

FROM THE ORIGINAL PLAN TO CONDUCT A COST-BENEFIT STUDY FOR COMPANIES

Interview with the German and Swiss VET Projects in Indonesia



Over the past months, the two VET projects **S4C** (Skills for Competitiveness, implemented by Swisscontact, financed by SECO) and **TSR** (TVET System Reform, implemented by GIZ, financed by BMZ) in Indonesia went through an intensive process of assessing the suitability and potential benefits of a detailed cost-benefit analysis in their context. DC dVET accompanied this process and we are convinced that the insights into this process from the following interview will be a valuable contribution to similar reflections in other contexts and the overall discussion on how to engage more companies in (dual) VET.

Last year, you, the S4C and TSR projects, have decided to jointly conduct a cost-benefit analysis for companies engaging in VET in Indonesia. What was your motivation?

The overall aim of such a study was to identify and show under which conditions structured internships as implemented in Indonesia are or could be beneficial to companies. The results should then be used to convince participating companies to continue as training companies and to persuade new companies to engage in structured internships. In a nutshell, the idea was to visualize the benefits companies reap from offering internships, use the results as a marketing tool and elaborate conclusions and recommendations for the further improvement of the VET system in Indonesia.

Why did the S4C and TSR projects decide to jointly engage on this topic?

The main reason for this joint initiative was that our two projects have a common interest in the topic and in strengthening VET in Indonesia. We are both supporting increased engagement of the private sector, particularly in the modality of structured internships, and we want to join our forces to have a stronger voice in collaboration with our stakeholders.

The topic of cost-benefit considerations for companies engaging in VET is not new for Indonesia and we wanted to complement already existing efforts. The IHK Trier project, which collaborates with the Indonesian Chamber of Commerce & Industry (KADIN), has been stressing the importance of this topic for a long time already. However, the objectives of the approaches taken by the IHK Trier project are a bit different to the ones of the TSR and S4C projects.

In what sense are they different?

The main differences are the approach and objectives. IHK Trier and KADIN developed a comprehensive survey on some general cost-benefit considerations for companies engaging in VET. With this great effort, they managed to raise awareness amongst companies on the topic, particularly for the benefits of an engagement in VET, that are often not visible at first glance. In contrast to that, the main goal of the S4C & TSR projects was to conduct a detailed cost-benefit evaluation to generate solid evidence to convince more companies to engage and to produce evidence that would allow for changes at the VET system level.

With the support of DC dVET and the renowned expert Prof. Dr. Stefan C. Wolter (SCCRE & University of Bern), you have intensively assessed whether a cost-benefit study is really a suitable instrument in your context. Could you describe the results of this process?

An initial exchange with Prof. Wolter has shown that a cost-benefit analysis is in general a resource intensive activity. In addition, he shared from his experience that conducting a cost-benefit analysis is often more complicated than initially thought and that it is not ex-ante clear how the results of such a study will look like. Thus, if the results are not as

expected or desired, they can possibly not be used by the projects, their partners, and other stakeholders in the originally desired way. To decide on the suitability of a cost-benefit analysis in the specific VET context in Indonesia and to avoid doing a study that is eventually not usable, we, the TSR & S4C projects, have decided to “start with going one step back”. Concretely, Prof. Wolter advised us to conduct a baseline study in selected sectors to very generally learn more about the willingness of companies to share information and to get a very broad idea on costs related to industrial internships and on the need for skilled workers. Thus, we decided to start by doing this baseline study first.

What did the baseline study cover and how did you implement it?

For the baseline study, guiding questions were provided by Prof. Wolter and a provincial chamber of commerce (EduKadin) was assigned to conduct the study for four jointly agreed sectors: Hotel, Automotive, Food & Beverages, and Furniture. In total, 23 companies and 23 occupational profiles have been assessed.

What were the key findings and learnings from the baseline survey?

The baseline study has shown that the willingness of companies to provide sound and accurate information on costs, as e.g., salaries is generally a challenge. As a result, no clear and consistent picture was identifiable. The reluctance of the companies to provide sensitive information made us doubt whether companies would eventually be collaborative in a detailed cost-benefit analysis. Furthermore, the discussion of the results has also shown that there are several underlying and ‘hidden’ factors that cannot really be captured by a cost-benefit analysis. For example, purely looking at the numbers suggested that skilled and unskilled workers in some occupations have very similar wages. However, skilled workers seem to have much a higher probability to get promoted, which is not visible in the quantitative data. Thus, more differentiated considerations are required. The analysis of the baseline data has also revealed that the content and duration of internships seem to be the same, regardless of the educational program attended (upper- or post-secondary level). In addition, there does not seem to be a quality standard. We were advised that as a result, comparability between different companies could potentially constitute a challenge for the interpretation of the results of a cost-benefit study. Finally, we understood from the baseline survey that the investment for companies in internships is generally quite low as they do not seem to pay high stipends to the interns and therefore cost-benefit considerations might not be the main reason why companies do not engage in training provision.

