

WHY DO COMPANIES ENGAGE IN (DUAL) VET? FROM THE ORIGINAL PLAN TO CONDUCT A COST-BENEFIT ANALYSIS IN INDONESIA



Interview with Experiences from Indonesia

The following interview was conducted in the above-mentioned workshop during the DC dVET Public Online Event on 10 November 2021. The German and the Swiss VET projects in Indonesia and their partners shared their experiences from an intensive process that started with the aim to conduct a cost-benefit analysis with companies engaging in VET. Detailed discussions showed that in the given context it made sense to start with the qualitative part of a cost-benefit analysis, i.e., asking companies about their motivation to engage in VET. In addition, highlights from the process were shared and the projects and their partners explained how the survey results will allow for evidence-based recommendations to the Indonesian VET system.

1) Introduction

In the end of 2020, the German and Swiss VET projects in Indonesia approached us at the DC dVET, because they wanted to conduct a cost-benefit study for companies engaging in VET in Indonesia. They heard that the DC dVET had worked on this topic for a while already and so we met online to discuss the possibilities. You will read about what happened then in the following interview. From a DC dVET point of view the Indonesian experience is interesting for at least two reasons. First, the collaboration between the two VET projects in Indonesia and the DC dVET secretariat is a typical example for the kind of support that the DC dVET offers for its members and their projects all over the world and also for the lessons that can then be drawn for a broader audience. In addition, it also shows that even though we have a clear understanding of what dual VET means in development cooperation, we support a broad variety of VET projects on their “dual journey”. Therefore, we thought that the experiences from Indonesia are an excellent example not only for a very interesting thematic case, but also for a well-functioning collaboration between projects of DC dVET members.

2) Interview Partners

- Restu Yuni Widayati, Head Center of Industrial Vocational Development, Ministry of Industry, Indonesia
- Setyoko Pramono, Coordinator for TVET Development, Ministry of Industry, Indonesia
- Christine von Harrach, Strategic Advisor, Skills for Competitiveness Project, Swisscontact
- Remy Rohadian, Senior Program Officer, Skills for Competitiveness Project, Swisscontact
- Rudy Winarto Djumali, Team Leader, TVET System Reform Project, GIZ
- Agustina Devi, Director of EDUKADIN, Indonesia
- Diah Maya, Deputy Director of EDUKADIN, Indonesia

3) Interview

Question to Restu (Ministry of Industry): We are very honored to welcome the Indonesian Government in our workshop as one of the projects' most important partners. Thank you very much Restu for your time and for sharing some general information on VET or dual VET in Indonesia and on your view of the process of the cost benefit study that is the main topic of today's workshop. Let us start with the general situation, could you very briefly explain some of the key parameters of the VET system in Indonesia from the Government's point of view that we need to know to understand the the context of today's workshop?

First, I would also like to thank you for all your support and cooperation with Indonesia. It is also from our side a big pleasure and we are grateful for this opportunity to participate in your event and to share our experiences with the participants. For us, a close involvement of the private sector in the Indonesian Vocational Education path is very high on our political agenda. Our government is closely looking at the dual vocational education systems as practised in Germany and Switzerland and is continuously engaging with both countries. Not only did we set up a formal cooperation with the Indonesian Chamber of Commerce and Industry (KADIN) with a lot of programmes that link and match schools and companies, but we have also established clear regulatory frameworks which guide the setup of industrial internships or on-the-job training as part of the school curriculum of the technical high schools at upper-secondary level (SMKs) or Polytechnic Universities at tertiary level. We have also introduced a tax deduction scheme, called "Super Tax Deduction Facility" that allows corporate taxpayers who incur costs for practical work or learning activities to receive a reduction in gross income.

Question to Restu (Ministry of Industry): Thanks a lot for this concise overview. Regarding the process that we embarked on last year with the two projects and their partners, what was your main interest in supporting the idea of a cost-benefit analysis?

