

SESPP
Report on
Success Factor Analysis in Indonesia

February 2018
JTB Corporate Sales Inc.

1. Overview of The Research

(1) The purpose of the research

This research was conducted for the purpose of identifying the factors which contributed to the successful Introduction of Japanese style skill test and the establishment of the national skill test Indonesia. The aim of this research was to utilize the knowledge gained through it, in order to promote an effective and efficient implementation of “Skill Evaluation System Promotion Program”. This research also covers the subject of tasks and plans to achieve the local self-reliant management of the skill tests.

(2) Research methods

The research was done mostly through interviewing the people who were involved in this project. The main themes of the interviews were focused on the factors like, cooperation of local and Japanese companies, association with the other related projects, identifying the key person, local economic climate, and so on.

- ◆ Interview based research among relevant people (the nine interviewees)
- ◆ Skill Evaluation Trial visit and conducted survey among skill assessors and examinees who participated in the Skill Evaluation Trial at PT. KMK Plastics Indonesia

Date	Interviewees
20th October, Friday	①Mr. Itsuo Tanigawa (Director of Secretariat of Indonesia Mold & Dies Industry Association (IMDIA))
23rd October Monday	②Mr. Shinichiro Honda (Frist Secretary of Embassy of Japan in Indonesia) ③Mr. Bambang Nurcahyono (Executive Director of Lembaga Serifikasi Profesi Logam and Mesin Indonesia (LSP-LMI)) ④Mr. Bornardo Aldo Tobing (Commissioner of Badan Nasional Sertifikat Profesi (BNSP))
24th October Tuesday	⑤PT. Indonesia Epson Industry • Mr. Kiyoshi Yanagisawa (Senior General Manager of PT. Indonesia Epson Industry) • Mr. Hiroshi Hashizume (General Manager of PT. Indonesia Epson Industry) ⑥PT. Denso Indonesia • Mr. Michihiro Kasuya (Equipment maintenance Chief Examiner of PT. Denso Indonesia) • Mr. Takayuki Kawasaki (Sales Planning Coordinator of PT. Denso Indonesia)
26th October Thursday	⑦Mr. Yu Yoshida (Senior Director JETRO Jakarta Office)
27th October Friday	⑧Mr. Makoto Takahashi (President Director of PT. KMK Plastics Indonesia, Execution Chairman & Plastic Injection Chief Examiner of IMDIA) ⑨Mr. Kazuyuki Yoshie (Director of Seiko Epson Monozukuri-kyoku Skill Dojyo, Expert for SESPP) ◆ Skill Evaluation Trial visit and conducted survey among skill assessors and examinees who participated in the Skill Evaluation Trial at PT. KMK Plastics Indonesia

2. Summary of The Research

【Progress of Human Resource Development Policy in Indonesia as Circumstantial Factors】

- Since the Yudhoyono presidency started in 2004. The Indonesian government has been working on human resource development as a part of the government policy which aimed to improve the investment climate and expanded openness to foreign investments, including ones from Japan, and to support the development of small and medium enterprises
- Around 2004 laws and regulations regarding vocational ability have been refined. Indonesian Professional Certification Authority, "BNSP" (Badan Standar Nasional Pendidikan), has been established, and nationwide system to evaluate vocational ability has been established.
- Japanese companies entered and made investment in Indonesian market. Indonesia and Japan agreed to hold a public-private sector joint forum in order to create the suitable investment climate. This boosted Japan's involvement.
- Japan-Indonesia EPA triggered the foundation of Indonesian Mold & Dies Industry Association (IMDIA), IMDIA was established in 2006. Since then it has been playing an important role as a partner organization of SESPP to collaboratively conduct practical exams of Indonesian skill test.

【National Skill Test System for Machine and Metal Field in Indonesia –The Introduction of Japanese Style Skill】

- From around 2008 to 2009, IMDIA and Japanese companies played a center role in composing National skill certification committee, and took an initiative in implementing practical exams of machine and metal field.
- Indonesian national skill test for Machine and Metal field consists of Indonesian style theoretical exams and Japanese style practical exams.

【Indonesian National Skill Tests and SESPP –SESPP's Contribution】

- Ministry of Health, Labour and Welfare launched SESPP in 2002.
- SESPP's support such as skill assessor development plays a significant role in assisting Indonesia to implement national skill test self-reliantly.

