Investing in Indonesia's Tourism Recovery

January 2023

IA-CEPA ECP
KATALIS
Indonesia-Australia Growing Together

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Acknowledgment

This report has been prepared by Katalis in partnership with:

Methodology

This Market Insight was developed drawing on several sources of proprietary data including real-time job advertisement data from Indonesia developed by the Data Analytics Unit of Prospera Australia Indonesia Partnership for Economic Development. An original survey of Australian TVET providers developed and conducted by Katalis in partnership with Equity Economics and conducted in May 2022. Finally, a series of focused interviews with Australian TVET providers and Indonesian employers were also conducted.

Key Insights

Tourism is a key economic tie between Australia and Indonesia. Prior to COVID-19 it was Indonesia's largest export to Australia, generating annual revenues of nearly AUD 4 billion. In 2019, tourism contributed around 4 per cent to Indonesia's GDP.[1] The industry was hit hard by COVID-19, with travel restrictions resulting in severe layoffs. As Indonesia and Australia emerge from the pandemic, the tourism sector presents a major opportunity for enhanced bilateral trade and investment.

As tourism recovers, Indonesian employers are finding a major skills gap has emerged. Indonesian employers looking to recruit skilled staff are finding that many tourism workers laid off during the pandemic have left the industry altogether. Tourism jobs are rapidly re-emerging, and the tourism industry must rebuild its talent pool.

Nearly 40,000 new roles were advertised in Indonesia's accommodation and food sectors, in the 12 months October 2021 to September 2022. The most advertised jobs include front desk agents, sales managers, duty managers, bartenders and chefs, baristas, crew, cooks, waiters and cashiers – all roles well suited to Technical, Vocational Education and Training (TVET).

The most in demand skills in Indonesian tourism require training in communications, sales, customer service, culinary skills, analytics, administration, English, teamwork, leadership, marketing and food and beverage handling. Australian TVET is well placed to meet these skills and training needs.

Indonesia's tourism workforce pressures are impacting wages, with advertised mean starting salaries for tourism related roles rising over the period October 2021 to September 2022. Employers are willing to pay more for the skilled staff they need to support recovery of the tourism industry.

The Australia TVET industry is adapting to support the Indonesian tourism industry in this recovery. The pandemic has impacted the way Indonesian students study in Australian institutions, moving away from relatively expensive study in Australia to other delivery models. In 2021, about one third of Indonesia students enrolled in Australian institutions were based offshore. This trend creates an opportunity for more cost-effective, flexible and remote training models to help address the rising demand for skills training in Indonesia.

Katalis's recent survey of TVET providers found that 87 per cent of respondents had courses suitable for offshore delivery, including some courses already ready and other courses that could be adapted to the Indonesian audience within 1-24 months. 77 per cent had courses suited to the needs of tourism with 58 per cent having offerings specifically for tourism, 42 per cent for sales and marketing and 25 per cent for digital communications courses.

Australian TVET providers should be capitalising upon the opportunity now. There is a window of opportunity where tourism operators are looking for innovative training models, as they re-establish their market positions in a recovering sector. Australian TVET institutions are looking to build relationships, training programs and pilots as Indonesia's hospitality industry invests in rebuilding their talent pipelines.

Australian TVET providers need to build realistic training models at a sustainable price point. Price sensitivity is likely to remain a permanent challenge to training in the hospitality sector. TVET providers will need to adopt strategies that address this, including high volume approaches and making greater use of local personnel. As Indonesian students adapt to remote study, Australian TVET providers are well placed to develop and deliver remote and blended study options to maximise the training opportunity while meeting the needs of the Indonesian industry and workforce.

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1 Badan Pusat Statistik/Statistics Indonesia (BPS) https://www.bps.go.id/indicator/16/1188/1/proportion-of-tourism-contribution-to-gdp.html

The Indonesian tourism industry and bilateral trade relationship

Tourism and education form a major part of trade between Australia and Indonesia. Prior to the pandemic, tourism was Indonesia's top export to Australia, with 1.4 million Australians visiting Indonesia in 2019. However, in 2020 Australian tourists dropped to 256,000 and further still in 2021 to just 3,200 before recovering to just under 500,000 by October 2022. Similarly, prior the pandemic, education was one of Australia's top exports to Indonesia with 22,640 student enrolments for the year January - December 2019, however by 2021 this had dropped to 19,560 with signs of slight recovery in 2022.