We were very curious when we first heard about this comprehensive analysis. We were familiar with the general idea of cost benefit analyses in the context of dual VET systems, but not how detailed it is and what the requirements were for doing such a detailed analysis in other contexts. Of course, we were a bit sceptical in the first place as we did not want to overwhelm our companies with a very detailed and time-consuming survey. But soon we realized that the approach of this Cost-benefit analysis will help to produce good and robust evidence, support us in a broader mobilization of the private sector in internships and give us hints on where to improve our system. We see big opportunities for a stronger involvement of the private sector in VET and our aim is to convince a much bigger number of companies to offer high-quality internships. Thinking and talking more systematically with companies about the costs and particularly the benefits of an engagement in VET will allow us to understand each other better, as companies typically evaluate all their investments in terms of costs and benefits.

Thank you very much Restu for sharing your perspective, I will come back to you when we talk about how the partners concretely supported the process. Let us now learn a little bit more about the German and the Swiss projects that approached us at DC dVET around a year ago to jointly conduct a cost-benefit analysis.

Question to Remy (S4C) and Rudy (TSR): Remy and Rudy, could you very briefly explain what your projects are about?

SKILLS FOR COMPETITIVENESS (S4C), funded by SECO and implemented by Swisscontact, is a response to the request from the Agency of Industry Human Resource Development (BPSDMI) of the Ministry of Industry (Mol). The project has two components: (a) school development and (b) TVET system strengthening. This project aims to contribute to increased competitiveness of the Indonesian industry in selected sectors through better-qualified professionals educated at five vocational education institutions, in a sustainable cooperation with the private sector. The 1st phase runs from 2018 through 2023.

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

The TVET System Reform project is an Indonesian-German development cooperation project in the TVET sector, jointly implemented by the Coordinating Ministry for Economic Affairs and the German Federal Ministry for Economic Cooperation and Development (BMZ), supported by GIZ. The TSR project supports the Indonesian government through the establishment of a National TVET Committee (KNV) and creating a functional TVET ecosystem by implementing the

National TVET Strategy. The project will set up a private sector engagement model for the nationwide implementation of the National TVET Strategy. The Indonesian Chamber of Commerce and Trade “KADIN” and its regional branches (KADINDA) will actively promote the mutual benefit of skills development delivered by companies. In-Company Trainers, how to apply the tax incentive Super Tax Deduction and the process of workplace learning are some of the approaches. KADIN and KADINDA will supervise the process.

Question to Agustina (Edukadin): One important partner of both projects is EDUKADIN. Agustina, you are the director of Edukadin and representing the private sector. Could you briefly introduce us to your organization and tell us how you collaborate with S4C and TSR in general?

Edukadin is an educational and training institution formed by the Central Java Chamber of Commerce, to carry out one of the organizational functions, namely, human resources enhancement in the industry. Edukadin offers a variety of training and consultation for the business world, such as marketing training, Human Resources, accounting, taxes, leadership etc. We also do survey projects, especially surveys related to the business world.

Our foreign institutions collaboration partners are:

1. IHK TRIER, which has been running for 6 years and is currently focussing on the German version of dual IVET training and particularly training of In-Company Trainers.
2. Swisscontact - S4C for In-Company Trainer training, survey on cost and benefit analysis and the last is motivation survey.

Soon we will be working on a program initiated by S4C, named the In-Company Trainer Coaching Program with the aim of increasing roles and functions of trainers in companies that carry out internship program. Soon, Edukadin will also cooperate with RECOTVET in the field of digitizing services for vocational education.

Question to Remy (S4C): Coming back to the projects: 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?

Actually, we started with the In-CT Impact Study last year, and we followed one of the recommendations to conduct a cost and benefit study. The idea is to visualize the benefits companies get from offering internships, use the results as an advocacy tool for further improvement of the VET system in Indonesia.

Question to Rudy (TSR): Why did the S4C and TSR projects decide to jointly engage on this topic?

The main reason was that our two projects have a common interest in the topic and in strengthening VET in Indonesia in general. 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 complement our approaches using our particular strengths on the macro, meso and micro levels.

The S4C strength is on the implementation at working level to develop successful and proven dual VET models. The TSR strength is the multi stakeholders’ approach on the policy and system level. So, both projects can complement each other in reaching the goal for improved VET in Indonesia. The topic of cost-benefit considerations for companies engaging in VET is not new for Indonesia and we wanted to complement already existing efforts. A simple and pragmatic quantitative cost calculation was done before. However, the engagement of the companies in skills development is still low. Therefore, with S4C and DC dVET, we were looking deeper on the fundamental issue why the engagement of companies is still low. The aim is to generate solid evidence for changes at the system level, as policy recommendation to the government, to increase the participation of the companies in skills development.