【Effect of The Introduction of Japanese Style Skill Tests】

- ① Supplement corporate internal vocational education and human resource development. Opportunities to study elementary and advanced level skill education.(effect on human resource development)
- ② The Improvement of product quality and productivities of supporting industries, increase in local-content rate , and improvement in the efficiency of labour management.(effect on management)
- ③ Energized supporting industries and their human resource development contribution to whole Indonesian manufacturing industries.(social effect)

【Tasks to Establish Self-reliant Management 】

- ① It is impossible to carry out skill tests without the help of Japanese companies in terms of facilities and machinery.
- ② Vocational education and training in vocational training institutes, high schools and universities is not relevant to Japanese style skill evaluation
- ③ plans and visions after SESPP is over have not being discussed or shared.

【Success Factors in Indonesia】

Rise in the demand for Human resource development

■ Foreign investment in Indonesia was increased, including ones from Japan. This urged the necessity of development of human resource and supporting industries and the establishment of skill evaluation system as a purpose of improving the investment climate as a part of the government economic development policy.

Rise in the demand for Japanese style skill in Japanese companies.

■ Japanese companies in Indonesia regarded it as essential to improve the local-content rate and local skilled workers investment climate as a part of the rise of the demand for the introduction of Japanese style skill test.

Establishment of administration organizations and cooperative structure between the administration organizations and Japanese

■ Japan-Indonesia EPA triggered the foundation of Indonesian Mold & Dies Industry Association (IMDIA). Under IMDIA's support and the cooperation of Japanese companies, the implementation system of Japanese style skill test was established

Good collaborative relationship with Indonesian government.

■ The Indonesian government showed great understanding and trust towards Japanese style skill test. This allowed to build good relationship with the administrative organizations.

3. Skill Evaluation System Promotion Program in Indonesia

(1) Progress of Human resource development policy in Indonesia

■ Since the Yudhoyono presidency started in 2004. The Indonesian government has been working on human resource development as a part of the government policy which aimed to improve the investment climate and expanded openness to foreign investments, including ones from Japan, and to support the development of small and medium enterprises

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■ Japanese companies entered and made investment in Indonesian market. Indonesia and Japan agreed to hold a public-private sector joint forum in order to create the suitable investment climate. This boosted Japan's involvement.

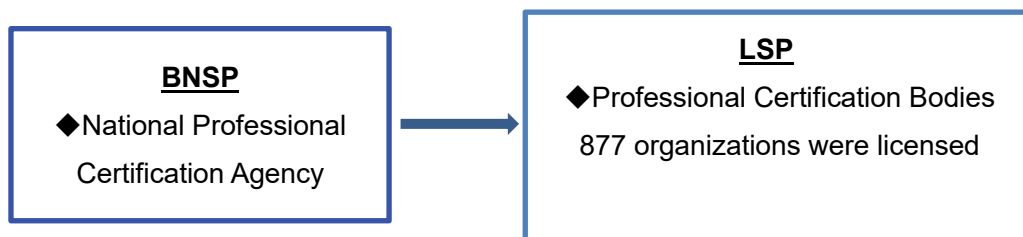
■ Japan-Indonesia EPA triggered the foundation of Indonesian Mold & Dies Industry Association (IMDIA), IMDIA was established in 2006. Since then it has been playing an important role as a partner organization of SESPP to collaboratively conduct practical exams of Indonesian skill test.

◆ From 2003 to 2004 Human resource development policy became refined.

Yudhoyono was inaugurated as president in 2004 for the first time. He launched "The National Mid-term Development Plan (RPJM 2004-2009)" to enhance economic development, and the Indonesian government has been working on industrial human resource development in order to improve the investment climate, expand openness to foreign investments, and encourage the growth of small and medium enterprises.

Until 2004 each relevant ministry to industry/ trade skill was in charge of skill test and skill certification. Through the National Act No. 13/2003 and Government Regulation No. 23/2004 have stated that vocational training program has to go along with vocational skill evaluation criteria. The Indonesian Professional Certification Authority (BNSP=Badan Nasional Sertifikasi Profesi) as an independent agency granted a sole authority was

established in 2004. BNSP is a national organization which is in charge of vocational skill certification. The establishment of BNSP enabled Indonesia to have a nationwide comprehensive structure to produce competitive skilled human resource. Lembaga Sertifikasi Profesi (LSP) are certification bodies to carry out the practical certification process, for instance, implementation of skill tests, and issue of certificates. 877 organizations have been licensed as LSP by 2017. In summary, since 2004 laws and structures around human resource development have been improved, and this has led Indonesia to its current states.



