

Labor Competency Certifications: Opportunities and Challenges within on Industry in Preparation for Asean Economic Community

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Abstract: In current global context, especially to industries, competency certifications of labor have become increasingly important issues. According to Law No. 3 of 2014, government will make standard of national working competency of Indonesia. This standards cover technical and management competency. This study first examines various policies in order to achieve those standards such as through education, training and internship by accredited institutions. This policies include the policy in national level or lower level. It then attempts to assess the impact of regional agreement such as ASEAN Economic Community (AEC) to the needed of certification of labor. This impact can be measured by observing government in responding AEC. It also explores the potential opportunities and challenges of standardization in competency on labor and labor candidates which would ensure skills and abilities of labor. It is important to identify the opportunities and challenge in order to optimize the result of AEC. The study concludes with some important tasks of government in preparing a better institution to fulfill needs of certification of labor including to convincing local and international industries on Indonesia's labor competency. Indonesia also need to harmonize those certification so that labor competency recognized by employer.

Key words: Labor competency certification, ASEAN economic community, law No. 3 of 2014 of Indonesia, Impact, AEC, industry

INTRODUCTION

Association of Southeast Asian Nations or ASEAN is an association which was founded on August 8, 1967 in Bangkok, Thailand. The founding of ASEAN is marked by the signing of the ASEAN Declaration (or Bangkok Declaration). The founding fathers of ASEAN are Indonesia, Malaysia, the Phillipines, Singapore and Thailand. After that Brunei Darussalam joined the association on January 7, 1984, Vietnam on July 28, 1995, Laos and Myanmar on July 23, 1997 and Cambodia on December 16, 1998 so that currently ASEAN comprises 10 nations. The ASEAN Declaration contains the intention and purpose of the association which covers the collaborations in economic, social, cultural, technical, educational areas as well as other areas and the efforts of promoting the areas of peace and stability with respect to the principles of the Charter of the United Nations. In 2003, the ASEAN leaders decided that "the ASEAN community" must be formed in 2020. They confirmed their strong commitment in 2007 to speed up the formation of the ASEAN community in 2015. The ASEAN community consists of three big parts: ASEAN political security community, ASEAN economic community, ASEAN socio-cultural community all of which are expected to work together at the same time to form the ASEAN community.

The ASEAN Charter is a strong foundation which gives the legal status and the regional institutional framework in this region. The ASEAN Charter is trying to codify the ASEAN norms, rules and values to set a clear target for ASEAN and to set the accountability and compliance. The ASEAN Charter has been applied since December 15, 2008 which intends to go under the new legal framework and build some new organs to support the process of the foundation of the ASEAN community. The ASEAN Economic Community (AEC) is the target of the economic integration according to the ASEAN vision of 2020. AEC is based on the shared interests of all the ASEAN nations to deepen and expand the economic integration through the current initiation as well as the new one in a clear time frame. The AEC will not only form ASEAN into a single market and the production base but it will also make ASEAN more dynamic and competitive in the new steps and mechanisms to strengthen the implementation of the current economic initiation to speed up the area integration in top-priority sectors to simplify the movement of businessmen and skilled and talented labor and to strengthen the institutional mechanisms of ASEAN. The ASEAN collaboration will be done in the development and increase of human resource capacity, recognition of professional qualifications, close consultation of macro-economic and financial policy,

trade financing measures, strengthening of infrastructure and communicative relationships, development of electronic transactions through e-ASEAN, industrial integration in all areas to encourage the area empowerment and increase of the private sector involvement in forming the AEC. In the above-mentioned efforts, this study will focus on the effort in the development and increase of human resource capacity and the recognition of professional qualification.

The AEC will facilitate the labor involved in trades in goods, services and investments according to the rules that apply in the recipient country. ASEAN will try to facilitate the issuance of visas and employment pass for the ASEAN skilled labor who work in sectors related to trades and investment among the ASEAN countries. Thus, it is essential to have the harmonization and standardization of labor in the ASEAN countries.

In general, labors have a low education and skill when companies and industries generally require a competent and stable labor as well as according to classic economic theory to get highest benefit at the lowest possible cost. This situation require more concern from government in order to encourage labor in a state. Ministry of manpower and ministry of industry have a role as policy maker and executor in accordance to labor standardization including provide certified education, training and internship.

