need to take place, as summarised under recommendation 4.<sup>25</sup>

### ***Recommendation 4: Reform the BLK system***

At the system level, the BLK system should incorporate the following suggestions for reforms:

- **Mentor BLKs:** Centrally-managed BLKs should serve as mentor institutions and play a leading role in strengthening the training system. They should act as resource centres, supporting the smaller BLKs and encouraging them to provide more advanced level training programmes. Local-level BLKs should strengthen their links with local communities.
- **Quality assurance system:** A system to assure the quality of training provided needs to be established, with each stakeholder's roles and responsibilities clearly defined.
- **Incentives:** The Ministry of Manpower should offer performance-based incentives to local-level administrations and to BLKs to ensure better training outcomes.
- **Increased role for private training providers:** To ensure the relevance of the training offered and to strengthen the Ministry of Manpower training system, the critical role of the thousands of private training institutions needs to be acknowledged and highlighted.

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<sup>25</sup> The text quoted from the World Bank (2011) is abbreviated. Please see the report for the full text: [www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/12/04/000461832\\_20131204151450/Rendered/PDF/629720REVISED00onesia020120low0res0.pdf](http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/12/04/000461832_20131204151450/Rendered/PDF/629720REVISED00onesia020120low0res0.pdf)

At the institution level, the following reforms are suggested:

- **Incentives:** Managers and instructors need to be better trained. They also need incentives to perform to higher standards. Appropriate training for BLK managers to upgrade their skills is critical to the overall success of the system.
- **Institutional autonomy and accountability:** BLKs need to develop a high degree of autonomy and accountability to ensure an equally high level of performance and efficiency. These centres currently function as government units, with managers devoting much of their time to a bureaucratic system of funding and reporting.

These are just a few of the interventions needed to reinvigorate the BLK system. With local autonomy, the responsibility for revitalising the centres rests with provincial and district administrations. Through their own regulations and adequate budgets, regional administrations should prioritise the BLKs and ensure that those centres in their region serve as models for the private training providers.

### Private training providers

To develop into institutions that provide training to national standards, private training providers require much assistance in all aspects of operations, including:

- strengthening their human resources skills at management and instructor level;
- upgrading their facilities to meet revised, more stringent accreditation criteria;
- marketing their training courses;
- undertaking tracer studies;
- communicating and cooperating with other stakeholders; and
- setting up an effective association to represent their interests to all stakeholders.

If they do not get assistance, most of them will remain low-budget institutions that provide rudimentary training to qualify graduates for entry level jobs and no more. Without support, training providers will not be able to provide higher-level training or any specialised programmes.

This limited review does not include sufficient data to estimate the number of private training providers that have the potential to attain an acceptable standard with appropriate assistance. From the sample of training providers included in this review, as well as from data from previous ILO reviews, this is likely to be a minority of the estimated 20,000 private training institutions. However, those that can be developed into institutions that fulfill accreditation requirements and train to national standards, would represent a significant addition to the present public training system.

### ***Recommendation 5: Mapping private training institutions***

A detailed mapping of non-formal training providers needs to be undertaken to thoroughly understand the state of private training provision. This should be initiated in one or more provinces and aim to provide a detailed inventory of all non-formal training providers. This detailed inventory will make it possible to determine the skills areas offered as well as the capacity and quality of training available in the province. It will also determine which training providers may be ready to develop into accredited training institutions and provide information to the Skills Development Fund secretariat on what resources are required to mobilise those private training providers with potential. The review should include discussions with stakeholders and in particular with regional ministry offices and employers, both individually and as representatives of their organisations.

### **Apprenticeships**

The apprenticeship regulations issued by the Ministry of Manpower serve as a good basis for developing the apprenticeship system. However, further progress will require more intervention from the major stakeholders, particularly the Directorate of Apprenticeship Development, the regional offices of the ministries, employers and their organisations, and the Apprenticeship Communication Forum.

The Directorate of Apprenticeship is under-resourced and does not have the means to carry out the nation-wide training and public awareness campaigns required to spread the knowledge about and acceptability of the apprenticeship system. The apprenticeship system is not well understood at the regional level, due to staff being untrained and frequently reassigned.

### ***Recommendation 6: Strengthening and regulating the apprenticeship system***

Considering that the formal and informal apprenticeship system is probably the single largest provider of training in the country, the present apprenticeship administration needs to be significantly strengthened and either remain under the Ministry of Manpower or be placed under an apprenticeship authority with inter-ministerial participation. This authority should have the resources required to gradually ensure that the regulations providing basic social protection for apprentices are developed and adhered to, even by small and medium sized enterprises.

Programmes to inform regional ministry offices and enable them to promote and support apprenticeships need to be rolled out. The cooperation that started with the Employers Association of Indonesia should be reinstated and intensified. The Apprenticeship Communication Forum needs to be restructured and adequately financed to serve as an effective forum for apprenticeship stakeholders.

### **Associations of training providers**

During this review it was difficult to verify if either the Association of Indonesian Training Institutions or the Association of Indonesian Training and Course Providers serve any significant purpose. At the national level no meaningful activities were ascertained – apart from a few meetings that had taken place. At the regional level virtually all members were unaware of any national-level activities for their associations. Regional chapters were also not aware of any official national working programmes or action plans. Provincial and district chapters appeared to be more active. Some groups from the associations

assist with communication and disseminating information. In one municipality the Association of Indonesian Training Institutions chairperson had started an initiative to map all training institutions in the municipality. This being said, there was no evidence yet of results from these interventions.

### ***Recommendation 7: Combining and strengthening the training providers' associations***

The two associations should merge and become one stronger, unified body that can truly represent members' interests and function as a stakeholder at national and regional levels. This single association of training providers needs to maintain its own membership database and be able to promote the interests of its members to other stakeholders.

### **Ensuring quality and consistency: professional certification**

The domestic requirements articulated by employers as well as external competitive factors make it imperative that skilled workers in Indonesia are trained to the national system and certified to national standards. With the introduction of the Indonesian Qualification Framework there are even more compelling reasons to implement the national training system more forcefully.

Training institutions' lack of readiness to train to national standards, employers' failure to demand certification and the high cost of certification are the most important reasons that the national system has not been adopted more widely.

While training institutions are being assisted to improve their courses and adopt the national system and public awareness is growing among employers, the certification system needs to prepare for a much larger volume of certifications.

