

POLICY PAPER

SIX POLICY RECOMMENDATIONS ON VOCATIONAL TRAINING

The Urgency of Inclusive Vocational Training by Engaging Trade Unions,
Civil Society and Small- and Medium-Sized Enterprises in Indonesia



July 2018

Policy Paper

Six Policy Recommendations on Vocational Training

The Urgency of Inclusive Vocational Training by Engaging Trade Unions,
Civil Society and Small- and Medium-Sized Enterprises in Indonesia

Prepared by:

Abdul Waidl

Kun Wardana

Siti Khoirun Ni'mah

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ACRONYMS AND ABBREVIATIONS

A	AEC	ASEAN Economic Community
	ASEAN	Association of South East Asian Nations
	ASCC	ASEAN Socio-Cultural Community
	ATC	Authorized Training Centres
B	BLK	<i>Balai Latihan Kerja</i> or Vocational Training Centre
	BITC	Boracay Industry Tripartite Council
C	COJTC	Certified On-the-Job Training Centre
	CSOs	Civil Society Organizations
D	DPR	<i>Dewan Perwakilan Rakyat</i> / House of Representatives
I	ILO	International Labour Organisation
	INFID	<i>International NGO Forum on Indonesian Development</i>
K	KKNI	<i>Kerangka Kualifikasi Nasional Indonesia</i> / National Qualifications Framework
L	LFPR	Labour Force Participation Rate
	LPTK	<i>Lembaga Pendidikan Tenaga Keguruan</i> / Teacher Education Institution
M	Master Plan on Continuing Education and Training	CET
	MoEC	Ministry of Education and Culture
	MoL	Ministry of Labour
	MoRHE	Ministry of Research and Higher Education
N	NER	Net Enrolment Rate
	NUBE-BDOEA	National Union of Bank Employees/ Banco de oro Employees Association
O	OECD	The Organisation for Economic Cooperation and Development
	OJT	On-the-Job Training

S	SD	<i>Sekolah Dasar / Primary School)</i>
	SEACEN	South East Asian Central Banks
	SME	Small- and Medium-Sized Enterprise
	SMP	<i>Sekolah Menengah Pertama / Lower Secondary School</i>
	SMK	<i>Sekolah Menengah Kejuruan / Vocational Secondary School</i>
	SMA	<i>Sekolah Menengah Atas / Upper Secondary School</i>
	SDF	Skills Development Fund
V	VGCL	Vietnam General Confederation of Labour
W	WTO	World Trade Organization

PREFACE

The world is changing at a rapid pace. These shifts are driven by technological advancements that impact on production patterns that have become increasingly automated and robotized. For Indonesia, this will surely have widespread consequences primarily in the labour sector given the mismatch between worker skills with ever-expanding needs of industries.

Eric Maskin, who won the Nobel Prize in Economics in 2007, opined that more trade openness between countries can widen inequality. Inequality arises from the skills and expertise gap between developed countries and the rest of the world. To overcome inequality, the government needs to invest in human resource development particularly in enhancing the skills and expertise of the labour force in mastering production tools and equipment. The role of the government therefore is critical in bringing this into fruition.

A Civil Society Coalition that consists of various organisations including INFID, Perkumpulan Prakarsa, Lakpesdam NU, P3M, IDFOS, Rumpun Malang, and IRE expects the government to play a more assertive role. A survey conducted by Perkumpulan Prakarsa in five regions (Yogyakarta City, Kulonprogo, Wonosobo, Bojonegoro and Malang) revealed that a mere 14 percent of workers have ever undergone training. This figure is higher than the national average of workers that have ever attended training. Sakernas (National Labour Force Survey) data from 2008 to 2015 showed that only 6 percent of workers on average have ever had training.

This policy paper is an attempt to help improve the quality of Indonesia's human capital, and can hopefully contribute to national development in a meaningful way.

We would like to extend our utmost appreciation to the team of writers – Abdul Waidl and Kun Wardana – who have dedicated their time and shared their thoughts in preparing this policy paper. A special word of thanks also to Coalition colleagues for providing tremendous input that has been valuable for developing an inclusive, participatory labour policy in Indonesia.

Jakarta, 14 July 2018

Siti Khoirun Ni'mah
Program Manager, INFID

SUMMARY

The Social Barometer Survey launched by INFID showed that lack of employment opportunities widens inequality. Not to mention the fact that most Indonesian workers only managed to finish their lower secondary education or below. The Civil Society Coalition for Decent Work that consists of civil society organisations and trade unions conducted a youth and women's needs assessment survey in five regions, namely Yogyakarta City, Kulonprogo, Wonosobo, Bojonegoro and Malang.

The survey found that 70 percent of respondents believed that training can help job seekers find work more easily. This is because training materials are considered to be relevant to existing job opportunities in the regions. Only 14 percent of respondents however admitted to having ever been trained. The remaining 86 percent have never had any skills training in the past year. Meanwhile, 75 percent of those who have been trained had only attended skills training once. From the 14 percent of respondents who have undergone training, 72.9 percent participated in training held by course providers, 19.63 percent in BLKs (vocational training centres), and 5.61 percent in *pesantren* (Islamic boarding school).

The more highly skilled a worker, the greater the potential for strengthening his/her bargaining position. Meanwhile, the employment situation in the five selected regions remains uncondusive given the widespread violations of the right to work, and the fact that the remuneration received is not proportional to the "wages" for housework, and many workers (66.8 percent) are paid below the district/city-level minimum wage.

The Policy Roadmap on Vocational Training developed by the government acknowledges the poor quality of BLKs, SMKs (vocational secondary education) and polytechnics that fail to keep up with industry needs, not to mention the shortage of qualified teaching staff. Furthermore, existing labour policies that have long been left out in the development agenda constitute one of the underlying problems. This meant budgetary shortfalls for addressing labour issues. This is worsened by the government's lack of commitment to invest more on the workforce.

To reduce employment inequality by improving the skills of workers in particular, the Civil Society Coalition for Decent Work has put forward seven policy recommendations:

1. Considering reallocating budget for formal education to non-formal vocational education

The current fiscal capacity remains low, hovering at only 18 percent of GDP. Revenue from taxes also often fails to meet expected targets. Under such circumstances, the government and DPR (House of Representatives) must not waste time in determining budget allocation priorities.

There is the need to consider the possibility of reallocating budget for formal education to vocational education and training. Educational outcomes should shift toward improving quality while widening access to education. This is not measured from the availability of non-vocational formal schools, but from establishing more vocational schools to meet the emerging challenges of changing times, such as the fourth industrial revolution or industry 4.0.

2. Investing in the workforce

This can be done through the following ways: 1) building sustainable education and training infrastructure. Education and training in the future should be lifelong and continuous in order to prepare the workforce to better compete in an ever-changing labour market. The government therefore needs to develop the Continuing Education and Training (CET) Masterplan; 2) developing Technical Educational Institutions to help improve key technical skills and capabilities for the country's social and economic development. The vocational education system essentially forms an integral part of the national educational system and the fundamental structure of the social system of a society. The system must be dynamic as it will be influenced by rapid changes in educational, social and economic needs. It must also be responsive, relevant and effective in meeting workforce needs by having a long-term strategic plan and the necessary training infrastructure in place.

3. Investing in businesses

Large corporations or organizations with adequate human and financial resources are capable of developing skills enhancement training schemes on their own or through affiliations. This not however the case for small firms or SMEs (small- to medium-sized enterprises).

In the ASEAN context, SMEs are expected to become learning and training centres for industry growth considering their contribution to job creation, output, export, poverty eradication, economic empowerment, entrepreneurship, wealth distribution, and greater economic opportunities. Investment can be channelled to large, medium and small businesses.

4. The role of stakeholders in investing in job training

The government, CSOs and trade unions as key stakeholders have the following roles to play: 1) the government can create Skills Development Fund (SDF) and ensure coordination across State ministries and agencies; 2) the role of CSOs in vocational education and training should reflect the many parties involved and the close cooperation with the non-formal sector; 3) trade unions should begin to move away from a confrontational to collaborative approach in negotiating with the government and employers, and to develop a strong labour movement by expanding union membership.

5. Tripartite social dialogue and good practices

This can be done by 1) ensuring smooth integration with continuous communication or information exchange and consultation among stakeholders; 2) holding social dialogues on tough issues such as merger and consolidation, new regulations from the government and industry, outsourcing and new technology adoption or enhancement/modification of existing technology; 3) providing adequate training for all personnel involved in the sale of commercial products to guarantee that consumers receive clear and accurate information.