Certifications of labor competencies are thought to decrease asymmetries of information for industries. By making the quality and quantity of individual's skills observable by current or potential employers, certification in theory may lead to higher overall employment, greater labor market mobility and optimal job placement in a "free-agent" economy. For firms, certification should decrease the transaction costs of selecting and placing workers, improve the ability of managers to match skills to tasks and increase the effectiveness of outsourcing by making it possible to identify competent external suppliers. Certification may thus enhance organizational performance; promote continuous improvement of efficiency and increase productivity and profits (Crawford and Mogollon, 2010). The labor competency has been associated with the generation of competitive advantages, the productivity strategy and the management of human resources (Stefan *et al.*, 2016; Lannu and Nobleza, 2017). It say that, higher competency produce higher competitiveness. Individuals, meanwhile, generally seek employment that most fully utilizes their skills and provides commensurate compensation (Ayuthaya *et al.*, 2016). They endeavor to communicate the quality, depth and breadth of their skills to potential employers quickly and inexpensively. Failure to convey their potential may lead to lower salaries, lack of promotion, inability to transfer to better positions within a firm and/or inability to move to better opportunities at other firms. Given the

asymmetries of information that typically exist between firms and individuals in labor markets and their associated cost-public intervention to mitigate this problem can optimize outcomes. Systems for the certification of labor competencies are designed to provide this desired mitigation. For individuals, certification promises to boost pay, enhance self-esteem, improve job satisfaction and augment psychological well-being.

As with many different policies on labor's certification standard in global, labor certification will be hardly accepted as common standard for all hosting and sending states. Different in level of education between developed, developing and least developed countries make it more complicated to put common standard for labor certification. Developed countries will be more selective to pick foreign labor from developing and least developed countries. On the contrary, companies or industries operated in developing and least developed countries definitely take labor from developed countries whenever they need full skilled and experienced labor. These situations must be tackled in order to prevent each country put labor's barrier such as they do to goods. When referring to the labor competency approach it is convenient to distinguish between the different stages of its application. Clearly, the concept and its theoretical basis underlie all its applications; it can be found in labor training as well as in human talent management. This study will describe the identification of competencies, standardization of competencies, competency-based training and certification of competencies. Developing country such as Indonesia is one of the biggest Senders of labor to foreign states.

Literature review

Labor in Indonesia: Labor or manpower is every individual or person who is able to work in order to produce goods and/or services either to fulfill his or her own needs or to fulfill the needs of the society (Subijanto, 2011). Because of most regulation in Indonesia give limitation of age for a worker, worker can also distinguished according to age (Manululang, 1998).

National body of certification in indonesia: Article 18 of law number 13 on Manpower of Indonesia ensured that labors or workers have a right to be recognized about their competency after finishing training provided by center of training or by the company. This recognition showed by an certification which given by Badan Nasional Sertifikasi Profesi/National body of professional certification (BNSP) (BNSP created based on Peraturan Pemerintah No. 23 Tahun 2004 on BNSP/Municipal Law Number 23 on BNSP. BNSP is an independent body with duty to issue a certification and responsible to President) that state about those competency.

Standardization of certification in Indonesia: Standard of certification formulated by all stakeholder in Indonesia and legalized by Ministry of Manpower and Transmigration of Indonesia (Silitonga, 2007). Education and training concerning on getting certification can be held by industry, accredited training course (Ibid). Systematically, BNSP give license to any Institution of Certification to do quality management. Those institution will do the test to the labor. The assessor of those institution here have been trained by BNSP first. According to result of the test, BNSP will issue the certificate and lastly BNSP will register and publish the name who got certificate (Ibid).

MATERIALS AND METHODS

This research is normative legal research. This research will be library-based, focusing on information that already exists in some form such as journal articles, legislation, treaties and other data. This research also involve fieldwork/empirical data to support all analysis and argument in this research. Because of this research is normative legal research, it did not use any sample because legal research only see base on regulation as primary data.

It uses statute-approach. Statute-approach will help to examine regulation on certification including right and obligation of worker. Firstly, this research will find responsibility of government to provide proper training for worker in Indonesia. After all data collected, writer will make an assessment and examine whether government has provide a good system of certification in Indonesia. Then writer will examine opportunities and challenges that faced by labor of Indonesia after implementation of AEC.

Labor competency standard: The concept of certifications is wide and overall. It cover individuals, sectors, companies, products, processes and practices, among others are being certified. For labor, the certification of competencies usually involves verification of their ability to accomplish an identified task at a particular level of proficiency. A certification may be broad (such as ensuring the problem-free performance of a local area network of linked computers) or narrow (such as demonstrating a consistent ability to successfully prune winegrowing grape vines).