Australia's exports to Indonesia
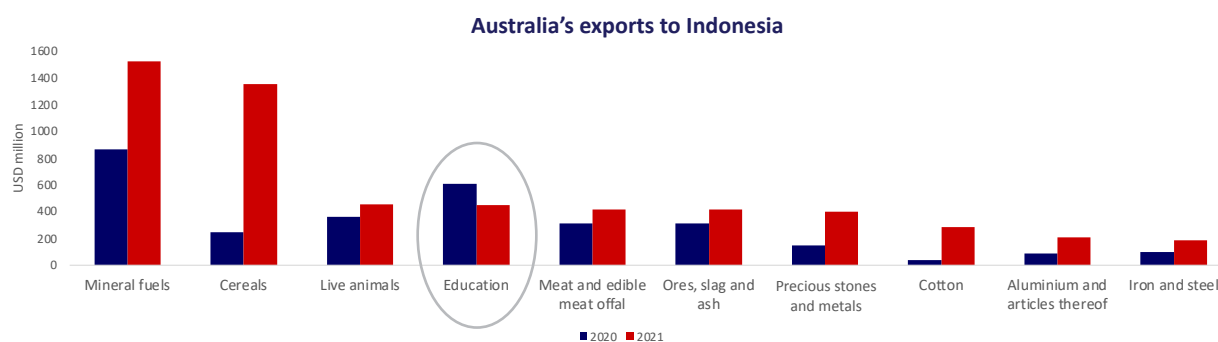
Source: Trade Map and Australian Bureau of Statistics (ABS)
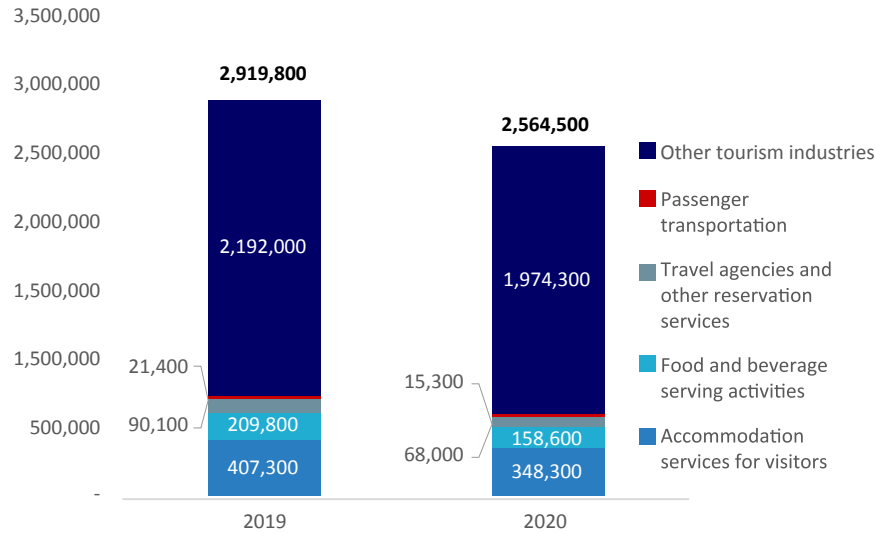
Indonesia's export to Australia
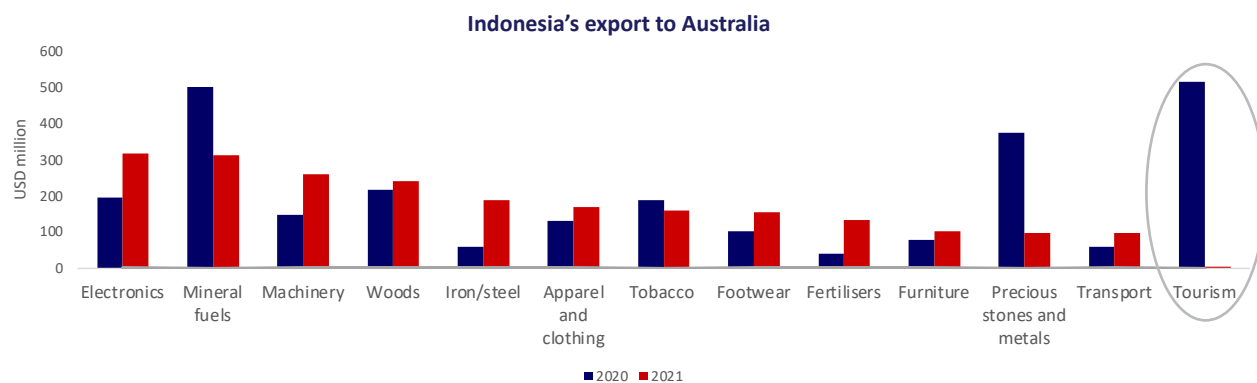
Source: Badan Pusat Statistik (BPS)

The tourism industry is an important source of jobs in Indonesia for large enterprises, as well as small and medium enterprises, and independent contractors. According to the UN World Tourism Organisation (UNWTO)[2] in 2019 prior to COVID-19, 2.9 million employees worked in tourism in Indonesia, including 407,300 workers in accommodation and 209,800 in tourism-related food and beverage service activities, with these two sectors being the largest employers in the tourism industry.

In 2020, the tourism industry was severely impacted and hotel room occupancies declined rapidly. Bali was particularly hard hit with room occupancy rates dropping to just 2 per cent by May 2020. Over this period, UNWTO figures show hotel employee numbers reduced by 59,000 and tourism related food and beverage numbers by 51,000.

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2 https://www.unwto.org/tourism-statistics/key-tourism-statistics

Number of employees in Indonesian tourism industry, 2019-2020

- Other tourism industries
- Passenger transportation
- Travel agencies and other reservation services
- Food and beverage serving activities
- Accommodation services for visitors

*Source: UN World Tourism Organisation*

Indonesia's tourism numbers are recovering. Demand for tourism services is returning in Indonesia, made easier by the resumption of visa on arrival options in 2022. By October 2022, monthly overseas visitor numbers had returned to 50 per cent of pre-pandemic levels for 2018-2019. Hotel room occupancy rates have recovered faster than overseas visitor numbers - by October 2022 rates in Bali had recovered to 77 per cent of pre-pandemic levels and occupancy rates for Indonesia overall had nearly fully recovered. With the hotel industry employing between 0.6 and 1.5 workers per room[3], a resurgence of tourist numbers should result in a recovery of jobs in the accommodation sector.

Number of foreign tourists per month, 2018-2022
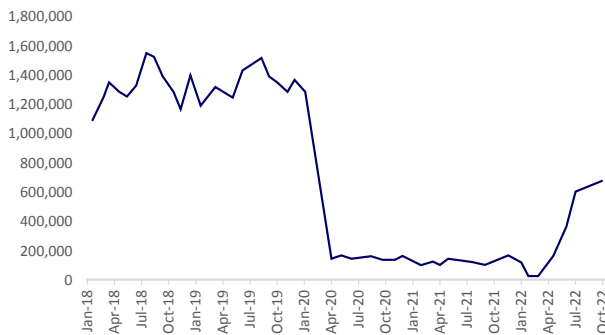
Source: BPS