6. Fundamental changes to the education system

Firstly, the need to consider strict division of duties and responsibilities between formal and non-formal education. Formal schools are to equip learners with the basics for leading life as part of the nation and of the State, and to build the attitudes and characteristics of learners as individuals. Non-formal schools on the other hand are expected to provide skills enhancement facilities for preparing students for the working world.

Secondly, the need to reassess the length of schooling. Formal education can be shorter in duration, but far more effective and efficient. Primary and secondary (lower and upper) education can be shortened to no more than 8 years (instead of 12 years). In the span of 8 years, students are encouraged to build their sense of nationalism, good character (morals/ethics), cooperation and tolerance, cultivate good reading habits, and develop logical thinking based on strong argumentation.

Thirdly, the government needs to review and reform teacher education institutions known as LPTK or Institute of Teacher Education. LPTK should not be mere formality, but should truly be able to teach effective learning methodologies and dialogue with students. These institutions should also be able to produce graduates who are accustomed to using information and communications technology for learning aids.

Fourthly, the education curriculum should be more flexible in line with changes in society.



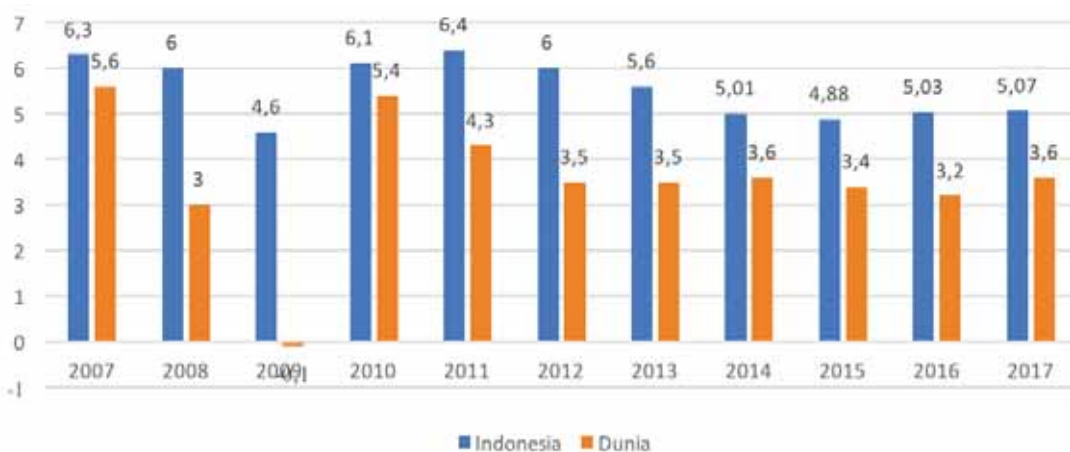
PHOTO: DOCUMENT INFID

CHAPTER 1

Inequality in Employment in Indonesia

In the past ten years, Indonesia has seen consistent economic growth of 5-6 percent. This is fairly impressive, even higher than the average growth of global economies (see detail in the table below). At the same time, Indonesia is experiencing a demographic bonus where the proportion of the productive-age population is larger than the non-productive-age population.

Graph 1. Economic Growth in Indonesia and Worldwide (2007 - 2017)



Source: Bank Indonesia and IMF (2018)

Despite the positive trend in growth, economic inequality is a persistent issue that Indonesia is still grappling with. This is evident *firstly* from the country's Gini ratio that remains high at 0.391 (BPS, 2017), although it has somewhat decreased. The Gini ratio refers to an index used for measuring expenditure inequality between the rich and the poor. It is a ratio with values between 0 and 1, with higher values indicating greater inequality.

Secondly, an INFID-initiated research (2017)¹ on public perceptions regarding social inequality showed that 84 percent of respondents believed there is inequality mainly in terms of income and employment opportunity.

Thirdly, survey results released by Credit Suisse, a Swiss financial institution² (2016), revealed that wealth inequality between the rich and the rest in Indonesia ranks the fourth worst worldwide, after Russia, India and Thailand. According to Credit Suisse, the richest one percent in Indonesia owns 49.3 percent the country's wealth.

Causes of Inequality

The World Bank has identified at least four main causes of inequality. *First*, inequality of opportunity between children from rich and poor families. *Second*, inequality in the labour market between high-skilled workers earning far more and informal workers with low productivity and meagre wages.

Third, wealth concentration where the elite few have control over financial assets such as property and shares. *Fourth*, disparity in dealing with shocks particularly among the poor.³

These inequalities are further perpetuated by the fact that 62 percent of the Indonesian workforce has only managed to complete their lower secondary education or below as shown in the table below.

Graph 2. Highest Level of Education Completed by the Indonesian Workforce in 2017



Source: BPS, 2017

1 Bagus Takwin dkk., *Ketimpangan Sosial di Indonesia Meningkat, Pengukuran Ketimpangan Sosial Menurut Persepsi Warga*, INFID, 2017

2 <https://katadata.co.id/infografik/2017/01/15/ketimpangan-ekonomi-indonesia-peringkat-4>

3 <http://www.worldbank.org/in/news/feature/2015/12/08/indonesia-rising-divide>

An ILO (International Labour Organisation) report in 2017 brought attention to an increase in the unemployment rate by 3.4 million people or 5.8 percent in 2017, higher than the previous year at 5.7 percent.

This rise in unemployment mainly occurred in middle-income countries such as Indonesia compared to advanced nations. The unemployment rate in Indonesia is expected to rise 0.3 points from 2016 to 2018, which is considered a significant increase.

Graph 3. Global Unemployment Trends and Projections

Unemployment, vulnerable employment and working poverty trends and projections, Asia and the Pacific, 2007–18

Country/region	Unemployment rate, 2007–18 (percentages)				Unemployment, 2016–18 (millions)		
	2007–2015	2016	2017	2018	2016	2017	2018
Asia and the Pacific		4.2	4.2	4.3	84.4	85.4	86.5
Eastern Asia		4.5	4.5	4.5	41.6	41.9	42.4
China		4.6	4.6	4.7	37.3	37.6	37.9
Japan		3.1	3.0	3.0	2.0	1.9	2.0
Korea, Republic of		3.7	3.6	3.7	1.0	1.0	1.0
South-Eastern Asia and the Pacific		3.8	3.8	3.9	13.3	13.7	14.0
Australia		5.7	5.5	5.3	0.7	0.7	0.7
Indonesia		5.6	5.8	5.9	7.1	7.4	7.7
Southern Asia		4.1	4.1	4.1	29.5	29.8	30.2
India		3.5	3.4	3.4	17.7	17.8	18.0

Source: ILO, 2017

Apart from inequality and unemployment, Indonesia has to also deal with the problem of limited access to employment among women and young persons. The Labour Force Participation Rate (LFPR) among the young population aged 15-29⁴ is only 54.90 percent. This means that out of 100 young persons aged 15-29, only 55 are in the workforce.

LFPR among women is lower than men. In August 2016, male LFPR reached 81.87 percent and female LFPR at 50.77 percent. This shows that 82 out of every 100 working-age men are in the workforce, while it is only 51 in every 100 working-age women.

Based on the Global Gender Gap Report in 2017, Indonesia is ranked 84th position from a total of 144 countries. In more detail, Indonesia stands at 108th place for economic participation and opportunity, 88th place for educational attainment, 60th place for health, and 63rd place for political empowerment.

4 Pursuant to Law No. 40/2009 on Youth, Article 1 defines a young person as an Indonesian citizen aged 16 (sixteen) to 30 (thirty) who has entered the important stage of growth and development. As data on the age range of working-age does not specifically cover the 16-30 age group, this paper uses data for the 15-29 age group.

Indonesia's position is lower than several ASEAN countries such as the Philippines at 10th place, while Vietnam came in 69th, Thailand at 75th and Myanmar at 83rd place.

Gambar 4.4 Rata-Rata Upah/Gaji/Pendapatan Bersih (ribu rupiah) Sebulan Pekerja, Agustus 2016



Sumber : Badan Pusat Statistik, Keadaan Pekerja di Indonesia Agustus 2016

Source: BPS 2016

Women and youth are in fact the keys actors of economic growth. Men and women are roughly equal in numbers, while young people form a significant proportion of the population⁵. They make up a substantial part of the population with considerable impact on the Indonesian workforce in the near future.

A WEF study (The Future of Jobs, 2016) set out the driving forces behind the shifts in employment trends to be demographic, socio-economic and technological drivers. Demographic drivers refer to the young population, the emerging middle-class and rising aspirations of women.

In addition, at the ASEAN level member countries have agreed to focus on improving welfare, livelihoods and prosperity as part of the ASEAN Socio-Cultural Community (ASCC) Blueprint. This consensus was reached at the 13th ASEAN Summit held in Singapore on 20 November 2007.