### ***Recommendation 8: Strengthen and expand the professional certification organisations***

It is recommended that the following most urgent challenges are addressed:

- Professional certification organisations need to be available in all provinces. This can only be done by subsidising local institutions to train and equip staff to set up these highly professional bodies.
- The capacity of the present assessor training system needs to be strengthened with an emphasis on encouraging private-sector skilled workers to qualify as assessors.
- Competency assessment centres need to be developed and licensed. Workplace assessment would be preferable to training institution assessment. Private firms with good facilities should be encouraged to qualify as places of assessment and to train their staff as workplace assessors.
- The cost of certification needs to be subsidised but not on an ad-hoc or project basis. Certification should have a subsidised cost of between IDR50,000 and IDR100,000 per person, whatever the level or skill area.

## **Ensuring quality and consistency: accrediting training providers**

The accreditation systems applied by the Ministry of Manpower and Ministry of Education and Culture through their respective non-formal accreditation authorities (LA-LPK and BAN-PNF) are similar. Despite this, the two accreditation systems operate in parallel with little or no communication or cooperation between them. Training and course providers who are registered with both ministries are obliged to apply for accreditation from both accreditation bodies if they want to apply for support in the form of awarded training packages, equipment or other programme support.

### ***Recommendation 9: Create a single set of standards***

The two accreditation systems should be reviewed by a joint Ministry of Education and Culture and Ministry of Manpower group with participation from other ministries with sector-specific accreditation requirements. One uniform accreditation system should be agreed on and applied to all training providers, whether public or private. The revised system should be aligned to the national competency-based training system and, as one of its main criteria, training institutions should provide evidence that their training programmes are based on the Indonesian Qualification Framework or on clusters of competency standards. Accreditation criteria should be revised to meet national standards. Recognising that training providers will need time to upgrade their facilities and develop the human resources to meet more stringent accreditation regulations, the revised system should allow for a phased implementation schedule. Support should be available to help committed training institutions upgrade their operations and meet the accreditation criteria.

Ideally one accreditation body should be strengthened and empowered to be able to meet all accreditation requests. Alternatively the existing accreditation bodies could be maintained but would both need to adhere to the same set of standards. Over a period of time compulsory accreditation could be considered. However, this may only be feasible once the capacity of the accreditation bodies is able to meet all requests. Another possibility would be to allow training providers to operate without accreditation but they would have to also forfeit development support.

## **Skills Development Fund**

The Skills Development Fund, as envisaged in a number of presentations, should have a broad mandate to reinvigorate the national skills training system through a revised funding system. Implementing most of the recommendations listed here will only be possible if there is a coordinating body – backed by inter-ministerial jurisdiction – with the authority to see the comprehensive reforms through and with the means to subsidise such reforms. One of the most challenging tasks for the Skills Development Fund will be eliminating the fragmentation largely caused by the dual system approach.

Skill training is a regional concern and unless regional stakeholders communicate and cooperate, it will remain fragmented and inefficient. Establishing stakeholder boards is one way of setting up a forum for communication between stakeholders.

Experience has shown that stakeholder boards<sup>26</sup> run by regional ministry offices do not interest stakeholders. As the private sector is one of the clients – and a main beneficiary – of a strong skills training system, local stakeholder boards would have a better chance of succeeding if they are initiated and managed by the private sector.

Nevertheless, the stakeholder boards should comprise representatives of all stakeholders in training. The most important members would be representatives of employers, sector associations, training providers and government bodies.

The main tasks of the stakeholder boards would be:

- Acting as the provincial arm of the Skills Development Fund to evaluate and recommend applications for funding under the Skills Development Fund system, and monitor and evaluate initiatives and interventions supported by the fund;
- Serving as a recognised skills training discussion forum;
- Providing advice on the development of plans and programmes in training matters in line with the needs and priorities of the region;
- Suggesting new methods and schemes to improve linkages and cooperation among government, industry and labour sectors for skills training;
- Assisting in continuing advocacy and awareness skills training; and
- Integrating gender and vulnerable group concerns in skills training.

The task of serving as the extended arm of the Skills Development Fund secretariat is most important. Central assessments and decisions on applications for Skills Development Fund assistance should be avoided and delegated to the regional level. By virtue of being a local forum with local knowledge, the stakeholder boards would be the best regional resource to take on that task. Figure 7 shows the chart of relationships in connection with the Skills Development Fund.

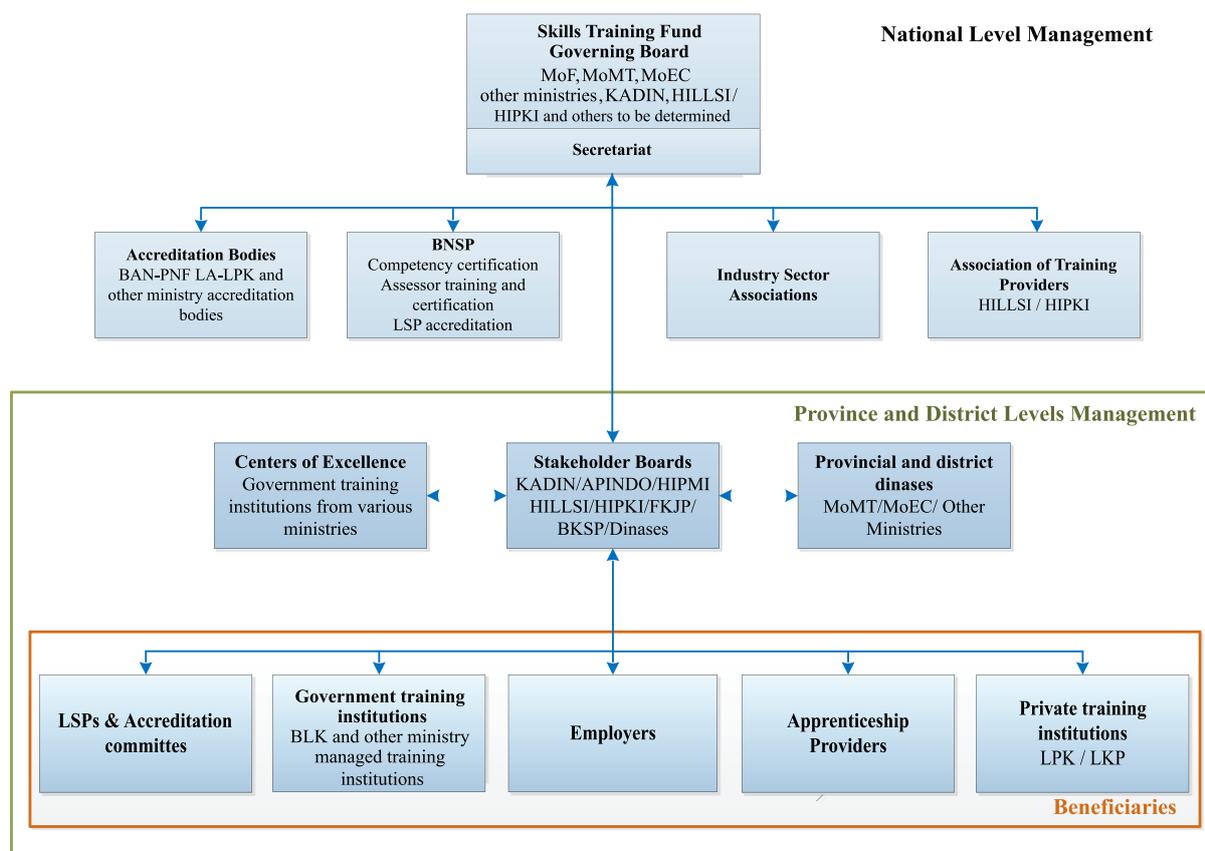
### ***Recommendation 10: Form stakeholder boards as part of the Skills Development Fund***

