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The Indonesia Talent Transition

Indonesia continues to transform rapidly, driven by its position within the world's most dynamic economic region, rapid urbanisation and rising incomes that will enable a further 90 million Indonesians to move into the consuming class by 2030.

But Indonesia's evolving economy will need new skills to support growth. Research from the World Bank suggests that human capital is an obstacle in the way of a vibrant Indonesian manufacturing sector. The World Bank recently found that 84% of employers in manufacturing reported difficulties in filling management positions and 69% reported problems in sourcing other skilled workers (*Indonesia skills report: Trends in skills demand, gaps and supply in Indonesia, World Bank, May 2010*)

With the basis of Indonesia's economic productivity having shifted dramatically since the country's independence, moving from a predominantly agricultural base towards an economy underpinned by services and industry, talent development has become an increasingly significant topic. While the country has made considerable progress in education and skills over the last decades, the supply of workers at a secondary and tertiary level is falling short of demand, preventing Indonesia from taking full advantage of its bountifully young population.

To secure future growth, Indonesia needs to focus on three key things:

Firstly, address the skills gap, particularly by investing in human capital at the tertiary level. It is highly likely that by 2030, the vast majority of semi-skilled and skilled workers will have jobs in areas such as finance, real estate and insurance for example. To meet this demand for new skills, Indonesia needs to consider the right education as well as relevant training for its current workforce. Henkel's lifelong learning approach to employees means that we encourage classroom and digital training on our Global eAcademy and portal, tailored to each individual's needs. In addition, Henkel put in place a talent development program tailored for the Asia-Pacific region to develop employees and help them become leaders, through work on actual business cases and close contact with senior management.

Secondly, make a case for increasing women's participation in Indonesia's labor force, not just for the sake of equity but for economic necessity. Higher female participation is a strong driver of economic growth. For example, between 1970 and 2010, the share of women in the US labor force increased by 11%, making the US economy 25% bigger (*McKinsey 2010*). Greater representation of women in management positions leads to/ is linked to better organizational health and improved business performance, according to an *Unleashing Women's Performance in Leadership Survey* (*Femina Group, Indonesia, 2012*). Great strides have been made in gender diversity at Henkel Indonesia, with the number of females in management positions increasing by almost 15 percentage points in the last three years.

Thirdly, businesses in Indonesia need to invest in developing a pipeline of future talent. There needs to be more proactivity in driving high performing business cultures, one way is by encouraging management talent with entrepreneurial drive. Our own talent-management programs at Henkel, which encourage job rotation in various disciplines, show a strong correlation between higher standards of management, better productivity, increased sales growth and generally an improved return on human capital. The Henkel Innovation Challenge is an international student innovation competition that engages students at an early stage. It is an important component of our Global Employer Branding strategy and a great platform for us to

get to know innovative, conscientious students with an entrepreneurial spirit early on in their careers. Our eighth edition has just begun, and Henkel Indonesia has been receiving entries from university students across the country. After the competition, a number of these talented students are recruited for internships, to begin a career at Henkel.

Indonesia's economy holds tremendous promise for the years ahead. The country has a dynamic platform for future prosperity only to be increased through further investment in the talent and diversity of its human capital.

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