

# Revitalizing Public Training Centers in Indonesia: Challenges and the Way Forward

Human Development Department  
East Asia and Pacific Region



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## ■ List of Abbreviations

APBN	National Budget ( <i>Anggaran Pendapatan dan Belanja Negara</i> )
APBD	Regional (Provincial or district) budget ( <i>Anggaran Pendapatan dan Belanja Daerah</i> )
BAPPEDA	Local Government Planning Agency ( <i>Badan Perencanaan Pembangunan Daerah</i> )
BINALATTAS	Directorate General for Training and Productivity ( <i>Direktorat Pembinaan Pelatihan dan Produktivitas</i> )
BLK	Vocational Training Center under MoMT ( <i>Balai Latihan Kerja</i> )
BLU	Commercial State Enterprise ( <i>Badan Layanan Umum</i> )
BNSP	Indonesian Professional Certification Authority ( <i>Badan Nasional Sertifikasi Profesi</i> )
D-1, D-2, D-3	Diploma courses of one, two and three years duration ( <i>Diploma program</i> )
DIPA	List of Budget Implementation Activities ( <i>Daftar Isian Pelaksanaan Anggaran</i> )
DIPDA	List of Local Budget Implementation Activities ( <i>Daftar Isian Proyek Daerah</i> )
DISNAKER	Regional (Provincial or District) Office of MoMT ( <i>Dinas Tenaga Kerja</i> )
HRD	Human Resource Development ( <i>Sumber Daya Manusia</i> )
LSP	Professional Certification Body ( <i>Lembaga Sertifikasi Profesi</i> )
MoMT	Ministry of Manpower and Transmigration
MONE	Ministry of National Education
NGO	Non-governmental organization
OJT	On-the-job-training
PEMDA	Regional Government ( <i>Pemerintah Daerah</i> )
RENSTRA	Strategic Plan ( <i>Rencana Strategis</i> )
SKKNI	National Competency Standards ( <i>Standar Kompetensi Kerja Nasional Indonesia</i> )
SD	Primary School ( <i>Sekolah Dasar</i> )
SMA	Senior Secondary School ( <i>Sekolah Menengah Atas</i> )
SMK	Senior Secondary Vocational School ( <i>Sekolah Menengah Kejuruan</i> )
SMP	Junior Secondary School ( <i>Sekolah Menengah Pertama</i> )
TAB	Training Advisory Board ( <i>Badan Penasehat Pelatihan</i> )
UPTD-D	District-managed BLK ( <i>Unit Pelaksana Teknis Daerah- Kabupaten/Kota</i> )
UPTD-P	Provincially managed BLK ( <i>Unit Pelaksana Teknis Daerah- Propinsi</i> )
UPTP	Centrally managed BLK ( <i>Unit Pelaksana Teknis Pusat</i> )
VTF	Vocational Training Fund ( <i>Dana Pelatihan Vokasi</i> )

# Executive Summary

The goal of this report is to examine the effectiveness and efficiency of the Public Vocational Training Centers (*Balai Latihan Kerja*, hereinafter BLK) in Indonesia. Its findings and recommendations will contribute to the ongoing effort of the Ministry of Manpower and Transmigration (MoMT) to revitalize the BLK training system.

There are wide variations in terms of the size and capacities of BLK operating at central, provincial and district levels. This is indicated by the average number of graduates from the centers at each of these different levels in 2009, with 1,300 centrally managed BLK, compared with only around 650 and 340 at the provincial and district levels respectively. The variation in the average number of graduates may indicate deep differences in the operations of the training centers at the three levels. Due to these differences, various approaches at each of the different levels may be required to improve the centers.

The emphasis and orientation of BLK programs has changed since their first establishment. In particular, there has been a continuing growth in community based training and in the activities of the Mobile Training Unit (MTU). This indicates that a large portion of demand for BLK training is from communities in rural areas. Given this, the stagnation or decline of the courses that would be beneficial to the greatest percentage of the working population in these areas, such as courses related to agriculture, agricultural processing, and husbandry and fishery, is of great concern. Despite the potential of the hotel and tourism industry to provide an increasing number of employment opportunities, relevant training is provided at only a few BLK.

The national training system is well-established in terms of skills standards and the continuing development of training package by the government to support training activities at BLK. Therefore, the mechanisms and systems for implementing Competency-Based Training (CBT) throughout BLK at the central level are in place. However, CBT training has only been fully introduced and implemented at a small number of centers.

In terms of the implementation of CBT, BLK at the central level have made the most progress, with most centers at this level stating that training takes place according to National Competency Standards (SKKNI) in the major skills areas. However, even at the centers at this level, most training is still conducted according to group timetables. There are a number of challenges to the implementation of CBT. These challenges relate to lack of equipment; the lack of SKKNI standards in the skills areas offered; or lack of training and upgrading for instructors. The restrictive system of financing, which is determined according to the number of “packets” provided, calculated on the basis of a set number of trainees receiving training for a set number hours, also stands in the way of a more flexible approach to training.

The implementation of CBT should involve assessment and certification by relevant certification bodies and agencies (LSP). However, at present, only a few BLK assess their trainees according to the national certification system. In total, 95% of the BLK are still conducting all final trainee assessment in-house, without monitoring or verification by any independent assessment body.

In terms of the human resources available at the BLK, the following profile emerges: the average age of BLK managers is approximately 50 years, with 47% having below undergraduate qualifications and 50% having undergraduate qualifications. In terms of gender, 97% are male. At present, prior experience in relevant fields at government and other institutions is not a requirement to become a manager of BLK. On average, BLK managers have held their current position for less than two years. The survey was not able to determine whether most managers had experience in training before being appointed to their current managerial position. In total, 36% of managers claimed to have relevant experience in industry.

The increasingly serious shortage of instructors, exacerbated by their increasingly high average age, is arguably the greatest present obstacle to the good implementation of the BLK system. The number of instructors has declined from the level for which it was designed, with very few new instructors having been recruited in the past 20 years. Unfortunately, despite the recent recruitment of new instructors by MoMT, there has still been a net loss of instructors in the centers included in the survey, with 412 instructors having left the service, as against only 251 new instructors having been employed, resulting in a net loss of 161 instructors.

The average quality of the equipment required by BLK to fulfill their putative function is poor, with a large proportion of the equipment at centers being outdated and in bad condition. Despite the fact that BLK were well equipped at their establishment, with a large initial investment in the necessary equipment, these assets have deteriorated considerably. Equipment has not been upgraded or replaced to the required degree. Without the necessary equipment, BLK have had difficulty providing courses relevant to the needs of industries where up-to-date equipment is essential. For the most essential and frequently used type of equipment in each area of skills in which training is provided, 67% of BLK have not received any new equipment since 2000. Only 17% of the surveyed BLK have received new equipment during the past five years. Despite this, it is encouraging to note that the acquisition of new equipment has accelerated since 2003.

At present, virtually all funding to support the training and other operations of BLK is provided for from central, provincial and district budgets. Some BLK derived additional income from the provision of fee-based courses. One BLK reported income from a contract with a private enterprise. However, these sources of income made up an insignificant proportion of the centers' total funds, with funding through income derived from such non-subsidized courses accounting for only 2% of the total. In total, 54% of the funding for BLK system is provided by the central government. There is a distinct variation in the spending patterns of BLK at the central, provincial, and district levels respectively, with those at the district level having the highest proportion of expenditure on salaries and the lowest proportion of expenditure on training materials. This is due to that fact of their lower level of overall activity and the fact that the training courses they offer require less costly materials than those offered by BLK at the provincial and particularly the central levels.

At present, the cost efficiency of BLK is of particular cause for concern. At central level centers, the average cost per graduate is Rp 17 million, with each graduate receiving on average about three months training. This is similar to the cost of providing one year's education to a student at a number of public tertiary education institutions. In addition, the expenditure at the central level is almost twice that at provincial BLK (Rp 9 million) and four times that at district BLK (Rp 4 million). In a system that has a single set of operational guidelines, the large difference in the cost of training provided at the varying levels is remarkable.

Based on the previous assessment of the BLK system, this report now attempts to present a number of recommendations for reforms at the systematic and institutional level.

## System level reforms

- (1) **The varying comparative advantages of BLK at the central, provincial, and district level:** There are significant operational differences between BLK at the different levels. Future reforms should aim to reinforce their respective comparative advantages. Centrally managed BLK should be able to serve as mentor institutions and to play a leading role in strengthening the training system. They should act as resource centers to support small BLK, as well as establishing linkages with these small BLK to provide more sophisticated training programs. Local level BLK should strive to strengthen their linkages with local communities.
- (2) **A quality assurance system:** A system to assure the quality of the provision of training needs to be established, with each stakeholder's roles and responsibilities clearly defined. The key aspects of quality assurance include the establishment of trainee competency standards; the implementation of training competency assessment; the formulation of service provider performance report; the implementation of program impact evaluations; the establishment of service provider operational requirements; the provision of adequate and equitable resources; autonomy, intervention, and support; and the enforcement of an accountability system that involves rewards and sanctions on the basis of performance. The implementation of such a quality assurance system would require the coordinated involvement of BLK working together with BNSP, LSP, local and central government agencies, and employers. The table below provides an overview of the recommendations to strengthen the system.

**Table: A quality assurance matrix**

	BLK	LSP	BNSP	Local Government	MoMT	Employers
<b>Trainee competency standards</b>	Train according to competency standards	Set up LSPs or branches of LSPs in all provinces of Indonesia	Coordinate the standards development;  Process consolidate and codify standards;  Certify training of assessors;  Promote national standards to all stakeholders	Promote and support the mainstreaming of national competency standards;  Support the setting up of LSP	Develop competency standards;  Support BLK to train to national competency standards through instructor training and upgrading and providing training packages	Own or recognize the standards;  Provide inputs to standards development

	BLK	LSP	BNSP	Local Government	MoMT	Employers
<b>Trainee competency assessments</b>	Facilitate assessment and certification to national standards;  Financially support certification	Assess and certify trainees;  Assess and certify TUK Train assessors	License LSP;  Monitor and audit LSP	Promote and fund assessment and certifications	Promote and fund assessment and certifications	Certify workers;  Standardize employment practices based on certified workers
<b>Service provider performance report</b>	Submitting annual report	Report to BNSP		Approve and publicize performance report (local BLK)	Approve and publicize performance report (central BLK)	
<b>Program impact evaluations</b>	Conduct self-assessment according to system contained in accreditation criteria			Evaluate BLK self-assessment	Evaluate central BLK self-assessment	Feed-back to training providers based on employee performance
<b>Service provider operational requirements</b>	Achieve accreditation as basic condition to operate QA system in place	Achieve compliance with BNSP standards for LSP organization	Ensure compulsory accreditation of all training providers	Monitor and audit BLK in under their responsibility	Need to be clarified and well publicized;  Monitor and audit central BLK in under its responsibility	Contribute so that have a real stake in training and its quality
<b>Adequate and equitable resources</b>	Achieve significant self-generated revenue	Government support to reduce cost of certification to clients	Provide independent funding sufficient to undertake wider responsibilities	Increase local budgets	Focus on performance and equity goals	Contribute so that have a real stake in training and its quality
<b>Autonomy, intervention, and support</b>	Grant autonomous status		Should be autonomous with own budget and not part of any ministry	Ensure that local government is part of BLK governance Board	Implement performance-based incentive funding support	Act as key member of the BLK Board
<b>Accountability and consequences</b>	Set clear goals and performance criteria;  Provide performance based financial support	Support depending on activity level;  Support to setting up branch LSP in remote areas		Funding increase or decrease;  Change personnel (Local BLK)	Funding increase or decrease;  Change personnel (central BLK)	

- (3) **The provision of incentives to ensure better training outcomes:** MoMT should facilitate the provision of performance based incentives to local level administrations and to BLK to ensure better training outcomes. While MoMT has no direct authority over the local BLK, MoMT could encourage a higher level of performance by a careful restructuring of funding mechanisms. Despite their independence, local BLK are still heavily dependent on central funds, which provides central agencies with the leverage to influence their performance. Without central government funds, the provinces and districts would be unable to carry out their regular training activities. Under the present system, the provision of funding is largely input-based. The provision of funding is not related to the BLK's quantitative and qualitative output nor to the efficiency of its operation. To ensure a better return on its investment, MoMT may consider establishing a Vocational Training Fund (VTF) and distributing a greater proportion of funds through this mechanism. The VTF could set stringent performance related conditions for the provision of funding, requiring BLK to submit clear plans for their activities with outputs and outcomes as well as time schedules. The results of these BLK could be assessed through an established quality assurance system.
- (4) **An increased role for private training providers:** To ensure the relevance and to strengthen the training system facilitated by MoMT, the critical roles of the thousands of private training centers should be emphasized. With this report surveying 64 private training providers, it becomes clear that these providers are actively engaged in the provision of various vocational skills training which cater to the needs of a wide range of clients. Compared to the public training service providers, they operate with a higher degree of cost efficiency, they have younger instructors, they maintain closer relations with employers, and they appear to provide better opportunities for trainee's future employment. MoMT needs to maintain a regularly-updated database of these training providers and to extend the coverage of the quality assurance system to benefit these institutions. Most importantly, MoMT needs to facilitate the development of effective public-private partnerships and to encourage competition in order to promote a high level of outcome.

## Institution level reforms

- (1) **The provision of incentives to encourage excellence:** Managers and instructors need to be provided with better training. They also need to be provided with incentives to perform to higher standards. The appropriate training and upgrading of BLK managers'skills is of critical importance to the overall success of the BLK system. MoMT can play a leading role in ensuring the provision of these incentives and training. Working together with agencies at the district and provincial levels, MoMT should prepare an improved set of selection criteria for the recruitment and employment of BLK managers. It should also strive to establish a set of standards for a management training program. MoMT can also play a significant role by appointing qualified providers, either public or private, to provide management training for BLK managers. Beside general managerial skills, such training programs should focus on developing the ability to understand local labor market needs by maintaining close contact and cooperation with all stakeholders, particularly employers in their area of operation. This should involve cooperation between BLK and the stakeholders for the provision of solutions to stakeholders' needs. A system of basic graduate tracing should be implemented to monitor the impact of such cooperation. The development of a system of certification of BLK managers should also be considered as a means to ensure the quality of such managers. At the same time, it is also necessary to introduce a requirement that instructors have appropriate industrial experience. Under the current salary and incentive system, it may be difficult to attract successful industry employees to become BLK instructors. If that is the case, the requirement related to industrial experience could be fulfilled by extending the present approximate three months in-work placement of instructors during their training. A period each year should be allocated for instructors to spend time in an industrial context as a means to maintain their level of skills and to remain current with developments in their field.

(2) **Institutional autonomy and accountability:** The development of a high degree of autonomy and accountability is required to ensure a high level of performance and efficiency throughout the operations of BLK. BLK are currently functioning as government bureaucratic units, with managers devoting a large proportion of their time to dealing with a bureaucratic system of funding and reporting. At present, BLK do not have the power to independently implement business planning, including financial planning, hiring or firing instructors, updating equipment, or even the enrolment of trainees in some cases. In order to transform BLK into self-motivating and viable training institutions, the management of these training centers should be granted a higher level of authority and autonomy. The provision of such autonomy should be supported by a system of funding that rewards high performance. To further support their autonomy, a training management board should be established to govern BLK. The composition of this board should include employers' representatives and DISNAKER officials. This structure would help to foster a high level of cooperation between key stakeholders. Under this structure, each BLK manager would be accountable to the Board. A higher level of funding for BLK could be provided by local governments, with employers possibly making a significant contribution. With improved governance structures and a higher level of autonomy, BLK will be able to operate more efficiently and to produce better outcomes.