In order to operate effectively, the Skills Development Fund requires a strong presence or representation at provincial and district levels. Initiated by employers' representatives it is recommended that some form of stakeholder boards are set up for this purpose.

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<sup>26</sup> The *Dewan Latihan Kerja* being one example.

**Figure 7: National and regional Skills Development Fund and stakeholder boards**



Note: MoF = Ministry of Finance; MoMT = Ministry of Manpower and Transmigration; MoEC = Ministry of Education and Culture; KADIN = Indonesian Chamber of Commerce and Industry; HILLSI = Association of Indonesian Training Institutions; HIPKI = Association of Indonesian Training and Course Providers; BAN-PNF = Non-formal Accreditation Authority (MoEC); LA-LPK = Non-formal Accreditation Authority (MoM); BNSP = Indonesian Professional Certification Authority; LSP = professional certification organisation; APINDO = Employers Association of Indonesia; HIPMI = Indonesia Young Entrepreneur Association; FKJP = Apprenticeship Communication Forum; BKSP = Professional Certification Coordinating Board; BLK = public vocational training centre; LPK = private training institutions (MoM); LKP = private courses and training institutions MoEC)

## Centres of excellence

The combined skills training resources within a province, comprising all training providers – BLK, LPK, LKP, other ministry training institutions as well as training through apprenticeships – should be capable of providing the skilled manpower required for the target sectors in the province. Without a functioning labour market information system, however, we do not know if that is the case in any province or district. Furthermore we know virtually nothing about the capabilities of the available training providers. At the moment they operate in isolation with no common standards or coordination and limited local assistance to improve their institutions by developing programmes, training instructors and upgrading their facilities. Also, there is no existing structure to ensure that all skills training resources in a province are recorded, assessed and coordinated and that all skills training is carried out to uniform national standards.

### *Recommendation 11: Establish centres of excellence*

These limitations are combined with the generally low standards in skills training that are largely due to the private skills training providers being unable to improve their institutions without assistance. However, the situation could be alleviated by each province establishing centres of excellence. These centres should be capable of setting standards for training and acting as mentors for other public and private training providers in the province. They would work closely with the stakeholder boards and, through them, with the Skills Development Fund. Centres of excellence should be able to provide competency-based training to national standards and should gradually assist and mentor all training providers in a province to attain national standards. They should cover the skills areas that are the priority in a particular province. In order to do so effectively, more than one training institution in a province may be established as centres of excellence.

The main requirements of these centres would be that they are:

- government-managed institutions, preferably run by a ministry rather than a regional office;
- accredited to national standards by the relevant accreditation institution;
- able to provide training according to national standards; and
- equipped to certify skills (with certified assessors and competency assessment centre status).

The task of the centres of excellence would not only be to provide training to the general public. Their other obligations would include:

- Coordinating the national training system

This would include ensuring that national policies and standards on skills training are introduced and adhered to at regional levels. A major part of this would be assisting all training providers in their region so they too can conduct training to national standards.

- Mentoring provincial and district training institutions (public and private)

This will involve mentoring all public and private training institutions in the province, assisting with developing and managing these training institutions and providing advice and direction on institutional development and upgrading programmes.

- Developing human resources

This would entail training and assisting managers and administrators of training institutions as well as training and upgrading instructors. Initiating instructor certifications programmes and arranging periodic industrial training for instructors in the area would be part of this brief.

- Developing training programmes and training facilities

The centre would need to advise public and private training institutions on their training programmes and introduce them to competency-based training methods as well as assisting them in acquiring appropriate training equipment.

- Facilitating certification

These centres would provide certification facilities for training institutions in the province (including training, assessors and competency assessment facilities).

- Assisting vulnerable groups

The centres would need to lead the way in developing training methods and providing training programmes for vulnerable groups.

- Taking an active role in stakeholder activities

The centre would need to be an active member of the stakeholder board, giving technical advice to the national training fund committee and implementing training needs assessments and tracer study programmes.

At the moment few, if any, training providers fulfill the requirements outlined for these centres of excellence. Significant investment in promoting the concept and upgrading training facilities and human resources will be required. The institutions targeted to become centres of excellence need to be public, ministry-managed institutions as it would be difficult to ensure the necessary resources and guarantee the effort involved in the upgrading process if they were private institutions.

## **Follow up**

As mentioned in the introduction, this review is not exhaustive and is not a sound basis for drawing firm conclusions on the state of training in Indonesia. However, the main objective of this paper is to direct attention to the biggest challenges the skills training system faces. These challenges lower the levels of efficiency and hamper efforts to develop a uniform and unified system capable of meeting labour market needs.

Recognising that the skills training system needs to function under regional autonomy, the role of provinces and districts are crucial to improving the national training system.

### ***Recommendation 12: Carry out detailed research***

It is recommended that more thorough research is undertaken, possibly in connection with a future pilot project. Detailed research, which should be limited to one or two provinces, is urgently needed to:

- Report on the state and capabilities of the provinces' labour market information system;
- Compile all available data on the provinces' labour markets, in particular with regard to future demands for skilled labour;

- Compile comprehensive information on supply-side representatives, including: BLK, private course providers and training institutions and apprenticeships as well as representatives of the skills supply system (Association of Indonesian Training Institutions, Association of Indonesian Training and Course Providers and Apprenticeship Communication Forum);
- Compile detailed information on demand-side representatives and their organisations (Indonesian Chamber of Commerce and Industry, Employers Association of Indonesia, Indonesia Young Entrepreneurs Association and sector associations);
- Arrange comprehensive stakeholder discussions to gain an understanding of stakeholder relations and dynamics; and
- Initiate research into mapping regulated and unregulated apprenticeships.

