

# Kartu Prakerja Program Improves Job Competence Through Training

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## Main Findings:

- **The Kartu Prakerja Program is enjoyed by those who need it most** as 84 percent of its beneficiaries have never had any previous training<sup>1</sup>. The majority of employed beneficiaries also come from the informal sector.
- **Kartu Prakerja Program beneficiaries report positive and useful experiences after taking Kartu Prakerja training.** It is shown, for example, in a form of increased perceived job competences, greater awareness towards the importance of training, and the creation of new habits.
- **Kartu Prakerja beneficiaries are able to keep or improve their employment status** despite the ongoing recession due to the COVID-19 pandemic. This is indicated by the 35 percent of beneficiaries who were unemployed at the time of registration are now employed or freelancing (18 percent) or who have started their own business (17 percent)<sup>2</sup>.

## A. Introduction

With a population of 270 million, 60 percent of whom are young, Indonesia has the opportunity to benefit from its demographic bonus which is projected to peak in 2030 where the productive population will be greater than the non-productive age population. However, this demographic bonus cannot be utilized optimally, and may even become disastrous, if there are not enough employment opportunities for the productive age population. Youth unemployment (15-24 years) is a big problem in Indonesia with its unemployment rate being the highest compared to other age groups (BPS, 2020). A World Bank study (2019) shows more than 20 percent of youth are not currently attending education, employed, or in training. In addition, Indonesia has a more highly educated unemployed compared to other education groups (BPS, 2020)<sup>3</sup>. High unemployment rates and unfilled vacancies indicate a mismatch between job demands and the skills possessed by the workforce (ILO, 2014).

**The Indonesian labor market is facing two main problems, namely limited employment opportunities and low productivity of its workforce.** Based on an ILO study (2019), Indonesia's annual labor productivity ranks fifth in the Southeast Asia region, lagging behind Thailand and Malaysia who are fourth and third. The downward trend in the labor productivity growth in the last five years, as well as the high minimum wage in several sectors such as manufacturing, have made Indonesia less competitive compared to neighboring countries such as Vietnam, Thailand and Malaysia (Allen, 2016). This implies the need to increase the number of entrepreneurs and skilled workers who are ready to work in Indonesia.

**The problem of employment in Indonesia is exacerbated by the large proportion of the informal sector in the economy. Informal workers comprise 56.5 percent of the total workforce in Indonesia in February 2020.** This condition is often associated with low levels of skill and education, as well as low productivity relative to formal

<sup>1</sup> PKP Management Evaluation Survey I (2020)

<sup>2</sup> PKP Management Evaluation Survey I and II (2020)

<sup>3</sup> Highly educated unemployed refers to people with a diploma degree or higher who are currently unemployed.

workers. Bargain and Kwenda (2014) show that informality widens the wage gap between workers. The study found that informal workers have lower income than formal workers due to the differences in skills and length of education.

To address the lack of competitiveness and skills gap of its workforce, the Government of Indonesia launched the Kartu Prakerja Program (PKP), a certified training program, in April 2020. Pursuant to Presidential Regulation 76 of 2020, Kartu Prakerja (KP) Program is designed to develop the competence of the workforce, increase its productivity and competitiveness, and foster entrepreneurship through skill enhancement (skilling, reskilling, and upskilling).<sup>4</sup>

Aside from supporting the National Economic Recovery Program (PEN) during the COVID-19 pandemic, this program also serves as a safety net for people who are not included in the Ministry of Social Affairs social assistance database. In particular, PKP also acts as a social assistance program to mitigate the impact of the COVID-19 pandemic for those who have lost their jobs and/or experienced a decrease in income. Within 9 months, Kartu Prakerja has reached a total of 5.5 million beneficiaries across all provinces in Indonesia.

PKP introduced several public policy innovations in the employment sector. One such innovation is the freedom for Kartu Prakerja (KP) beneficiaries to choose digital platforms, training providers, types of training, and a holding account to collect incentives. This is done in the hope that PKP can become a government policy product that can directly meet the needs, and respond to preferences, interests, talents, and opportunities of beneficiaries to improve their competence. It is expected that this mechanism can reduce the problem of information asymmetry and high transaction costs in searching and accessing training.

Another PKP innovation is the program's large scale and its self-targeting nature (on-demand). PKP utilizes advances in cloud technology to make the process efficient, fast, and able to provide real time and reliable data to serve a large number of registrants and participants. Registrants can access the application on-demand directly through the official Prakerja website ([www.prakerja.go.id](http://www.prakerja.go.id)). All information regarding the registration process to the incentive disbursement are available on the website.