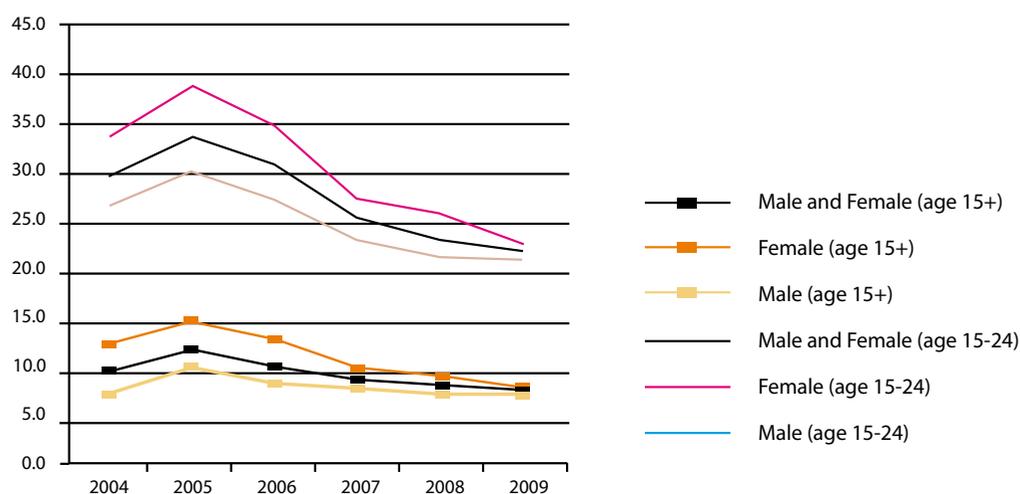
## Section I

# Introduction and Context



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1. With an increasing number of people entering the workforce each year, high levels of unemployment and underemployment remain a persistent challenge for Indonesia. The recent growth in the economy has not significantly lowered levels of unemployment and underemployment, which remain more or less the same as before the Asian economic crisis in 1996. While youth unemployment has improved at a higher rate than overall unemployment, it remains high (Figure 1). Agriculture continues to be the sector providing the largest proportion of employment, absorbing 39.7% of the total working population across Indonesia. However, growth in the service sector has ensured that the trade, restaurant and hotel sector is now the second largest sector, accounting for 20.9% percent of employment. This is followed by 13.4% in community, social and personal services sectors, and 12.2% in the manufacturing sector.

**Figure 1: Youth unemployment has declined but remains high**

Source: Indonesian Bureau of Statistics (BPS).

2. Through the provision of training relevant to labor market needs, a well implemented vocational training system could significantly lower unemployment, particularly youth unemployment. The implementation of a vocational training system should be predicated on an accurate analysis of the labor market and its needs in order to identify priorities for the provision of skill development training. Such training should take place in close consultation with stakeholders, in particular employers, particularly at the local levels. Training institutions must be able to design training programs which include not only the required technical skills but also soft skills such as communication and team work skills to agreed standards.

3. The Indonesian vocational training system is based on two main pillars. The first of these is the training provided by senior vocational secondary schools (*Sekolah Menengah Kejuruan, SMK*), which are managed under the Ministry of National Education (MoNE). In addition, a number of non-government operators also manage similar secondary schools. The second of the two pillars is the training provided through the BLK system, which is managed under the Ministry of Manpower and Transmigration (MoMT), as well a similar training provided by private services operated by private individuals, foundations and NGOs. The public and private SMK system has a capacity to produce approximately 860,000 graduates per year<sup>1</sup>. By contrast, the public BLK system facilitated the graduation of 87,000 trainees in 2009. The capacities and outputs of private training providers is difficult to determine and is not addressed in this report.

4. The challenge for Indonesia is to transform its current present system of skills training, which consists of various skills training providers operating according to their own systems without any attempt to coordinate their various endeavors into a national skills development system. In particular, there is no clear distinction between the vocational training programs operated under MoNE and MoMT (Table 1). This makes the overall training system difficult to attune to the changes in employment sectors in a coherent way or to rapidly adjust their programs to satisfy changing demands.

1 Number of students in 3<sup>rd</sup> grade, 2008/2009 school year (Source: Ministry of National Education – MONE)

**Table 1: Key vocational training providers in Indonesia**

	Training Institutions	Private or public	Graduates per year	Training types		
				Pre-employment	During employment	For Vulnerable groups
<b>MoNE</b>	SMK (Sr. secondary)	Both	857,389	X		
	Polytechnics	Both	22,303	X		
	LKP (private training providers)	Private	615,955	X	X	X (subsidized programs)
	BLK	Public	87,000	X		X
<b>MoMT</b>	Private training providers	Private	n.a	X	X X	
<b>Enterprise-based training</b>			n.a		X	

*Source: Author's compilation.*

5. In addition, many training service providers also face a number of challenges that reduce efficiency and effectiveness, including shortages of trained instructors; outdated training facilities and curricula; and a lack of clearly established connections with potential employers and other significant stakeholders. In the case of public training providers, funding and administration systems do not reward excellent performance by managers and teachers/trainers.

6. The focus of this report is on the BLK system, which comprises only a small component of the overall vocational training system. The BLK system was established more than 40 years ago and has since developed into a network of 185 training institutions situated throughout Indonesia. Initially, the BLK system was established to cater primarily for young people who had not received viable vocational skills through the formal education system and to provide these young people with training that would enable them to gain employment in the formal and informal sectors. Until the enactment of the Local Autonomy and Decentralization Law in 2001, the system was centrally managed. Since 2001, eleven BLK (Banda Aceh, Medan, Bandung, Bekasi, Surakarta, Semarang, Serang, Samarinda, Makassar, Ternate, and Sorong) have remained under MoMT control. The remaining BLK are now managed by provincial and district government agencies.

7. As a means of ensuring that BLK meet the needs of their local clientele, the decentralization of BLK is appropriate. The primary function of the BLK system is to provide short- and medium-length training to meet the needs of the employment market in the areas they are located. Given the great disparity of conditions across Indonesia, a uniform approach to course content will not fulfill the widely varying needs of different districts and provinces. To understand and adjust their output to meet the needs of their clientele in the specific regions in which they operate, BLK need to be closely attuned to local conditions. They must work in close cooperation with local stakeholders, particularly employers, employer organizations and other training services providers. In regions of Indonesia where employment opportunities in the formal sector are scarce, BLK need to be able to foster technical and entrepreneurial skills to enable trainees to establish their own business, often with limited

capital and resources. However, while regional in their approach, BLK need to have uniform standards for all management and operational processes. Similarly, human resources at BLK should be trained to meet a national standard.

8. Currently, the BLK system is facing many challenges. In particular, these challenges relate to establishing a means to effectively reach out to disadvantaged youth; to maintaining training standards; and to improving training outcomes in terms of measurably improving the employment status of trainees. MoMT is currently leading efforts to revitalize BLK by tackling these challenges.

9. A critical step towards the revitalization of BLK is the clarification of each stakeholder's role in all aspects of the processes associated with training, including setting standards; maintaining standards; delivering quality training according to the labor market demand; financing training activities; monitoring training outcome; and establishing and implementing a system of performance-based rewards and sanctions. The implementation of these various functions will require effort and a high degree of coordination between central government, local government, BLK, and employers and others in the business sector, with each of these stakeholders playing varying but equally vital roles in the process.

## Section II

# BLK Survey



10. The in-depth study of the vocational training system operated under the management of the Ministry of Manpower and Transmigration (MoMT) involved close cooperation between MoMT and the World Bank (WB). The objective of the survey was to establish a clear picture of the situation and circumstances of the 185<sup>2</sup> vocational training centers managed by MoMT throughout Indonesia as a basis on which to improve the efficiency and effectiveness of these centers. The survey was conducted at 119 BLK. These included BLK at all levels, including the ministry-managed BLK (*Unit Pelaksana Teknis Pusat, UPTP*), province-managed BLK (*Unit Pelaksana Teknis Daerah-Propinsi, UPTD-P*) and district-managed BLK (*Unit Pelaksana Teknis Daerah-Kabupaten/Kota, UPTD-D*).

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2 Source: Directorate of Institution and Infrastructure, MOMT

The survey also collected data from all provincial and district labor offices (*Dinas Tenaga Kerja*, DISNAKER) in areas where BLK are situated. Additionally, a smaller number (64) of privately-owned vocational training service providers was sampled. A summary of the sample distribution is provided in Table 2.

**Table 2: Survey sample distribution**

Type of institution	Number of institutions	Proposed sample	Actual coverage of the survey
UPTP (Ministry)	11	11	11
UPTD-P (Province)	33	33	44
UPTD-D (District)	141	72	64
<b>Total BLK</b>	<b>185</b>	<b>116</b>	<b>119</b>
DISNAKER Offices			91
Private BLK			64

11. The survey aimed to identify key challenges to BLK performance by focusing on supply-side related issues. The survey focused on key issues, including the quality of BLK training resources, both in terms of their human resources (i.e. instructors) and physical resources (i.e. infrastructure and equipment). Other key issues related to management and funding and to the relationships between the BLK and stakeholders in the BLK area of operations.

12. The survey was conducted between November 2010 and January 2011. The questionnaires used to implement the survey were designed in close consultation with MoMT. These questionnaires included the following sections:

- BOOK 1: *District /Province Office*: (interview with head of Central BLK, head of DISNAKER and/or senior DISNAKER officials);
- BOOK 2: *BLK General Conditions* (interview with head of the BLK and/or senior BLK officials);
- BOOK 3: *BLK Secondary Data* (Data collected through interview with BLK staff and division heads and from BLK administrative records);
- BOOK 4: *Private BLK* (interview with heads of institutions);
- BOOK 5: *Head of central BLK* (interview with the head of the central BLK and/or senior BLK officials);
- BOOK 6: *List of Private BLK* (a list of private training institutions in the areas of survey as informed by the DISNAKER offices).

13. On the basis of the results of this survey, this report discusses critical issues affecting the revitalization and continuing operation of the BLK. Based on the analysis of the data, the report then goes on to offer a number of conclusions and recommendations to address systemic and institutional level issues. The report is intended to provide an analytical foundation for further cooperation between MoMT and the World Bank.

14. There are some recognized limitations associated with the survey methodology. In particular, the answers to some questions were based on respondents' best estimate, due to lack of documentation. Areas in which this limitation was most apparent included:

- **Contact with local companies:** Managers often claimed to have close contact and cooperative relationships with private companies and to provide training that met local requirements. However, unless the demand side was extensively surveyed, the extent and quality of the interactions and relationships is not verifiable; ,
- **BLK graduates:** According to BLK managers, most graduates remain in their home districts and attempt to find jobs in the local community. Managers claim that a majority of trainees found jobs within six months of graduation. However, without systematic and accurate graduate tracer records, it is impossible to verify how accurate these statements are.

15. Through surveys conducted primarily at DISNAKER offices and BLK, this report is intended to provide a quantitative snapshot of the current status of BLK. Further exploratory and qualitative studies will be necessary to determine deeper issues. In particular, in order to gain a clear picture of the real impact and quality of BLK operation, graduate tracer studies would need to be implemented.

## Section III

# BLK within the Government Structure

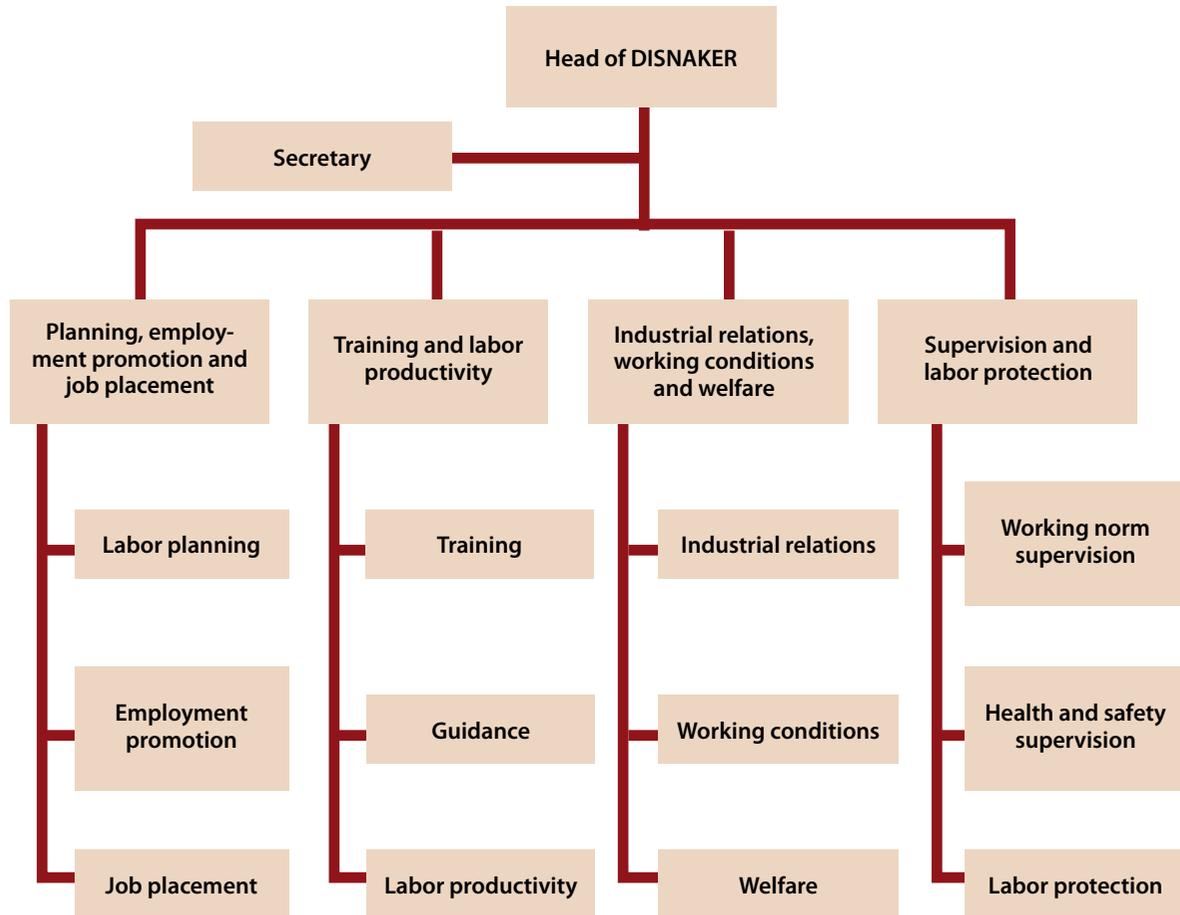


photo BLK Cevest Archive

16. At all levels, BLK are constituted within the framework of government agencies managing labor. For example, the centrally-managed BLK are constituted under the Ministry of Manpower and Transmigration (MoMT), while the locally-managed BLK are constituted under the local government's labor section, usually referred to as DISNAKER (*Dinas Tenaga Kerja*).

