



Apprenticeship Works: A Proposal for a Comprehensive Approach to Workforce Development in Indonesia's Financial Services Sector

"We are witnessing a young generation frustrated by the chronic mismatch between skills and work. The best answer to the economic downturn and youth unemployment is to ensure that young people acquire the basic skills and relevant training they need to enter the world of work with confidence," said Irina Bokova, the Director General of UNESCO "Many youth, and women in particular, need to be offered alternative pathways to education, so that they gain the skills to earn a living, live in dignity and contribute to their communities and societies."

The Goal

An OJK-regulated Indonesian financial services industry should embrace a formal, well-designed apprenticeship scheme and demonstrate its commitment to the future needs of 260 million Indonesian citizens. Apprenticeship programs can deliver in-demand skills, increased opportunities, and well-paid careers to young people, contingent on the trust and cooperation between public authorities, employers, and the youth. As the main public regulatory body in this sector, the OJK has a critical role to play in integrating the recommended apprenticeship scheme into the national development strategy, developing and implementing supportive policy, regularizing the training system, and ensuring recognized standards, assessments, and certification. This participation from the government is necessary to formalize the arrangement to challenge the traditional business mindset which continues to accept the outdated concept of talent poaching, which ultimately discourages the investment by companies in the healthy and organic growth of the services component.

The Model: National Workforce Development in Action

Following WWII and the total devastation of the economy, Germany's recovery has been attributed to the application of a well-planned, government-sponsored apprenticeship scheme, which exposes young people to the country's formal employment environment as part of their secondary education. The German program covers the entire range of occupations known to sustain the German private sector and is delivered jointly by the Ministry of Education's vocational school system and the German Chamber of Commerce and Industry, which provides the practical on-the-job experience across the entire spectrum of the economy.

Companies hire fresh graduates over three years and introduce them to all facets of their respective operations, guaranteeing a rotational approach throughout the entire firm and guiding them from the technical perspective. In addition, the apprentices join vocational classes, where regular tests are conducted, to guarantee the individuals' understanding of a specifically designed theoretical curriculum. The graduates of the scheme move into full-time employment and carry a Chamber of Commerce and Industry certification,

identifying them as various grades of specialists in their trade. The economy benefits from a steady stream of quality job entrants, and youth employment in an expanding market environment is very high.

The Indonesian Experience

Former Minister of Education Professor Wardiman (1993 – 1998), with personal knowledge of the German Apprenticeship Scheme, intended to introduce the concept to Indonesia but his successors did not seem to appreciate the importance and potential contribution to the country. Having observed the shortage of talent in the developing insurance sector and predicting an exponential growth in need for professionals to service the potential pool of hundreds of millions citizens in need of institutional protection, the Indonesian Insurance Association introduced a modified version of the German apprenticeship program in 1993, which subsequently became known under the MAGANG label. Unfortunately, industry participation was confined to a number of enlightened local companies and Joint Foreign Ventures, and the regulators opted not to provide inputs, despite repeated attempts to solicit their involvement.

The resulting modified approach created an environment where sponsor companies offered hands-on exposure to their business, accommodating the apprentices three days a week on a rotational basis, and provided pocket money, meal allowances, transportation, and tuition for the individuals' studies at the Insurance Faculty of Universitas TRISAKTI in Jakarta. The pool of recruits was generated through an advert, reaching out to high school graduates from financially underprivileged families, with a return of approximately 600 applications for 60 places. The apprentices were in their sponsor companies Monday through Wednesday, and TRISAKTI committed to their students' graduation in official S1 recognition through the extension of the program to seven semesters.

The program has generated substantial numbers of qualified new insurance experts, however, due to the conspicuous absence of a government-sponsored vocational education stream and regulatory support, the program has failed to accelerate the supply to levels where the common talent-poaching practice would have become unnecessary and the services to the Indonesian public would have generated a far greater interest and understanding of the all-important insurance commodity.

Going Forward

Ongoing complaints about the scarcity of talent emanating from Indonesia's financial and banking sector should seem to justify a renewed approach to the regulatory environment and a re-opening of discussions about a broad and inclusive apprenticeship scheme. Advanced discussions with educational institutions resulted in generating substantial interest in cooperation between the services sector at large and accredited universities, able and eager to contribute to the creation of the talent pool which is imperative if the country wishes to maintain a functioning financial services sector. This sector is bound to become Indonesia's strongest contributor to success, locally and also with an eye on ASEAN expansion and global competitiveness. A comprehensive, top-down strategy is clearly needed to weaken the pervasive negative practices of the Indonesian business mentality, by making investing in developing the future generations a more attractive option.

Companies licensed to do business in Indonesia's financial services sector should be obligated, without exception, to subscribe to an officially sanctioned apprenticeship scheme.