Room occupancy rates, 2018-2022
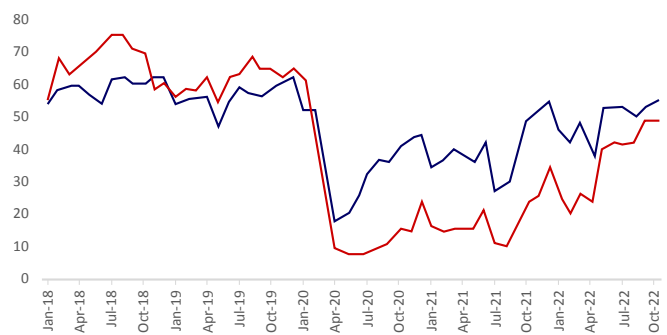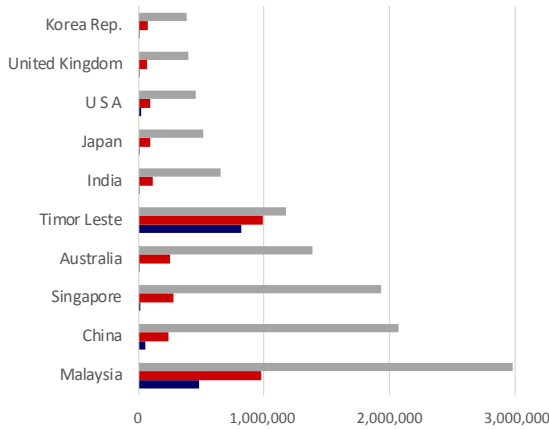

— Indonesia — Bali

Source: BPS

The pandemic changed the country of origin for tourists, at least for now, with tourists in Indonesia currently more likely to originate from Indonesia itself. Prior to COVID-19, Australians were one of the top-five nationalities visiting Indonesia, along with travellers from Malaysia, China, Singapore and Timor Leste. During COVID-19, the Indonesian tourism industry refocussed on encouraging domestic tourism, along with visitors from Malaysia and Timor Leste. Domestic tourists have different travel and spending patterns. For example, domestic guests have an average hotel stay of 1.6 days in a classified hotel compared to an average of about 2.9 days for foreign guests. Indonesian tourism providers will now need to balance the international tourist arrivals with the continuation of the new domestic segment.
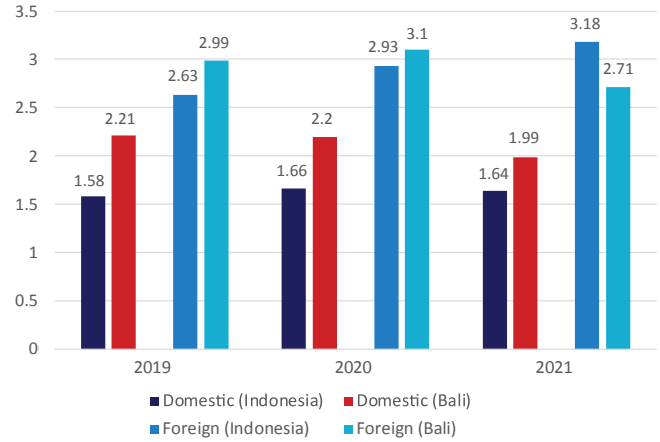
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3 BPS: https://www.bps.go.id/statictable/2009/04/06/1373/jumlah-akomodasi-rata-rata-pekerja-dan-jumlah-tamu-per-hari-menurut-provinsi-2009-2018-hotel-bintang-.html

Tourist Visiting Indonesia by Nationality

Source: BPS

Average length of stay in a classified hotel

■ Domestic (Indonesia) ■ Domestic (Bali)
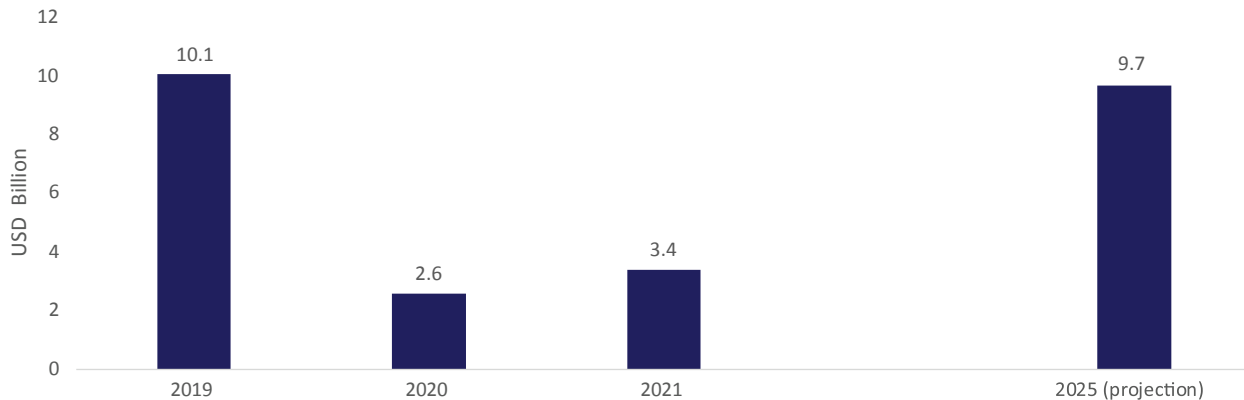■ Foreign (Indonesia) ■ Foreign (Bali)

Source: BPS

Early indications are that traveller expectations are changing and that the nature of Indonesian tourism is changing. Travellers now have higher expectations in terms of hygiene and cleanliness along with greater access to digital services.[4] Similarly, to encourage the return of tourists, including long-stay visitors engaged in remote work, the government of Indonesia is introducing new visas, including a potential "Digital Nomad" visa. There are also initiatives in place to encourage tourists in sub-sectors including health and medical tourism.

Digital travel services are on the rise. Prior to COVID-19, the online travel bookings sector was worth USD 10 billion, however, the sector experienced a significant downturn during the pandemic. Industry analysts[5] expect this segment to have recovered by 2025.

Indonesia Online Travel, Gross Merchandise Value


Source: Bain and Company E-conomy SEA 2021

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4 https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/rebooting-customer-experience-to-bring-back-the-magic-of-travel

5 Bain and company, E-conomy SEA 2021

Employment trends

Recruitment is beginning to pick up. The number of roles advertised in the accommodation and food sector in Indonesia has been growing, with over 39,000 newly advertised roles over the last 12 months. Eighty per cent were in restaurants (including chain restaurants), while the other 20 per cent were in the accommodation sector.