17. At the local level, the head of DISNAKER reports to the provincial or district head through the planning agency (*Badan Perencanaan Pembangunan Daerah*, BAPPEDA). The organizational structure of a DISNAKER office, as represented by its organizational chart, is shown in Figure 2 (Makassar case). The DISNAKER offices in different areas have varying tasks and functions, depending on the population and specific characteristics of each province or district. In districts with smaller populations, the DISNAKER offices may be responsible for a number of other functions, including social and religious functions in addition to those related to labor issues.

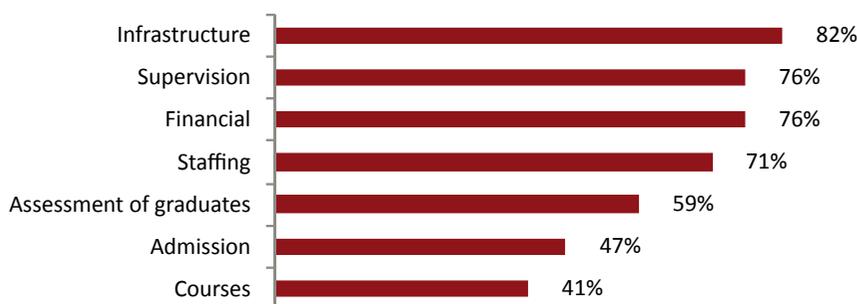
**Figure 2: A Typical DISNAKER organization chart: Makassar**



18. The DISNAKER offices are in charge of BLK in their provinces and district, with BLK managers reporting to the heads of DISNAKER. In addition to the management of BLK, the DISNAKER are responsible for collecting, analyzing and disseminating information related to the labor market and its needs. In each DISNAKER office, there is an employment office (*Bursa Kerja*), which maintains a database on employers, employment opportunities and job-seekers.

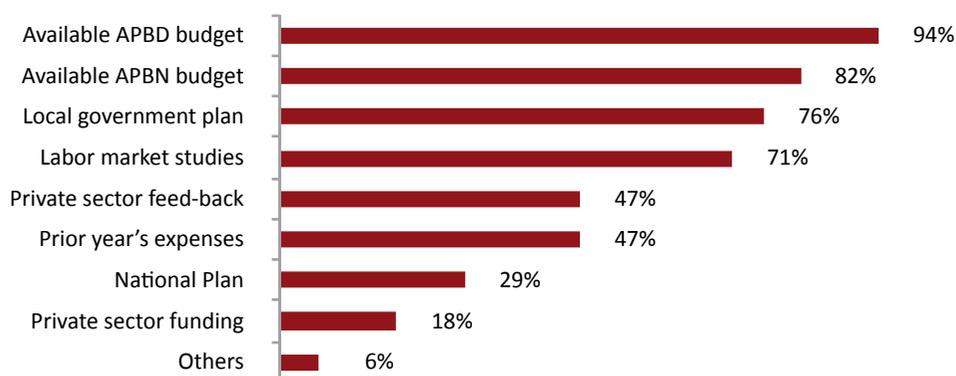
19. The survey found that all heads of DISNAKER agree that the BLK are a significant tool in their efforts to address unemployment. DISNAKER also implement other policies to address unemployment, including policies to improve workers' productivity or to stimulate investments through cooperation with the private sector.

**Figure 3: DISNAKER involvement in BLK planning**



20. BLK are technical units of government offices. As such, they implement a planning process in a similar fashion to other government units and departments. BLK submit two main work plans, the medium term plan (*Rencana Strategis*, RENSTRA) and annual work plan. Both of these plans must be approved by DISNAKER or, in the case of central level BLK, MoMT. There are different opinions regarding who is responsible for the formulation of these plans, with 59% of BLK managers saying that BLK was responsible and 41% saying that DISNAKER was responsible. However, only 18% of DISNAKER heads agreed that the DISNAKER office is directly involved in the BLK planning process. The DISNAKER who acknowledged involvement in the planning process stated that their involvement is focused on issues related to infrastructure and financial supervision (Figure 3). The predominant consideration in the planning process is the availability of central and regional funds (Figure 4).

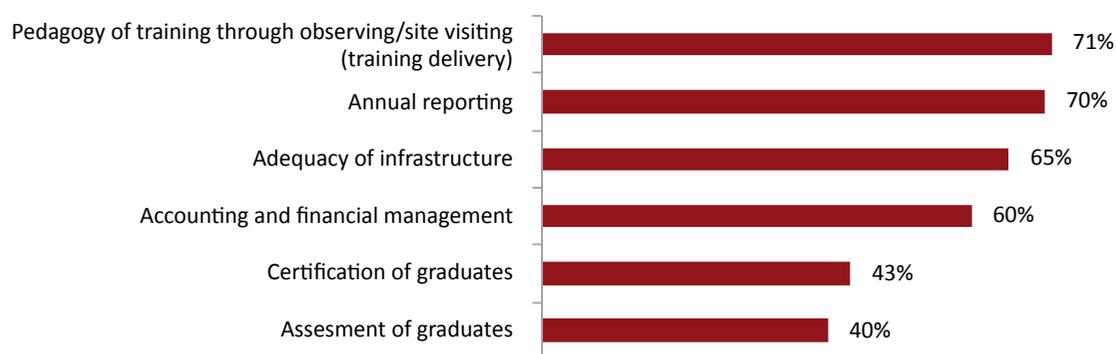
**Figure 4: Main factors considered during BLK planning, BLK under local government**



21. In most cases, the BLK conduct the training needs assessment required for the planning process. However, the DISNAKER offices are also involved in the process. In total, 32% of the DISNAKER stated that the determination of the nature of training provided by BLK is based on local labor market requirements. By contrast, 30% stated that the nature of training is determined by applicants' demand. While the quality of the links with stakeholders must still be determined, these responses indicate that at least there is a high level of awareness of the need to link training design to demand.

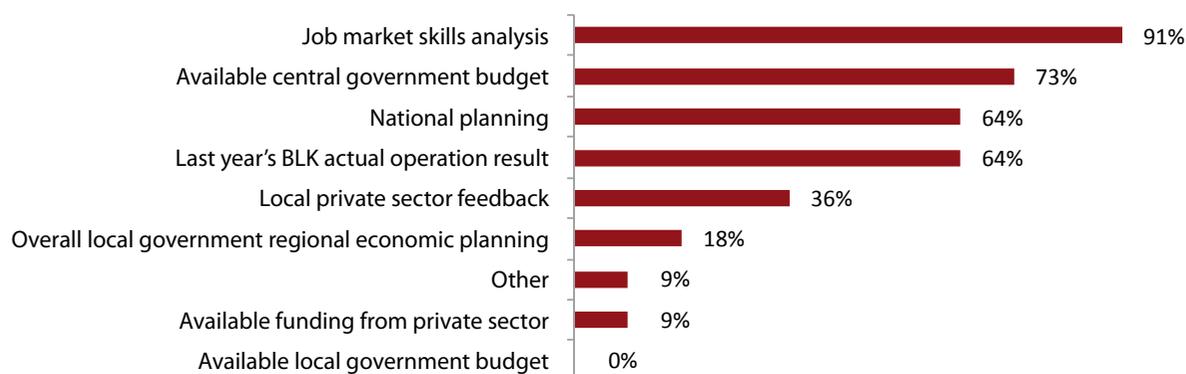
22. Most of the DISNAKER offices do not have detailed operational information related to the BLK constituted under them. In total, 52% of the DISNAKER offices claimed that they had a system to monitor trainees after graduation. However, fewer than 20% of the DISNAKER offices had information on the number of BLK graduates. Furthermore, less than 15% were able to provide information on how many graduates found jobs after graduation. As the government authority under which BLK are constituted, DISNAKER must take a role in planning and monitoring BLK operations. However, as seen from Figure 5, there is a wide degree of disparity amongst DISNAKER regarding the role they should play. Also, there seems to be some confusion regarding the allocation of responsibility for drafting and approving planning documents. This is indicated by the fact that only 17 of the surveyed BLK responded to a question related to this issue.

**Figure 5: DISNAKER supervisory role in BLK operation**



23. Centrally managed BLK report directly to the Director General of Training and Productivity Development (BINALATTAS) and relevant directorates at BINALATTAS. The responsibility for the planning of activities and programs at these BLK rests with the BLK management. However, the drafting of the medium term strategic plan (RENSTRA) and the annual work plans takes place in direct consultation with MoMT, with plans being subject to approval by MoMT. The BLK base their planning on a number of factors. In particular, they based their plans on a training needs assessment, or job market skill demand analysis, and the availability of funding (Figure 6). The training needs assessment is undertaken by the BLK, sometimes in cooperation with MoMT and local authorities

**Figure 6: Main factor considered during BLK planning, BLK under central government**



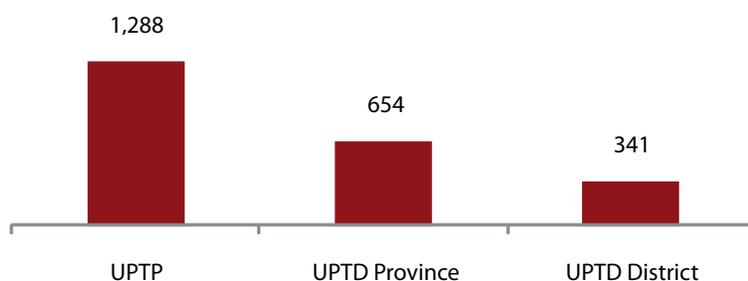
24. Although the BLK constituted under district level governments make up a majority of existing BLK, there is a recent trend towards an increasing number of BLK been constituted under higher level government authority. Particularly in East Java, there has been a move towards the placement of all district BLK under provincial management. In our BLK survey, 11 out of the 72 sampled district BLK had been placed under the direct management of the provincial government.

## BLK status assessment

25. There are large differences in size between BLK at the central, provincial and district levels respectively. Figure 7 shows the average number of graduates in 2009 for BLK at the respective levels. The figure shows that the average number of graduates stood at 1,300 at centrally managed BLK, compared to around 650 and 340 at BLK at the provincial and district levels respectively. Given that the BLK at the different levels may vary operationally to a significant degree, differentiated approaches may be required for their improvement.

26. Even though the size of district BLK is small, they serve the largest number of trainees due to their number. Extrapolating from the averages of the surveyed BLK, the total number of graduates from the BLK system in 2009 was approximately 87,000. Of these, the proportion of graduates from centrally managed BLK was 17%, while from provincial BLK the proportion was 33% and from district BLK 51%.

**Figure 7: Average number of BLK graduates in 2009, by level of BLK**

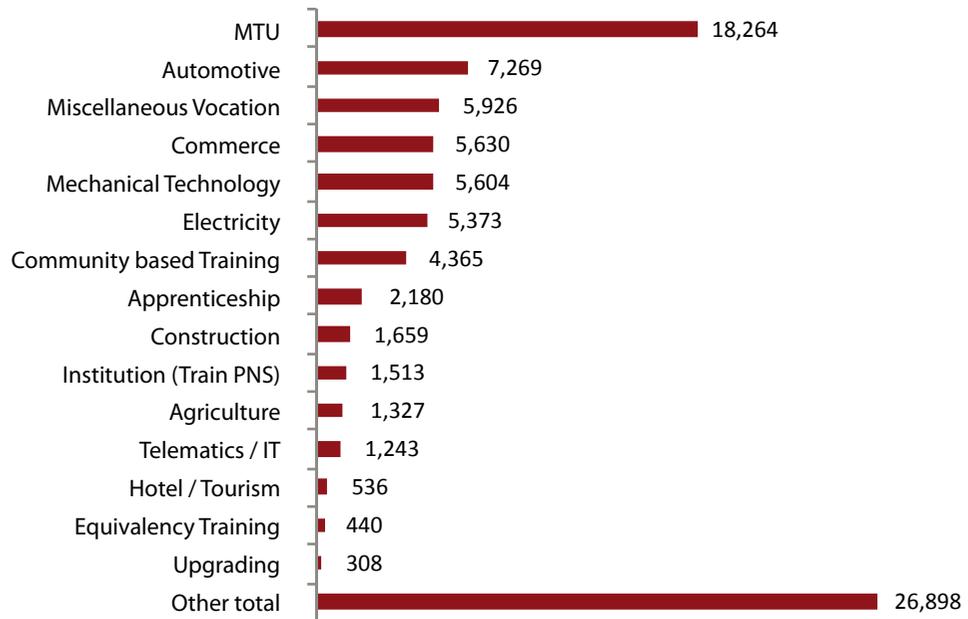


## Training courses

27. Regardless of the level at which they operate, BLK were designed to offer an almost identical set of courses. Course curricula were established by MoMT and provided to all BLK. These curricula were implemented uniformly until the national training system was revised according to the competency based training (CBT) system.

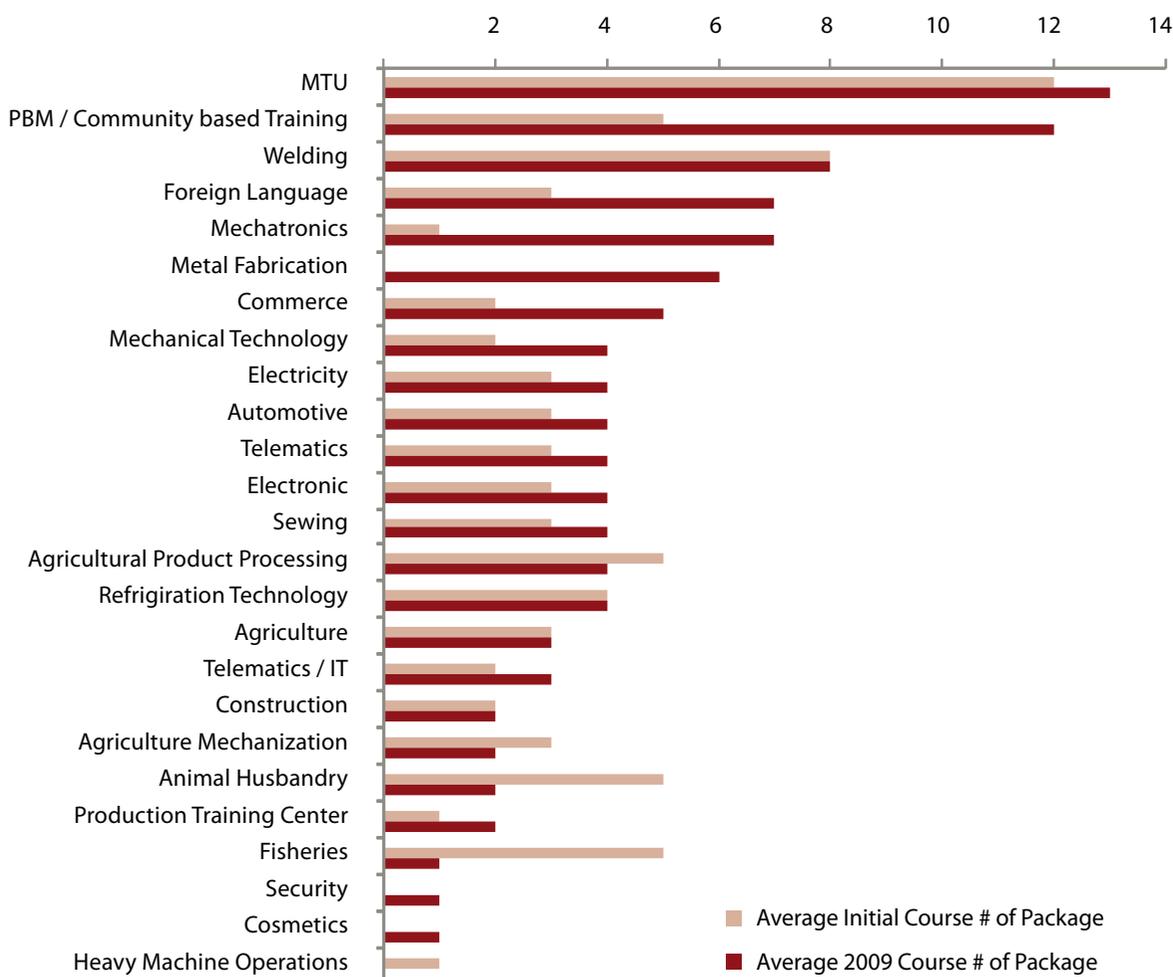
28. There are two basic means of delivering training courses: either they are delivered in an institutional context at the BLK facilities or they are delivered by mobile training units (MTU) within the community. The institutional BLK courses are orientated towards the production of graduates with industrial skills who may take up employment in the formal sector. The MTU courses are oriented towards the production of graduates with skills appropriate in rural areas, including carpentry, sewing, food processing and others. They are designed to facilitate the involvement of graduates in income generating activities, often in the informal sector, possibly as micro scale entrepreneurs. Figure 8 shows that MTU has produced a large number of graduates in recent years.