Similarly, certifications are associated to varying degrees with the completion of formal (often academic) training with success contingent on standardized licensing and other examinations as well as practical tests of abilities to be used on the job (the focus of this review). In practice, it is often difficult to distinguish

between aptitude (the potential to acquire a skill or certain knowledge); possession of knowledge (the mastery of information and related content) and competency (the ability to regularly perform a given physical or cognitive task at an acceptable level of quality). This difficulty will be discussed further below but in general this review concerns itself with the third (and narrowest) alternative.

There are multiple and diverse conceptual related to labor competency. Agudelo defined competency as “comprehensive ability of a person that allows him to have an efficient performance in specific labor situations. Ducci stated, “Labor competency is the social construction of significant and useful learning to perform in a real labor situation”. It was obtained not only through formal learning but also and mainly through experiential learning in practical labor situations. International Labor Organization give recommendation relating to term “competencies”. It covers the knowledge, skills and knowhow that are applied and mastered in a specific context.

Basic competency consist of basic skills (reading, writing, arithmetic and mathematic, speaking and listening), analytical skills (thinking creatively, making decision, solving problems, seeing things in the mind’s eye, knowing how to learn and reasoning) and personal qualities (responsibility, self-esteem, sociability, self-management, integrity and honesty) (Report of the Secretary Commission on Achieving Necessary Skills (SCAN).

Mainstream competency is not only consist of resource management (allocating time, money, materials, space and personnel), interpersonal skills (team work, teaching others, serving customers, developing leadership, negotiating and working with people from culturally diverse background), information management (acquiring and evaluating data, organizing and maintaining files, interpreting communicating, operating computers), systematic comprehension (understanding complex interrelationships, understanding systems, monitoring and correcting performance, designing or improving systems). It also consist of technological command (selecting technologies, applying technology to the task, providing maintaining and troubleshooting equipment) (Ibid). In order ensure competency of labor, government firstly need to some following step.

Identification of competencies: It is the method or process followed to establish from the basis of a labor activity, the competencies that are involved while performing such activity satisfactorily. There are different and varied way to identify competencies. Standardizations

of competencies: standardization is the process of formulating, establish, implement, maintain, enforce and supervise the field of industry standards implemented in an orderly manner and in collaboration with all stakeholders. Once competencies have been identified, its description may be very useful to clear up the transactions between employers, workers and educational entities. Usually, when standardized systems are organized a standardizations procedure is developed so that the competency-identified and described with a common procedure becomes a standard, i.e., a valid point of reference for educational institutions, workers and employers. This institutionally built and formalized procedure standardizes competencies and turns them into an agreed standard level (at the enterprise, sector and country).

Competency-based training: Once the competency has been described and standardized, the design of training curricula for work should be much more efficient if they are oriented towards the standard. This means that when training is geared to generate competencies that clearly correspond to existing standards, it will be much more efficient and will have a stronger impact than training that is totally unaware of the needs of the entrepreneurial sector.

It is not only necessary that training programs are oriented to generate competencies by taking standards as a basis but also that educational strategies are much more flexible than the traditionally employed ones. In this way, competency-based training also faces the challenge of facilitating entrance and re-entrance, thus turning the ideal of continuing training into a reality.

Likewise, it is necessary that a greater involvement of the participant in his training process is allowed so that he may decide on what he needs from training, the pace and the didactic materials he will use, together with the required contents.

Some of the key competencies, those which are more required in the view of human resources management are not generated by knowledge passed on with teaching materials but rather through the ways and challenges that the learning process may foster. Paradoxically, the generation of attitudes oriented towards initiative, problem-solving, abstract thinking, interpreting and anticipation is very often promoted within educational contexts where the basic unit is the group where everybody works at the same pace has the same quantity and quality of means and plays a very passive role.

Certification of competencies: It refers to the formal recognition of the proved competency (thus, assessed) of

an individual in order for him to carry out a standardized labor activity. The issue of a certificate implies that there has been a prior process of competency assessment. In a standardized system, the certificate is not a diploma that certifies prior studies. It is rather a proof of a verified competency and it is obviously based on a well-defined standard. This offers much more transparency to standardized certification systems since it allows workers to know what is expected from them, employers to be aware of the competencies that are being required by their enterprise and training entities to be aided in their curriculum design process. The certificate is a guarantee of quality concerning what the worker is capable of doing and the competencies he has to do so.

The certification of labor competencies implies an advantage for workers since it recognizes acquired competencies even during their experience and it does not limit the description of their labor skills to whatever their academic life was.

