



A Blueprint for Trade and Investment with Indonesia

Education, Skills and Training Sector in Brief

OVERVIEW

Strong economic growth in Indonesia is driving increased demand for quality education, and the government is committed to making vocational education and training a top priority.

- Half of Indonesia's population is aged under 30.
- Indonesia has a shortage of highly skilled workers and qualified professionals, with almost 20% of Indonesian workers underqualified.
- Indonesia is seeking to add 57 million skilled workers to the economy by 2030.
- Entering the education market through consortia is likely to provide the greatest benefits for Australia and Indonesia.

In addition, IA-CEPA gives Australian businesses major advantages in the Indonesian education market, including allowing majority (up to 67%) Australian ownership of VET enterprises in Indonesia, and a reciprocal skills exchange for tertiary qualified individuals.

- Successful engagement in Indonesia's education sector can be achieved by having long-term commitment, strong local partners, and a willingness to forge deep connections in the country.

OPPORTUNITIES

Indonesia's education and training needs are substantial and growing. International providers have a big role to play in meeting those needs. There are many opportunities for Australian organisations to expand into this fast-growing economy – predicted to become the world's fourth largest by mid-century, behind China, India, and the United States.

- Indonesia's higher education sector is predicted to grow at a compound annual rate of 10.3% between 2016 and 2025, by which time it will be worth US\$118 billion.
- Indonesia plans to double its number of work-ready graduates (approximately 3.8 million new skilled workers a year).

The country has developed a 5-year plan, *Making Indonesia 4.0*, to respond to challenges including the need for study programs that meet industry needs, industry-oriented curriculums, and improved teaching and facilities.



WHERE TO FOCUS

Australia has existing education and training networks with Indonesia and proven capability to produce skilled workers across multiple sectors:



Sectoral focus: Many *Making Indonesia 4.0* priorities align with Australian expertise in increasing digitisation of SMEs, using artificial intelligence and big data and encouraging enterprise development with technological innovation.



Higher Education and VET: Australia's comparative advantages map well across identified Indonesian priority sectors including:

- food and agribusiness;
- science and engineering digital transformation;
- education; and
- healthcare.

WHAT IA-CEPA OFFERS

IA-CEPA seeks to help Indonesia close its skills gap by facilitating training, catalysing TVET reform and strengthening higher education. IA-CEPA also offers Australian providers more certainty through:

- Majority (up to 67%) Australian ownership of VET enterprises in Indonesia.
 - › Commitment to apply any further relaxation of investment restrictions to Australian providers.
- Reciprocal Skills Exchange, allowing people with tertiary qualifications from both countries to gain six months' experience in-market.

Separate to IA-CEPA, a 2018 Ministerial regulation allows top 200 foreign tertiary institutions to open stand-alone campuses in Indonesia with some requirements on the subjects/faculties offered and operating as a not-for-profit. Monash University is the first foreign university to establish a campus in Indonesia under these provisions.

CHALLENGES

Indonesia's education system is large and complex, with multiple ministries and agencies involved in oversight, policy, and regulatory roles. Fragmented responsibility between different national government departments and sub-national authorities can be challenging to navigate.



Foreign education providers typically operate through a contractual partnership with a local government or private entity by providing expertise and curriculum content, while local partners provide infrastructure and student clientele.

- This may risk exposure to local partner decisions and brand reputation if the curriculum is not delivered to the standard expected.
- Employment restrictions on foreign workers can be onerous and there needs to be a demonstrated emphasis on skills transfer from foreign employees.

HOW TO ENTER THE SECTOR

Consortia-style training models – VET, universities, federal and state governments – can work productively to deliver integrated solutions to Indonesia’s educational needs while lowering any potential risks through sharing financial and resource needs.

- Consortia can also offer an extensive range of activities from micro-credentials and non-award short courses, to certificates, diplomas, and degree programs.
- Other delivery models include strategic partnerships using a licensing model or joint program delivery.

CASE STUDY

Melbourne Polytechnic and Enter Audio House making music

Melbourne Polytechnic is an Australian vocational education and training provider that is delivering services in conjunction with Indonesian partners.

In 2018, Melbourne Polytechnic and Enter Audio House (EAH), an engineering training institute in Bandung, West Java, signed an agreement to deliver a certificate and diploma in Advanced Audio Engineering with a pathway to a degree. EAH delivers the Certificate which is marketed as a Melbourne Polytechnic course.

The Diploma is a blended online learning model delivered by the Polytechnic staff in Australia.