**Figure 8: MTU training has become the single most successful program**



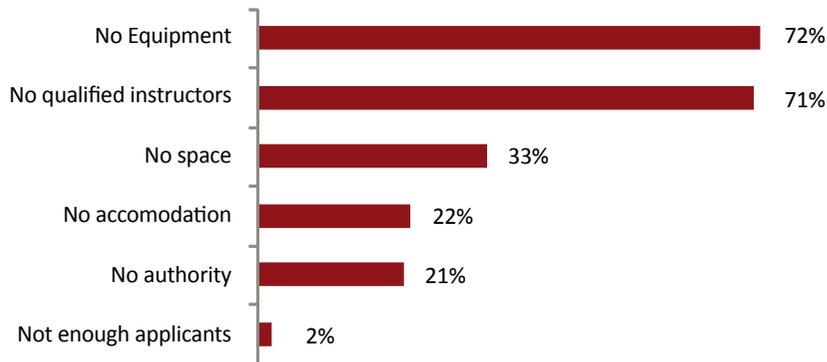
29. Figure 9 shows the extent to which the emphasis of BLK programs has changed since the first establishment of the BLK system. Of particular interest is the continuing growth in community based training and MTU training. This indicates that BLK are focusing on the provision of training appropriate to rural communities. Of concern is the stagnation or decline in the provision of training the most appropriate to the greatest proportion of the working population, including training in areas related to agriculture, agricultural processing and husbandry. Similarly, a greater priority might have been assigned to the provision of training related to the fisheries sector. Also, despite an increasing proportion of employment opportunities being found in the hotel and tourism sectors, training related to these sectors is only available at a small number of BLK.

**Figure 9: Change from initial design to present course offering measured in number of training courses**



30. Overall, BLK heads recognize the need to link the provision of training to the needs of the local job market. In total, 67% of BLK managers expressed a wish to expand the range of training programs they offered. There is no pattern in the details of the training programs that the BLK managers would like to introduce, except that most of the high priority skills areas are in the technologically most advanced skills. The provision of training in these areas would, of course, require a high initial investment in equipment and instructor training. The provision of training related to two of the most promising employment sectors, agriculture and hotel and tourism, ranked lowest amongst managers priorities for the establishment of new or expanded courses. The reasons managers gave for not undertaking course expansion programs are set out in Figure 10. The main issue is that BLK managers have little influence on the recruitment of instructors and the acquisition of new equipment. The failure of provincial and district governments to approve formal plans for expansion indicates that expansion and improvement of the BLK is not a provincial or district priority.

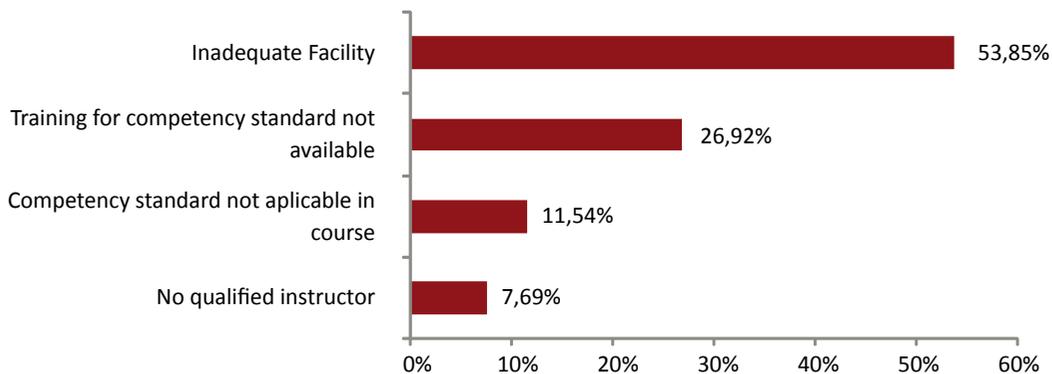
**Figure 10: Obstacles to introducing new training programs**



## Training standards and certification

31. Before the introduction of the national training system based on CBT, BLK relied on ministry designed curricula that had remained unchanged for a number of years. Similarly, the implementation of training was conducted over many years with few changes and few developments. This has resulted in the failure to upgrade the courses to remain current with recent technological developments. Most courses have been shortened over time, with the standard course length for most skill areas being 480 hours.

**Figure 11: Reasons for not being able to implement CBT system at BLK**



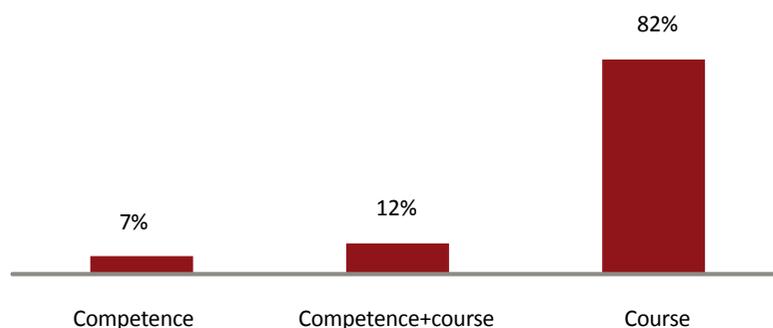
32. Following the introduction of the CBT system, competency standards have been established for most of the major skills areas. Most of the established standards are still being tested and require further revision. However, these standards at least are intended to be relevant to the requirements of the labor market. Rules and regulations to govern assessment and certification of competencies are implemented under the authority of the Indonesian Professional Certification Body (BNSP).

33. With well-established skills standards and the continuing development of training packages by MoMT to support training activities at BLK, a formal mechanism for the introduction of CBT throughout the BLK system is in place. However, very few, if any, of the BLK have comprehensively introduced CBT training. CBT training should involve the provision of individual training according to flexible schedules depending on the progress of individual trainees and recognition of prior learning and existing skills. In terms of the implementation of CBT

training, central level BLK are the most advanced. Almost all BLK at the central level state that their provision of training is now being conducted according to SKKNI standards. However, even in these BLK, most training is still being conducted according to group time tables. Managers give a number of reasons for BLK not being able to completely implement CBT training (Figure 11). The most commonly quoted causes relate to the lack of equipment; the lack of availability of SKKNI standards in the skills areas being trained; and the lack of trained instructors with the upgraded qualifications required for the new approach. The restrictive system of financing, in which funding is determined on the basis of the number of packages of a set number of trainees for a set number of training hours, works against the implementation of a more flexible approach to training.

34. The effective introduction of CBT in training requires assessment and certification by the appropriate certification bodies (LSP). Only a small number of BLK assess graduates from their training programs according to the national system (Figure 12). In total, 95% of the BLK are still conducting all graduate assessment themselves, with no independent assessment body involved to verify their assessments.

**Figure 12: Types of certificate issued by BLK**



35. A number of other reasons are also given for why the national training system has not been universally implemented:

- There is a shortage of instructors, exacerbated by the increasing average age of existing instructors. This creates challenges for the upgrading and certifications of instructors;
- The cost of upgrading instructors is the responsibility of provincial or district governments. Particularly in cases where the upgrading instructors is not regarded as a priority, funding from these governments may not be available;
- The assessment of graduates from training programs should be conducted by the appropriate certification agencies. However, in many areas, certification agencies to assess a number of skill areas are not available;
- The cost of assessment by certification agencies is prohibitive, with these agencies having to operate on at least a cost recovery basis;
- The facilities and equipment available to BLK are not of sufficient quality to provide training that meets national competency standards;
- There is no significant demand from employers for certification.

36. The primary purpose of the national competency standards is to provide a uniform set of standards agreed upon with sector stakeholders and applicable to specific areas of training. The slow introduction of CBT and the even slower introduction of third party certification has a direct impact on the quality of training and employers' confidence in the BLK training system. Unless assessment and certification takes place according to national standards, it remains difficult to ascertain the quality of BLK graduates.

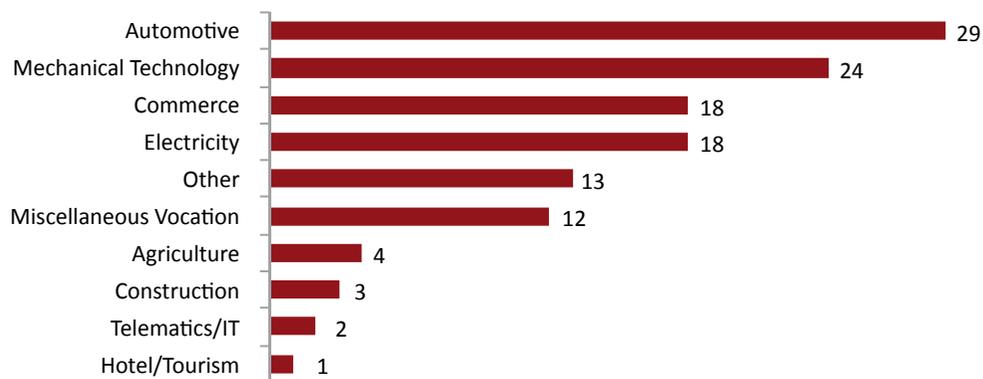
37. In the long-run, trainees from BLK courses need to graduate with skills determined by uniform standards that apply no matter at which BLK they are trained. They also require a certificate that establishes proof of competence. The certificate should be recognized nationally and, ideally, internationally. National standards have been established for some years and are complete in the main skills areas. These standards also include basic modules on sector-related soft skills. All BLK should be required to implement national standards throughout the system of training, with the implementation of these standards being a basic prerequisite of the accreditation requirements. However, in order to facilitate the transition, BLK should be given a leeway of time to fully introduce the national standards throughout their training processes. The introduction of these standards should address the improvement of facilities and instructor upgrading.

38. Despite the establishment of BNSP more than five years ago and despite the fact that a system for assessment and certification has been established, only a very small number BLK incorporate a system of BNSP approved certification of graduates. It is vital to ensure universal access to skills assessment and certification. In order to ensure this, the present inefficient and costly third party assessment process must be assessed and, if necessary, revised.

## Non-subsidized courses

39. Since the establishment of the system, the courses offered by BLK have traditionally been free. However, fee-charging or non-subsidized courses have become common in a number of skill areas.

**Figure 13: Number of BLK providing non-subsidized courses**



40. The courses are non-subsidized in the sense that trainees themselves pay for participation in the course. However, even in these non-subsidized courses, the actual cost of training is significantly higher than the price charged to participants, as is documented below. The average cost to participants varies according to the specific skill area and the level at which the BLK operates, with average costs being Rp. 4.2 million at courses at central level centers, Rp. 1 million for courses at provincial level centers and Rp. 332,000 for courses at district level centers. These sums are far lower than the actual average cost of providing these courses at the BLK.

## BLK managers and instructors

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

42. The average age of BLK managers is approximately 50 years. In terms of educational attainment, 47% have undergraduate qualifications, while 50% have graduate qualifications. In terms of gender, 97% of managers are male. At present, prior experience in a position at DISNAKER or BLK is not required. On average, BLK managers have held a position at a BLK for 10 years, although they have typically held their current position for less than two years. The survey was not able to establish whether or not they had prior experience in training before becoming BLK managers. In total, 36% of BLK managers claimed that they had relevant industrial experience.

43. Overall, managers of BLK require a different skill set from instructors. As such, the profession of manager should be clearly distinct from that of instructor. The selection of BLK managers should be conducted on the basis of a clearly established standard set of professional qualifications. Present managers should be given formal management training to ensure that they meet these standards. In the longer term, MoMT should set up an in-house management training institution, the purpose of which should be to prepare managers to operate training institutions as self-sustaining institutions.

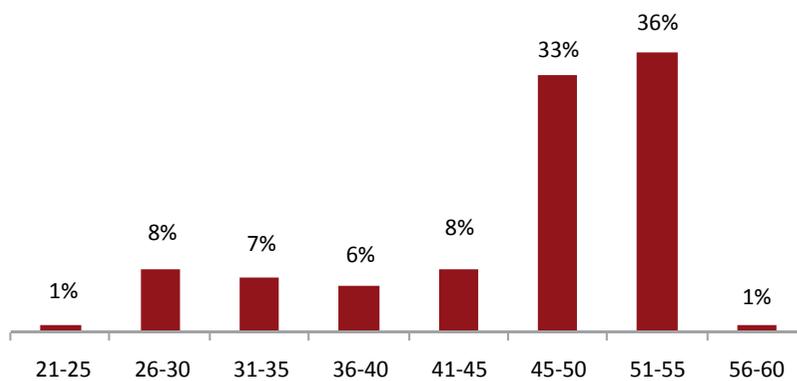
44. In terms of gender, BLK instructors are predominantly male (86%). The average age is 46 years, with 95% having civil servant status. In terms of educational attainment, 53% of instructors have an undergraduate degree, 12% have a three-year diploma qualification; and 23% of instructors have senior high school certificates. Almost all instructors with civil service status have instructor certificates. The average tenure of BLK instructors is 19 years. On average, instructors have spent 17 years at the BLK where they were employed at the time of the survey. The majority of instructors have attended courses to upgrade their skills and qualifications, with 73% having participated in such courses within the past five years.

45. In most cases, the assessment of instructors' performance is conducted by the head of the BLK where he or she is employed (83%). In a significant minority of cases, the assessment is conducted by DISNAKER (33%). The most predominant key performance indicators for instructors are discipline (57%) and achievement of graduates (28%). At present, instructors receive few material incentives for good performance. The most common form of reward for good performance is verbal praise and positive comments in instructors' performance records. At the same time, poor performance is very rarely gravely sanctioned. The most common form of sanctions applied are verbal warnings and, very rarely, negative comments in instructors' performance records. Remedial measures are at times applied for unsatisfactory performance, with the most common of these measures being the application of mentoring and participation in external training courses.

46. The shortage of BLK instructors and the increasing age of the existing instructor workforce is arguably the biggest present challenge in the face of improving the BLK system. The instructor population is currently declining from the designed level due to retirement and the low level of recruitment of new instructors over the past 20 years. Even with a spate of new recruitments by MoMT in recent years, the net loss instructor over the latest five year period at BLK included in the survey stands at 161, with 412 instructors having retired or left as against 251 new instructors having been employed.

