

Corporate recruitment in Indonesia:

What employers think



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The Australia-Indonesia Centre is a bilateral research consortium supported by both governments, leading universities and industry. Established in 2014, the Centre works to advance the people-to-people and institutional links between the two nations in the fields of science, technology, education, and innovation. We do this through a research program that tackles shared challenges, and through our outreach activities that promote greater understanding of contemporary Indonesia and strengthen bilateral research linkages. To discover more about the Centre and its activities, please visit: ausindcentre.org



Based on a series of in-depth interviews with corporate employers conducted by the AIC and the Monash Indonesia Representative Office, this Backgrounder reveals a number of attitudes and trends related to recruitment and skills and training gaps in Indonesia, as described by leaders in the corporate sector.

Key points

- Employers were satisfied with most recruits' technical competence, but much less satisfied with the soft skills of recruits from domestic universities compared to those educated in Western societies.
- Labour mobility varies a lot by sector, with average turnovers as fast as one year in the digital economy and consulting and much slower rates in more traditional organisations such as state-owned enterprises.
- Millennials, certainly those that are tertiary educated, are more mission driven and less concerned with long-term employment and size of pay cheque (at least in the early stages of their careers).
- Employers prefer to upskill their employees through short training courses, rather than supporting further degrees, which few would consider funding. Regardless, the value looked for in any masters level qualification was the development of soft skills.
- Recruitment approaches vary from print advertising to website and social media, scouting at university campuses and word-of-mouth – some measure of previous connection being seen as adding trust to the deal.
- While Australian education centres, both vocational and tertiary, were well regarded among our interviewees, many see them all as just part of a healthy national system and didn't differentiate strongly between (leading) institutions.



Background

President Jokowi has committed to developing the nation's human resources as a key national priority for his next five years. This covers both access to education and training and the quality and relevance of that education and training, including its delivery. This also incorporates efforts by the government to provide something of a welcome mat to international universities to establish an operational presence in Indonesia. Given this development this paper includes a look at how various corporate employers compared recruits from international versus domestic campuses as well as skills gaps and needs at their organisations.

There can be no doubt that the president's focus on raising the quality of the human resource base of the nation is appropriate. A 2016 study by the International Labour Organisation indicated that Indonesia would soon reach a tipping point in which the percentage of the workforce that is underqualified for the needs of the economy will exceed the percentage of the workforce that is overqualified¹. This emerging 'skills gap bottleneck' will impede the potential for economic development, while also suppressing the potential to raise standards of living.

Considering the average Indonesian has just over eight years of education² the findings that they are more often overqualified may sound counter intuitive. To understand this, it may be well to consider the number of people with university education who are running food carts or senior high school graduates working as unskilled farm hands.

In the future there will be a need for more skilled people in the tech sector, higher value-added manufacturing and services. The gap between skills needed and those available will, in many respects, determine the limits to the growth of the Indonesian economy, especially in an atmosphere in which importing foreign labour is deemed less politically acceptable than slower rates of economic growth.

The interviews

The Australia-Indonesia Centre, through its Skills Futures work, is very interested in supporting Indonesia's efforts to raise the skills base of its workforce. Part of this process requires identifying gaps and mismatches between the demands of industry and the skills supplied by the higher education sector.

During September and October 2019, we conducted some 25 in-depth interviews with corporate leaders such as CEOs, COOs and heads of human resources, in enterprises as varied as international financial and corporate services, the banking sector, state-owned enterprises, province-owned enterprises, large family corporations, digital start-ups and listed companies.

Interviews covered:

- attitudes to post-graduate studies (before and after recruitment);
- attitudes to domestic versus foreign degrees;
- desired and missing skills in recruits and existing staff;

¹ https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-jakarta/documents/publication/wcms_613628.pdf (Page 55)

² <https://www.bps.go.id/dynamictable/2019/04/16/1613/rata-rata-lama-sekolah-menurut-provinsi-2010-2018-metode-baru-.html>



- staff turnover;
- career trends amongst new recruits, particularly millennials;
- preferred upskilling approaches;
- overall satisfaction with the recruitment process itself; and more.

Degrees of difference

In general, our participants recruited people at the graduate level and those recruiting staff with postgraduate qualifications tended to treat them as regular graduates anyway – giving no special consideration in terms of initial roles or remuneration packages. A number did imply, however, that they presumed masters level recruits would advance more quickly than those with bachelors or diplomas.

From the interviews there did emerge a number of remarkably similar perspectives from across different sectors and sizes of company.

In terms of the technical skills of recruits, most interviewees expressed reasonable satisfaction (usually a 6 or 7 out of 10) with the quality of the technical professional skills of their staff and recruits. Of note too was that most did not see much difference in technical skills between domestically or internationally educated recruits.