The most developed models of the approach on competencies focus on providing certification with the same value as academic degrees, thus destroying the concept of first-class and second-class education. On the other hand, in organizational terms when workers know what is expected from them, they can be more efficient and motivated than those that are appointed to a position but are not made aware of the larger framework and the organization's functions. The workers will take part in training plans that are much more directed to the improvement of their performance and the assessments will be more meaningful since they will contribute to the organization's objectives.

RESULTS AND DISCUSSION

Policies on education, training and internship within Law No. 3 of 2014: The scope of regulation in this act include: Implementation of government affairs in industry, national industrial development master plan, national industrial policy, Industrial zoning, industry resource development, industrial facilities and infrastructure development, industry empowerment, security measures and rescue industry, licensing, investment fields of industry and facilities, national Industrial committee, community participation and supervision and control.

According to industry act, The president is authorized held government affairs in the field of Industry. The minister shall implement the authority then. In the framework of the implementation of those authorities, the minister shall perform the setting, coaching and development of Industry. The authority arrangements

referred to a technical nature to a particular industry field carried out by the relevant minister in coordination with the Minister of Industry. The government regulates further provisions on the authority of the technical settings for a particular industry field. The government, local government provincial and local government district/city together or in accordance with their respective authorities held responsible in industry as stipulated in this law. So, education, training and internship policy is a main task of government (center, province and district).

To realize the objectives of the Industry, government compose the national industrial development master plan. National industrial development master plan must be in line with the national long-term development plan. This national industrial development master plan placed as a guideline for government and industry players in the planning and construction industry. It prepared for a period of 20 years and may be reviewed every 5 years.

Ministry must prepared national industrial development master plan in coordination with relevant agencies and consider input from relevant stakeholders. National industrial development master plan is implemented through the national industrial policy (The National Industrial Policy is the direction and actions to implement the National Industrial Development Master Plan. The National Industrial Policy prepared for a period of 5 (five) years. The National Industrial Policy shall be determined by the President. See Article 12 Law No. 3 of 2014). At level of province, every governor establish provincial industrial development plan. That provincial industrial development plan must refers to the national industrial development master plan and the national industrial policy. While at level of district, every regent mayor establish industry development plan district/city. Industry development plan district /municipal defined by regulation reGENCY/city after being evaluated by the governor in accordance with the provisions of the legislation.

The Government and/or the local government to accelerate the deployment and distribution of development industry throughout the territory of the republic of Indonesia through zoning Industry. The government also must pay attention to development of industry resource. Industrial development resources include human resource development; utilization of natural resources; development and utilization of industrial technology; development and utilization of creativity and innovation and provision of financing.

Development of human resources industry performed to produce competent human resources in order to enhance the role of Indonesian human resources in the

field of industry. Development of human resources industry as referred to in paragraph (1) pay attention to the spread and equity availability of human resources competent industry for each province and district/city. Human resources industry as mentioned above shall include industrial entrepreneurs; industrial labor; industrial builder and industry consultants. Here, we will only comment on industrial labor.

The construction industry labor as meant here done to generate employment industries that have competence in the field of industry employment in accordance with the national competence indonesia include: technical and managerial competence. The construction industry labor shall be conducted at least through activities of education, training and internship. The construction industry labor shall apply to the labor and employment candidates. These activities could be conducted by formal and non-formal education, accredited research and development institutions or company.

Competency certification in indonesia: Certification of labor competence is a public, registered, formal and temporary recognition of the working ability shown by a worker. It is done based on the assessment of his competencies regarding a standard and without being necessarily subject to completing an educational process. Certification is the completion of a process of formal recognition of the competencies of workers; it involves the opinion of an authorized institution, the accreditation of the competency of a worker. Certification is usually granted as a recognition of the completion of a training process, based on training and practice as well as the assessed contents. This does not necessarily mean the assessment of competencies. This broader concept of certification is meant to place it far from an academic notion of a credit obtained after completing certain studies and having correctly worked out a number of tests the idea is in fact closer to a description of the actual labor abilities of a worker and, in some cases, the way in which he acquired those abilities becomes even less important. It is closer to the idea of recognizing knowledge or prior learning as it is called in some countries.

Certification was then defined as a “process aiming at the formal recognition of occupational qualification of workers without taking into account the way in which those qualifications were acquired”. The purpose of certification is recognizing worker’s competency: such recognition implies both an assessment and a training process. Certification is a synthesis in the training process of a person but it is not the end; it is a continuous process validated throughout working life. The certificate implies an assessment process of the competencies recognized in it.