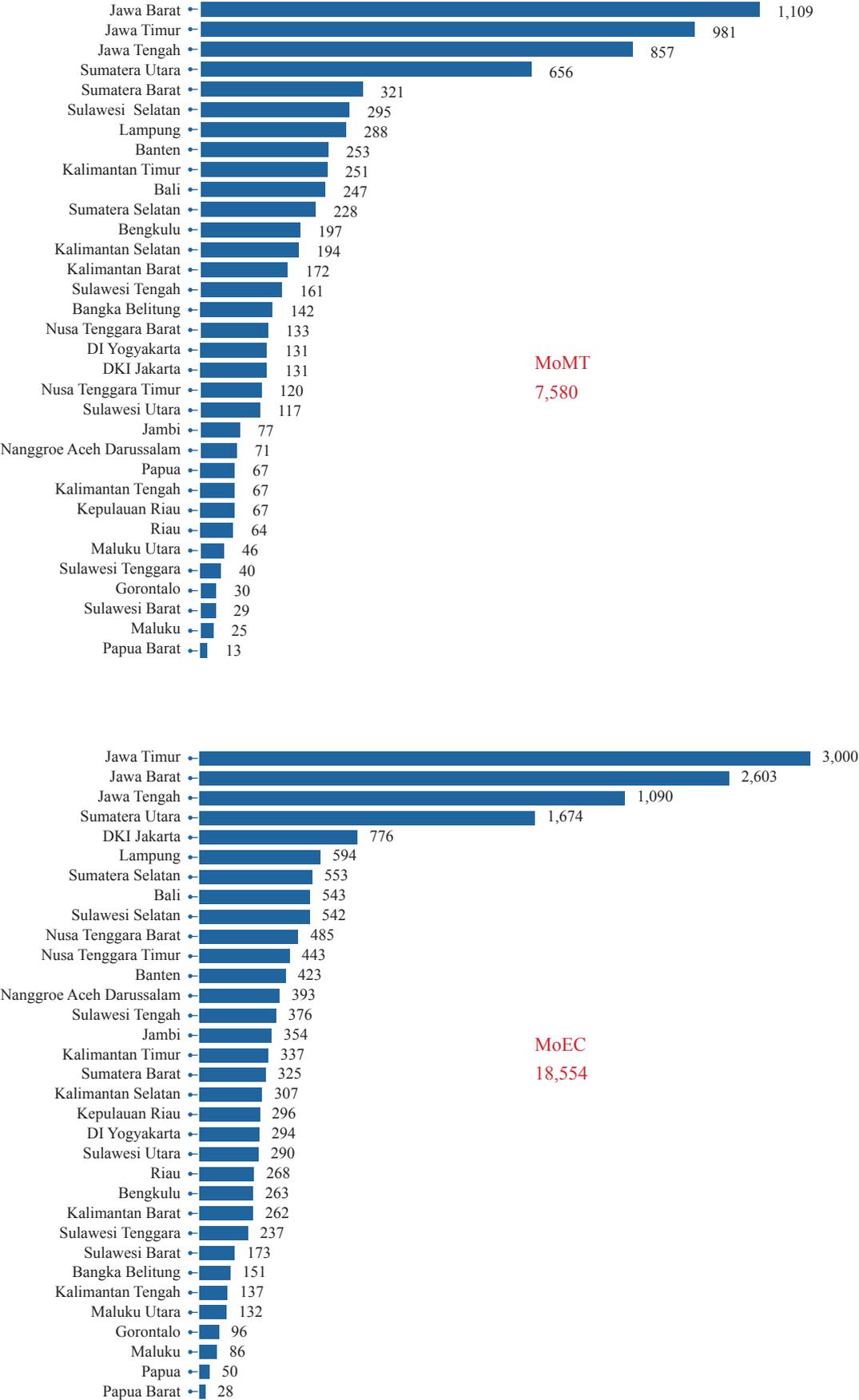
The Skills Development Fund concept is the most advanced and concrete suggestion that has been made on reforming the skills training system in Indonesia. However, to succeed as outlined, all stakeholders – national and regional – need to step back from long established practices and be willing to embark on an inclusive new mode of operation that stresses cooperation across previous boundaries. Ideally this would mean gradually developing one non-formal skills training system.

District level administrations and stakeholders need to take ownership and assume full responsibility for developing human resources policies and implementing them. Regional administrations and stakeholders need to understand that regional autonomy will mean they are fully responsible for all aspects of skills development, including providing the bulk of the required funding.