New Advertised Roles Food and Accommodation October 2021- September 2022
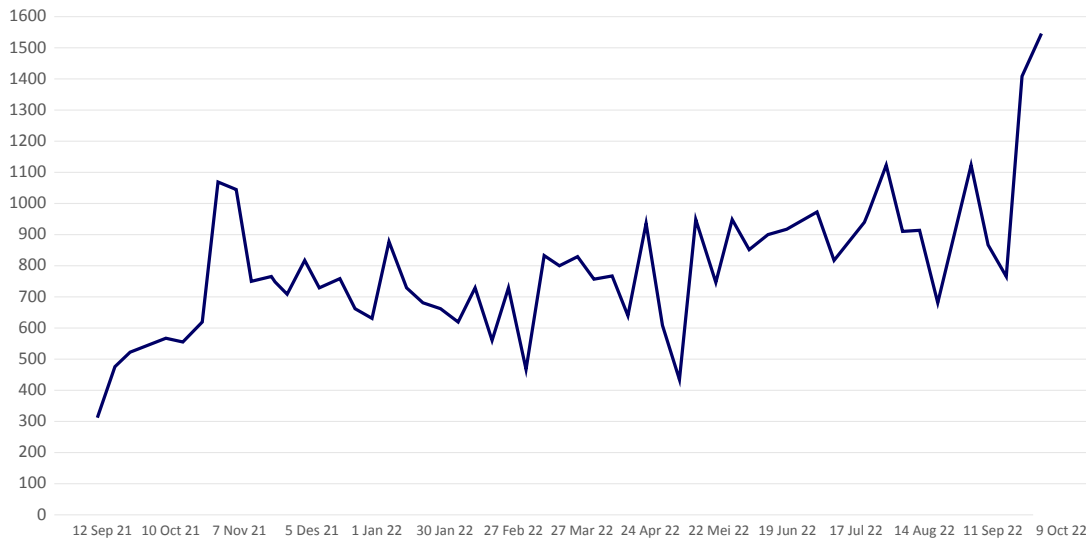
Source: Prospera Labour Market Dashboard

Over the past 12 months, the accommodation and food sector paid lower than average salaries especially in relation to required work experience. Over the same period, application and vacancy rates were moderate (neither especially high nor low) compared to other industries.

Minimum Salary and Minimum Experience, October 2021-September 2022
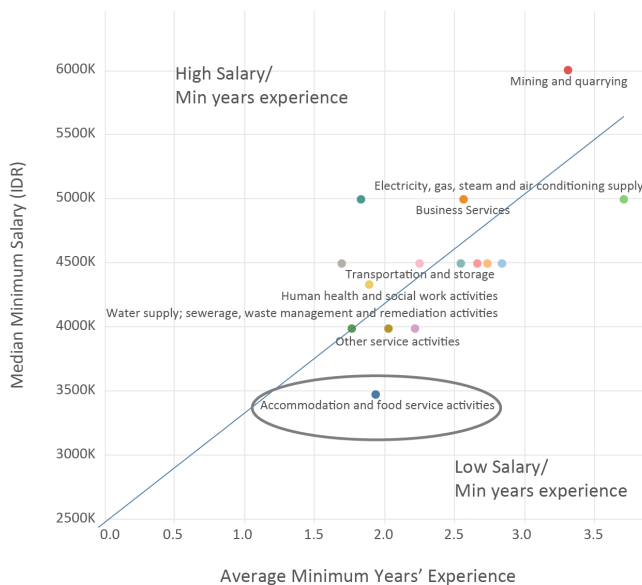
Source: Prospera Labour Market Dashboard

Applications per Vacancy, October 2021-September 2022
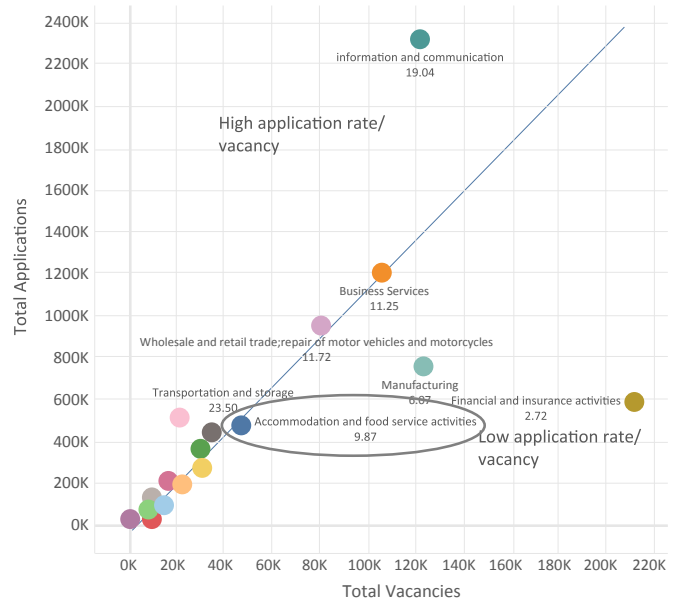
Source: Prospera Labour Market Dashboard

However, advertised mean starting salaries for restaurant/chain restaurant staff have improved over the period October 2021-September 2022 reaching 4 million rupiah per month. Hotel staff starting salaries averaged 3 to 4 million rupiah.
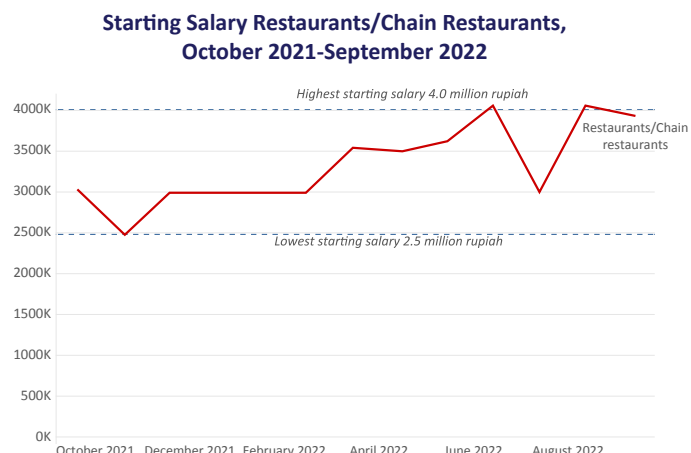
Starting Salary Hotels, October 2021-September 2022

Source: Prospera Labour Market Dashboard

Starting Salary Restaurants/Chain Restaurants, October 2021-September 2022

Source: Prospera Labour Market Dashboard

The most in-demand skills advertised over the last 12 months in accommodation and restaurant sectors included communications, sales, teamwork, customer service, leadership, and culinary skills.