47. In addition to exacerbating the shortage of instructors, the increasing age of the instructor workforce is an issue for several reasons. Roughly 70% of the instructor population surveyed is aged between 45 and 55 years old, while 36% is between 50 and 55 years. The mean age of instructors is close to 50 years (Figure 14). Given these demographics, BLK will soon not have sufficient instructors to operate their present programs. Even if an intensive instructor recruitment program begins immediately, BLK will be left with a very inexperienced instructor base, with a serious lack of senior instructors able to act as mentors to the new instructors. In addition, the increasing average age of instructors may indicate declining levels of ability and motivation to participate in and gain from the upgrading and skills improvement programs. The participation of instructors in such programs is vital to upgrade and expand the current range of training programs and to introduce CBT throughout the BLK system.

**Figure 14: Instructor ageing**



48. Survey respondents gave a number of different reasons for the failure to recruit more instructors. In total, only 30% of the DISNAKER heads responded to the question. Amongst the reasons given by respondents, the most common were:

- DISNAKER does not have authority to employ instructors;
- DISNAKER has already proposed increased recruitment but has received no response from the local civil service board (*Badan Kepegawaian Daerah* or BKD, PEMDA);
- It is not possible to create new civil service positions;
- There is insufficient funding for instructor recruitment and training;
- There is a lack of coordination between MoMT and regional authorities;
- It is the responsibility of MoMT to supply instructors, a responsibility that they have failed to fulfill over the past five years.

49. Responses regarding the failure to recruit a greater number of instructors mostly relate to the uncertainty following the implementation of regional autonomy regarding the authorization of new PNS positions, responsibility for recruitment and responsibility for the funding of compulsory instructor training.

50. With the limitations on the appointment of PNS, BLK are increasingly forced to employ contract instructors to maintain their training programs. These contract trainers are often retired instructors or instructors from the local community. While the appointment of such instructors may somewhat alleviate the shortage, it also creates a challenge to maintenance of quality of human resources because of the uncertain and varying quality of external instructors.

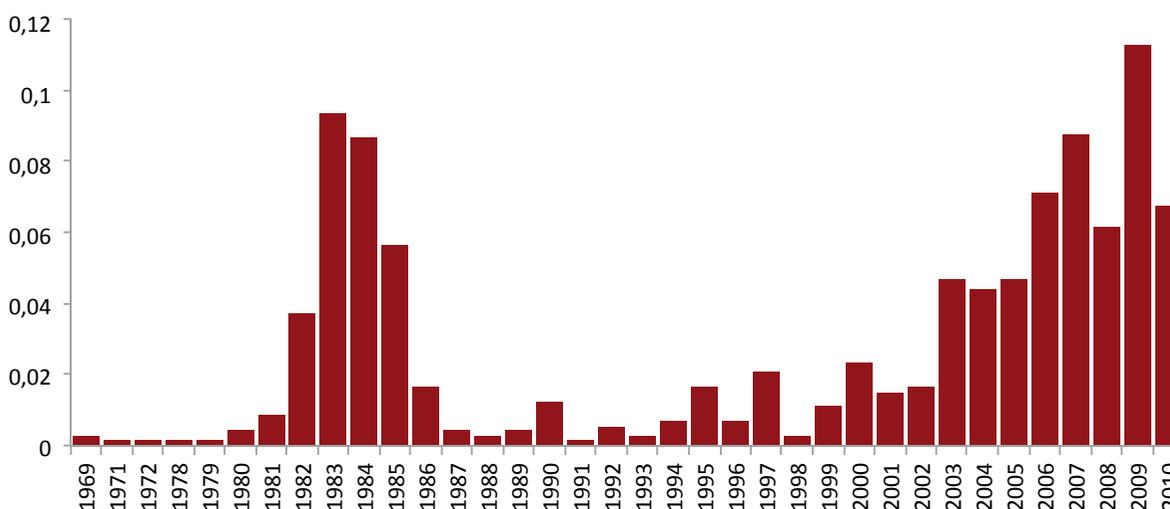
51. The instructor situation at central level BLK is significantly better than those at the provincial and district levels. At the central level, over the past five years, 112 instructors have left the service, while in 2009, 258 new instructors were employed. This represents a net gain of 146 instructors. While the latest recruitment drive has significantly improved the instructor base of the central level BLK, BLK managers at this level continued to recruit instructors from their local area on contract basis when necessary.

52. All central level BLK staff have civil service status. As such, the recruitment of instructors at this level is a more straightforward process than is the case in provincial and district level BLK. At the central level, instructors are recruited by MoMT and assigned to a position at the central level BLK. The minimum level of educational attainment for the position of instructor at this level is a three-year diploma. All new instructors attend a compulsory six months instructor training course held in one of the instructor training centers managed by MoMT. This formal training at these facilities is followed by on-the-job training in relevant industries.

## Training equipment

53. In terms of the infrastructure required to fulfill its functions, equipment at BLK is generally largely outdated and in poor condition. At their initial establishment, BLK were generally well equipped, as there was a large investment in equipment during the construction of new BLK. However, there has been a failure to replace equipment due to the age or obsolescence of this equipment. It is a serious challenge for BLK to ensure that equipment is serviceable and appropriate to prepare trainees so that they can operate more up-to-date equipment found in industry. Figure 15 shows patterns of investment in new equipment at BLK over the years. For the most frequently used type of equipment in each skills area, 67% of BLK have not received any new equipment since 2000. By contrast, only 17% of the surveyed BLK have received new equipment over the past five years. Encouragingly, however, the acquisition of new equipment has increased since 2003.

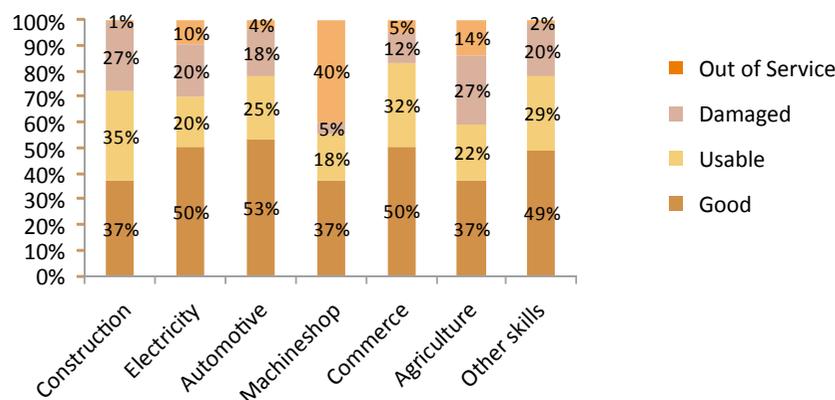
**Figure 15: Year of new machinery investment**



54. Of the major four pieces of equipment used in each skills area, the BLK reported average conditions (Figure 16). On average, only 45% of the BLK equipment is reported as being in good condition.

55. With aging and often defective equipment, BLK are finding it difficult to provide training relevant to actual conditions in industrial sectors. In sectors where technological developments are advancing at a fast pace, such as automotive, electronics and telematics, the BLK cannot provide relevant training without constantly updated new equipment and instructors with current skills. While the central BLK are reasonably up to date, it is doubtful that provincial and particularly district BLK are able to ensure that their equipment and human resources are able to meet this challenge.

**Figure 16: State of BLK equipment**



## Trainees

56. The training provided by BLK is essentially free of charge to most participants. There are no formal gender barriers to any training courses offered. In terms of gender, throughout the BLK system, the male/female ratio amongst trainees is 65/35. This reflects the number and range of courses available in traditional male/female skills areas. Most BLK give preference to young trainees, but there is virtually no preferential treatment for women or vulnerable groups, including disabled people. Amongst those participating in the survey, 29% of BLK state that they provide accommodation to trainees, while 73% provide transport subsidies.

57. Applicants for training programs are subject to written and oral tests. During the tests, the BLK assess various characteristics of applicants. The criteria for selection includes apparent basic knowledge and motivation in addition to the results of the formal tests. Different BLK apply varying minimum educational standards for participation in training programs. For courses in skills such as machine shop, automotive and electronics, 50% of BLK mandate senior high school certification as the minimum level of educational attainment, while 50% require junior high school certification. However, the selection process appears to favor senior high school graduates, with 77% of BLK trainees holding a senior high school certificate.

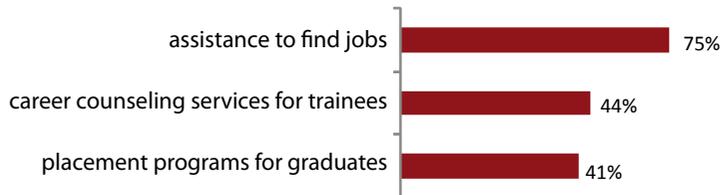
58. Upon graduation, graduates of training programs are assessed. Amongst 95% of the surveyed BLK, BLK staff assesses trainees. Trainees passing the assessment are issued a BLK certificate, which normally indicates training courses they attended and number of hours taught per subject.

59. During and after training, some BLK provide assistance to trainees seeking employment (Figure 17). The central BLK provide the same degree of support to such trainees as provincial and district centers. In addition, all central BLK have established 3-in-1 kiosks situated at the BLK sites. These facilities provide access to a national

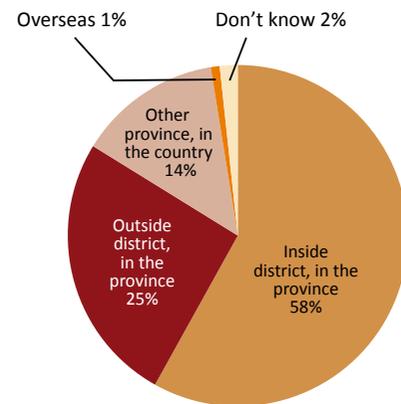
data base and manage data related to graduates and employers. Any job seeker may visit the 3-in-1 kiosks to enter his or her data or to look for job openings. At these kiosks, staff are available to assist job seekers.

60. BLK monitor graduates' employment situation and status. On average, approximately 55% of graduates find employment within six months of graduation. Most BLK graduates find employment within their home districts and provinces (Figure 18).

**Figure 17: BLK trainee assistance**



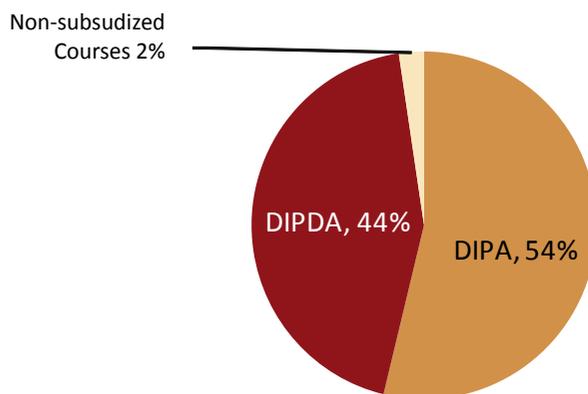
**Figure 18: Where do trainees find jobs?**



## Funding of BLK

61. At present, virtually all the funding for BLK activities is derived from ministry, provincial and district budgets. Some BLK have reported income from fee-based courses and one BLK reported income from a contract with a private enterprise. However, funding through income from non-subsidized courses accounts for only 2% of total funding. Figure 19 shows that funds from the central government comprise 54% of the total BLK system budget. In addition to the funding listed in the table, a small proportion of funding at a few BLK is provided by local communities or corporate interests.

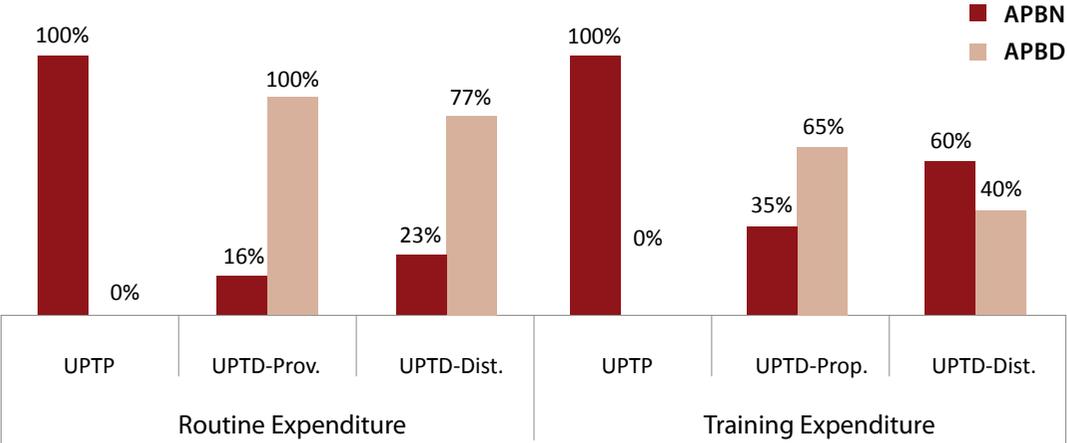
**Figure 19: BLK funding sources**



62. The 11 ministry-operated training centers are fully funded by MoMT. Although UPTP institutions are located in different regions and serve local communities, none of them receive DIPDA funding. While provincial and district governments retain full operational responsibility for BLK in their areas, the provincial and district BLK would not be able to operate without the central government funding they receive.

63. Figure 20 shows pattern of expenditure for BLK at the three different levels. With a few exceptions, all provincial and district BLK received DIPA funding. It is therefore unlikely that funding from central government is dependent on the activity level or the quality of business planning or performance at these centers.

**Figure 20: Dependence on central government funding**

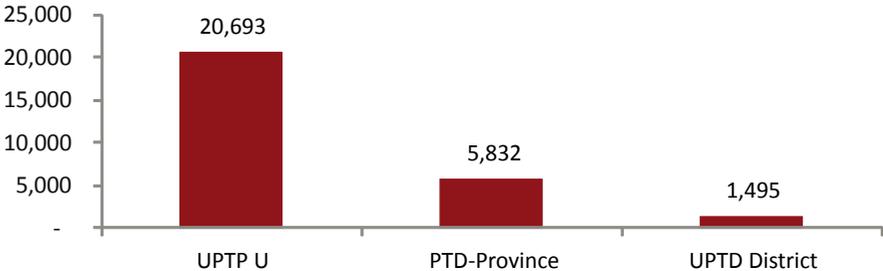


64. Ministry funds are mainly allocated to subsidize training courses and to provide tools and equipment. However, as shown in Figure 20, MoMT also funds a significant share of provincial and district routine expenses, particularly non-salary expenses and goods and services costs. The pattern of funding varies significantly between BLK at the three different levels and between individual BLK at the same level.

**Expenses**

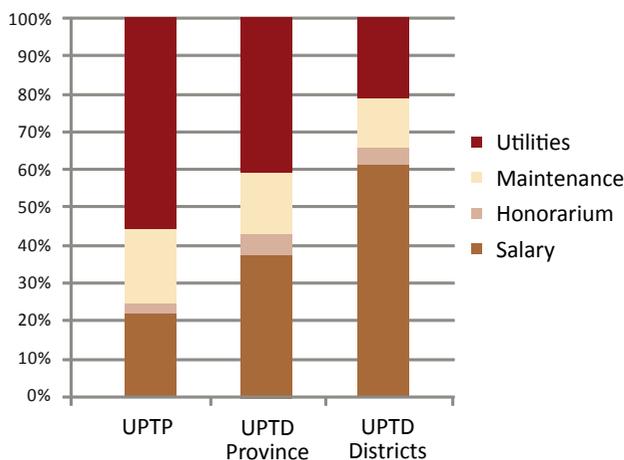
65. Average annual routine and operational expenses for BLK at the three different levels are given in Figure 21. The actual size and capacity of BLK at the three different levels explains the large difference in expenditure. However, there are other factors that make the operation of training centers at the central level significantly more expensive than those at the other two levels. The tendency for higher utility bills amongst UPTPs is the result of their corresponding tendency to operate energy intensive courses, such as welding, machine shop and electricity.