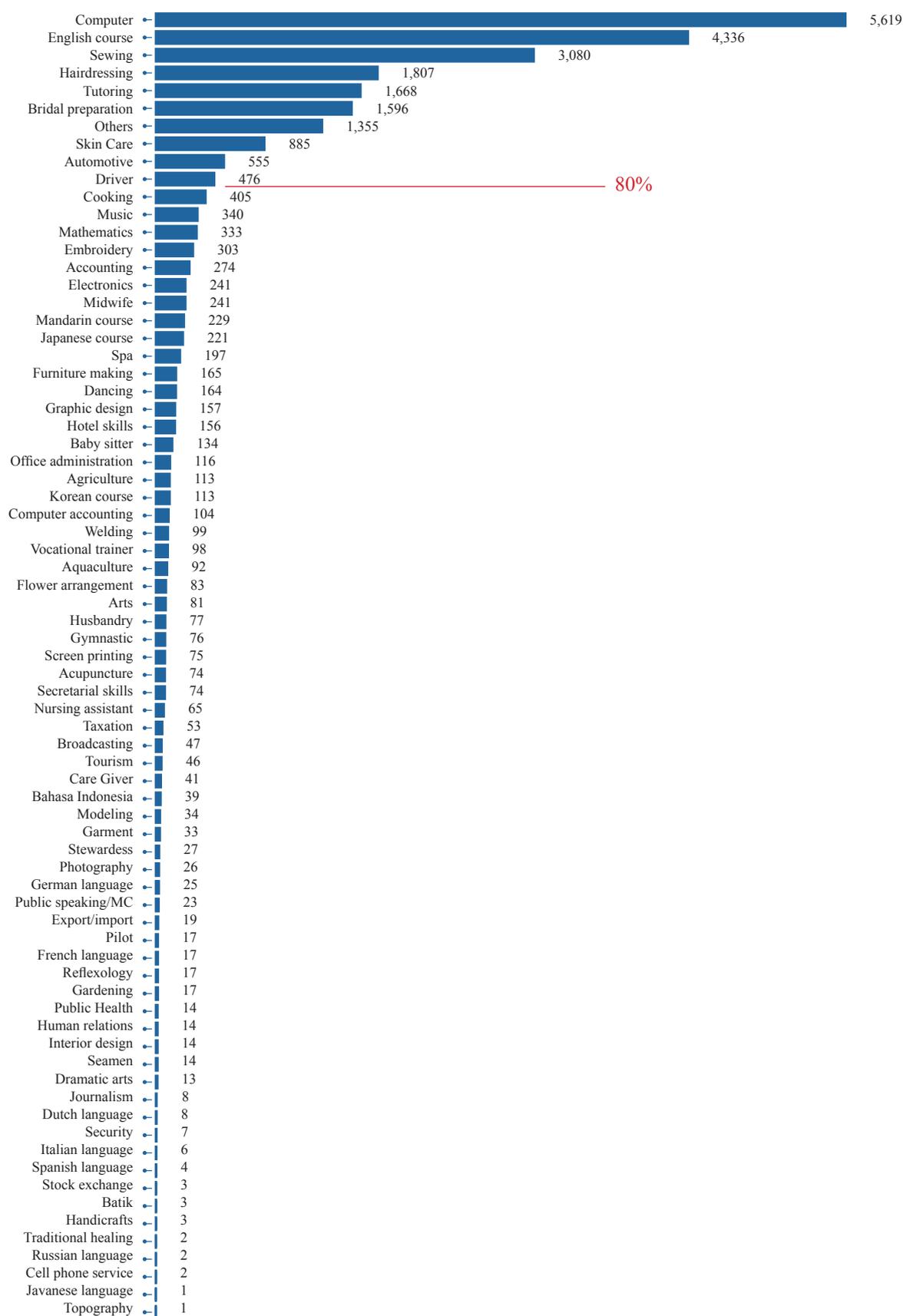
## Annex I: Summary of recommendations

1. One ministry is given the responsibility for regulating and supporting all training and course provision;
2. Provincial and particularly district level administrations are encouraged and assisted to:
  - Formulate human resources development policies;
  - Set up an effective labour market information systems;
  - Set up stakeholder boards.
3. In-depth training needs analyses are undertaken;
4. BLKs are reformed:
  - Establish mentor BLKs;
  - Establish quality assurance system;
  - Introduce staff incentives for staff of public institutions;
  - Introduce public/private type cooperation with private training providers;
5. Undertake detailed mapping of non-formal training providers;
6. Strengthen the apprenticeship system;
7. Merge, strengthen and capacitate the two training provider associations;
8. Subsidise and expand the skills certification system;
9. Set up a joint accreditation system that applies new standards and criteria in line with the national skills training system and the Indonesian qualification framework;
10. Set up stakeholder boards;
11. Set up centres of excellence;
12. Initiate thorough research in one or two provinces in preparation for a pilot programme.

## Annex II: Training providers by province



## Annex III: Courses offered by training providers (Ministry of Education and Culture)



## Annex IV: Skill competencies offered by training providers

Greater Jakarta Area		
Training providers	Websites	Skills competencies
APINDO Training Centre	<a href="http://apindotrainingcenter.com">http://apindotrainingcenter.com</a>	Industrial relations
ATC Halim	<a href="http://atc-training-centre.com">http://atc-training-centre.com</a>	Flight attendant Airline staff Flight operation officer Aviation security staff
Auto Mitsuda	<a href="http://www.automitsuda.com">http://www.automitsuda.com</a>	Auto mechanic Motorcycle mechanic Driver AC repair persons
Autorun	<a href="http://autorun.co.id">http://autorun.co.id</a>	Auto mechanic Motorcycle mechanic Heavy equipment operator Electrician
Fuji Bijak Prestasi	<a href="http://www.fujibijakprestasi.com">http://www.fujibijakprestasi.com</a>	Operator training (factory personnel)
International Garment Training Centre	<a href="http://www.igtc.or.id">http://www.igtc.or.id</a>	Marketing Merchandising and Quality Assurance Pattern Making and Finishing Productivity and Product Development
Ministry of Industry Training Center	<a href="http://pusdiklat.kemenperin.go.id">http://pusdiklat.kemenperin.go.id</a>	Various industry related skills
LP2K Gamana Krida Bhakti	<a href="http://gapensi.org">http://gapensi.org</a>	Various Construction related skills
SGS Indonesia	<a href="http://www.sgs.co.id/en/Training-Courses-Seminars.aspx">http://www.sgs.co.id/en/Training-Courses-Seminars.aspx</a>	Ares of training: Industry specific training Environmental Leadership & management Process improvement Risk & Security improvement Manufacturing & supply chain Sustainability
YDBA	<a href="http://www.ydba.astra.co.id">http://www.ydba.astra.co.id</a>	SME development

## Makassar South Sulawesi

Training providers	Websites	Skills competencies
BLK Makassar	<a href="http://www.kios3in1.net/008/1profil.php">http://www.kios3in1.net/008/1profil.php</a>	AC & refrigeration Construction Welding Automotive Electricity Electronics Manufacturing Personal care Sewing Information technology Tourism Business & management
Kesarpati Indonesia	<a href="http://yayasankesarptiindonesia.blogspot.com">http://yayasankesarptiindonesia.blogspot.com</a>	Mechanic Computer operator & repair Cell phone repair Salon Others that could not be verified
LKP Techno Pradana	<a href="http://www.technopradana.com">http://www.technopradana.com</a>	Heavy equipment operator
LPK Andis	<a href="http://lpkandismks.blogspot.com">http://lpkandismks.blogspot.com</a>	Sewing and dressmaking
Yamaha Academy Makassar	<a href="http://www.yamaha-makassar.com">http://www.yamaha-makassar.com</a>	Motorcycle servicing Motorcycle marketing Storage management
YPA Handayani	<a href="http://www.ypa-handayani.com">www.ypa-handayani.com</a>	English language Computer operator Accounting Driver Electronics Internet operation

## Bandung West Java

Training providers	Websites	Skills competencies
LKP Ikma	<a href="http://www.lkpikma.com">http://www.lkpikma.com</a>	Computer related subjects English language Accounting Skills counselling
LPP Ariyanti	<a href="http://lpp.ariyanti.ac.id">http://lpp.ariyanti.ac.id</a>	Personal care Accounting Computer operation Secretary Office administration Hotel Tours & travel

## Annex V: Cost of training courses

Computer		
Training Provider	Handayani	Kesarpati
Cost in Rupiah for full course	350,000 - 650,000	550,000 - 750,000
Duration	12-23 meetings (3 times a week; 1,5 hour per session)	1 month (everyday mon-sat, 2 hours per session)
Estimated training hours for full course	± 18 - 34,5 hours	± 48 hours
Notes :	Cheaper because they have small package for computer course ex: Office I & Office II. These package only include part of the MS Office programme	More expensive because they offer complete package for computer course, the trainees also get personal computer for practice and personal trainer.