Most in-demand roles and skills and top recruiters in food and accommodation, October 2021- September 2022

	Number of roles	Most in-demand roles	Most in-demand skills	Top recuiters
Hotels	8,127	Front Desk Agent Sales Executive Duty Manager Sales Manager Bartender Chef de Partie Executive Chef Front office manager Cook Housekeeping	Communications Sales Customer Service Culinary Analytics Administration English Sales Operations Business development Hospitality	Marriott International Bobobox Novotel Mangga Dua Hotel Santika Hotel Mandarin Oriental Hotel Mercure Hotel Wisma Nusantara International Commeasure Solutions Indonesia Nurtirta Nusa Lestari Ibis Styles
Restaurants/Chain restaurants	31,184	Barista Crew Outlet Cook Cook Helper Waiter Cashier Kitchen crew Marketing Baker Digital Marketing	Communications Microsoft Office Teamwork Leadership Microsoft Excel Administration Marketing Social media marketing Food and beverage Analyticals	Dom Pizza Indonesia Ismaya Group Petra Sejahtera Abadi Boga Group Eka Boga Inti Rekso Nasional Food Kopi Kenangan Multirasa Nusantara Sumber Natura Indonesia Griya Miesejati

Source: Prospera Labour Market Dashboard

Skills demand in hotels and accommodation

Hotel jobs are rapidly re-emerging. In total, 8,127 new roles were advertised in hotels between October 2021 and September 2022, with steep growth (150 per cent) in the growth of advertisements between the first and second six months over this period. Employment is more concentrated than in the restaurant industry and the top 10 employers are responsible for 40 per cent of all new roles. International hotel group Marriott International, which operates brands in the luxury, premium, select and long-stay segments, has advertised 1,791 new roles since April 2022, making up 21 per cent of all new roles in 2021-2022. The most in-demand skills included communications, sales, customer service, culinary skills, analytics, administration, English, and hospitality. The most in-demand roles are front desk agents, duty managers, and directors of sales.
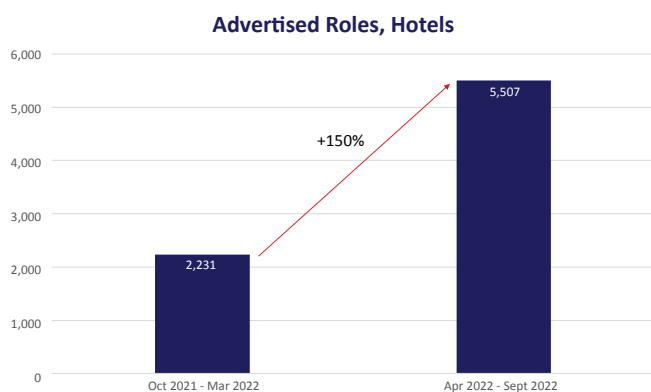
Advertised Roles, Hotels

Source: Prospera Labour Market Dashboard

| Top 10 Recruiters - October 2021- September 2022	Number of Roles
Marriott International	1,791
Bobobox Mitra	319
Novotel Hotel	210
Santika Hotel	191
Mandarin Oriental	164
Mercure Hotel	158
Wisma Nusantara International	126
Commeasure Solutions Indonesia	121
Nusa Lestari	99
Ibis Styles	94

Source: Prospera Labour Market Dashboard

Employer interviews revealed that COVID-19 has fundamentally changed the way large hotels manage their operations, with new expectations of staff. There is a greater demand for generalist skills. For example, a front desk agent needs also to be able to act as a concierge and a phone operator whereas in the past there would typically have been separate employees in these roles.

Employers spoke of the need to ensure that graduates from vocational training institutions are truly workplace-ready, have functional English language skills and for mid to senior level managers, have appropriate management and leadership competencies. Furthermore, as the tourism industry restarts, businesses are placing more emphasis on the importance of excellent sales and marketing skills.

Hotel training budgets vary according to segment, with budgets increasing with hotel segment (e.g. family hotel, premium or luxury). The average training budget is modest and approximately USD 200-400 per staff member per year for frontline staff. A technology-based company such as an online travel might have a larger budget of up to USD 500 per staff member per year.

Top 10 Roles Hotels, October 2021-September 2022
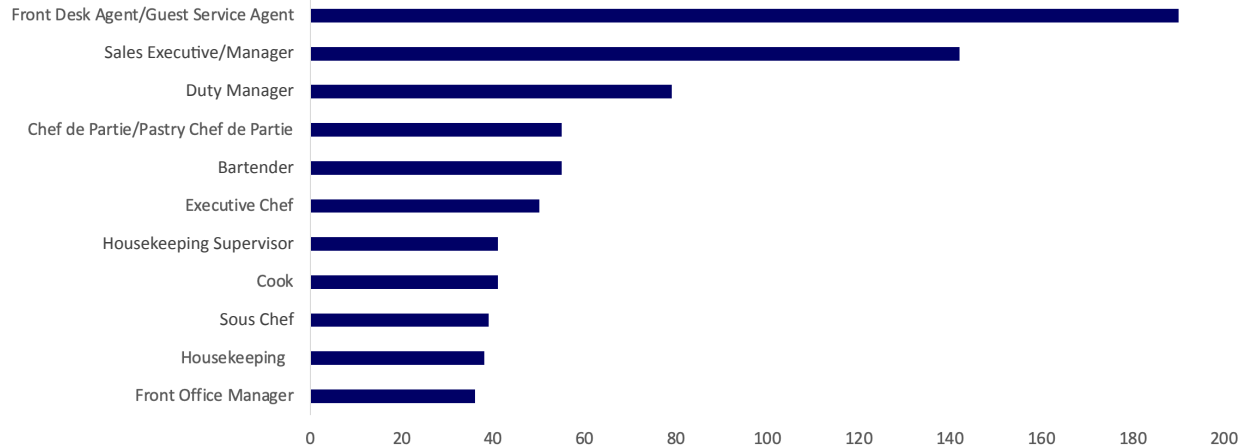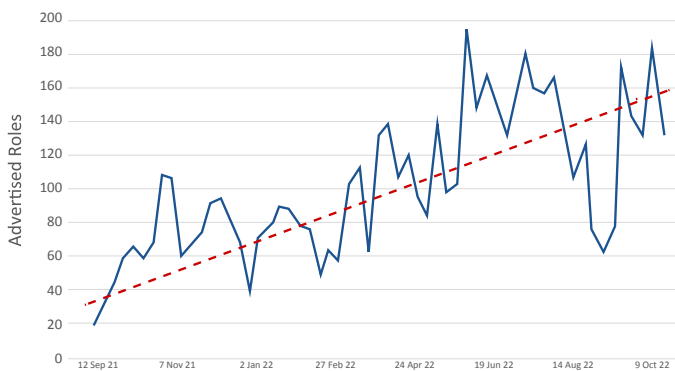