With these innovations, PKP is expected to be able to answer the challenge of providing skilled labor which often cannot be solved by the market system. Based on a World Bank survey (2018), both workers and employers do not place education and training as a priority among employment related issues (ranked 10 and 6 out of 10). This finding is also consistent with the low number of companies that allocate budget for education and training, at 7.7 percent (APINDO, 2019).

PKP offers two main types of assistance for its beneficiaries, namely Training scholarships and Post-Training Incentives. PKP beneficiaries receive a training scholarship of IDR 1,000,000 (USD 70.95) that they use to purchase online courses available in the KP ecosystem. After completing one training, PKP beneficiaries will receive a post-training incentive of IDR 600,000 (US\$42.57) per month for four consecutive months. At 20 percent of the provincial minimum wage, the post-training incentive is greater than the income of urban and rural households that are below the poverty line in Indonesia.

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<sup>4</sup> The term *skilling* refers to the provision of new competencies that have never been possessed before. *Reskilling* refers to efforts to acquire new competencies in different fields/expertise. *Upskilling* refers to increasing competence in the same field/expertise.

## B. Evaluation Survey

To capture beneficiaries' experience as well as the preliminary indication of PKP impact, the Program Management administered three online surveys with a different focus to track employment status, training qualities, welfare improvement, entrepreneurship, financial inclusivity, and long-life learning aspects of the beneficiaries<sup>5</sup>.

KP beneficiaries were compensated IDR 50,000 (US\$3.5) for each completed survey and the surveys were responded by 4.7 million (85 percent), 3.9 million (72 percent), and 3.3 million (60 percent) respondents across all cities and regencies in Indonesia, respectively.

## C. Findings

### C.1. Beneficiary Profile

**Based on the results of the evaluation survey, PKP was received by beneficiaries who had never had any previous training.** Table 1 shows that 84 percent of KP beneficiaries, in general, have never had training before. This number is very concerning since it shows that people only rely on formal education in order to possess skills and work competence.

Table 1: Kartu Prakerja Beneficiary Profile

Kartu Prakerja Beneficiary Profile	Percentage
Unemployed	82%
Never had training before	84%
Informal workers and entrepreneurs	78%
Income below the average Provincial Minimum Wage	84%

Source: PKP Administrative Data and Management Evaluation Survey I (2020)

Table 1 also shows that 78 percent of employed beneficiaries work in the informal sector with a median income of IDR 1,160,000 for employees and a median turnover of IDR 1,000,000 for self-employed. Meanwhile, the median income for KP beneficiaries generally was IDR 1,200,000 and the median turnover was IDR 1,000,000. It can thus be concluded that the median income of informal workers is lower than that of KP beneficiaries in general.

In addition, the median income (turnover) of KP beneficiaries is only 49 percent (41 percent) of the average Provincial Minimum Wage in 2019. After completing one training, KP beneficiaries will earn IDR 2,400,000 (USD 170.27) over four months (IDR 600,000/USD 42.57 per month). The monthly incentive contribution from PKP amounts to around 24 percent of the average Provincial Minimum Wage in 2019.

### C.2. Quality and Useful Trainings

**The high average rating of PKP courses from KP beneficiaries is one indicator of the program's success in providing quality training.** Based on the PKP Management administrative data, KP beneficiaries gave an average rating of 4.9/5 for courses (as of December 2020). The three most popular training categories are sales and marketing (example: digital sales and marketing strategy), lifestyle (example: mask making and makeup techniques), and foreign languages (example: English, Mandarin). The high ratings indicates high satisfaction among KP beneficiaries for PKP digital training as a new training alternative to improve work competence.

**PKP beneficiaries give a positive assessment of KP courses.** Table 2 shows that 90 percent of KP beneficiaries will include their training certificate when applying for work and 91 percent of KP beneficiaries will recommend PKP to others.

Table 2. PKP Training Provides Benefits for KP Beneficiaries

Response	Percentage
KP beneficiaries will recommend PKP to others	91%
KP beneficiaries will include a KP training certificate when applying register for work	90%

Source: PKP Management Evaluation Survey I and II (2020)

**PKP creates community resilience in the midst of a pandemic by initiating new learning methods.** Digital and independent learning are new learning habits needed in the 4.0 era. In addition to accelerating its adoption society, PKP also helps accelerate digital literacy by empowering the people during the

<sup>5</sup> This is also regulated by the Coordinating Ministry for Economic Affairs Regulation 11/2020.

registration process to receive incentives, all of which are done digitally. Table 3 shows that KP beneficiaries replay videos/materials after completing courses (85%), intend to purchase training out-of-pocket in the future (76%), watch/study the materials with closest people (71%), and discuss the training materials with closest people (80%).