◆Indonesia-Japan Human Resource Development Partnership Agreement

Following the progress of Japanese enterprises’ expansion and their increasing Investments to Indonesian market, especially in the field of automobiles and electric appliances, 2004 at Japan-Indonesia summit meeting in Chile, Indonesia and Japan agreed to hold a public-private sector joint forum in order to create the suitable investment climate.

In 2005 a working group (WG) was launched for each of four areas; ①tax/customs, ②labor, ③infrastructure and ④ industrial competitiveness/small and medium-sized enterprises. These four working groups discussed to establish concrete collaborative policy

Competitiveness/Small and Medium-Sized Enterprises Working Group composed “supporting industries promotion strategy plan” in which it proposed that Japan and Indonesia collaboratively work on the development of supporting industries and their human resource. This boosted Japan’s involvement.

◆Establishment of IMDIA (Indonesian Mold and Dies Industry Association)

JETRO Jakarta urged the necessity of a local partner organization for Japan-Indonesia EPA; hence 2006 IMDIA was established to take this role. When IMDIA first established, it was composed of 79 members mostly from Japanese automobile and electric appliance industries based in Indonesia, such as Toyota, Honda, Panasonic, Epson, etc. As of 2017, it has 510 members.

IMDIA’s main mission is to promote the development of die and mold industry which supports supporting industries and human resource development as it was proposed in “supporting industries promotion strategy plan”. It has been playing an important role as a partner organization of SESPP to collaboratively conduct practical exams of Indonesian skill test.

(2) National skill tests system for machine and metal field in Indonesia

- From around 2008 to 2009, IMDIA and Japanese companies played a canter role in composing National skill certification committee, and took an initiative in implementing practical exams of machine and metal field.
- Indonesian national skill test for Machine and Metal field consists of Indonesian style theoretical exams Japanese style practical exams.

◆National Skill Certification Committee for Metal and Machine Skill Tests was Launched

National skill tests for machine and metal field in Indonesia were introduced 2006. Since around 2009 LSP has adopted Japanese skill evaluation system for its practical exams through JAVDA. In reality the actual evaluation system adopted at that time was the one that was used in Japanese companies in Indonesia (Toyota, Panasonic, Epson, and so on) which was based on Japanese national skill test, but slightly different from the very original.

From around 2008 to 2009, IMDIA and five Indonesia based Japanese companies which are Toyota, Denso, Panasonic, Epson, and Ebara, to be the members of National skill certification committee. The committee took an initiative in introducing and transferring Japanese skill evaluation system.

In 2012 it has been agreed to conduct practical exam of machine and metal field with Japanese style, as a consequence LSP took over the leadership position in National Skill Certification committee.

Today the National skill certification committee consists of BNSP, Japanese companies, IMDIA, Japanese embassy, JETRO, etc. The committee meeting is held every two month to make plans to organize skill exams, and members discuss plans, exam problem making, scheduling with theoretical exam, and so on.

◆Japanese skill evaluation is applied for seven machine and metal skill trades

BNSP administrates and certificates national skill tests for 70 fields. Japanese style skill tests system is applied for seven machine and metal field, which are

- ① Mechanical Inspection
- ② Mold Finish
- ③ Milling Machine
- ④ Machine Preservation
- ⑤ Grinding Machine
- ⑥ Plastic Injection (added in 2013)
- ⑦ Metal Press(added in 2015).

Indonesian national skill test consist of a practical exam and a theoretical exam. The theoretical exam will be conducted by LSP-LMI(LSP for machine and metal) and be evaluated on the basis of a national skill competence standard called SKKNI (Standar Kompetensi Kerja Nasional Indonesia). National skill certification committee makes Indonesian practical exam problems and marking criteria based on Japanese skill test, and exam problems and evaluation method are almost the same as the ones of the Japanese skill tests. The practical skill exams are implemented by LSP-LMI in cooperation with IMDIA.