Source: Prospera Labour Market Dashboard

The majority of roles advertised are located in Java, and recovery in Java continues throughout 2022. However, 20.7 per cent of newly advertised roles were located in Bali/NTT, with significant growth from March 2022 in line with improved occupancy rates.

Roles Advertised, October 2021-September 2022
Hotels

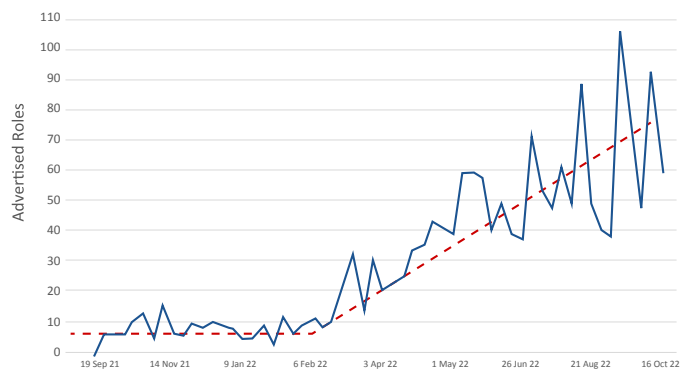| Region	% Roles
Java	66.4
Sumatra	9.5
Bali/NTT	20.7
Kalimantan	1.6
Sulawesi	1.6
Papua	0.1

Source: Prospera Labour Market Dashboard

New Advertised Roles in Hotels, October 2021- September 2022
JAVA

Source: Prospera Labour Market Dashboard

**New Advertised Roles Hotels, October 2021- September 2022**
BALI/NTT

Source: Prospera Labour Market Dashboard

Skills demand in restaurants

Overall, 31,184 roles were advertised by restaurants and chain restaurants between October 2021 and September 2022. The number of jobs advertised grew by five per cent between October 2021-March 2022 and April 2022-September 2022. Employers are highly diversified, with the largest chain employer (Dominos Pizza) recruiting just over one per cent of all roles. The most in-demand skills in the restaurant sector included communication, teamwork, administration and leadership, marketing and food and beverage.

Advertised Roles, Restaurants/Chain Restaurants, October 2021-September 2022
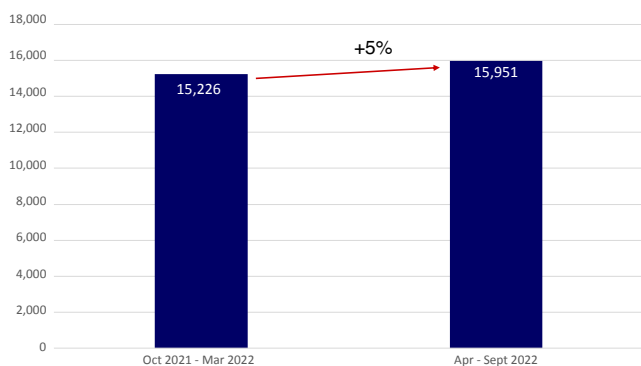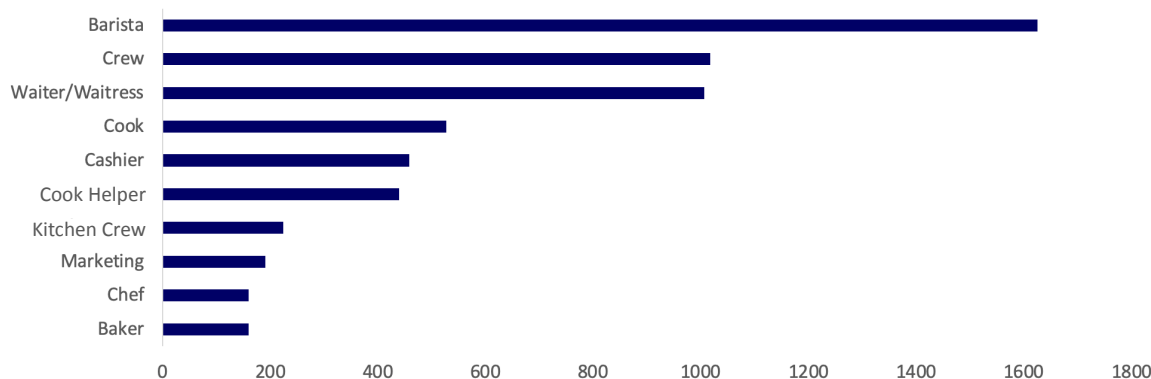

Source: Prospera Labour Market Dashboard

Top 10 Recruiters, October 2021- September 2022	Number of Roles
Dom Pizza Indonesia	310
Ismaya Group	309
Petra Sejahtera Abadi	295
Boga Group	275
Eka Boga Inti (HokBen)	238
Rekso Nasional Food (McDonald's)	227
Kopi Kenangan	205
Multirasa Nusantara (Yoshinoya)	189
Sumber Natural Indonesia	164
Griya Miesejati	164

Source: Prospera Labour Market Dashboard

Barista was the most frequently advertised role, followed by crew, wait staff, cooks, cashiers and digital marketing employees.