ASCC primarily aims to contribute towards the realization of an ASEAN community that is people-centred and socially responsible for achieving lasting solidarity and unity among the peoples and nations of ASEAN. In line with this, ASCC seeks to advance the following:

⁵ According to populationpyramid.net (2018), in 2017 Indonesia has a total population of 263,510,146 where 132,608,212 are male (50.32 percent) and 130,901,934 are female (49.68 percent). Meanwhile, the young population aged 15-29 totals 64,887,702 (24.62 percent from total population in Indonesia in 2017).

- (a) Human Development;
- (b) Social Welfare and Protection;
- (c) Social Justice and Rights;
- (d) Environmental Sustainability;
- (e) Building the ASEAN Identity; and
- (f) Narrowing the Development Gap.

In achieving the points mentioned above, education and training must be a strategic priority. Investing in education and training for employees and employers relates to the availability of long-distance educational facilities, human resource training and capacity building for businesses or SMEs.

Giving priority to education and investing in employees and employers are therefore considered a strategic goal within the context of human development in the ASCC Blueprint.

Such policy priority will help improve the economic competitiveness and productivity of ASEAN member countries in a way that is consistent with the pillars and goals of the ASEAN Economic Community Blueprint.

Indonesian Labour Minister, Hanif Dhakiri, believes that the workforce is the key to overcoming social inequality and unemployment in Indonesia. Vocational education and training is a strategic government intervention. Vocational education and training can also help surmount challenges arising from Industry 4.0, a highly dynamic environment with the likelihood of further widening the employment gap in Indonesia.

This policy paper supports a vocational education and training policy. Recommendations put forward can help the government move forward in developing an implementable policy that positively impacts on efforts to reduce inequality.

It is also a civil society attempt to make sure that the Nawa Cita national development priorities and the Sustainable Development Goals (SDGs) are implemented as expected. The sixth Nawa Cita agenda aims to “increase the people’s productivity and competitiveness in the international market in order for the nation to stride forward and rise up with other nations in Asia”. Efforts should also focus on achieving SDG 8 and SDG 10 on “Decent Work and Economic Growth”, and “Reducing Inequality”.

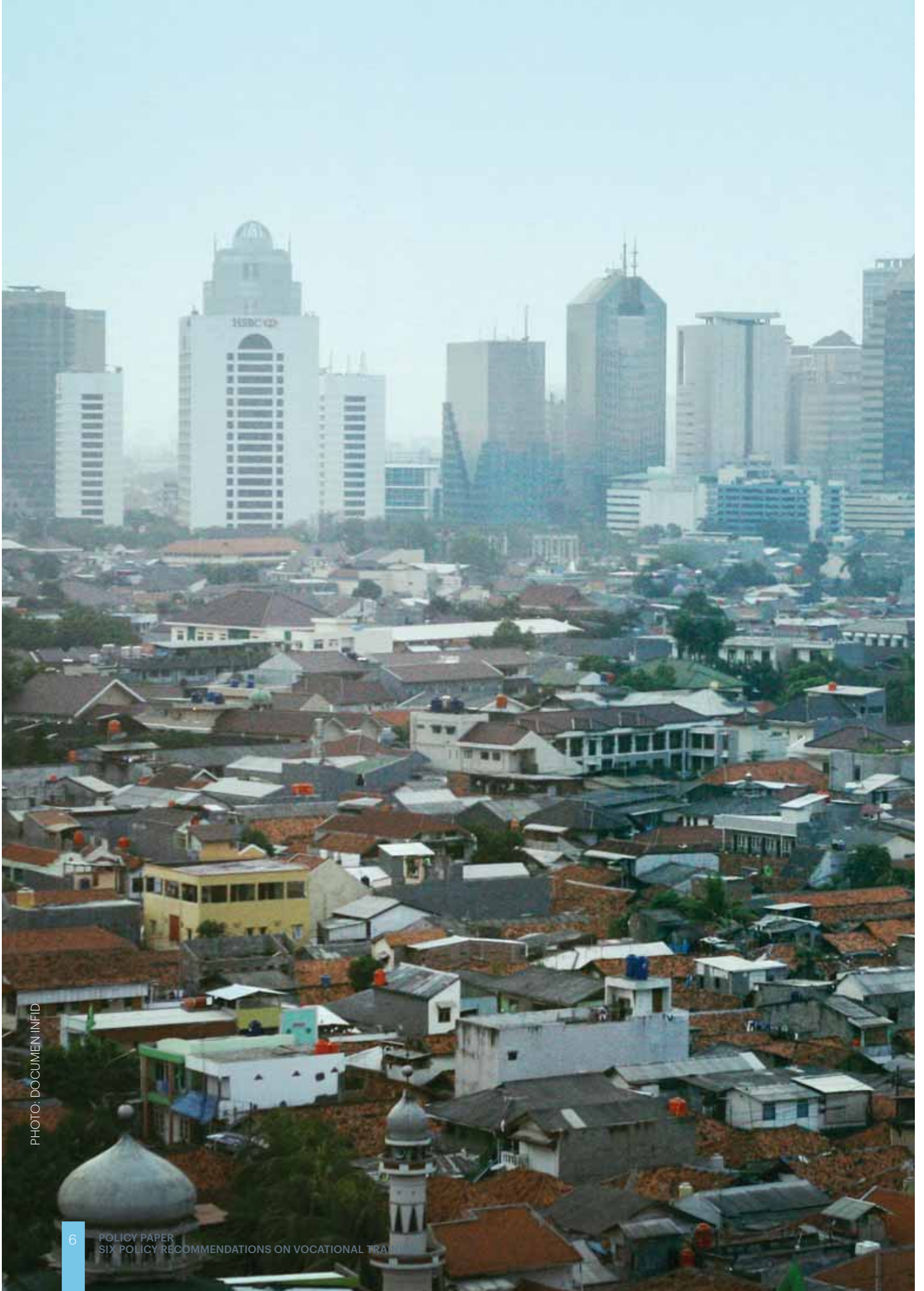


PHOTO: DOCUMENT INFID



CHAPTER II

Research Results in Five Regions

By late 2017 to early 2018, the Civil Society Coalition assessed the needs of youth and women regarding decent work in five districts/cities in Indonesia, namely Yogyakarta City and Kulonprogo District in the Yogyakarta Special Region (DIY), Malang District and Bojonegoro District in East Java, and Wonosobo District in Central Java.

Forty one percent of survey respondents are women, and 59 percent are men. At least 41.68 percent among them work for others, 19.19 percent are self-employed, 19.44 percent are still studying, and 19.70 percent are unemployed.

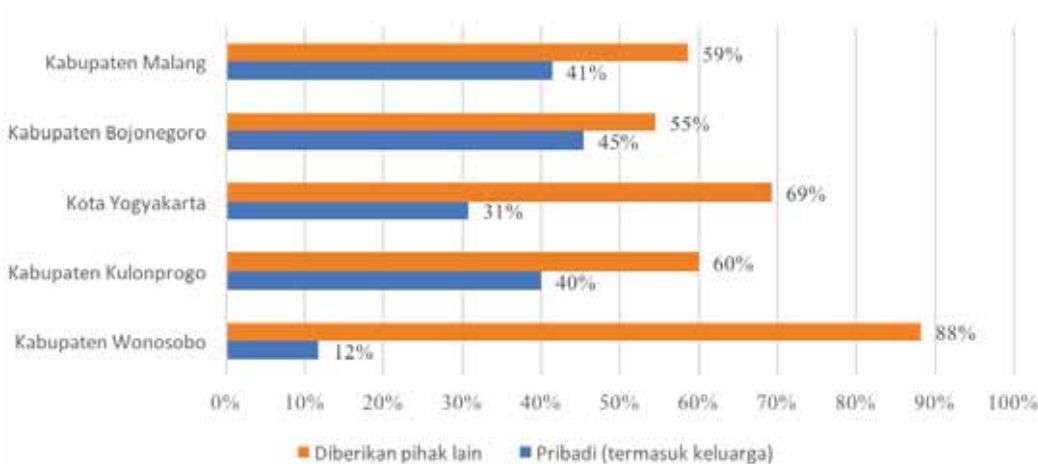
The study adopts the qualitative and quantitative methods. The quantitative method involves a survey of 787 respondents in five regions, while the qualitative method includes interviews with policymakers and field observations.

The study aims to capture the situation for the young and female workforce in terms of economic, social and environmental conditions. In addition, it intends to identify enabling and disabling factors of employment opportunities for youth and women, as well as to gain insights into youth and women’s needs in accessing job opportunities.