**Figure 21: Average annual expenses of BLK (in million Rupiah)**

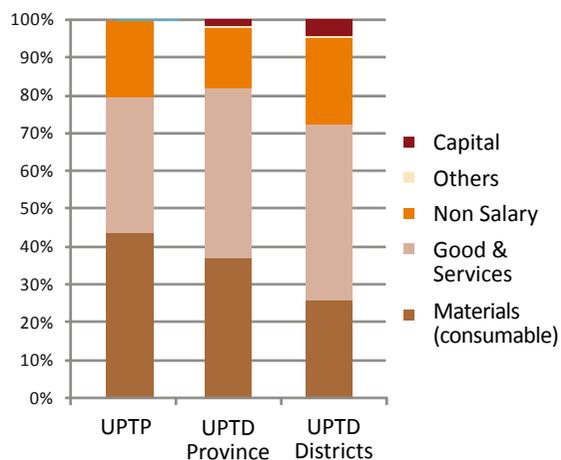


66. Between BLK at the three different levels, the pattern of spending varies significantly (Figure 22). District BLK have the highest ratio of salary to total routine expenses as well as lowest ratio of expenditure on teaching and training materials to total training expenses. This is due to their overall lower activity level and to the fact that training courses offered by district training centers require a lower expenditure on energy and materials, with welding, machine shop and carpentry courses being the costliest courses to operate in terms of training materials. The proportion of expenditure on goods and services appears high for all three types of BLK (Figure 23).

**Figure 22: Composition of routine expenses**

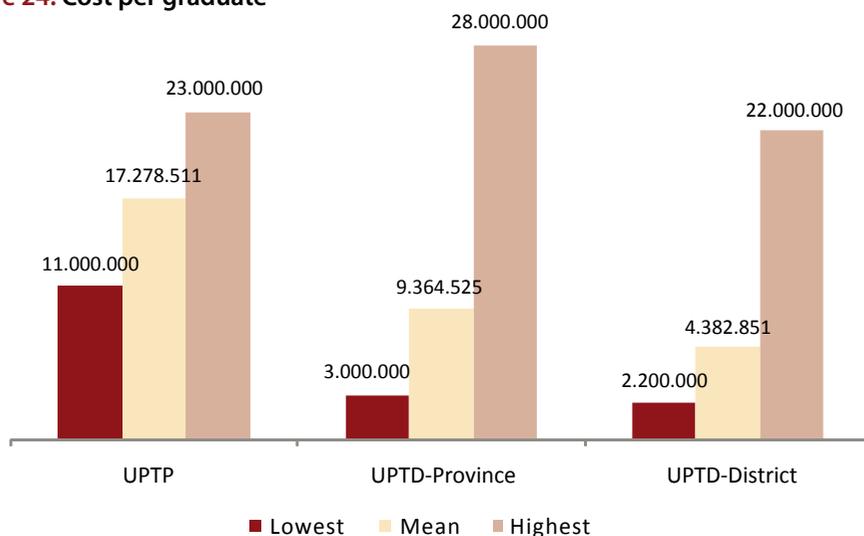


**Figure 23: Composition of training expenses**



67. The high level of expenditure of the central BLK has not translated into corresponding improvements in efficiency. The average cost per graduate from BLK at each of the three different levels is shown in Figure 24. This figure shows that the average cost per graduate from central BLK is almost twice that of the average cost from provincial BLK and four times that of district BLK. In a system that supposedly operates to a single set of operational guidelines, the large variation in cost is remarkable. It is also noteworthy that the percentile difference between highest and lowest cost per graduate at central level BLK is significantly less than that of provincial and district BLK, which may indicate that the aggressive revitalization measures implemented by MoMT for these BLK are showing results.

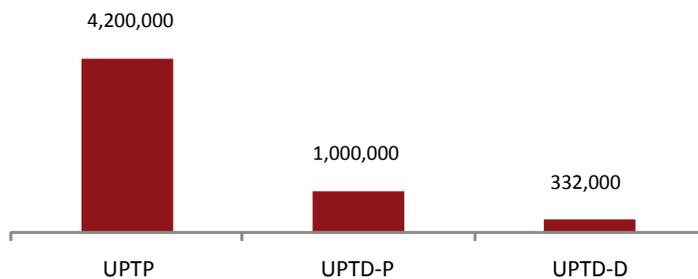
**Figure 24: Cost per graduate**



## BLK generating own income

68. While almost all BLK training is provided without cost to the participants, some BLK provide fee based training courses. Due to the rules of Ministry of Finance (MOF) for public training institutions, income from fee based courses is difficult to administer and to account for. Three of public training institutions that have Public Services Unit (*Badan Layanan Umum*) status conduct their income deriving activities as a state-owned commercial organization. However, the status of all other BLK is that of state-owned training institution, for which restrictive regulations governing the derivation of income are in place. The BLK that derive income from external sources report a range of different ways of handling this income. However, most of them (59%) utilize the funds for operational costs.

**Figure 25: Average fee level**



69. Whether or not the central government intends to maintain the present funding levels, the introduction of fee-based courses on a much larger scale is necessary for the BLK system to survive and develop. The implementation of such courses is also vital to measure the market demand for skills. The BLK system must aim to become suppliers of quality labor to meet the market need at a competitive price.

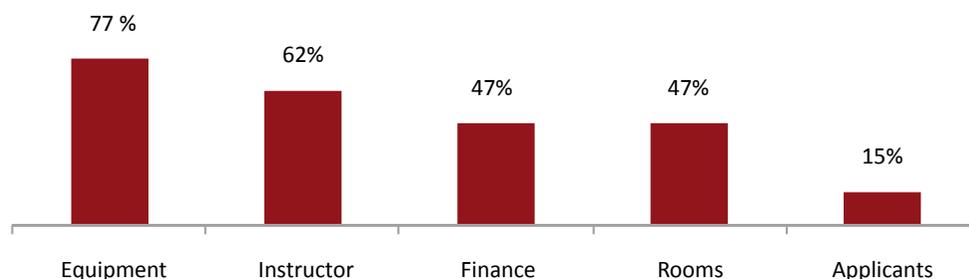
## Efficiency challenges

70. The degree of efficiency in expenditure varies very significantly between BLK at the three different levels and between individual BLK at the same level. The improvement in technical quality since the implementation of the revitalization program is clearly visible at the central level BLK. However, the technical improvements have not been accompanied by improvements in cost efficiency. The average cost per trainee remains high and varies significantly between the 11 central level institutions. The significant cost variations shown in the previous section indicates that operational processes, standards and auditing processes all need to be strengthened.

### BLK are not utilized to capacity

71. In total, 34% of managers responding to the survey claimed that their resources were underutilized. However, there was no consistency in the explanations put forward by these managers for the failure to operate at full capacity. The most important reasons put forward are shown in Figure 26. The single most common reason put forward to explain underutilization was the lack of equipment. This is an issue that individual BLK managers cannot solve on their own. An additional reason for BLK not being fully utilized is that government funding is not released at the beginning of the financial year. This result is that most BLK do not conduct training for the first three months of the year.

**Figure 26: Shortage of inputs contributing to BLK underutilization**

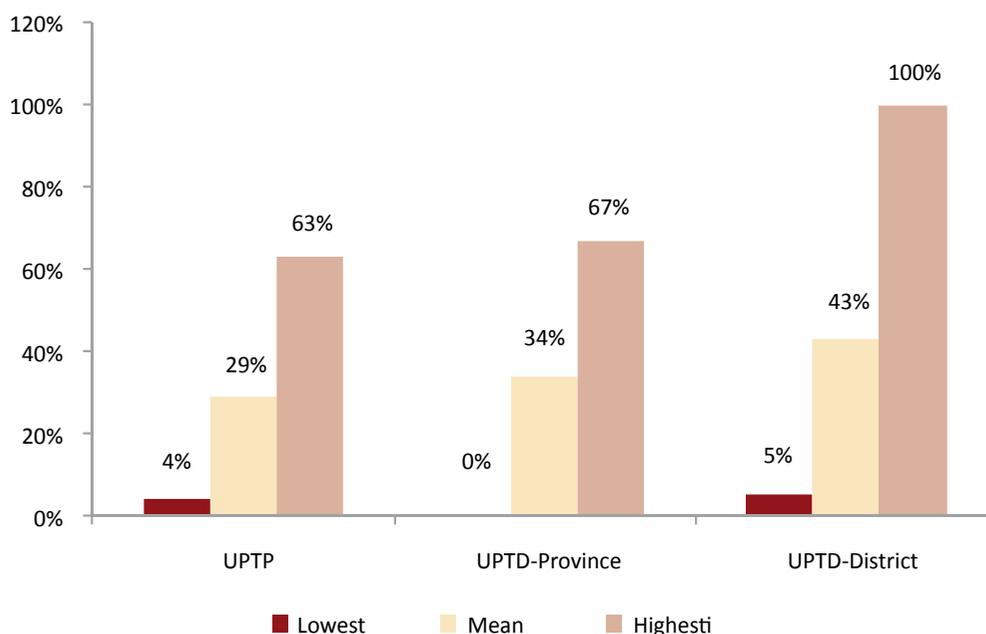


### Expenses and expense ratios

72. To achieve maximal operational efficiency, it is desirable to maintain a high ratio between training (variable) expenses to routine (fixed) expenses. On average, this is not being achieved throughout the BLK system. As shown in Figure 27, the ratio of training expenses to total expenses is on average less than 50%.

73. Electricity, which is entered under routine expenses, is a large part of all BLK expense budgets. The level of consumption of electricity by BLK is highly dependent on the nature of the equipment each one operates. For central level institutions with high electricity bills, the ratio of training expenses to total expenses would improve if electricity costs could be entered as training expenses. The significant range in the ratios recorded by individual BLK shown in Figure 27 also indicates that standard operational processes vary widely between different BLK. They also demonstrate that auditing is weak.

**Figure 27: Training expenses as % of total expenses**



## Operational cost per trainee

74. The average cost of Rp. 1.76 million per graduate from a training course at private BLK (see section on private training institutions) is a good indicator of the market levels for the provision of training on commercial terms. The comparison between the cost of courses in public and private BLK is rough and is included for indicative purposes only. Courses at private BLK are normally of shorter duration than those at public centers. The course composition is also different from those at public BLK. Courses offered by private BLK generally involve a lower consumption of energy than some of those offered by public providers. Also, the ratio of trainees to instructor is slightly higher amongst private providers. Nevertheless, the average cost per graduate from a private training course does provide an indication of how far the BLK system has to go to be able to compete in the commercial training market.

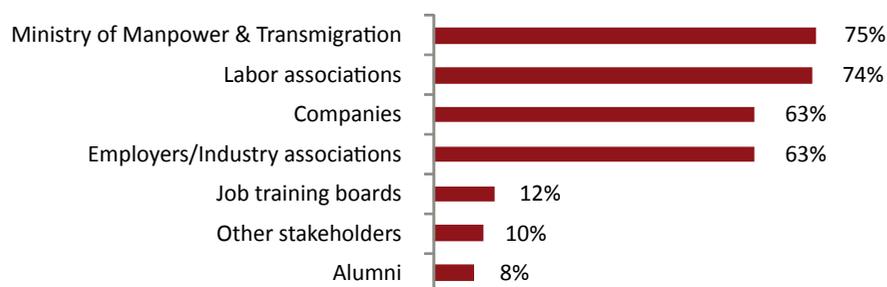
## Operational practices

75. The high average cost per graduate of BLK at all levels is the direct result of a low level of operational efficiency. In order to improve the level of operational efficiency, the large variation in expenditure and the lack of uniform accounting between BLK should be addressed. In particular, it is recommended that the cause of the large differences in expenditure and expense ratios that exist at the UPTP BLK is investigated in order to determine weaknesses in BLK operational practices. A review of all operational practices should be implemented to ensure that accurate information is available to facilitate good planning and control.

# Stakeholder relations

76. Training institutions must establish close communication and good cooperation with major stakeholders, particularly employers, companies, institutions and others with whom the BLK can place its graduates for job training, possibly followed by permanent employment. Unless BLK constantly elicit feedback to determine what skills are required by the employment market, the BLK will not be able to meet the needs of this market. Therefore, BLK management and staff should be trained in marketing and encouraged to engage in continuous interaction with representatives of the employment market. Instructors should also be required to undertake placements in the industrial context in order to keep their skills up to date and to foster connections with employers. Stakeholder relationship management should include on-the-job training for instructors to improve their professional skills and to network with companies. According to the survey, only 67% of DISNAKER offices consider it important to develop and maintain relationships with corporate employers, who are one of the most important stakeholders in the training process.

77. The nature and frequency of interactions with stakeholders differ significantly between DISNAKER offices. Of these offices, 67% stated that they do attempt to establish cooperative relationships with industrial interests. DISNAKER offices also claim to interact with stakeholders through participation in formal forums (Figure 28).

**Figure 28: Stakeholders with which DISNAKER communicate through formal forums**

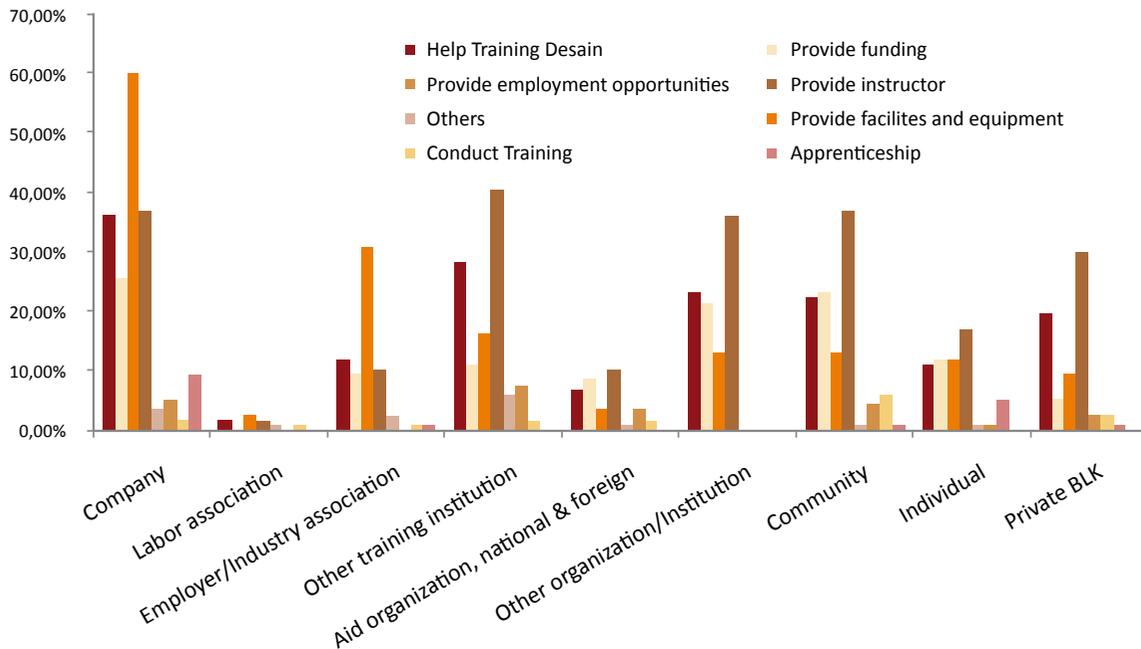
78. It is difficult to determine the exact nature or the level of effectiveness of the forums with which these officials claimed to participate. Only a small proportion (12%) of DISNAKER offices indicated that formal forums, such as training boards, exist or are active. Communication between stakeholders is therefore not formalized through provincial or district training advisory boards or other similar arrangements. These forums should become more inclusive, involving all stakeholders, including other public and private training institutions, NGOs and other organizations concerned with addressing employment and particularly youth employment.