Beauty salon		
Training Provider	Handayani	Kesarpati
Cost in Rupiah for full course	1,000,000	1,000,000
Duration	2 months (3 times a week, ± 24 sessions, 2 hours per session)	1 month (9.00-17.00 at salon for practice, 8 hours per day, mon-sat)
Estimated training hours for full course	± 48 hours	± 192 hours
Cost in Rupiah per training hour	20,800 / hour	5,210 / hour
Notes :	It is more expensive due to training provider having own facilities rather than having students working in established salons during the training period	Cheaper because students work in established salons under supervision of trainers, but are not being paid

Motorcycle mechanic			
Training Provider	Handayani	Kesarpati	Auto Mitsuda
Cost in Rupiah for full course	1,000,000	1,000,000	3,500,000 - 10,000,000
Duration	2 months (3 times a week, ± 24 sessions, 2 hours per session)	1 month (9.00-17.00 at salon for practice, 8 hours per day, mon-sat)	3-8 months (regular class), 1,5 - 4 months (private class) , Total sessions ± 96 - 256 hours
Estimated training hours for full course	± 48 hours	± 192 hours	± 96 - 256 hours
Cost in Rupiah per training hour	20,800 / hour	5,210 / hour	19,200 / hour
Notes :	It is more expensive due to training provider having own facilities rather than having students working in established salons during the training period	Cheaper because students work in established salons under supervision of trainers, but are not being paid	More expensive due to being located in Jakarta and also due to institution having a good quality training workshop

Automotive mechanic (cars use diesel or gasoline )				
Training Provider	Handayani	Kesarpati	Auto Mitsuda	Techno Pradana
Cost in Rupiah for full course	700,000	1,000,000	3,500,000 - 10,000,000	1,000,000
Duration	2 months (3 times a week, ± 24 meetings, 2 hours per meeting)	1 month (9.00-17.00 at salon for practice, 8 hours per day, mon-sat)	3-8 months (regular class), 1,5 - 4 months (private class) , Total sessions ± 96 - 256 hours	2 months (intensive, mon-sat, 2 hours per meetings) Total meetings ± 96 hours
Estimated training hours for full course	± 48 hours	± 192 hours	± 96 - 256 hours	± 96 hours
Cost in Rupiah per training hour	14,590 / hour	5,210 / hour	19,200 / hour	10,420/ hour
Notes :	Located in Makassar	Cheaper because students work in established salons under supervision of trainers, but are not being paid	More expensive due to being located in Jakarta and also due to institution having a good quality training workshop	Located in Makassar

Excavator operation		
Training Provider	Techno Pradana	OperatorAlatBerat.com
Cost in Rupiah for full course	3,000,000 - 3,500,000	4,500,000 - 8,000,000
Duration	3 weeks (intensive, mon-sat, first 2 weeks theory 2 hours per session, last week practice 1 hours per session), Total sessions ± 30 hours	40 - 130 hours
Estimated training hours for full course	± 30 hours	±40 - 130 hours
Cost in Rupiah per training hour	108,300 / hour	74,000 / hour
Notes :	More expensive because excavators are owned by the training providers and one is available for each trainee each.	Cheaper because cooperating with contractors and trainees are doing work while being trained

## **Annex VI: Government assistance programmes to private training institutions (2013– 2014)<sup>27</sup>**

Due to time constraints it was not possible to map all assistance programmes. Some details were revealed during the meetings. However, as for all discussions with government departments, data were not readily available.

Assistance in the form of programme support, equipment and packages of training is available from national, provincial and district levels of the Ministry of Education and Culture and the Ministry of Manpower. From discussions at all levels, it did not appear that detailed coordination takes place between the three levels of administration and no coordination takes place between the two ministries. Assistance programmes differ from province to province and it is difficult to obtain a complete picture of the assistance that takes place on national, provincial and district levels.

At the ministry level, the Ministry of Manpower operates programmes to assist with equipment supply and to develop training programmes. It was not possible to obtain information on the amount of funding available, its geographical distribution or how many training providers had been assisted.

Some provincial and district level governments provide assistance for training and institutional development. Funded by district-level budgets, these programmes consist of short-term training in a variety of subjects. In 2013 regional office of the Ministry of Education in Kota Bandung sponsored the following programmes:

- Culinary training: 120 participants
- Entrepreneurship training: 255 participants
- Life skills training: 345 participants
- Entrepreneurship training: 40 participants

In addition to that the local government also assisted private training providers with various programmes:

- Institutional development: 150 LKP
- Equipment assistance: 100 LKP
- Assistance for certification development: 150 LKP

There were no details in the information available.

The regional office of the Ministry of Manpower in Kota Bandung also provides assistance but it was not possible to obtain written information on the programme. However, in 2014, 48 courses, each with 20 participants, were included in the budget (total 960 participants). There was no information on skills areas. The duration of each course was approximately 300 hours.

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<sup>27</sup> Source: MoM, Disdik Kota Bandung