It is found that in the five regions, 70 percent of respondents on average mentioned that job training makes it easier to find work, as shown in the table below. The reason cited was that training materials are relevant to their line of work.

A different situation however was observed among respondents in Malang where only 48 percent felt that training was relevant to their work. Those who believed otherwise said that it was because training materials are hard to understand and job opportunities are not readily available in the region, especially in Bojonegoro (60 percent).

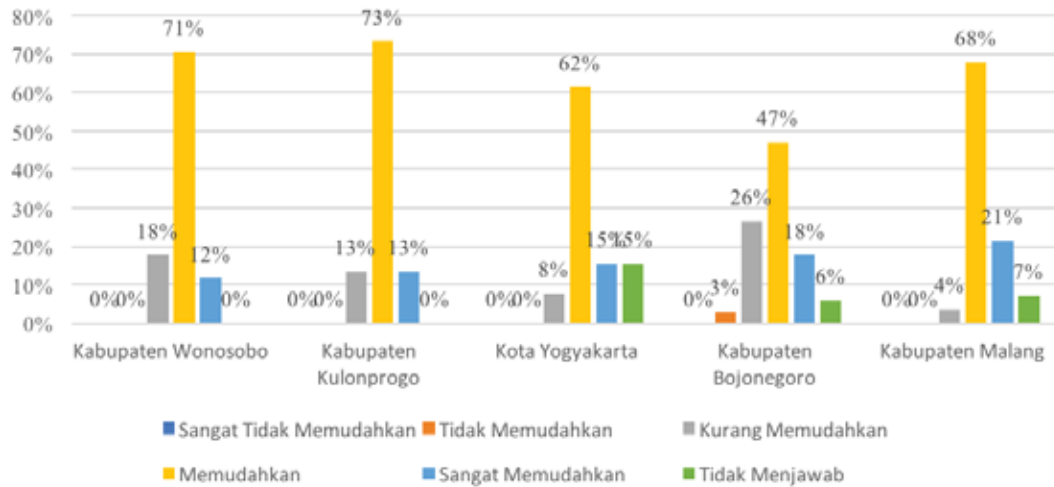
Graph 5. Ease in Finding Work



Over 70 percent of respondents said that there is no job placement mechanism to find work right after training in their respective regions. Wonosobo is a district where the highest number of respondents (29 percent) knew that a job placement mechanism in place, followed by Kulonprogo District at 27 percent, Malang at 24 percent, Bojonegoro at 18 percent and Yogyakarta at only 8 percent.

Training costs are predominantly borne by the government or employer rather than the worker. Some 88 percent of respondents in Wonosobo mentioned that such expenses are paid for by others, and only 12 percent cited their families as the funder.

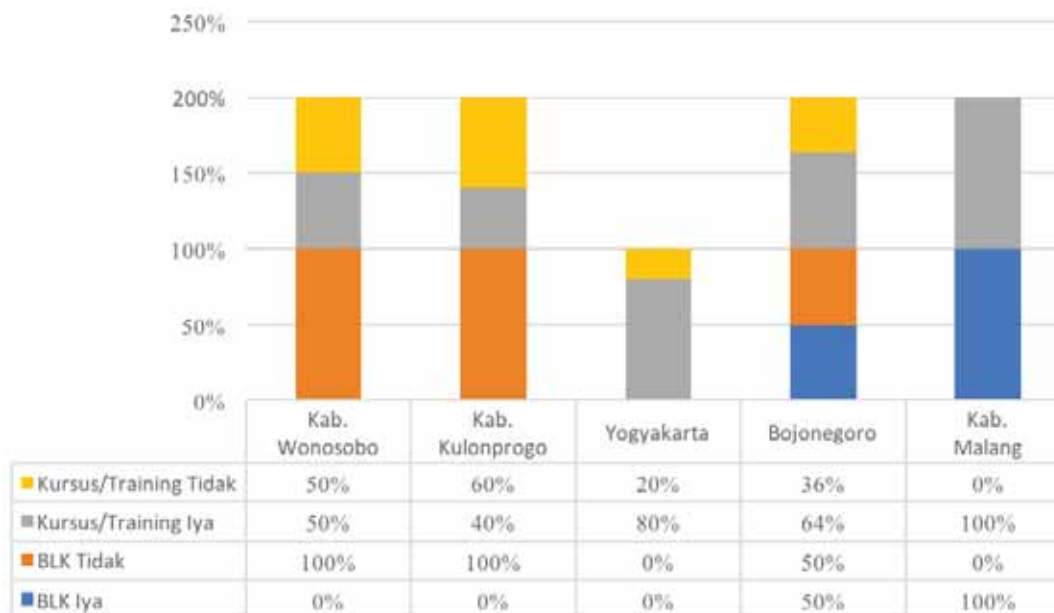
Graph 6. Funding Source for Training



Respondents also felt that training provided by BLK is less or not relevant or useful to their current jobs. The situation is different for courses, which respondents considered as mostly relevant to their work.

In Wonosobo and Kulonprogo, 100 percent of respondents said that the materials provided by BLK are not suitable for work, as shown in Graph 7 below. The situation in Malang however is the opposite where 100 percent of respondents cited relevancy between BLK's training materials and their jobs.

Graph 7. Relevancy of BLK Training Materials and Course Materials with Work



Training uptake for capacity building is low among workers. Only 14 percent of respondents have undergone training, whereas the remaining 86 percent admitted to have never had skills training in the past one year. Meanwhile, 75 percent of those who have followed training had only attended skills training once. In terms of the place of training, 72.9 percent received training from course providers, 19.63 percent from BLK, and 5.61 percent from *pesantren*.

This study also looked into the labour situation in the five regions. It was found that in these regions, a significant number of workers were denied their rights, and experienced harassment in the workplace. The most common types of employment violation endured by respondents are unpaid overtime (22.22 percent) and verbal harassment (16.67 percent).

Only 28.17 percent of respondents in employment have leave entitlements. Some 37.36 percent of employed respondents have no health insurance. A mere 33 percent of employed respondents are paid above the minimum wage, whereas 66.8 percent are paid less than the minimum wage.

Another violation concerns income that is nowhere near the “wage” for housework. The minimum wage imposed in the five regions ranges from the lowest at IDR 1,373,600 (Kulonprogo District) to the highest at IDR 2,368,510 (Malang District). This wage range is not proportional to the average costs incurred when doing housework.



PHOTO: DOCUMENT INFID



CHAPTER III

Causes of Employment Inequality

One of the main causes of inequality in employment is the side-lining of labour policies or failure to mainstream them into development policies. Indonesia has long gained independence yet the government has only recently paid attention to the skills and expertise of its workforce.

In the 1970s, the government had in fact raised the importance of link and match in national education and the economy. Alas, it was merely a discourse in which the issue was only spoken about without progressing to an actual labour policy.

In addition, the Labour Ministry was initially a government attempt to control trade unions, and not an institution with policies oriented toward worker welfare and strengthening the role of workers in development. This has led to labour policies that are consistently side-lined, and not mainstreamed into development policies.

The existing secondary and tertiary education system is not entirely relevant to the needs and requirements

of the world of work. Vocational education and training institutions are also not supported by a favourable environment, including for SMK (vocational secondary schools) under the Ministry of Education and Culture (MoEC), BLK under the Ministry of Labour (MoL), and polytechnics under the Ministry of Research and Higher Education (MoRHE).

The following briefly describes the current situation, including the challenges, for SMKs, BLKs, and polytechnics.¹

Vocational Secondary Schools

1. In terms of the education input for SMK, the average passing grade of SMK students are lower than SMA (Senior High School) students. On a national scale, the passing grade for enrolment in SMK is 17 percent lower than for SMA.
2. In terms of quality, especially relating to teaching staff, 78 percent of SMK educators teach subjects under the normative and adaptive categories, while only 22 percent teach the so-called “productive” subjects on vocational competencies.
3. The SMK curriculum is not much different from SMA. The first year of the SMK curriculum is almost similar for SMA, while in the second year 38 percent of the curriculum is devoted to practical work, and the remaining 62 percent on theory. In the third year, 50 percent of SMK lessons consist of theoretical knowledge.
4. There is a tendency to open programmes that require minimal equipment. Out of the 144 fields of study, the 10 most popular are those where SMKs need relatively lower investments in laboratories, resource persons, and auxiliary equipment compared to other SMKs, which are (1) computer engineering and networking; (2) accounting; (3) office administration; (4) light automotive engineering; (5) motorcycle engineering; (6) mechanical engineering; (7) aircraft engine and structures maintenance and repair; (8) multimedia; (9) marketing; and (10) refrigeration and air-conditioning engineering.
5. Absence of a one-stop information service for SMK students on industry profiles and needs. SMK students have no information on the type of skills that the industry needs.