79. Formal relationships established between BLK and individual stakeholders have resulted in MoUs in some cases. In total, 38% of DISNAKER offices confirmed that they had MoUs with companies, although only 15% claimed to have similar MoUs with employees' associations. The frequency with which the DISNAKER offices meet with stakeholders varies. Of respondents, 58% of the DISNAKER offices claimed to meet with representatives of companies more than once a year, while 30% of the DISNAKER offices admitted to never meeting with representatives of companies.

80. MoMT is an important stakeholder for the DISNAKER offices. Of respondents, 77% of the DISNAKER offices claimed to meet with representatives of MoMT more than once a year, while 14% of the DISNAKER offices stated that they had never met with representatives of MoMT. The DISNAKER offices were not able to clearly define the nature of cooperation with various stakeholders facilitated through these meetings.

81. The degree of coordination between DISNAKER and BLK activities is not clear. The BLK managements' stakeholder relationships are similar to those reported by DISNAKER. Of respondents, 60% of BLK stated that they had some form of the cooperative relationship with companies, with 49% stating that they met with these stakeholders more than once in the previous year. Out of the 119 BLK surveyed, 78 gave responses relating to the nature of the cooperative relationship. According to these responses, co-operation takes a number of forms, sometimes involving the provision of funds to the BLK. A detailed map of cooperative relationships and partnerships is shown in Figure 29.

**Figure 29: Partnership between BLK and companies**



82. There are clear gaps in the nature of the relationships between BLK and their stakeholders. Virtually none of the BLK form partnerships with labor organizations and there is little communication between the BLK and their own graduates. There is also very limited communication between public BLK and private BLK, indicating that there is a low level of coordination between the activities of the two parties.

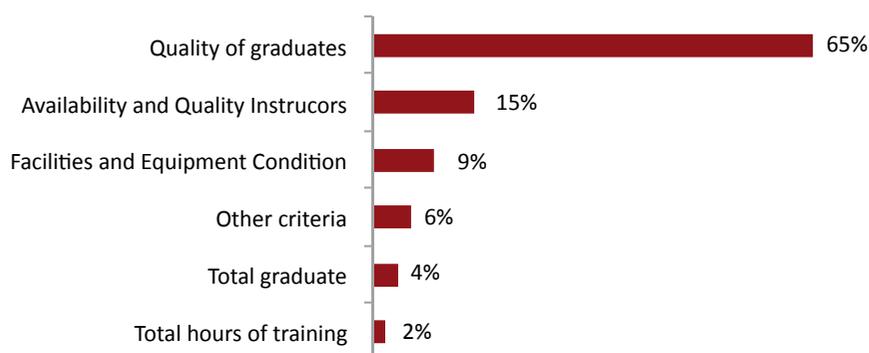
83. In order for provinces and districts to optimize the utilization of resources available for skills training, a much higher degree of coordination between the varying training institutions and their stakeholders needs to take place. DISNAKER should ensure that forums exist to undertake this coordination. They should achieve this by fostering dialogue between stakeholders and by establishing formal training advisory boards. In addition to the relevant government offices and training providers, these training boards would include representatives of stakeholders with an interest in skills development and training outcomes in their membership. These could include parties such as employers, sector associations and unions. Ideally, the initiative to form these training boards should come from employers' organizations, as employers are the training institutions' primary clients. With employers driving these boards, they could form a solid base to promote public/private partnerships.

## Management accountability

84. A range of different authorities are involved in the conduct of inspection visits to BLK. MoMT is the most frequent authority conducting inspections, with 44% of BLK having received visits by MoMT officials. This is followed by visits from provincial authorities (25%). The frequency of visits varies considerably, with 41% of the BLK receiving inspection visits more than once per semester, while 20% received inspection visits only once a year.

85. Figure 30 depicts the key indicators involved in determining BLK performance levels. The quality of graduates should clearly be the key performance indicator. However, at present, BLK measure the quality of training in terms of the number of graduates produced. With almost all of the BLK conducting assessment in house and virtually all enrolled trainees graduating, this is probably not an objective performance indicator. BLK also claim to track the number of graduates that obtain employment within six month of graduating. However, the figures they put forward are also not documented. Independent verification of the proportion of graduates obtaining employment within a defined time frame would provide a more objective measure of BLK performance.

**Figure 30: Key factors reflecting BLK performance**



86. The level of performance of BLK operations is assessed by MoMT or by DISNAKER. While 47% of the surveyed BLK claim to receive no reward for good performance, 27% of BLK had receive additional budget allocations as a result of such performance. A total of 9% had received verbal praise as reward. Similarly, if a BLK is assessed as performing badly, 53% of respondents stated that no sanctions were applied, while 15% claimed that budget allowances had been reduced. Of the respondents, 24% had experienced verbal warnings. No remedial measures were taken following an assessment of poor performance.

87. In the longer term, a range of management accountability instruments should be tested to improve the performance. The first of such instruments involves the accreditation of training institutions. The compulsory accreditation of both public and private training providers is conducive to the introduction of uniform standards of training. The second most important instrument to achieve a higher level of accountability for training outcomes is through institutional autonomy. BLK are currently operating more as government offices than as training providers striving to maximize market share and to achieve optimal outcomes. The comparison with the private providers in the next section provides some insights into why this is so.

## Section IV

# Private Training Providers



photo Jessica Margaretha

88. Under current legislation, training providers are obliged to register with the DISNAKER office in the area in which they are based. However, despite this obligation, 42 DISNAKER report that no private training service providers are registered in their area. This indicates the regulations on registration are not uniformly applied. The total number of private training service providers operating in Indonesia is not known. However, with 2,300 private training providers registered in the districts covered by the survey, private training service providers greatly outnumber the BLK. The number of private training service providers varies from area to area. In DKI, there are 422 registered private training service providers. In 41 of the 91 district offices surveyed, there were no registered private training service providers. In addition to that there is another category of training institution known as “course providers”, which are registered with education offices and are not listed in DISNAKER records. MoMT accreditation of private training providers is not compulsory unless these providers offer training courses explicitly intended for migrant workers.

89. In total, 64 private training providers were surveyed for this report. The private BLK were identified on the basis of registration records held at DISNAKER offices. The primary areas of training offered by these private service providers are indicated in Figure 31.

**Figure 31: Primary skill area of private training providers surveyed**



## Ownership and management

90. Private BLK operate under a number of varying ownership arrangements. Most (70%) of these institutions are owned by private individuals, while the second largest portion (30%) is owned by foundations. The oldest private BLK surveyed was first established in 1972. In terms of their formal qualifications, age, and length of service, the managers of these private institutions are similar to those in public institutions. The most significant difference is that most of the managers in the private institutions (79%) have significant experience in a relevant industrial sector.

## Instructors

91. The average age of instructors at private BLK is 38. This is considerably younger than the average age at public institutions. On average, the required entry level qualifications to become an instructor at a private BLK are lower than at public institutions. Amongst private BLK, 57% set the minimum entry level qualification for instructors at the senior high school level, while 21% require a three-year diploma, and another 23% require an undergraduate qualification. The level of additional training required for instructors at private BLK is not regulated, with each training institution having its own requirements. According to the responses of the managers of private BLK, a significant number of their instructors had in fact undergone additional training. The breakdown in the types of training received by these instructors is as follows:

- Standard BLK instructor course: 38%
- Internship in industry: 8%
- Other training: 8%
- Do not know: 22%
- Other training (courses of various kinds): 36%

92. Almost all private BLK confirmed that they provide opportunities for instructors to engage in activities to foster their further professional development. Trainers' performance is evaluated internally. Managers of these

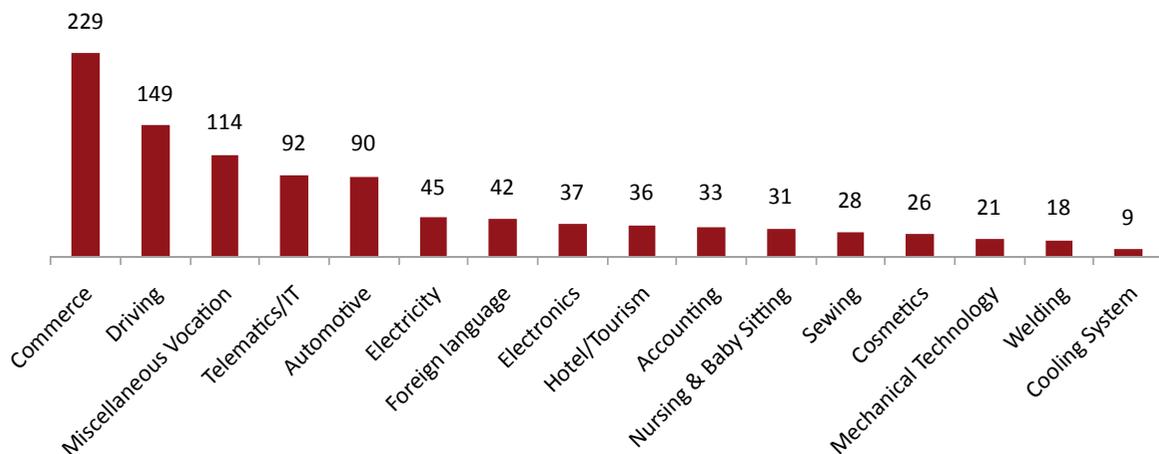
institutions stated that the key criteria for the evaluation of the performance of their instructors are as follows, in order of importance: discipline; the level of achievement of graduates; other unspecified criteria; and training hours per year. Good performance is rewarded mostly in the form of bonuses (64%) and verbal compliments to performers. The most common form of sanction imposed on poor performers were verbal warnings (78%). Virtually none of the BLK imposed dismissal as a sanction for poor performance. Rather, poor performers were referred for further training and management mentoring.

## Training courses

93. Only few private training service providers have structured their courses to comply with national training standards. Only 11% of such institutions are providing training in full compliance with SKKNI. Another 45% are providing training that involves a mixture of traditional curriculum and SKKNI methodologies. A number of reasons are given for the failure to provide training that conforms to national standards. Most of the stated reasons related to a perception that national standards did not suit local conditions. Other stated reasons were the lack of equipment and facilities. The courses most likely to conform to national standards were those offered in areas related to hotel and tourism (33%), followed by accounting courses (13%) and electronics courses (10%).

94. At the private institutions, curricula are developed either on the basis of the traditional curricula available from MoMT or in-house through consultation with stakeholders. On average, the duration of courses is shorter at private BLK than at public BLK. The longest duration course tended to be those related to construction, where the average duration of the course was 320 hours. On average, the courses with the shortest duration were driving courses, where the average course duration was 25 hours. For all courses, the average length of duration at private BLK was 165 hours. The survey did not determine which courses were the most popular. However, assuming that private BLK provide training to meet market demand, Figure 32 gives an indication of what skills are most sought after.

**Figure 32: Number of trainees per course, by private providers**



95. Table 3 sets out the basic data to describe the operations of private BLK. The overall profile of these institutions differs in a number of significant ways from those of public institutions. The number of training hours per course is on average lower than those provided by public BLK, where courses in the main skills areas operate

for a standardized period of 480 hours. The entry requirements at private institutions are generally lower, which means that they “provide those who have not graduated from secondary school” the possibility of obtaining a vocational qualification. The training fees charged by the private institutions give an indication of the market value of training. Thus, these fees can also serve as a benchmark for public BLK for determining the prices of their non-subsidized courses. No information was available regarding the assistance graduates are given to find jobs. However, the proportion of graduates finding jobs within six months of graduation is higher at the private BLK than at the public BLK.

**Table 3: Basic data on private courses**

Course	Private BLK open course in 2009	Number of packages in 2009	Total hours / package	Minimum Education requirement	Number of trainees	Training fee per package	% of graduates getting job within 6 months of graduation
Machine shop	9%	2	276	SLTA	21	1,625,000	82
Electricity	16%	3	172	SMP	45	1,660,000	80
Commerce	17%	16	148	SMP	229	1,077,727	76
Automotive	33%	4	272	SMP	90	1,967,143	67
Telematics/IT	27%	6	131	SMP	92	1,194,375	73
Hotel/Tourism	3%	2	240	SLTA	36	3,250,000	75
Accounting	8%	3	89	SLTA	33	1,444,000	87
Nursing & Baby Sitting	6%	2	225	SMP	31	1,537,500	75
Foreign language	16%	4	102	SMP	42	535,000	44
Sewing	6%	2	151	SMP	28	450,000	90
Cooling Systems	5%	9	88	SMP	9	1,223,333	75
Electronics	8%	18	42	SMP	37	1,920,000	86
Welding	6%	2	116	SMP	18	2,067,500	83
Driving	6%	14	29	SD	149	893,750	95
Cosmetics	3%	2	67	SD	26	600,000	75

## Trainees

96. Individuals of any background may apply to participate in training courses provided by private BLK. Some of these institutions reported that they were unable to meet the demand for some of their courses. There is significant variation in the manner in which entrance tests are implemented. However, most private BLK require applicants to sit for a written test designed by the BLK, as well as to attend an interview. In particular, the interview is intended to assess the motivation of applicants. With a ratio of 36 trainees per instructor, the private BLK have a similar instructor trainee ratio to public BLK at the provincial and district level.