Question to Christine (S4C): 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 briefly 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, even if they are informative in any case. 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 actual need for skilled workers. Thus, we decided to start by doing this baseline study first.

Question to Diah (Edukadin): You conducted this baseline survey with some of your member companies, what was the general experience?

The baseline study has shown that the willingness of companies to provide sound and accurate information on costs, and in particular on salaries, is generally a challenge. As a result, no clear and consistent picture was identifiable in terms of costs of structured internships. The reluctance of the companies to provide sensitive information made us doubt whether companies would eventually be collaborative in a detailed cost-benefit analysis.

Question to Christine (S4C): What were the key findings and learnings from the baseline survey?

The detailed discussion about the results and also follow-up questions about the results have shown that there were several underlying and ‘hidden’ factors that cannot really be captured by a cost-benefit analysis. For example, purely looking at the numbers, for those few companies that shared sensitive information on wages e.g., suggested that skilled and unskilled workers in some occupations have very similar wages. However, skilled workers seem to have a much higher probability to get promoted, which is not visible in the quantitative and static view of the baseline survey. 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.

Question to Christine (S4C): These are indeed very interesting findings. How did this affect your process with regard to the cost-benefit analysis?

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 rather 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.

Question to Rudy (TSR): Which conclusions have you drawn from those findings?

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 was required. We realized that in the given context a classic cost-benefit evaluation study might not „tell us the whole story “. Mainly collecting numbers or quantitative data would neither tell us enough about the quality of the structured internships nor about the reasons why still so many companies do not provide training in Indonesia. 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.

Question to Christine (S4C): Fortunately, your collaboration and the process did not stop at this point. 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 structured 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.

Question to Christine (S4C): And this is what you did during the last weeks and months, could you perhaps elaborate a bit on the steps that were necessary to prepare and conduct the motivation survey in Indonesia?

In a first step, we had to compile the questionnaire for the motivation survey. As already mentioned, the so-called “motivation survey” is part of the cost-benefit studies in Switzerland. DC dVET provided us with a very generic template, that then obviously had to be adapted to the Indonesian context and translated into Bahasa Indonesia. This sounds like an easy and lean process, but in reality, it took us quite some time. I will give you two concrete examples on adaptations that we had to make. First, we had to face the reality in Indonesia. There is not just training and non-training companies as in Germany or Switzerland, but the system is much more complicated. Companies might offer different types of training programs and therefore, we had to develop different sub-questionnaires to be able to capture the diversity and reality in Indonesia and compare only what is actually comparable.

Question to Remy (S4C): As mentioned earlier, the non-training companies were very critical in this overall process. What was your communication approach to get them involved?

For the non-training companies, we had to explain more in detail what we were asking about in this survey, because they might not even know of any of the different training models that exist in the country. We also added a question on the Super Tax Deduction scheme, already mentioned by the representative of the BPSDMI, to find out how important this factor is in the decision to train and if it has the desired impact.

Question to Restu (Ministry of Industry): You supported the motivation survey among companies with an official letter from the Ministry. Could you share with why and how exactly you support this process?

As already mentioned, we are convinced, that the results of the survey will give us hints on potential bottlenecks in the current system. To underline the importance of this survey from a government perspective and to motivate companies to answer the survey, we wrote a letter accompanying the survey. The idea was not to put pressure on the companies, but rather to further encourage those companies to answer that we have good relations with and to explain them the importance and power of those answers for the improvement of the system. Trust and credibility are key issues here, therefore we decided together with everybody involved, that the detailed answers stay with EDUKADIN, the projects and DC dVET. The Ministry will not receive answers from the individual companies, but only aggregated data. This encourages companies to really feel free answer.

Question to Diah (Edukadin): Your organization and in particular you, Bu Diah + your team, did an incredible job in mobilising companies to answer the survey. In a very short time frame and in the middle of the COVID crisis, you managed to reach almost all companies initially targeted. How did you manage to get the companies on board? Could you perhaps give us an overview on the steps you had to take and on your secrets for getting answers from so many companies?