¹ See “Roadmap Kebijakan Pengembangan Vokasi di Indonesia 2017-2025”, published by Coordinating Ministry on Economic Affairs, Republic of Indonesia, December 2017, pp xxviii-xxxi.

Vocational Training Centre

1. The equipment available at BLKs in Indonesia is no longer suitable to meet ever-changing industry needs. World Bank data showed that 54 percent of technical issues troubling BLKs concern lack of proper equipment.
2. Absence of proper standards for the KKNi (National Qualifications Framework) offered by BLK programmes in regions. The majority of smaller local-level BLKs have no KKNi standards for certain fields of study.
3. Lack of qualified instructors or mentors. This is because many BLK instructors have either retired or resigned. Currently, 53 percent of instructors in BLKs have a bachelor's degree, 12 percent have earned their associate's degree and 23 percent are SMA graduates.
4. High training fees that participants must bear. A training package system offered by BLK means that training is relatively expensive.
5. BLK competency programmes lack flexibility. Training provided by BLK is more universal by nature without differentiation among regions that should be tailored to the local context.

Polytechnics

1. Shortage of lecturers with an industry background for providing polytechnic education. Law No. 14/2005 on Teachers and Lecturers, Article 46 clause (2) specifies that a lecturer should meet the minimum qualification of having a master's degree for teaching at an associate's degree or bachelor's degree programme. This provision makes it more difficult to find lecturers with industry experience, especially for polytechnic study programmes.
2. The teaching factory concept is not effectively applied, when in fact polytechnics are expected to build collaborative ties with industry partners to enable students to put their skills and knowledge into practice in the actual workplace.
3. Limited vocational programmes available at the master's degree and applied doctorate level. Not many polytechnics opening master's degree and applied doctorate programmes presents a challenge of its own in creating qualified manpower with higher educational attainment in applied sciences.

Another issue concerns budgetary policies unfavourable to employee capacity building. To date, the workforce and vocational education are still not receiving adequate budgetary funds.

The budget for vocational education and training from three State ministries – MoEC, MoL and MoRHE – totals IDR 2.58 trillion or 0.021 percent of GDP.

In 2017, from the MoEC expenditure budget of IDR 39.8 trillion, IDR 614 billion were allocated for strengthening vocational education. Meanwhile, the MoRHE set aside IDR 200 billion from its own budget of IDR 38.7 trillion for revitalizing vocational education, and the MoL allocated IDR 1.7 trillion from its IDR 3.4 trillion budget for strengthening vocational curricular concentrations.

Compared to the budget allocation of OECD countries for labour market programmes, a sizeable amount of money is allocated for workforce education and training at an average of 1.32 to 1.58 percent of GDP in 2009-2015. Denmark even went beyond to allocate over 3 percent of its GDP.

Budget allocation for education and training as part of Indonesia’s active policy only amount to 10 percent of the budget for labour market programmes, which is a mere 0.13-0.17 percent of the GDP of OECD countries.

Graph 8. Budget Allocation for Labour Market in OECD Countries (percentage of GDP)



Source: OECD, 2017

Public spending for labour market programmes covers public employment services (PES), training, subsidies and direct job creation in the public sector, and unemployment benefits. PES on the other hand encompasses placement and services, benefits administration and other expenditures.

Training involves the institutional framework, workplace, and alternative or integrated training, and special support for internships. Job incentives include recruitment incentives, retention incentives, job rotation and job delegation.

Income support and maintenance covers full and partial unemployment benefits, unemployment insurance, unemployment assistance, unemployment benefits for part-timers, and redundancy and bankruptcy compensation.

There is still however no definite plans on the vocational education and training model to be applied in Indonesia. For example, on what references to use, from Germany or Taiwan, as both countries have best practices in labour education, or to develop Indonesia's very own system.

The Policy Roadmap on Vocational Education (2017) has also yet to adequately describe on which educational system to be applied, whether it should be oriented to SMKs, BLKs and polytechnics or other alternatives.

There is an optimistic outlook on improving the national system, particularly given President Joko Widodo's serious attention to strengthening vocational education and training as a solution to the country's labour issues, which is expected to have a significant impact on women and youth.

This is demonstrated in several measures taken by the government. *Firstly*, in an official visit to Germany in mid-April 2016, President Jokowi specifically requested German Chancellor Angela Merkel to help with Indonesia's vocational education programmes.

Secondly, on September 9th 2016 the President issued Presidential Instruction No. 9/2016 on the Revitalization of SMKs to Improve Human Resource Quality and Competitiveness in Indonesia.

Soon after on September 13th 2016, a meeting was held with instructions to overhaul the vocational education and training system, and reorient to a more demand-driven system. On 29 September 2016, a MoU was jointly signed by 5 Ministers on the Development of Competence-Based Vocational Education through a "link and match" programme with the industry.

Thirdly, in late December 2017 the Coordinating Ministry on Economic Affairs released the “Policy Roadmap on Vocational Development in Indonesia for 2017-2025”. The roadmap details on the education situation and the skills needed, especially relating to the challenges of industry 4.0.



One particular issue on the vocational policy roadmap however needs to be taken seriously, concerning certain attempts made to reduce if not altogether eliminate the role of trade unions.

The seven pillars for restructuring the vocational education system in Indonesia did make not a single mention of trade unions. The seven pillars are 1) reform, 2) investment, 3) transformation, 4) demand-driven, 5) training, 6) role delegation, and 7) empowerment.

For Pillar 7, those expected to be involved in vocational empowerment are associations, the industry and public, and not trade unions. This should be corrected as trade unions have traditionally been a key actor in developing the quality of workers.

Another labour education issue concerns the absence of partnerships among workforce stakeholders. Multistakeholder relations are not grounded in mutual trust for building cooperation. In an economy, the three key actors – government, employers and employees – will be the ones involved in economic activities based on mutual interest.

Pursuant to Article 1 point 15 of Law No. 13/2003 on Labour, the employee-employer relationship relies only on an employment agreement, and as such entails the rights and obligations of parties to the agreement, as well as the employment terms and conditions.

Such an arrangement closes the opportunity for a meaningful employee-employer partnership. Relationships with the government also become more difficult. Employment relationships, especially between employee and employer, have become more hierarchical, instead of an inter-partner relationship working collectively towards achieving shared goals.



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CHAPTER IV

Policy Recommendations on Vocational Development in Indonesia

1. Budget

Apart from quality, adequate funding is also needed for vocational education and training. It is therefore important to consider reallocating budget from formal education to non-formal vocational education.

The government's fiscal capacity remains low, at only 18 percent of GDP. This is partially due to the inability to meet tax revenue targets. The government and DPR (House of Representatives) therefore needs to immediately set budget allocation priorities.

Non-formal vocational education can be an alternative approach, particularly as the Net Enrolment Rate (NER) for formal upper secondary education in the past 4 years reaches only around 60 percent. With a fiscal capacity of IDR 2 thousand trillion, ensuring access to 12 years of formal education shall take considerable time.



Ever-growing and varying demand for more skilled workers in a fast-paced world on the other hand requires substantial investment. Hence, the need to consider reallocating the formal education budget for vocational education and training.

Learning outcomes must also shift towards improving quality while strengthening access, and should not be measured based on formal education, but on having more vocational schools in line with today's emerging challenges, such as in anticipating the fourth industrial revolution.

2. Investing in the Workforce

The economic landscape worldwide and in ASEAN is changing in such a rapid pace. Labour development strategies are therefore critical to promote and maintain economic growth, while improving and restructuring the industry.

Globalization and fast-paced progress in transportation and communications technology have changed the way production systems in ASEAN are managed. The process of globalization requires competitiveness and innovation, removes trade barriers and raises capital flows. Today, labour mobility and information flows have become the key factors of economic growth.

Trade and investment liberalization is the key to economic success in ASEAN. Within this context, ASEAN member countries need a long-term economic strategy and flexible workforce to meet changing labour market demands arising from economic integration and market globalization.

The economic condition of several ASEAN members with large domestic markets may be facing heavier challenges in improving the labour situation compared to smaller economies, and depending on external demand to drive economic growth. It is critical for ASEAN economies to adequately invest in employees and employers in accordance with the pillars of the ASEAN Economic Community (AEC).

Investing in the workforce should be done rationally in keeping with policy targets, vision and mission. The vision is to improve worker productivity and competitiveness, while the mission is to develop motivated, skilled and capable workers to support the national and regional economy.

Investing in the workforce may take the following forms:

1. Building sustainable education and training infrastructure

Employee education and training must be about lifelong, continuous learning. This is necessary to prepare a skilled workforce in tune with changing times. The government must therefore develop a Continuing Education and Training (CET) Masterplan.