Top 10 Roles Restaurants/ Chain Restaurants, October 2021-September 2022
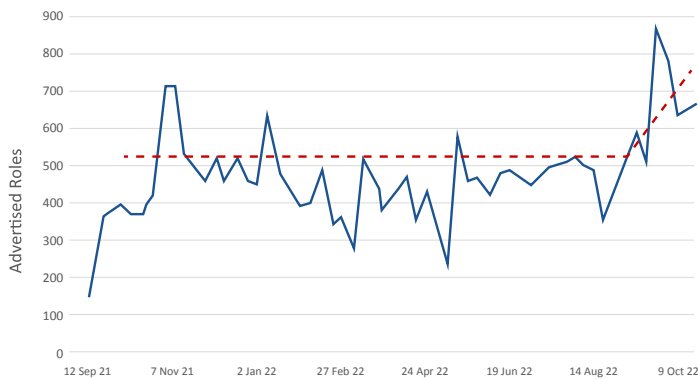

Source: Prospera Labour Market Dashboard

Of Indonesia's top tourism regions, Java is recruiting strongly suggesting that most demand for restaurant and chain restaurant workers is being driven by domestic and business-related needs. However, over the past six months, recruitment in Bali and NTT has begun to pick up as foreign tourists numbers recover.

Roles Advertised, October 2021-September 2022
Restaurants/Chain Restaurants

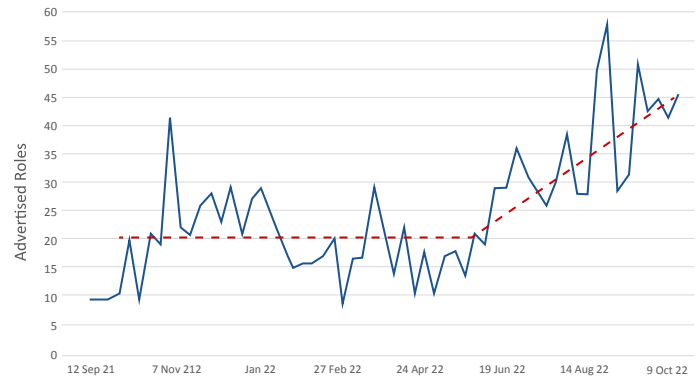| Region	% Roles
Java	82.3
Sumatra	8.8
Bali/NTT	4.2
Kalimantan	3.1
Sulawesi	1.7
Papua	0.2

Source: Prospera Labour Market Dashboard

New Advertised Restaurants/Chain Restaurants,
October 2021- September 2022
JAVA

Source: Prospera Labour Market Dashboard

New Advertised Restaurants/Chain Restaurants,
October 2021- September 2022
BALI/NTT

Source: Prospera Labour Market Dashboard

Tourism as an important industry for inclusive growth in Indonesia

The tourism industry is an important employer of women, with 60 per cent of all workers in the tourism sector being women. The reduction in the tourism workforce has had a disproportionate impact on women. Furthermore, women in the tourism industry earn less than men on average, exacerbating the economic impact of the downturn. Rebuilding Indonesia's tourism workforce, including through training opportunities, will be an important measure to support women's economic participation and pay equity over time.

Tourism can also be an important source of employment in more remote parts of Indonesia. Sustainable tourism development can bring valuable economic benefits to otherwise marginalised communities and as such is important from the perspective of social inclusion.
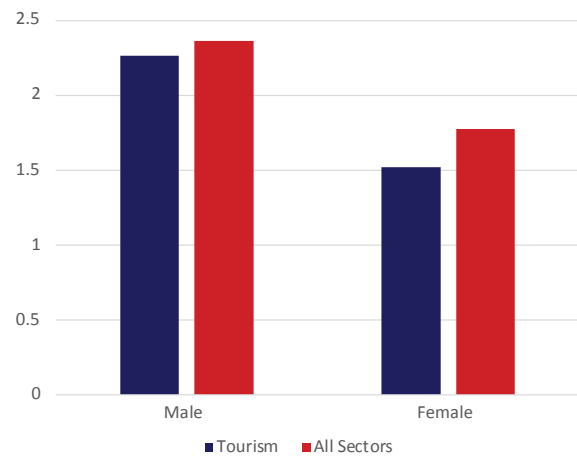
Women make up 60% of all workers in tourism

But they earn less than men, which is similar to the trend nation-wide

Gender Split in Indonesia's Tourism Sector, 2021

40%
60%

■ Male ■ Female
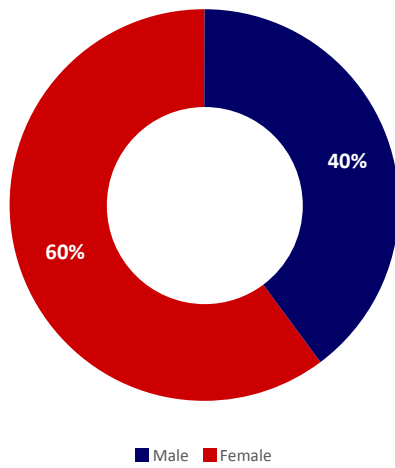
*Tourism includes accommodation food and beverage

Average Monthly Income (in IDR Million), 2021

■ Tourism ■ All Sectors

Case Study: TanaMori

Katalis is supporting TanaMori, a major tourism development adjacent to the Komodo National Park, to become a sustainable tourism destination aligned with Global Sustainable Tourism Council's (GSTC's) destination criteria. A key feature of this approach is to ensure that the benefits of tourism are distributed broadly with a specific focus on gender equality, disability and social inclusion (GEDSI) to create socio-economic sustainability.

GSTC criteria require delivering local economic benefits and employment, supporting local business, enhancing social welfare, mainstreaming gender equality, disability and social inclusion principles in order to minimise any negative impacts of tourism development. The framework ensures rights are measured fairly and monitored regularly and transparently through a destination management organisation (DMO). The role of the DMO is to uphold sustainability standards for the destination and includes representation from community advocacy groups.