Yes of course. First of all, our broad member network allowed us to identify potential companies in sectors that are of interest for S4C, TSR and also the Ministry. We merged data from different sources of the projects and our member companies to have a good mix of companies in terms of sectors, regions any company sizes to make sure that the survey results will also tell us something about the differences between those groups, and also between small, medium and big companies. Another important factor was to identify training, as well as non-training companies. This was very important to be able to identify the reasons of why some companies train and others not. However, motivating non-training companies to fill in the survey was even harder, because for them it was not clear at first glance why they should participate. We explained them that their answers would be especially relevant and important for potential system adaptations.

Question to Diah (Edukadin): What kind of preparatory work was necessary here?

To make sure that we would have enough answers from non-training companies, we started the whole process by contacting companies to assess whether they were offering some kind of training or not. We also used this opportunity

to update contact details for possible reminders and to get an idea of the probability of them answering. Answering the survey was of course voluntary for the companies.

Question to Diah (Edukadin): What were the next steps you took and what was your secret to getting so many answers?

After this pre-phase, we had a list of around 200 companies that we sent the survey to. We sent the survey via email with a rather short deadline of one week and then followed up with those that did not yet answer via email, phone or Whatsapp or all of them. During the process, my team and I offered support to the companies if they had any questions or doubts. Some of the typical doubts or problems were: too many questions, did not understand the question, did not understand the answer choices, did not have the authority to fill in, did not have any time, forget to continue filling and so on. Luckily, we were able to convince and help with further explanations in most of the cases and finally got filled questionnaires of around 160 companies. The non-training companies constituted a bigger challenge also for the follow-up and required an even more intensive support, but we finally were able to reach an adequate mix of training and non-training companies. The secret was probably our well-established relationships with the companies based on trust, transparent communication using different communication channels, not giving up and always thinking about alternatives in advance if something would not work out.

Question to Remy (S4C): After the collection of the data, you supported Edukadin and DC dVET with some plausibility and completeness checks. How did this go?

After collecting the data, we had to review and analyse the answers regarding their completeness and contact some companies again for clarification or additional inputs. Overall, the whole process was intensive and long, but we are pleased that so many companies responded.

Question to Rudy (TSR): What will be the next steps after you have the results?

Once we have the results, we will discuss them jointly with Prof. Wolter. He is a very experienced expert in education and VET in particular and we hope to get valuable insights from his outside and evidence-driven view on the survey results. In addition to that, we are happy to have so many answers of non-training companies and will use those contacts to organize a focus group discussion to find out more in depth what currently hinders them to engage in training. We will then use the results of the motivation survey, the learnings from the focus group discussion and the recommendations from Prof. Wolter 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.

Question to Restu (Ministry of Industry): What would be your conclusion from a Government perspective on the process of this cost benefit study so far?

We were very pleased to support this process with an accomoanying letter. We are impressed with the high return rate from the companies, which shows us, that the companies are interested in the topic and are looking to engage with us. From our side, this is very promising, and we hope that once the results of the Motivation Survey are available, we'll better understand how we can engage deeper with the private sector in the organization of internships and what possible bottlenecks are there, that we can jointly overcome.

Final question to the projects (Remy, Christine and Rudy): In my personal view, we at DC dVET learnt at least as much as you during this interesting and sometimes challenging process. Could you perhaps share in a few words the key success factors from your point of view and important learnings?

Conducting the survey with the private sector such as Edukadin was one of the key success factors. Their vast network of companies in different sectors was crucial for reaching a high return rate and meaningful results. An unfamiliar surveyor to the companies might have to work harder to reach the same return rate. We should also thank DC dVET for the key guidance and patience throughout this exercise. Second, it was important to go 'an extra mile' and to go step by step through the process, to make sure that we are doing something useful. It is and was always important for our projects and our stakeholders to well understand 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 considerations of the Indonesian context and all underlying factors influencing the cost-benefit situation for VET in Indonesia. We initially definitely underestimated the complexity of the subject.

Rudy, what are your final conclusions from the process so far?

Even though, the process was now much longer than originally foreseen, we appreciate the guidance and support from DC dVET and are convinced that the approach we took will be more beneficial and meaningful than the detailed cost-benefit analysis that we originally planned. A positive side effect of this joint journey has been that our projects (TSR & S4C) work more closely together which helps us to exchange on our project scope even more frequently and with a greater look into synergies.