As part of the CET Masterplan, the government needs to build infrastructure capacity, ensure strong linkages between CET and worker education institutions.

There is also the need to establish adult education institutions for developing the competency of adult educators in training workers through the following approach:

a. Adult Higher Education Network to facilitate agencies and institutions that will accommodate CET practitioners.

b. Industry-Based Training

Oriented towards specific skills training for workers with the necessary infrastructure and competency as required of a corporation or association. This approach can be adjusted according to company needs. Corporate training centres that satisfy requirements with respect to staff, facility and curriculum can function as an Authorized Training Centre (ATC) in providing training for certification of Technical Education Institutions.

Training centres like these can also provide internship programmes; a model that has been successfully adopted in Singapore since 1980, followed by Taiwan, South Korea and many other countries.

c. Specific Skills Training

Training is provided for companies in need of specific programmes for their staff. In Singapore, such technical education institutions have conducted 350 courses for 500 companies that have been highly beneficial for workers. A similar model was also applied in many developed countries such as the U.S., Japan and European countries.

d. Certified On-the-Job Training Centre (COJTC). Companies with firm commitment and adequate infrastructure to provide structured OJT (on-the-job training) can earn certification as a COJTC. The institution is established to design, plan and implement OJT programmes suitable for worker needs. In Singapore, COJTC is

authorized to issue OJT certificates upon workers' completion of training. The training scheme has been a success in Singapore with strong support from employers.

- e. National Trade Certification Testing
Can be held by using the three-level system, beginning from workers with basic skills to semi-skilled and skilled workers or equivalent to expert tradesmen. The National Trade Certification Standard must be competency-based and applicable in full- and part-time internships.
- f. The development of an effective technical training system requires clear-cut vision, strategic planning, initiative and effective implementation. Vocational education and training covers education and training programmes geared for specific types of work. This model involves practical training and theoretical learning pertinent to the education system, as well as community and industry needs.

A key influential factor is the rapid change in globalization, production technology, information and communications technology, regional integration, and industry improvement and restructuring.

In such a fast-changing business environment, workers must have the relevant skills to match labour market dynamics. They need to be familiar with information technology as well as automated machinery and production systems.

The main focus in building education and training infrastructure and organizations is worker productivity at all levels. Workers must have the key competencies to work more independently, to communicate effectively and to be adaptable to ever-changing technology and working environments.

2. Technical Education Institution

Technical skills and capabilities are crucial for the social and economic development of a country. The vocational education system therefore forms an integral part of the national education system and the fundamental social structure of a society. The system must be dynamic, capable of keeping up with rapidly changing educational, community and economic needs.

Vocational education and training must stay abreast with shifting needs in the workplace, youth aspirations, and an increasingly competitive global market.

This creates new opportunities and challenges in shaping the technical and vocational training systems. Each system is unique as it must be tailored according to the social, institutional and economic condition of a country.

Nevertheless, the basic features of every vocational education and training system include responsiveness, effectiveness and relevance toward employee needs, with long-term strategic planning, adequate training infrastructure and effective delivery mechanisms.

In Singapore, a first-rate technical education and training system is in place. Meanwhile in Malaysia and Thailand, the system is still developing and becoming even more effective.

There is the need for more effective collaboration, joint coordination and collective action among stakeholders, such as Singapore's tripartite system, and among public bodies, employers and employees, especially workers who are members of trade unions.

3. Investing in businesses

Large corporations in general have adequate financial and human resources to provide skills training and capacity building programmes independently or through affiliations. This however may not be the case for SMEs.

Within the ASEAN context, investment focuses on the capacity building of SMEs to strengthen industries.

Among ASEAN countries, SMEs have varying levels of development and different levels of training capacity. SMEs in Singapore, Malaysia and Thailand are more developed than in other ASEAN member countries, especially in terms of training and skills development.

ASEAN leaders have declared their commitment to develop SMEs into one of the key pillars for policies aimed at improving competitiveness, inclusivity, and equality in the ASEAN region as embodied in the AEC Blueprint.

The size of a business determines the level of participation in developing employee capacity, especially relating to training and skills development. Data across OECD countries showed that SMEs account for less than 50 percent in training activities compared to larger enterprises.

1. Barriers to training

SMEs face specific challenges in terms of training. Various studies conducted by OECD countries and ILO confirm the difficult situation confronting SMEs. The reasons for this are as follows:

- a. Lack of information. Small enterprises are uninformed about the types of training available to them, and on evidence of its benefits.
- b. Risk avoidance. Small companies tend to be oriented towards achieving short-term goals, such as ensuring survival and operating within a narrower scope, unlike larger companies. This leads to higher reduction of value for all calculations on the benefits of training.
- c. Training availability. Small companies often face difficulty in accessing training that meet their needs in terms of type and quality. In addition, given the limited scale of small enterprises, training cost becomes expensive.
- d. Management capacity. Based on various surveys conducted by OECD, the primary reason why small firms do not provide training is management's conviction that personnel already have the required skills and capabilities.

This however can be a misconception, thus preventing management from devising value-added strategies and developing their products.

- e. External factors. The benefits of skills development training are not only enjoyed by the employer investing in training programmes, but also by every employee, and the State in general through the spill over effects.

Given this consideration, employers lack the incentive to develop training programmes aimed at reducing losses. Larger enterprises normally pay higher salaries, and as such small firms believe that formal qualifications are more valuable to employees than their work performance. As a consequence, many large companies tend to only provide in-house training for skills that are not transferable to the open market.

- f. Capital market imperfections
The high cost of training for small firms is made worse by the difficulty faced by these enterprises in obtaining loan for individual employee training. Another problem is the dearth of information in the financial market on the costs and benefits of training.

- g. Low skills equilibrium. It is widely recognized that the need for training among small-scale employers arises due to systems failure. This is known as “low skills equilibrium”. The goods and services produced are therefore of substandard quality as they are made by less-skilled workers. Market demand, production strategy and skill levels get locked in a non-independent self-reinforcing cycle.

2. SMEs as learning and training centres for industry growth and improvement

SMEs can play an important role in the economic growth and development of developing countries. Their contribution to job creation, poverty eradication, export, economic empowerment, entrepreneurship, wealth distribution and economic opportunities are recognized and acknowledged by policymakers.

Their potentials go unrealized due to factors related to SME capacity.

The low-level capacity of SMEs impedes the internationalization of functions, such as training, technological innovations and quality accreditation. Certain training and skills development policies however have been proven effective in dealing with obstacles facing SMEs. The policies and practices are as follows:

- a. Learning and training networks and groupings

Small enterprises operating in an area close to various business interests such as products, infrastructure needs and training activities have the potential for further growth and development.

Within the group, joint initiatives may emerge for product development, in addition to cost effectiveness made possible due to burden-sharing and easier coordination.

The group also has the ability to explore and experiment with new processes, new products or new markets. Through joint efforts and collaboration, the environment or ecosystem allows for joint activities for learning, training and skills development.

Singapore has established an industrial zone for grouping SMEs for specific competencies and product categories. Other examples of SMEs with a competitive edge can be drawn from the experiences of OECD countries such as Germany, Japan, France and the U.S. Another example is the documented economic success of various SME groups operating in Italy in different sectors such as textile, leather, jewellery and eyeglass frames.

- b. Collaboration between large and small enterprises as providers (sub-contractors).

The relationship between large and small enterprises can be fostered to develop groups and open access to training.

Empirical evidence shows that the network of providers or sub-contractors often need support in order to grow and develop. There are several exemplary initiatives designed for this purpose.

Developing the appropriate training schemes requires an effective management system to ensure that small businesses are rightly positioned in the network.

The learning and skills development system between large companies and local SMEs is commonly adopted in East Asia, especially in Japan, South Korea, Taiwan, Singapore and Malaysia. In Thailand, the system is developed for the automotive sparepart and components cluster, while in the Philippines it was introduced in the automotive, electronics and service sectors, and in Indonesia it was in the machinery, furniture and logistics sectors.

- c. Participation in the regional and global value chains

Value chain integration often requires local providers to meet product and service standards that are prominent in the chain. Studies have shown that worker skills at the local provider level are crucial for meeting the requirement.

Due to resource shortages, it has been a challenge for SMEs to invest in employee training compared to larger enterprises. They also find it hard to identify skills requirement or to anticipate skills demand.

A well-functioning vocational education and training system becomes of critical importance in order to recruit workers capable of adapting to the workplace and changing technical skills demands. SMEs can therefore be connected to value chains. An OECD-WTO monitoring survey confirmed that skills are a major barrier to labour availability for SMEs.