(3) Indonesian National Skill Test and SESPP

◆SESPP's contribution to the Indonesian national skill test

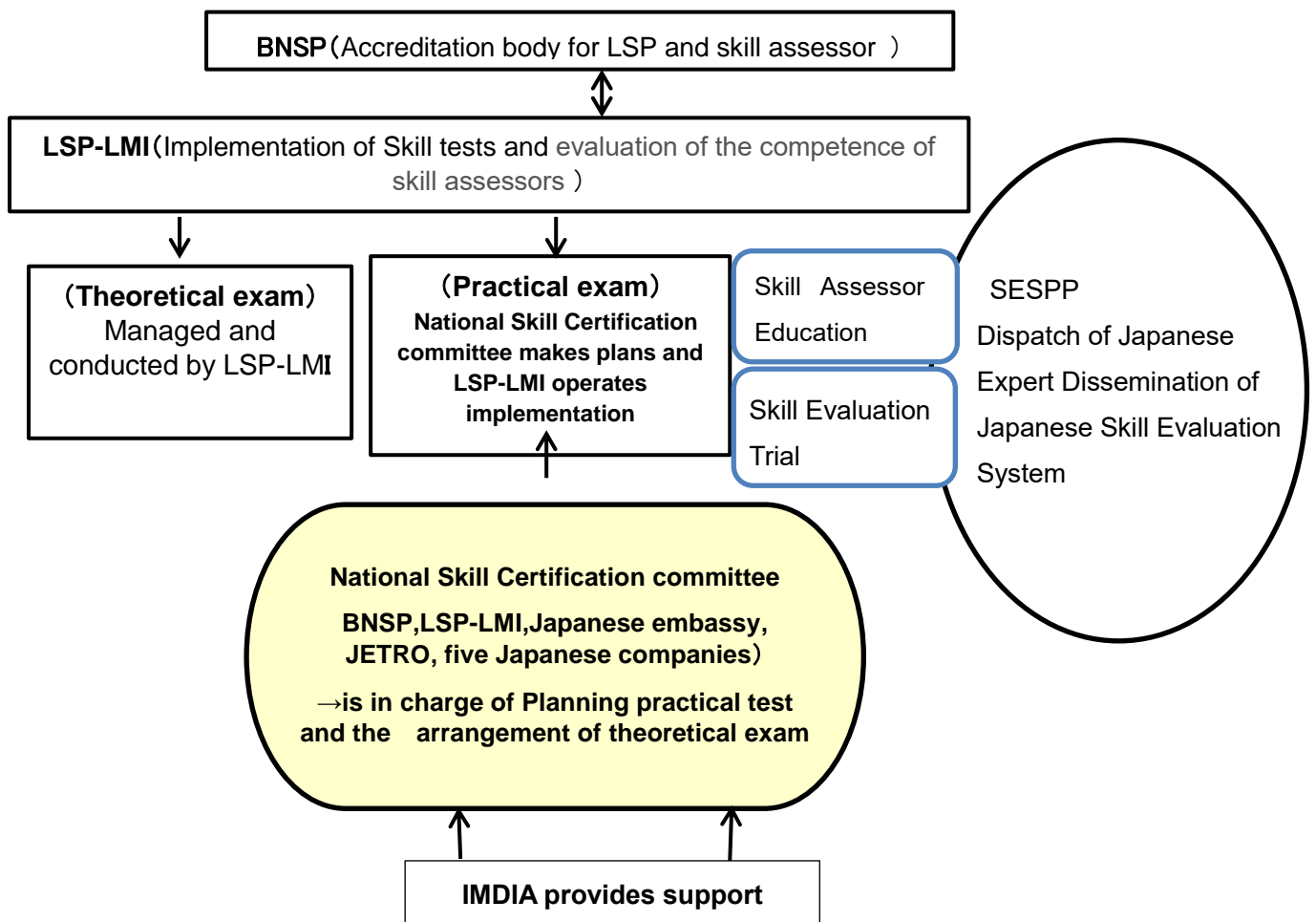
- Ministry of Health, Labour and Welfare launched SESPP in 2002.
- SESPP's support such as skill assessor development plays a significant role in assisting Indonesia to implement national skill tests self-reliantly.