## **Annex VII: Important regulations governing the skills training system**

- Undang Undang RI No.13 Tahun 2003 Tentang Ketenagakerjaan
- Peraturan Pemerintah Nomor 31 Tahun 2006 tentang. Sistem Pelatihan Kerja Nasional
- Keputusan Menteri Tenaga Kerja dan Transmigrasi. Nomor Kep.261/MEN/XI/2004. Tentang Perusahaan yang Wajib Melaksanakan Pelatihan Kerja
- Keputusan Menkeu No : 770/KMK.04/1990 tentang perlakuan PPh atas biaya pelatihan karyawan, pemagangan dan beasiswa.
- Peraturan Menteri Tenaga Kerja dan Transmigrasi Nomor PER. 17/MEN/VII/2007 tentang Tata Cara Perizinan dan Pendaftaran Lembaga Pelatihan Kerja
- Peraturan Menteri Tenaga Kerja dan Transmigrasi Nomor PER. 08/MEN/V/2008 tentang Tata Cara Perizinan dan Penyelenggaraan Pemagangan di Luar Negeri
- Peraturan Menteri Tenaga kerja dan Transmigrasi Nomor PER.22/MEN/IX/2009 tentang Penyelenggaraan Pemagangan di Dalam Negeri
- Peraturan Menteri Tenaga Kerja dan Transmigrasi Nomor 5 Tahun 2012 tentang Sistem Standardisasi Kompetensi Kerja Nasional
- Peraturan Menteri Tenaga Kerja dan Transmigrasi. Nomor 6 Tahun 2012 tentang Pendanaan Sistem. Pelatihan Kerja
- Peraturan Menteri Tenaga Kerja dan Transmigrasi No 7 tahun 2012 tentang Kerjasama Penggunaan Balai Latihan Kerja Oleh Swasta.
- Peraturan Menteri Tenaga Kerja dan Transmigrasi Nomor 8 Tahun 2012 tentang Tata Cara Penetapan Standar Kompetensi Kerja Nasional Indonesia
- Peraturan Presiden No. 8 tahun 2012 tentang Kerangka Kualifikasi Nasional Indonesia
- Lampiran Peraturan Presiden No. 8 tahun 2012 tentang Kerangka Kualifikasi Nasional Indonesia

Not available in English.

Full text of regulations may be downloaded from:

<http://pemagangan.binalattas.depnakertrans.go.id/> > REGULASI

## Annex VIII: Case study – International Garment Training Centre

### International Garment Training Centre (IGTC)

Yayasan German Garment Training Centre is a non-profit organisation. Established on 12 December 2000 as a social project, it then focused on education and built a training centre in 2001 that started its operation in February 2002 under the name IGTC.

IGTC was established to help fulfill the skilled labour requirements of the garment industry by providing productive, effective and highly qualified staff. IGTC is strictly committed to teaching practical and technical skills supplemented by general knowledge, so that students can perform a qualified occupation immediately after graduation.

IGTC's innovative curricula are delivered by 20 qualified trainers from overseas and Indonesia and are managed to German standards. The trainers are practically orientated trainers with many years of experience in the garment sector.

IGTC provides three basic study programmes:

- Marketing Merchandising and Quality Assurance (MMQ); Qualified staff for Marketing, Merchandising, Sourcing, Logistics and Quality Management;
- Pattern Making and Finishing (PMF) Qualified staff for manual and computerised garment pattern making;
- Productivity and Product Development (PPD) Qualified staff for Production Manager, Quality Manager, and Industrial Engineer.

All courses are of 12 months duration. The trainees stay in IGTC dormitories and food is provided from their own canteen. The price for any of the three courses is IDR24 million including food and lodging.

The capacity of the training institution is 150 students per year. At that capacity and course fee the training institution makes a small profit.

The overall impression of the institution is very good. The buildings are basic but functional; the equipment is new and in good order and the overall housekeeping is excellent. The centre could serve as a model for what sector-focused training institutions should look like. During the more than ten years of operation the graduates were sought after and immediately employed in positions that recognised their qualifications.

Contact with the centre was first made in 2009. A subsequent visit and discussion with the director took place in June 2014.

Unfortunately IGTC is on the verge of ceasing operations or drastically restructuring. There are a number of reasons for this:

- It has not been possible to attract sufficient trainees who are able or willing to pay IDR24 million for these courses;
- The garment sector is not glamorous and prospective students who have 24 million to spend on training will seek more trendy sectors; also the industry has contributed to the poor impression of the industry by talking about cyclical conditions and the garment industry being a sunset industry;
- The garment industry or the associations associated with the garment industry have been very interested in the training institution when they require skilled workers. However, they have not been helpful at all in supporting the institution through grants or in-kind assistance;

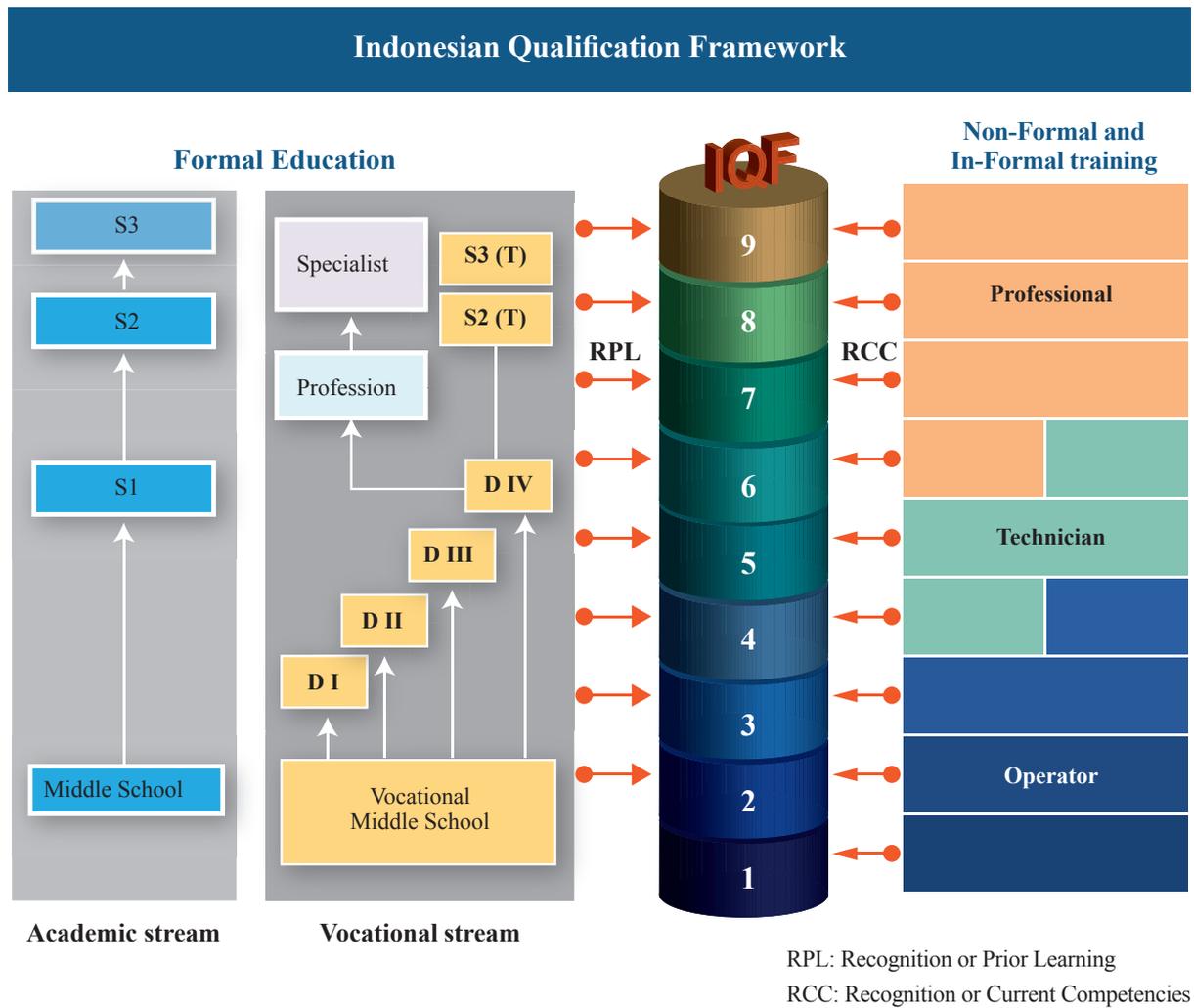
- Large companies have their own training facilities;
- There has been no assistance or cooperation with the local regional ministry offices.