- d. Public-private partnership in providing education and training.

Government support for a pro-business environment is important for making sure that education and training is available for enterprises. This must be institutionalized in tax benefits as well as subsidized training and skills development. It is also important to have a sustainable, target-oriented mechanism for human and physical resource investment in the enterprises.

ASEAN countries can draw from the successful experiences of Japan, South Korea, Singapore, Netherlands, Germany and Scandinavian countries.

The Singapore government for instance has launched several schemes that provide full or partial funding to local organizations, including SMEs, large local companies and multinational corporations for employee capacity building programmes. These funding schemes include cash transfers, government equity funding, business incubator, debt financing and tax incentive.

These schemes can help cut costs for consultation and implementation of capacity-building initiatives such as programmes for training and productivity improvement, IT upgrading, human resource system, and consumer-centric initiatives.

Regarding government grants, Singapore has 4 types of grants available: Enterprise Training Support (ETS), Capability Development Grant (CDG), Customer Centric Initiative (CCI), and Innovation and Capability Voucher (ICV). Within this context, enterprises can access ETS for integrated human resource and training packages to develop employees and boost productivity, while through CDG businesses can bring project costs down to 70 percent with respect to consultation, personnel, training certification, productivity improvement and business development capabilities.

e. Employers Federation

An Employers Federation can coordinate training and skills development for employers and employees. This can help reduce training costs, and assist in dealings with the government and external technical assistance.

Various studies have shown that through this approach the economic environment has become more competitive and complex. Businesses, primarily small- and medium-scale, that are unable to plan and manage training and skills development as a product or labour market requirement will benefit from this.

For example, the Singapore Manufacturing Federation (SMF) works with various industries and workforce development agencies to promote government assistance schemes and develop new initiatives that support the restructuring of the local manufacturing sector. SMF offers a wide range of activities, from trade fairs to training missions with government funding. Assistance schemes that have thus far been provided include International Marketing Activities Programme (IMAP), Continuous Learning Scheme, SPUR for Enterprise and Skills Development Fund (SDF).

4. The Role of Multistakeholders in Job Training

1. The role of the government

The government in general has the responsibility to provide training and skills development. Apart from basic education, the government is expected to have the commitment to consistently plan and establish adult education facilities as well as training and skills development programmes. Several practices and policies that ASEAN countries can adapt and adjust to the social characteristics and institutions of the respective country are as follows:

a. Skills Development Fund (SDF)

Employers must contribute in the form of a Skills Development Levy for all employees, be they full-time, part-time, temporary or foreign.

The Central Provident Fund (CPF) Board collects the Skills Development Levy on behalf of the Singapore Workforce Development Agency. The levy collected is channelled to the Skills Development Fund (SDF) to provide grants to employers when they send their employees to attend training.

Malaysia also has a similar financing model for employee training and skills development through its Employee Provident Fund (EPF).

b. Training at all levels

Also in Singapore, the Labour Ministry and Workforce Development Agency coordinates with the Institute of Technical Education (ITE), National Human Resource Capabilities, Human Capital Leadership Institute, National Trade Union Congress (NTUC), polytechnics, and the Singapore National Employers Federation (SNEF) in providing training and skills development in a continuous manner to employees at all levels.

A long-term, proactive approach to planning and managing employee education and training significantly contributes to the ability to effectively adjust to changes in the demand and supply of workers in Singapore. In investing in employee skills upgrading, market forces are not the only factor that comes into play as it takes a considerable time. Demand for skilled workers relevant to the labour market on the other hand is driven by external forces, is short-term and tapering.

The government and relevant agencies therefore need to have a long-term plan that takes into account the demand-supply dynamics of the labour market.

2. The role of CSOs in widening access to vocational training

The education structure must be open to the public, and be able to promote collaborative ties with the non-formal sector. Public participation is necessary to instil a sense of ownership, and becoming part of the community.

The education structure must reflect the diversity of the people around them, especially women and youth. In addition, it should be able to identify skills acquired through informal and non-formal education. Extracurricular activities must also be considered as part of a holistic approach to education.

A scheme like this requires inclusive education developed by all institutions and stakeholders at all levels. The management of inclusive education requires a cooperation and capacity-building mechanism supported by adequate funding. This is necessary to form a bridge between the government at the national and sub-national level, civil society and other stakeholders in order to mobilize education as a means to promote social inclusiveness through formal education and non-formal learning.

3. The role of trade unions in training and skills development

Globalization and technological progress presents serious challenges for the labour movement and trade unions. A major trend challenging the role and relevance of trade unions is the need for greater labour market flexibility, in addition to efficiency and flexibility given the diverse needs of the workforce.

It is therefore important for trade unions to formulate a strategic plan to remain relevant in representing workers in the future by developing specific implementation programmes. Long-term strategic planning should consider the following:

- a. Trade unions must shift away from focusing on job security and change their approach when dealing with employers from confrontational to collaboration with the government and employers.
- b. Improving employability through lifelong education and expertise certification. Singapore has set an example in this regard with its Skills Redevelopment Programme (SRP) and the NTUC Education and Training Fund.
- c. Strengthening competitiveness through joint responsibility, and ensuring that trade unions create added value for employers. This employee-management collaborative system is applied in Japan, South Korea, Taiwan, Singapore,

Sweden, Germany and other countries. When there is shared interest in the production process, the environment would be more conducive and effective for planning and implementing training activities for skills development.

- d. Promoting health, occupational safety, social activities and recreational activities to help workers lead better lives and lifestyles, and contribute to business productivity.
- e. Contributing to community development such as fundraising, and education grants for children from poor families.
- f. Building a robust labour movement by expanding the membership of trade unions. An example is the Institute of Labour Studies in Singapore that was established in 1990 to strengthen trade union leadership through training, education and research. Empirical studies have proven that educated union leaders can contribute significantly to the training and skills development of workers.

Furthermore, strong unions that adopt a collaborative approach towards employers and government can help push for key macroeconomic policy instruments for managing the economic crisis.

The economic landscape of the future will be influenced externally by shocks and crises past and present. There is now a solid labour movement in most ASEAN countries but with different patterns of development, focus and impact relating to vocational training and skills development.

An ASEAN Regional Centre is needed as a bridge for exchanging best practices in promoting investment in employee education and training.

5. Tripartite social dialogue and good practices

An example of good practice of tripartite social dialogue can be drawn from Vietnam. The country's Bank Employees Union that is affiliated with the Vietnam General Confederation of Labour (VGCL) stated that they are guaranteed that their jobs will remain secure even as ASEAN moves closer towards economic liberalization and integration.

In other countries, the impact of ASEAN economic liberalization and integration on the banking sector and trade unions remains unclear. A report on the wave of bank mergers and consolidations however mentioned that not many employees and trade unions were consulted on the matter.

Furthermore, a new phenomenon of employment shifts in the banking sector has emerged due to the application of Information and Communications Technology (ICT) in banking operations. Certain types of employment are disappearing. Interactive ATMs allow clients to engage in transactions without having to deal with human tellers. ICT can also lead to more intensive workload, especially for the office operations of banks.

There is also the assumption that banks will intensify efforts to further streamline their operations in anticipation of an increasingly competitive environment under a more liberalized ASEAN market.

Workers in Vietnam are fortunate to have employment security guarantee through employment protection measures. This form of human resource management practice (HRMP) should be applied in other countries.

The situation in Vietnam needs to be elaborated further. Vietnam is now in pursuit of economic liberalization in a gradual and focused manner to prevent job displacements and haphazard restructuring of the sector. Foreign investment in banking institutions can only account for up to 30 percent of total equity. The bank's mission to provide banking services to certain sectors of the economy is cautiously protected.

An example is the Agricultural Bank, Vietnam's largest commercial bank with branches nationwide that offers banking services to millions of farmers. Vietnam's economic growth as ASEAN's agricultural powerhouse is inextricably linked to the support of the bank's agencies and programmes.

Another tripartite practice worthy of note is the Banking Industry Tripartite Council (BITC) of the Philippines that has been around since the turn of the millennium. BITC has helped resolve countless labour and management issues.

A critical issue that BITC has managed to address concerns outsourcing. It is an issue that has sparked outrage among trade unions across the country and provoked a protracted debate among tripartite social partners.

The problem was resolved through a new system at the initiative of the National Union of Bank Employees (NUBE) whereby BITC identifies jobs in the banking industry that cannot be outsourced as they are "inherent" to the sector. A banking law (Republic Act No. 8791) was later issued that prohibits banks from outsourcing "inherent banking functions".