**Table 3. Learning Plan After Completing PKP Training**

Activity	Percentage
Play back videos/materials after completing the training	85%
Intend to purchase courses out-of-pocket	76%
Watch/study the material with closest people	71%
Discuss training materials with closest people	80%

Source: PKP Management Evaluation Survey III (2020)

Additionally, KP beneficiaries also become aware of the importance of training for their work and businesses, as shown in Table 4. Based on the evaluation survey, Entrepreneurs who took KP courses feel that their employees can benefit from training (76%) and encourage their employees to attend/participate in training or fund/provide training (81%). Additionally, KP beneficiaries who are employees feel that they need training from their employers (66%).

**Table 4. Views on Job Training**

Activity	Percentage
KP entrepreneur beneficiaries feel that their employees need training	76%
KP entrepreneur beneficiaries encourage their employees to attend/participate in training or fund/provide training	81%
KP employee beneficiaries feel that they need training from their employers	66%

Source: PKP Management Evaluation Survey III (2020)

**KP beneficiaries reported that courses provided by PKP increased competence, productivity, and competitiveness.** Results of the Evaluation Survey in Table 5 indicate that KP beneficiaries feel the positive impact of the PKP training. As many as 97 percent of KP beneficiaries report that PKP teaches new skills

(skilling), 95 percent report that PKP helps update their skills (reskilling), and 94 percent report that PKP helps them complete their work efficiently (upskilling).

**Table 5. Impact of Training on KP Beneficiaries (Skilling, Reskilling, Upskilling)**

KP Benefits	Percentage
Teach new skills ( <i>skilling</i> )	97%
Train the latest / updated skills ( <i>reskilling</i> )	95%
Increase efficiency in completing work ( <i>upskilling</i> )	94%

Source: PKP Management Evaluation Survey I (2020)

Furthermore, KP beneficiaries report that PKP training has helped them improve their work competence. Table 6 shows KP beneficiaries reporting how PKP Training was able to increase their knowledge, skills, and soft skills (98%), their productivity (93%), and competitiveness (89%). This is in accordance with BPS (2020) which finds that 88 percent of KP beneficiaries' work competence were improved after completing the training.

**Table 6. Impact of training on competence, productivity, and competitiveness of KP beneficiaries**

Benefits of KP	Percentage
Increase knowledge, skills, and soft skills	98%
Increase productivity	93%
Increase competitiveness	89%

Source: PKP Management Evaluation Survey III (2020)

### C.3. Employability

**There were approximately 35 percent of respondents switching from being unemployed in February 2020 into working or running a business<sup>6</sup>.** From that number, as much as 18% of unemployed beneficiaries turned into entrepreneurs while 17% of which were getting jobs as employees or freelancers. However, this condition doesn't imply any causality between KP and beneficiaries employability.

<sup>6</sup> The calculation is as follows: Number of respondents who were unemployed in February 2020 but were employed at the time they completed the survey divided by the total unemployed respondent in February 2020.

Moreover, the Evaluation Survey also captured the efforts made by the unemployed beneficiaries to find jobs.

**Table 7. Efforts Made to Find Jobs**

Activities	Percentage
Searching for jobs	87%
Preparing new business	55%

Source: PKP Management Evaluation Survey II and III (2020)

As much as 87% of the unemployed beneficiaries mentioned that they were actively seeking for new jobs while 55% of which were preparing for the new business at the time they completed the survey. In line with this statistics, approximately 70 percent of the beneficiaries used the training incentive as a working capital. This might be an early indication of how incentive could improve employment status of KP beneficiaries especially that is related to entrepreneurship.

#### D. Conclusions

The Kartu Prakerja Program (PKP) creates a comprehensive and diverse training ecosystem in Indonesia to address the challenges of the labor market. To achieve this goal, PKP was launched with policy innovations, such as the freedom for beneficiaries to choose courses, end-to-end digital and large-scale implementation, and self-targeting.

In addition to providing access to training, the Kartu Prakerja Program has also distributed assistance to economically vulnerable groups. This is indicated by the share of informal workers and entrepreneurs among the KP beneficiaries, as well as the comparison of the median income, turnover, and incentives of KP vis-a-vis the Provincial Minimum Wage.

The Kartu Prakerja Program provides experience and builds awareness among KP beneficiaries that knowledge and skills can be obtained without being bound by space and time, without having to meet face-to-face with instructors. PKP programs that offer training in digital format can be accepted and enjoyed by the beneficiaries.

The Kartu Prakerja Program also spurs new learning habits that are much needed in the 4.0 era, i.e online and independent learning. The KP beneficiaries report that they will replay the video/material after

completing the training, intend to purchase courses out-of-pocket, study and discuss the training material with closest people. In other words, PKP is contributing to the transformation process by expanding digital literacy among the people.

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