Ministry of Health, Labour and Welfare launched SESPP in Indonesia 2002. SESPP has dispatched experts from Japan. These Japanese experts teach ① Skills Evaluation Method course which provides techniques to make skill exams and method of skill evaluation system to conduct and mark exams and ② Skill Evaluation trial (trial practical skill exams were conducted). Through these educational supports SESPP has helped and promoted skill assessor development.

SESPP's support for the introduction of Japanese style skill tests into Indonesian national skill tests was mainly supplied in the field of mold and dies industry vocational skills, because of its cooperation with National Skill Certification committee.

Over 2150 people were certified under national skill test with Japanese style in cooperation with SESPP. Skill assessors who have become certified by SESPP are playing an active role in conducting practical skill exams as skill test commissioners. Self-reliant system for the national skill test is about to be established. Japanese companies are encouraging their employees to attend SESPP courses and take the national skill tests to supplement their internal vocational education. SESPP benefits Japanese companies' human resource development.

〈Metal and Machine Skill test and SESPP〉



4. Effect of The introduction of The Japanese Skill Evaluation System

■ Three key effects caused by the introduction of Japanese skill test/ skill evaluation system.

- ① Supplement corporate internal vocational education and human resource development. Opportunities to study advanced to elementary and advanced level skill education. (effect on human resource development)
- ② the Improvement of product quality and productivities of supporting industries, increase in local-content rate, and improvement in the efficiency of labour management. (Effect on management)
- ③ Energized supporting industries and their human resource development contribution to whole Indonesian manufacturing industries. (social effect)

The outstanding effects of the introduction of Japanese style skill tests/ skill evaluation system into Indonesian national skill tests which are acknowledged by local Japanese companies and Indonesian public organizations like BNSP are summarized as:

① **Participating in and utilizing Japanese style skill tests supplement corporate internal vocational education and human resource development. Opportunities to study elementary and advanced level skill education. (Effect on the human resource development)**

→ • corporates tend to skip entry level education with their internal educations

and trainings, so they utilize Japanese skill test to supplement their internal education and also to assess their employees' competencies.

- Skill tests help examinees to acquire elementary level skills and also to gain coherent understating of the skills.

This also improves their awareness to problems and proficiencies in solving them. Assessing and observing other people's performance in skills introduce objective perspectives which help skilled workers to refine the quality of their skills.

- The introduction of Japanese style skill test elevated the level of skills and moral in workplace in Indonesia. Certification holder can take leadership in their workplaces.

② **Human resource development utilizing Japanese style skill evaluation promotes the improvement of product quality and productivities of supporting industries, increase in local-content rate, and improvement in the efficiency of labour management. (Effect on management)**

→ • The local-content rate for mold and dies industry in Indonesia was only 26% in 2007.

Improvement in the quality and the productivity has boosted the local-content rate to 60% by 2017

The growth of the supporting industries in Indonesia was paralleled by the Introduction of the skill test.

- The human resource development contributed to the increase in the local-content rate which resulted in reducing time and cost for sourcing materials.

• It seemed that at this moment certification as an assessor and that of skill tests would not directly reflect an individual's immediate promotion or pay rise, but in some companies its certified achievements in skill tests were recorded in companies' personnel date to be used as criteria for change and promotion.

③ **Energized supporting industries and their human resource development are contributing to Indonesian manufacturing industries which are consider to be a socially meaningful activities. (social effect)**

→ Japanese companies' headquarters are encouraging their employees of Indonesian branches to study and attend courses for skill tests. Moreover they offer their facilities and machinery and send their employees as assessors for skill tests. The companies are inspired and motivated to contribute to the local community and the society through their human resource development support. The introduction of Japanese style skill tests is considered to be a part of these contribution activities.

5. Tasks to Achieve A Self-reliant Management System

■ Thanks to the accomplishments of the project, the public and private collaborative national skill test implementation system was established. The management and implementation of skill test are smoothly done in cooperation with SESPP. However, there are following tasks to be overcome to run it self-reliantly and sustainably in Indonesia.

- ① It is impossible to carry out skill tests without the help of Japanese companies in terms of facilities and machinery.
- ② Vocational education and training in vocational training institutes, high schools and universities is not relevant to Japanese style skill evaluation
- ③ plans and visions after SESPP is over have not being discussed or shared.