A labor competency certificate refers to a particular performance in which a worker has proved to be competent by means of the assessment of competencies. The certificate is based upon a labor competency standard and as it was stated above, the standard was build up from the necessary competencies to have an effective performance at a particular working situation.

The setting of the industry in Indonesia is regulated in the Law No. 3 of 2014 about industry. This legislation is based on the idea that national development must give as much benefit as possible for the sake of the people's welfare in manifesting a fair and prosperous society which is a united and sovereign society based on Pancasila and the constitution of the republic of Indonesia in 1945 which is organized according to the principle of economic democracy.

The national development is done by using the strength and capability of good human resources which are supported by sublime cultural values of the nation in order to fulfil the sovereignty, independence and resilience of nations for the national interest. The national development in economy is done to create an independent, healthy and sturdy structure of economy by placing industrial development as the main mover.

Globalization and liberalization have a great impact on national economy. The globalization impact surely results in tougher competition but also more chances of collaboration so that industrial development will increase rapidly. This of course needs support in the form of the right policy tools, integrated planning and efficient management as well as the principles of good governance.

Industrial development has already got the legal basis, namely the Legislation Number 5 of 1984 of industry as the operational elaboration of Article 33 of the constitution of 1945. At the moment the legal basis is not sufficient anymore so that it is essential to have a renewal through the setting of new legislation. The new legislation is expected to be able to anticipate changes in the strategic environment.

The AEC will certainly bring an impact on industrial development. The support for industry is marked by the ratification of the international agreements of bilateral, regional, dan multilateral sectors. The ratification of legislation in Indonesia must influence the national policies in industry, investments and trades.

Legislation of industry is expected to be able to fulfill the needs and development caused by changes in the strategic environment and to become the legal basis for the growth, development and progress of national industry. The new legislation of industry is expected to become an effective management instrument in industrial development which will still guarantee aspects of security,

safety and human health as well as the preservation of environmental functions. Related to the focus of this study which is about the competency certification for human resources, what is needed first is job trainings.

In the efforts to anticipate this, the Indonesian government has issued government regulations No. 31 of 2006 about the national job training system which is followed by a more technical setting which serves as the elaboration of government regulations, namely through Presidential Regulation No. 8 of 2012 about the national qualification framework for Indonesia and in a more detailed way through regulation of the minister of manpower and transmigration No. 5 of 2012 about standardization of the system of national occupational Competency.

The legal arrangements base the development of job trainings which should be done in Indonesia in relation to the AEC. Job trainings serve as a unified activity to give acquire, improve and develop work competency, productivity, discipline, attitude and work ethic at a particular skill level according to the levels and qualifications of office or employment. Thus, job trainings become one of the lines to improve the quality as well as develop labor's careers. The new paradigm of the improvement of the quality of the workforce is based on three main things, namely job competency standards, competency-based training and competency certification done by an independent institution.

Job competency standards should be arranged and developed in various sectors or professions, referring to the industrial or company needs. This is important to make the job competency standards acceptable at workplaces or job markets in the national or international levels. The job competency standards mentioned above will become the reference in developing training programs. In order to develop a competency-based training program, all the elements must be organised and developed in a single and unified system of a competency-based training.

In order to find out whether a training graduate has met the competency standard, it is essential to have a competency certification through a test of competence. Competency certification should be done by an independent competency certification institution. This is important so that there will not be any conflicts of interests between the training providers as the producer and the certification institution as the guarantor of the quality of graduates.

The development of the labor quality must be synergistic through the national job training system. This system becomes the guide of the general policy to make a training which is focused, systematic and synergistic in

many fields, sectors, agencies and training providers in doing their activities so that the objectives of the national training can be fulfilled efficiently and effectively. Based on this, through the legal regulations, the Indonesian government sets the objectives of the national job training system, the basic principles of job training, job training programs, the framework of the Indonesia's national qualifications, Indonesia's national employment standards of competence, job training providers, job training trainees, certification. Information system, funding and the coaching of the national job training system and the implementation of the national job training system in the regions.

The framework concept of the national job training system, the Indonesia's national qualifications framework, Indonesia's national employment standards of Competence are expected to be able to improve the competitiveness of human resources in Indonesia in facing the AEC.

CONCLUSION

This study has presented a detailed account of the provision on labor competency certification in Indonesia. It can be seen from the legislation that Indonesia see AEC as a potential agreement so Indonesia created Law No. 3 of 2014 in order to increase standard of labor in Indonesia. Indonesia also establish framework for education, training internship and certification in order to convince other ASEAN states that Indonesia's labor have many competency and prepared with different competency that could be useful whenever AEC fully implemented.

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