However, virtually all of those interviewed observed that one of the main skills gaps in their graduate recruits from Indonesian universities was leadership skills; critical thinking; a capacity to see the ‘big picture’ of what they were doing, together with a lack of general confidence and capacity to communicate and negotiate with confidence. Almost everyone we spoke with noted that internationally educated recruits presented more confidently and communicated better, not just in English, but also in Indonesian. They were also better able to deploy critical thinking in looking at problems.

In general, they believed those recruits educated in Western countries plus Singapore tended to have stronger capacity in these skills.

There was a general view that, increasingly, businesses would need people who were equipped with these soft skills. This suggests that the value of international education, insofar as these employers were concerned, is essentially in soft skills.

Seeking to explain this difference, some suggested that students who studied abroad had to ‘struggle’ to adjust to an alien environment, and that this tended to produce a sense of self-confidence missing in students educated on ‘home ground’. Some noted that students educated in Indonesia but in cities that were not their own even demonstrated a little more confidence than those educated in their home city.

On the issue of why foreign-educated recruits demonstrated a better capacity to communicate and engage in critical thinking, many suggested this may be due to the style of andragogy, or teaching of adults, applied. They said that overseas, students were challenged to speak up, ask questions and make presentations as a core part of their work (and assessment) and also required to be more self-directed in their research. They noted that in Indonesia there continued to be an overreliance on teachers and lecturers applying the old ‘chalk and talk’ as the basis for teaching.

Some business leaders suggested outright that the curriculum in Indonesia was outdated and no longer applied to industry needs.



Turnover

One point of clear difference between industries was the rate of staff turnover. Those working in the digital sector tended to have the fastest turnover, with some reporting most staff staying less than one year. In some of the big service industries average turnover was two to three years. State-owned enterprises had the lowest rates of staff turnover, as there remains, often, a culture of life-long employment, with staff staying there for a pension fund and other remuneration.

For the majority of companies whose executives we interviewed there was a clear openness to re-hiring people who had left for other enterprises or experiences, should they seek to return. A number saw this as positive, believing that in departing initially for new experiences staff would return with new competencies to contribute, or, even if they didn't return, they could hopefully offer new channels for commercial partnerships through their relationship with their past employer. Some employees who left to join start-ups and then returned to their previous company reported finding less guidance at the start-up.

Millennial challenges

The issue of staff turnover, in addition to affecting different sectors with different intensity, also emerges as a generational issue.

According to many of those interviewed, millennials (born, roughly, between 1981 and 1996) demonstrate a propensity to change jobs quite quickly. They also tended to be 'mission driven' rather than financially driven, meaning their key driving influence was doing interesting that they saw as valuable. Companies are therefore challenged to create interesting retention programs for their millennial employees.

Upskilling pathways

While representatives of a couple of corporations indicated that they provided funding for staff to pursue further university study, most did not. Most would expect additional degrees to be self-funded or externally funded (such as through the national awards program, known as LPDP or the Indonesia Endowment Fund for Education).

Several did say they would allow some workplace flexibility for employees to do further study, especially if the course were undertaken locally. Regardless, all employers saw the value of a masters level qualification in how it could enhance employees' soft skills – which almost all companies are seeking.

All most all companies, however, were interested in their staff completing short courses, often of a professional development nature. Some were also interested in upgrading their staff's technical skills, again through short courses.

There were mixed views as to whether this should be conducted in-house or externally (in Indonesia or beyond). For smaller enterprises, maintaining an in-house training capacity was not so feasible. For larger enterprises, in-house was seen as better for the development of a corporate *esprit de corps* while external training would building wider networks and give staff new perspectives.



Finding recruits

Companies seek recruits via several avenues. This includes some of the most traditional means, such as ads in newspapers, although this is now quite rare as it leads to a massive number of applicants, the overwhelming majority of whom are not appropriately qualified. Others use social media ads, such as on LinkedIn, or place ads on their corporate websites. A number of larger companies conduct scouting at selected university campuses in an effort to attract the best by offering them a position even before they graduate. Those making use of head-hunters tend to do so only for senior recruits, not early career recruits.

Others are happy to seek new recruits through word of mouth and referrals, with some actually paying staff who refer someone who is then successfully recruited. This word of mouth system (with or without referral incentives) was seen as a means of providing a basis of trust for potential new recruits. A number said that the difference between people on paper and in practice can be quite significant and that a kind of pre-screening by people connected to the business can help sift out those who simply look good on paper. They also trusted that referees would face reputation problems for referring a 'dud' and thus be disinclined to do so.

International connections

A number of our interviewees in the tech space were American educated. They noted that they have a natural affinity for recruiting others who are American educated.

Most, but not all, had a favourable view of Australian higher education centres, particularly at the university level but some also expressed a positive view of the Australian vocational system, notably TAFEs.

A number of alumni from Australian universities retained a very favourable impression of studying in Australia and many were happy to send their children to study in Australia without necessarily restricting their choice to their own alma mater.





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