Which general conclusions have you drawn from the findings of the baseline study?

We are convinced that, as development partners, we need to be guided by sound evidence to avoid misleading or wrong conclusions that could put our partners in difficult situations. However, the data provided by the baseline study still leaves a lot of room for assumptions, thus we concluded that a more in-depth understanding of the companies’ considerations is required. We realized that in the given context a classic cost-benefit evaluation study might not „tell us the whole story“, for example about the quality of internships as well as the reasons why still so many companies do not provide training. In this case, a cost-benefit evaluation would not allow us to draw adequate conclusions and define next steps to improve the quality and relevance of internships.

What have you decided on the way forward?

As an overall finding from the baseline study, we realized that the required investment for companies in internships is relatively low. The key question therefore seems to be less pertained to cost-benefit considerations but rather to why there are not more companies engaging in internships. One of the key recommendations by Prof. Wolter was therefore to further assess and better understand the reasons why some companies are engaging in internships and why others are not. This is especially important as the reasons for not engaging in internships are probably beyond cost-benefit considerations. For this, he suggested to conduct a survey on the motivation of training and non-training companies, which actually is the qualitative part of the cost-benefit evaluations that are regularly conducted in Germany and Switzerland.

Are you satisfied with the steps taken so far, even if the process was not as initially planned?

Yes, even if we had to invest additional time. It is and always was important for our projects and our stakeholders to understand well the overall contributing and hindering factors for a successful cost-benefit analysis. The discussion has shown that simplifications might be risky and that the process requires proper in-depth consideration of the Indonesian context and all underlying factors influencing the cost-benefit situation for VET in Indonesia. We initially underestimated the complexity of the subject.

What will the next steps be?

It is important that the result of the cost-benefit analysis be useful for all stakeholders and that the results can and will actually be used in the process towards a suitable TVET framework and system in Indonesia. Therefore, a step-by-step approach has been initiated resulting in a longer process than initially foreseen. Together with DC dVET, we concluded that starting with a “motivation study” will in a first step help us find out what factors prevent non-training companies to engage in training and which factors complicate training for companies that are currently training. To conduct this motivation survey, the projects will collaborate again with EduKadin.

What will be the goal and focus of this motivation survey?

The questionnaire for the motivation survey is based on questions from the cost-benefit studies in Switzerland. We have then adapted them to the Indonesian context in a collaborative effort with all involved parties and under the guidance of Prof. Wolter. All documents and communication with the companies is and will be in Bahasa Indonesia to ensure that no important information is ‘lost’ due to language barriers.

We will then use the results of this motivation study for a high-level policy dialogue aiming at addressing possible system changes to ensure a conducive TVET framework in Indonesia. We are convinced that these insights will be a valuable contribution for the further discussions on how to engage more companies in providing quality internships – both, at the upper- as well as the post-secondary level.

This interview has been conducted in June 2021 with:

Daniel Weibel (team leader) and
Christine von Harrach (strategic advisor)

SKILLS FOR COMPETITIVENESS (S4C)

(financed by SECO, implemented by Swisscontact)

The S4C project was born out of a direct demand by the Government of Indonesia, i.e., the Agency of Industry Human Resource Development (BPSDMI) of the Ministry of Industry (MoI). The overall objective of the project is to contribute to increased competitiveness of the Indonesian Industry in selected sectors. This should be reached through better-qualified professionals educated at five vocational education institutions, in a sustainable cooperation with the private sector. The project is built on two components, namely a school development component and a system strengthening component.

For further information see [S4C Project](#).

Rudy Winarto Djumali (team leader)

TVET SYSTEM REFORM (TSR)

(financed by BMZ, implemented jointly by GIZ and the Coordinating Ministry for Economic Affairs (CMEA))

The overall aim of the TSR project is to support the implementation of the national reform agenda in the following three fields of activities:

- TVET coordination and TVET policy to better align and regulate roles and initiatives of private and public actors within the TVET system
- Cooperation with the private sector to enhance their engagement in TVET
- Advice and creation of suitable conditions for upscaling successful models and instruments

For further information see [TSR Project](#).