# Finance and operations

97. Almost all private BLK are wholly dependent on income derived from the course fees paid by trainees for their funding. However, some private institutions do also receive income from other sources, as the following figures indicate:

- Paying trainees: 92%
- Funds from foundation: 14%
- Other sources (such as local and central government and donations): 34%

98. The size and financial strength of private BLK varies considerably, with their annual budgets ranging from Rp. 2.6 million to Rp. 2.5 billion. The average annual budget for the surveyed private BLK was Rp. 188 million. No accurate picture can be presented regarding expenditure as the private BLK do not use a standardized bookkeeping format. However, on the basis of an examination of the information, the following rough estimate regarding expenditure can be presented:

- Goods and services procurement: 26%;
- Training cost: 26%;
- Staff Honoraria: 20%;
- Maintenance: 5%;
- Infrastructure (Building, equipment, etc.): 26%;
- Other: 3%

99. Private BLK face many of the same difficulties and challenges as the public BLK. The most significant ones are listed below, together with the measures private BLK have taken to overcome the problems:

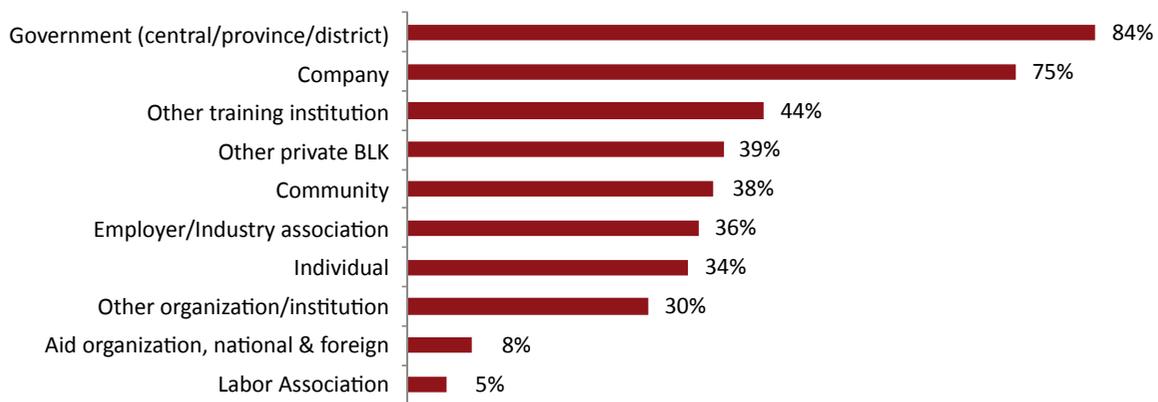
**Table 4: Challenges and Measures taken by Private Training Providers**

Challenges	Percentage of private BLK experiencing these challenges	Measures taken by private BLK	% Taking measures
<b>Shortage of instructors</b>	22%	Recruiting new instructors; Recruiting par time instructors; Others	57% 21% 21%
<b>Financial issue</b>	64%	Applying for loans; Raise the course cost; Reducing the number of employees; Seeking investors; Personal funds (owners); Others	41% 10% 7% 12% 15% 15%
<b>Equipment shortage</b>	63%	Purchase equipment; Rental; Repair of damaged equipment; Using other tools; Others	35% 20% 20% 17% 7%
<b>Room and space issues</b>	31%	Construct new facilities; Rehabilitate existing facilities; Rent space; Others	25% 20% 25% 30%
<b>Not sufficient applicants</b>	44%	Reducing training activities; Increase promotional activities; Guarantee jobs for graduates; Others	7% 68% 4% 21%

## Stakeholder relationship

100. Private training service providers need to maintain active stakeholder relationships, particularly with companies who employ their graduates and with local authorities. Figure 33 shows that a high proportion of private training service providers do in fact establish cooperative relationships with private enterprises (75%). The relationship with government agencies at any level revolves around funding and assistance with design of training courses.

**Figure 33: Relationship with stakeholders**



## Accountability

101. MoMT has established an accreditation system for vocational training centers. However, accreditation of public and private training providers is only compulsory for the institutions that explicitly train migrant workers. Other training institutions may choose to apply for accreditation. However, as this is not regarded as a major factor in the establishment of relationships with stakeholders, few training centers bother.

102. Despite the absence of formal reporting requirements, all private BLK are inspected by local and district authorities regularly, with these visits taking place at least once a year. The most important indicator (86%) of performance at private BLK is the quality of graduates. Of minor importance are such issues as the state of facilities and the level of formal qualifications of instructors. By contrast, the public BLK often include efforts to improve instructor skills and to improve facilities and infrastructure as indicators of performance.

## Local economy

103. The success of private BLK is dependent on local economic conditions and the ability of local enterprises to employ their graduates. Of the surveyed BLK, 80% stated that the training they provided was orientated to meeting the needs of the local employment market. A smaller proportion of these BLK also stated that they were additionally orientated to meeting the needs of regional and national employment markets, although this was a lower priority.

## Section V

# Conclusions and Recommendations



photo BLK Cevest Archive

## System level issues

- (1) Significant operational differences exist between central, provincial, and district level BLK. Future reforms should aim at reinforcing their comparative advantages

104. Rather than forcing the BLK at the various different levels to attempt to fulfill the same function, future reforms should aim at reinforcing their comparative advantages. Centrally managed BLK serve as mentor institutions and play a leading role in strengthening the training system. By acting as resource centers, they should support the smaller BLK. The larger centers could offer more sophisticated training programs that require a higher level of equipment in a system of linkages and referrals with the smaller BLK.

105. Since the implementation of regional autonomy, the variation in standards and operational differences between BLK at the central level and those at the district provincial level has become increasingly pronounced. Compared to those at the district and provincial levels, the 11 BLK at the central level are much larger, they are located in major urban centers, and they have better materials and equipment as a result of recent investments. While local level BLK are much smaller in size, they have a wider coverage and provide training to a greater number of total trainees. However, due to a lack of investment in upgrading, equipment and facilities are relatively much poorer.

106. With the comprehensive revitalization program, the central level BLK are well on the way to becoming recognized centers of excellence. As such, they are well suited to performing a mentoring role. Similarly, provincial level BLK could play a similar role mentoring district training institutions. A center-of-excellence assistance program should be created to enable UPTP BLK to assist smaller BLK in their areas of operation. At least one center of excellence in each province should be established. This could be achieved by transforming some suitable larger local level BLK to fulfill this function. Systems such as this could facilitate better communications and encourage the sharing of good practices through a network led by the BLK playing the mentoring role.

**107. Local level BLK establish stronger linkages with local communities. Outreach programs should be promoted not only to establish cooperative relationships with employers, but also with other stakeholders such as private training service providers. This could ensure the development of a higher level of coordination and a common approach to the market.**

108. The survey result indicates that district level BLK in particular experience difficulties adjusting their training programs to meet local requirements. A large majority (81%) of such centers are still using the standard MoMT training programs, regardless of local needs and conditions. It is doubtful that 'one size fits all' training programs developed by MoMT are equally suitable for all regions of Indonesia, with the contrast in needs and conditions of the highly industrial areas of Java being clearly different from those in the remote districts of eastern Indonesia, for example. In addition, there is a great variation in the degree to and manner in which BLK at different levels establish cooperative relationships with stakeholders. In many cases, the BLK are failing to conduct consultations with employers, despite the clear need for such consultations.

109. BLK should be encouraged and required to take steps to strengthen stakeholder relationships. This should be done at a pace and in a manner that all stakeholders can agree upon. To achieve this, formal training advisory boards should be established at the provincial and district level with the membership of these boards including representatives of all stakeholder groups. In order to ensure that resources available in any given area to facilitate skills training are utilized to maximum efficiency, it is important that representatives of both public and private training services providers are represented on the board.

## **(2) A quality assurance system needs to be put in place, with each stakeholder's roles and responsibilities clarified.**

110. The key aspects of quality assurance include: the establishment of trainee competency standards; the implementation of training competency assessments; the development of a system of service provider performance reports; the implementation of program impact evaluations; the establishment of operational requirements for service providers; the provision of adequate resources according to an equitable system; the granting of autonomy; and the implementation of rewards and sanctions based accountability system. The implementation of such improvements required a high level of coordination and cooperation between the BLK, BNSP, LSP, local and central government agencies, and employers. A quality assurance system requires that each of these stakeholder's roles be clarified and enforced. Table 5 provides an overview of the recommendations to strengthen the system.

**Table 5: A quality assurance matrix**

	BLK	LSP	BNSP	Local Government	MoMT	Employers
<b>Trainee competency standards</b>	Train according to competency standards	Set up LSPs or branches of LSPs in all provinces of Indonesia	Coordinate the standards development;  Process, consolidate, and codify standards;  Certify training of assessors;  Promote national standards to all stakeholders	Promote and support the mainstreaming of national competency standards;  Support the setting up of LSP	Develop competency standards;  Support BLK to train to national competency standards through instructor training and upgrading and providing training packages	Own or recognize the standards;  Provide inputs to standards development
<b>Trainee competency assessments</b>	Facilitate assessment and certification to national standards;  Financially support certification	Assess and certify trainees;  Assess and certify TUK Train assessors	License LSP;  Monitor and audit LSP	Promote and fund assessment and certifications	Promote and fund assessment and certifications	Certify of workers;  Standardize employment practices based on certified workers
<b>Service provider performance report</b>	Submitting annual report	Report to BNSP		Approve and publicize performance report (local BLK)	Approve and publicize performance report (central BLK)	
<b>Program impact evaluations</b>	Conduct self-assessment according to system contained in accreditation criteria			Evaluate BLK self-assessment	Evaluate central BLK self-assessment	Feed-back to training providers based on employee performance
<b>Service provider requirements</b>	Achieve accreditation as basic condition to operate QA system in place	Achieve compliance with BNSP standards for LSP organization	Ensure compulsory accreditation of all training providers	Monitor and audit BLK under their responsibility	Need to be clarified and well publicized;  Monitor and audit central BLK in under its responsibility	Contribute so that have a real stake in training and its quality

	BLK	LSP	BNSP	Local Government	MoMT	Employers
<b>Adequate and equitable resources</b>	Achieve significant self-generated revenue	Government support to reduce cost of certification to clients	Provide independent funding sufficient to undertake wider responsibilities	Increase local budgets	Focus on performance and equity goals	Contribute so that have a real stake in training and its quality
<b>Autonomy, intervention, and support</b>	Grant autonomous status		Should be autonomous with own budget and not part of any ministry	Ensure that local government is part of BLK governance Board	Implement performance-based incentive funding support	Act as key member of the BLK Board
<b>Accountability and consequences</b>	Set clear goals and performance criteria;  Provide performance based financial support	Support depending on activity level;  Support to setting up branch LSP in remote areas		Funding increase or decrease;  Change personnel (Local BLK)	Funding increase or decrease;  Change personnel (central BLK)	

### **(3) MoMT should play a key role in the establishment and implementation of a performance-based incentives and sanctions system to encourage better training outcomes at local and provincial level BLK.**

111. The transformation of BLK at all levels should be a top priority of MoMT’s revitalization plan. Currently, BLK are largely underutilized. This is at least partly due to the fact that at present there are no incentives for the BLK to improve performance. Then near automatic allocation of funding from local and national budgets to carry out training without a performance-based incentive system has resulted in a very high unit cost for training outcomes. Very few BLK market their services to prospective customers or feel any pressing necessity to do so.

**112. While MoMT has no direct authority over the local BLK, MoMT remains a key source of funds for these centers. As such, it could reform funding mechanisms and systems to encourage a higher level of performance from BLK’s at the local and provincial level.**

113. While BLK at the provincial and district level are accountable to district and provincial level governments, these centers remain heavily dependent on central funds. Without the provision of central government funds, the provinces and districts would be unable to carry out regular training under their management. At present, the level of ministry funding to the BLK is largely determined on the basis of inputs. This funding is not conditional upon BLK quantitative and qualitative outputs, nor is it dependent on the cost efficiency of their operations. To achieve higher returns on its investment, MoMT may consider the establishment of a vocational training fund (VTF), which it could use to distribute a greater portion of central funding. The VTF administration could set stringent outcome based conditions for the provision of funds. Such conditions could include the submission of clear plans by the BLK, with these plans containing a full description of activities, outputs, outcomes, time

schedules and monitoring and evaluation plans. The assessment of the outcomes and results of the training centre should be conducted through an established quality assurance system, which needs to be put in place in order to ensure the successful reform of the system.

#### **(4) The role of private training providers should be much emphasized in an effective training system**

114. To truly strengthen MoMT's training system, it is vital to emphasize the critical role of private training centers. The results of the survey of 64 private training providers show that they are actively engaged in the provision of various vocational skills training services that meet the needs of a wide range of trainees in a cost efficient manner. Compared to the public institutions, they have a lower cost of production; they have younger instructors; and they are more likely to maintain close relationships with key stakeholders. MoMT needs to maintain a regularly-updated database of these training providers and to extend the coverage of the quality assurance system to benefit these institutions. Most importantly, MoMT must strive to foster effective public-private partnerships and to encourage a high level of competition to ensure excellence.

## **Institutional level issues**

### **(1) Managers and instructors need to be better trained. They need to be subject to a performance-based system of rewards and incentives to encourage a high level of performance:**

115. The appropriate training and upgrading of the managerial skills of managers at BLK at all levels is vital to ensure the overall success of the BLK system. MoMT can play a leading role in ensuring that these managers receive this training. At present, the level of competence of managers varies widely. At the central level, systems are in place to ensure that managers have the appropriate training and experience before being assigned to their positions. In addition, there is significant interaction between these managers and ministry personnel. However, this is not the case at BLK at the provincial and district level. Managers at these levels do not necessarily have a background in training. In total, 50% of these managers are appointed directly by governors or district heads. Many serve only short periods as managers before being moved to other posts, with the average length of service as head of BLK being only 21 months. This, combined with the lack of a central policy determining levels of qualification and experience for BLK managers, results in the significant variation in quality of the BLK management at different institutions. In the top-down culture prevailing in the civil service system, the frequent changes in management personnel disturbs the continuity of BLK operations.

116. In consultation with provincial and district level governments, MoMT should establish selection criteria for BLK managers, together with standards for a management training program. MoMT could also appoint qualified training service providers, either public or private, to provide BLK managers with managerial training. Beside general managerial skills, the training program should emphasize an understanding of the local labor market needs, which should be fostered by maintaining close contact and establishing close cooperation with all employers and other stakeholders in the area of operation of each BLK. This should involve communication and cooperation of BLK and their customers to provide solutions to the stakeholders' needs. A system of certification of BLK managers should also be considered as a means to enforce standards amongst BLK managers.

117. For instructors, the present basic minimum educational standards require undergraduate or three-year diploma level qualifications is a sufficient level. However, it is necessary to make industrial experience a mandatory requirement for prospective instructors. Under the present system, it may be difficult to attract successful industry employees to become BLK instructors. If that is the case, instructors could achieve the necessary experience through an extension of the current three months period of in-work placement during the instructor training phase. Time should be allocated each year for instructors to spend a period of time in an industrial context to ensure that they maintain their skills levels and keep up with current developments in the relevant industrial fields.

## **(2) Institutional autonomy and accountability is vital to ensure a higher level of performance and efficiency at BLK**

118. BLK are currently functioning according to the same paradigm as government bureaucratic units. BLK managers have to deal with a bureaucratic system of funding and reporting, which prevents them from focusing on the achievement of a higher level of outcomes. BLK do not currently have the authority to conduct independent business planning, including financial planning. They do not have the independent authority to hire and fire instructors, to update equipment, or, in many cases, even to determine enrollment.

119. In order to transform BLK into efficient and effective training institutions, their managements should be granted a higher level of responsibility and authority. To ensure better performance in an autonomous context, the levels of funding that they receive should be related to performance. To further better outcomes in an autonomous context, training management boards should be established to govern BLK, with the membership of these boards including key stakeholders such as employers representatives and DISNAKER officials. This structure will encourage a high level of cooperation between key stakeholders. Under this structure, the BLK manager would be directly accountable to the board. Funding for BLK could be provided by the local government, with the possibility of contributions from employers.

120. Granting BLK a higher level of autonomy in the context of a good governance structure will ensure their more efficient operation. Under such a system, BLK would operate more as private enterprises than as bureaucratic units. They would be required to design, market and implement training services in a competitive market. BLK would have to ensure that the training services meet the market's needs at a competitive price. The market for training services may include companies or other corporate entities that require skilled staff in a particular area. It may also consist of young people in search of training to secure employment. To ensure the best possible return on the investment of resources, the provision of funds by the government to public training institutions should not be taken for granted. Rather, each training center that receives funds must account for them in terms of their level of performance and the outcomes that they generate.





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