The implementation system for the national skill test has been established, and it is running smoothly in cooperation with SESPP and SESPP's skill assessor development, it also conducting its own projects. It is said that the skill test in Indonesia finally settled to its stable state after 10 years of hard work. Contrary to this, other said that it took Japan almost 40 years to establish sophisticated system since its start of skill test which meant that for Indonesia it was just started. Everybody who has involved agrees that it is important to continue Japanese style skill test and develop skill assessors who can take the initiative in the implementation of the national skill test.

There are following tasks to be overcome to establish a self-reliant and sustainable management of the skill tests.

① It is impossible to carry out skill tests without the help of Japanese companies in terms of facilities and machinery.

In Indonesia only Japanese companies are most likely to have enough equipment and machinery to implement skill tests. The national vocational training institutes have problems conducting skill tests, because their facilities are dated. Due to this circumstance, it is impossible to implement the skill tests without the cooperation of local Japanese companies.

② Vocational education and training in vocational training institutes, high schools and universities is not relevant to Japanese style skill evaluation.

Because of the lack of equipment and skill assessors, high schools, universities, and vocational schools are not capable of providing education which is relevant to the Japanese style skill tests in the field of mold and dies. The sort of vocational education which is likely to be taught at schools is "theoretical knowledge (such as knowledge of materials and engineering)", and individuals have chances to learn practical skills after they stated their career as skilled professionals in a company.

③ plans and visions after SESPP is over have not being discussed or shared.

SESPP has been running over ten years in Indonesia. Although, IMDIA is aware of the end of SESPP project in Indonesia, plans for self-reliant and financially sustainable management system have not been clarified yet.

6. Success factors of SESPP in Indonesia

■ Foreign investment in Indonesia was increased, including ones from Japan. This urged the necessity of development of human resource and supporting industries and the establishment of skill evaluation system as a purpose of improving the investment climate as a part of the government economic development policy.

■ Japanese companies in Indonesia regarded it as essential to improve the local-content rate and local skilled workers' competency. This resulted in the rise of the demand for the introduction of Japanese style skill test.

■ Japan-Indonesia EPA triggered the foundation of Indonesian Mold & Dies Industry Association (IMDIA). Under IMDIA's support and the cooperation of Japanese companies, the implementation system of Japanese style skill test was established

■ The Indonesian government showed great understanding and trust towards Japanese style skill test. This allowed to build good relationship with the administrative organizations.

◆ Rise in the demand for the human resource development

Around 2004 Indonesia was experiencing the period of economic development which was caused by the increase of foreign investment, including ones from Japan. It was crucial to refine its investment climate to maintain the economic development. The Indonesian government proposed an economic policy for development of supporting industries and human resource and the establishment of the skill evaluations system. Consequently the demand for effective human resource development was boosted

◆ Rise in the demand for Japanese style skill in Japanese companies.

Lesson learnt from 2011 Thailand floods motivated Japanese companies to raise the local-content rate. They were working to develop the production skill of their local employees to improve quality and productivities of products. The demand for local employees who acquired Japanese skill is increased.

◆ Establishment of administration organizations and cooperative structure between the administration organizations and Japanese companies.

In 2006 Japan-Indonesia EPA (Economic Partnership Agreement) triggered the foundation of IMDIA (Indonesian Mold & Dies Industry Association) which centered Japanese manufacturing companies and also had local manufacturing companies as members. Since the very start of its history, IMDIA has been working on human resource development for mold and dies industries and provided support for promoting and spreading Japanese style skill test and SESPP.

Today the National Skill Certification Committee composed mainly of Japanese companies makes practical exam problems and making criteria, practical exam in national skill test for machine and metals field is done with Japanese style. This implementation system was established under the support of IMDIA.

◆Good collaborative relationship with the Indonesian government

Both Badan Nasional Sertifikat Profesi (BNSP) and Lembaga Serifikasi Profesi Logam and Mesin Indonesia (LSP-LMI) are showing great understating and trust toward Japanese skill tests.

They also have good relationships with Japanese companies and IMDIA.

This mutual trust enables SESPP to implement smoothly in Indonesia, and realized the successful introduction of Japanese style skill to the Indonesian national skill tests system.