That a quality institution like IGTC cannot survive although it clearly provides excellent training at very reasonable prices illustrates the challenges faced by private-sector training providers. The director of the centre has a number of suggestions for other training providers:

- Provide the best quality of training that guarantees that graduates immediately find employment;
- Invest in economies of scale; 150 trainees capacity is not sufficient; the director estimates that the minimum capacity should be at least double that number of trainees;
- During the planning stage seek contractual long-term alliances with sector companies who will be employing graduates.

<http://www.igtc.or.id/>

## Annex IX: Indonesian Qualification Framework



Source: Abdurahman (2014)

Public and private skills training institutions, as discussed in this paper, train to operator level qualifications.

## **Annex X: Discussion partners**

### **Greater Jakarta**

1. HILLSI (Sinthon Siahaan) 16/04/14
2. APINDO Training center ATC (Henricus Punto) 30/04/14
3. MoI Director of Training
4. MoEC (Director of Informal and Non-formal training and staff) 22/05/14
5. MoM LEMSAR (Syamsi Hari, Sholahudin) 26/05/14
6. IGTC (Johann Hoepflinger) 30/05/14
7. AUTORUN (Hendra M. Siregar) 30/05/14
8. SGS (Ranita A. Wahab) 02/06/14
9. DISNAKER DKI 02/06/14
10. Fuji Bijak Prestasi 03/06/14
11. Auto Mitsuda 04/06/14
12. Yayasan Dharma Bhakti Astra (Edison Monoarfa, Rahmat Handoyo) 04/06/14
13. GAPENSI (LPK Gaman Krida Bhakti) 05/06/14
14. Yayasan Dharma Bhakti Astra 04/06/14
15. MoEC – Directorate of Training Institution and Facility Development 11/06/14
16. PPKPI (Pusat Pelatihan Kerja Pengembangan Industri) Pasar Rebo
17. DISNAKER DKI (Head of DISNAKER) 20/07/14
18. Aviation Training Center (Branch Manager) 21/07/14
19. APINDO (Board Members) 23/07/14

## **Makassar Sulawesi Selatan**

20. APINDO SULSEL (LaTunren, Yusran Ib Hernald) 23/06/14
21. BLK Welding Condet 18/06/14
22. KADIN SULSEL (Zulkarnain Arief) 23/06/14
23. DISNAKER SULSEL (head of Disnaker and staff) 23/06/14
24. BLKI Makassar (director and staff) 23/06/14
25. 25 Yamaha Academy (Juli Kusumaningrum) 23/06/14
26. 26 PBSI (Abd. Muis) 25/06/14
27. Handayani 25/06/14
28. Andis (Rohana Damis) 26/06/14
29. Techno Pradana 26/06/14
30. Kesarpati Makassar (Muzakkir) 27/06/14
31. HILLSI SULSEL 27/06/14
32. HIPKI Makassar (Sudirman, and board members) 27/06/14

## **Bandung Java Barat**

33. LPK Ariyanti (Director Dewi Irawati) 14/07/14
34. LPK Ikma (Director Sumijo) 14/07/14
35. HILLSI / HIPKI members 14/07/14
36. DISDIK Kota Bandung (KABID PNF Theresia Widyanti) 15/07/14

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			<i>*This Working Paper was republished in 2014</i>	
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	Title	Author(s)	Date Published	Keywords
Working Paper 8	<a href="#">The Life of People with Disabilities: An Introduction to the Survey on the Need for Social Assistance Programmes for People with Disabilities</a>	Jan Priebe, Fiona Howell	May 2014	Disability, survey, Indonesia
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Working Paper 13	<a href="#">A Guide to Disability Rights Laws in Indonesia</a>	Jan Priebe, Fiona Howell	July 2014	Disability, rights, law, constitution, Indonesia

	Title	Author(s)	Date Published	Keywords
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Working Paper 19b	Youth Employment in Indonesia: Compendium of Best Practices and Recommendations for Indonesia	Léa Moubayed, R. Muhamad Purnagunawan	December 2014	Youth Employment, Education, Vocational, Labour, Training, Good Practices
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	<b>Title</b>	<b>Author(s)</b>	<b>Date Published</b>	<b>Keywords</b>
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TNP2K's mission is to coordinate poverty alleviation policies in Indonesia. As part of its tasks, TNP2K conducts and commissions research reports and studies with the objective of facilitating and informing evidence-based policy planning. TNP2K has undertaken several research activities and policy initiatives related to employment in Indonesia. This working paper, 'Supply of Non-Formal Training in Indonesia', specifically seeks to clarify the role of the most important stakeholders in skills training and the extent to which the national skills training system is able to meet the demands of the labour market. The immediate objective of this study is to inform the discussion on reforming the skills training system in Indonesia by establishing a Skills Development Fund (SDF).

Information for the study was obtained through desk research and face-to-face discussions with stakeholder representatives in three provinces. Two major concerns emerged: first, that two almost identical non-formal skills training systems are operating in parallel with no meaningful communication or cooperation between them. Second, that employers, one of the primary beneficiaries of the skills training system, do not play an active role in ensuring that the national skills training system is able to supply the skills that the labour market requires.

While there are approximately 20,000 registered private training providers in Indonesia, the role they play in national skills development is unknown as is their potential role if they were adequately supported by government policies and funding. Therefore this study focuses on the role of private training providers and offers a number of recommendations to improve the efficiency of the present training system.

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