What jobs in the banking industry are “inherent”? A panel member from the Philippine Central Bank, Dr. Noel Ravalo, described banks as unique deposit-taking entities in the economy.

Based on this definition, the Central Bank explained that the inherent functions of a bank include deposit-taking, lending, risk management, internal audit, regulatory compliance and bank management. Any job related to the aforementioned functions are therefore considered inherent.

Based on the clarification, the BITC raised the dialogue to a higher level by discussing how jobs outside of those identified as inherent should be outsourced. In December 2011, the BITC issued Resolution No. 1 under the title “Adopting the Banking Industry Voluntary Code of Best Practice on Dispute Settlement and Outsourcing/Sub-Contracting of Certain Banking Functions”.

The historic resolution requires banks to proactively consult with trade unions if there are plans or programs for outsourcing. The resolution also institutionalizes conciliation-mediation as part of a proactive programme for dispute settlement in the industry.

The tripartite system is also soundly practiced in Singapore. At the height of the global financial crisis, Singapore’s Prime Minister was broadcasted live on television in a dialogue with trade unions and employees on how Singapore despite being the most affected ASEAN country by the global financial crisis could survive the turmoil.

Singapore – Hong Kong’s rival as Asia’s financial hub – has a stable financial sector. This is attributable partly to the stable relationship between Singapore banks and trade unions.

An example is the OCBC Bank. The bank regularly consults with two unions – the officers’ union and the staff union. Issues dealt with range from grievances at the lower level to payment of various bonuses and concerns over management and employees during times of crises or mergers.

A major trade union-bank programme relates to the work-life balance. The programme requires employees to spend time with their families. The bank also provides a childcare facility in one of the floors of its high-rise building at the heart of Singapore’s commercial area.

Another example is the Philippines. NUBE’s Banco de oro Employees Association (NUBE-BDOEA) in the Philippines has struck an exemplary partnership with Banco

de Oro (BDO), now the largest bank in the country. Both have over three decades of experience in collective bargaining agreements.

BDO respects NUBE-BDOEA and the provision in the Collective Bargaining Agreement (CBA) stipulating that any modernization programme in the banking industry should not be an excuse for replacing employees. Another provision sets out that employees in any bank that has merged with BDO must meet requirements before becoming a member of NUBE-BDOEA. Thus, NUBE-BDOEA is now the largest trade union in the Philippines with 15,000 members.

This relationship has deepened over the years. Issues between employees, trade unions and management are resolved through various channels; general grievances through normal procedures, while difficult issues are settled through a communication hotline between BDO and NUBE-BDOEA.

A recent positive development is the bank's agreement for NUBE-BDOEA to establish an office administrator system involving over 1,000 BDO branches across the Philippines. This is surprising because the office administrator system, which is a key feature of modern, democratic trade unions, is mainly ignored in the Philippines.

In 2014, social dialogue and social partnership was raised to a higher level when BDO and NUBE-BDOEA organized a "Labour-Management Partnership Forum" in Luzon, Visayas and Mindanao. The two-day forum allows branch managers and office administrators across the country to sit together and openly discuss issues at the branch and national level, and find fair and just solutions acceptable to both parties.

In 2009, the Southeast Asian Central Banks (SEACEN) launched a study, and Dr. Romeo Suarez as the author highlighted on several human resource (HR) issues such as attracting the best talent (talent acquisition, selection and retention); high staff turnover due to poor working environment and lack of motivation, including the appeal of migration/mobility opportunities; litigation by past and present employees for unfair HR decisions or actions; and unclear correlation between performance and rewards.

From the study, it seems that Central Banks are investing in HR management practices to be able to deliver quality services. Good HR management practices include strategic programme development to upgrade employee skills and strengthen their work commitment through various employee care and enculturation programmes.

A new phrase in HR management – employee engagement – will not be possible if banks do not invest in good HR management practices and show respect to trade unions and employees. Apart from the availability of modern technology, bank clients still favour the presence of human beings who can provide quality services in a pleasant manner, with a smile.

Employee engagement means employee attachment and commitment to work. This is also engendered by job security, sense of belonging, learning opportunities, work-life balance, reasonable benefits and compensation, trust and values, respect for one's rights, and "voice" at the workplace.

In 2014, a study by Marie Edo from the School of Labour and Industrial Relations found that employee engagement is higher in domestic banks than foreign commercial banks with high-tech operations because domestic banks have invested in good HR management practices.

Within this context, several recommendations to consider are as follows:

1. Ensuring a smooth integration process. This can be attained through communication or sharing of information, consultation with stakeholders on integration measures and regulations at the national level designed and implemented in a smooth and focused manner. Through this approach, unnecessary job displacements or dislocations can be avoided, the development of employees and managerial staff to a higher-level of competition can be managed well, and the public can be assured of uninterrupted services.
2. Engaging in social dialogue on tough integration issues such as mergers and consolidations, new regulations imposed by the government or industry, outsourcing certain job functions or hiring service providers, and adoption of new technology or upgrading/modifying existing technology.

Past experiences show that adjustments to meet the requirements for global, regional and national competition can be successful if all parties sit together to find win-win solutions and approaches or develop adjustment measures that can maximize benefits for all concerned.

ASEAN banks have success stories and good practices on social dialogue that can be emulated. An exemplary model is the Philippines' Banking Industry Tripartite Council (BITC) that meets regularly to discuss labour issues. As a result, the BITC has a tripartite agreement that sets out the rules on outsourcing in the industry, which is a contentious issue in many countries worldwide.

Other worthy examples on what social dialogue can accomplish are the work-life balance agreement of bank employee unions in Singapore, and the tripartite agreement in Vietnam on bank liberalization with no labour displacement.

3. Adequate training should be made available to all staff involved in the sale of commercial products. This is to guarantee that consumers obtain clear and accurate information.
 - In the adjustment process that will take place, the skills and knowledge of employees, professionals and manager must be upgraded. If able and willing, they are entitled to training and retraining to be able to perform duties demanded by financial restructuring.
 - Special attention should be awarded – through consultation and dialogue – to the special needs of female employees who predominate in the industry. The industry’s social partners must promote equal opportunities and ensure that all staff including women and young persons are treated equally without discrimination. This policy must be reflected in all HR systems, recruitment policies and procedures, training and development performance appraisals and promotions across the region.
4. Training, lifelong learning and employability. The service sector has invested in various training programmes on a continuous basis for personnel to develop the required skills. The purpose is to enable them to implement the bank’s strategy and deliver quality services to customers. The training programmes must also contribute to the development of employees’ career path. Training should be provided regularly and continuously according to employee needs and business priorities.
5. As lifelong learning and employability are inextricably linked, ensuring lifelong learning can demonstrate the employer’s commitment to its employees, and facilitate the fostering of long-term employment relationship built on a shared commitment.

From the discussion above, sustained social dialogue engaged with sincerity is evidently essential. This is in fact the way to build national unity and harmony. We need to have more social dialogue if we envision an inclusive, stable and sustainable Indonesia.

6. Revolutionary changes in the education system

There are several matters pertaining to efforts in transforming the education system through an unusual approach. *First*, the need to consider a strict division of affairs between formal and non-formal education. Formal education shall focus on certain aspects relating to the basics of leading life as part of the nation and State, and character building. Non-formal education on the other hand shall provide skills development facilities for employment qualifications.

Second, the need to reassess the length of schooling. The duration of formal schooling should be made shorter but far more effective and efficient. Primary and secondary (lower and upper) education can be shortened to no more than 8 years (not 12 years). Within the eight-year period, students are encouraged to build their sense of nationalism, good character (morals/ethics), cooperation and tolerance, develop reading habits, as well as logical thinking based on sound argumentation.

If upon completing upper secondary school, a child does not continue to higher education, he or she can access various short courses (non-formal education) to acquire the necessary skills. The State shall provide opportunities for short learning programmes, and students can build their capacity and competency.

Third, the government needs to reassess and reform the LPTK or teacher education institutions. LPTK should be more seriously managed into becoming prestigious institutions. LPTK should not be mere formality, but should truly teach about effective learning methods that engage students in dialogues. In addition, LPTK should develop graduates who are familiar with information and communications technology for learning aids. In short, it should be able to produce professional teachers.

Fourth, the education curriculum should be made more flexible. A fast-changing world calls for quick responses. Furthermore, every region has distinctive features due to different demographic, geographic and socio-cultural conditions. All these require accurate responses that effectively answer needs. If there is only a one-size-fits-all curriculum too rigid to respond to a changing environment, education will simply be a stagnant learning process.



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Jl. Jatipadang Raya Kav.3 No.105 Pasar Minggu, Jakarta Selatan, 12540
021 7819734, 7819735 | info@infid.org | www.infid.org

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