A key component of the program is training key tourism actors and stakeholders in sustainable tourism. The DMO will carry out a training needs analysis to evaluate the extent of local knowledge and then design awareness and capacity training programs to support both the site development and the ongoing operation of the tourism destination.

Opportunities for Australia TVET

Katalis's survey of Australian TVET providers found that of the respondents who had existing courses suitable for offshore delivery, 77 per cent had courses suited to the needs of the Indonesian tourism sector. 58 per cent had suitable offerings specifically for the tourism as well as more general sales, marketing, and digital communications courses. These skills are in high demand in the Indonesian tourism sector.

Category	Percentage
Business Skills	83%
Tourism Services	58%
Other professional roles	50%
Health Workforce	42%
IT support and development	42%
Sales and Marketing	42%
Digital Communication	25%
No suitable courses	17%
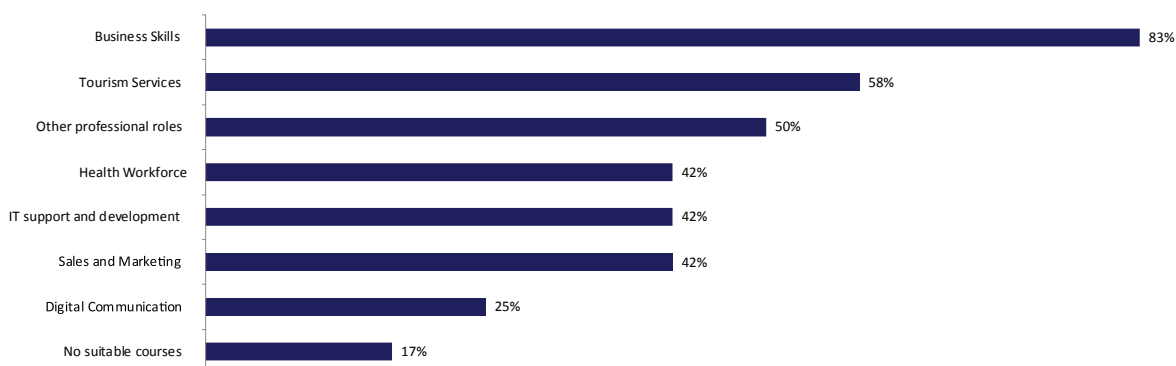
Source: Equity Economics

In 2021, nearly one third of Indonesian students studying with an Australian institution were living outside of Australia. TVET continues to be a popular choice (with nearly half of Indonesian students in Australia studying at a vocational training institution) but Indonesian student numbers in Australia have decreased over the course of the pandemic. In order to address this trend, Australian TVET institutions should consider new models of program delivery. The widespread adoption of online study, accelerated by COVID-19, has created new opportunities to serve the Indonesian market. The disruption experienced by the Indonesian tourism industry together with the expectation of a strong bounce-back in the next twelve months, makes this a strategic moment for Australian TVET to build market share in Indonesia.

As hospitality training budgets are modest TVET providers need to have industry adapted strategies, such as models of blended learning, local partnerships, or micro-credentials to ensure sustainable training offering at the right price point. Furthermore, they need to focus their attention on areas of sustained high demand. One innovative model being pursued by Katalis is the development of an online Indonesia-Australia Skills Exchange. This began operating at the end of 2022 and provides a platform for Australian skills/education providers to showcase their capabilities and offerings to the Indonesian market, including Indonesian tourism and hospitality businesses.

Indonesian Student Enrolments, January-December 2019-2022

Year	Enrolments
2019	22,641
2020	22,304
2021	19,560
2022 (Oct.)	19,603
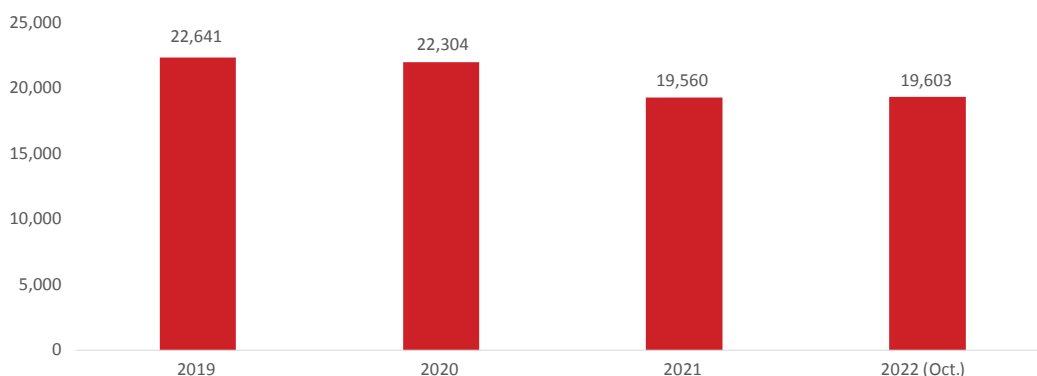
Source: Australian Department of Education, 2022

	Course Area	Globally recognised certification	Delivery mode	Full Course International Fee (AUD)	Course duration
TAFE Queensland	Tourism	No	Online	5001-10000	6 months
	Tourism	No	Online	15001-20000	12 months
TAFE New South Wales	Tourism	No	Blended learning	1001-2000	12 months
Melbourne Polytechnic	Tourism	Yes	Online	201-500	6 months
The Gordon	Tourism	Yes	Blended learning	5001-10000	6 months
Holmsglen Institute	Tourism	Yes	Blended learning	5001-10000	12 months
Australia Institute of Advanced Studies	Tourism	Yes	Blended learning	10001-15000	12 months

Source: Equity Economics

Case Study: Traveloka

Katalis has been working with Traveloka, one of Indonesia's largest tech companies focused on travel and ticketing, to expand access to digital literacy training. Traveloka will partner with an Australian training provider to implement train the trainer courses to equip Traveloka to deliver a digital literacy training program to micro, small and medium sized enterprises (MSMEs) located in 244 *desa wisata* (tourism villages) throughout Indonesia. The digital literacy modules will be designed and developed by the Australian training provider in collaboration with Traveloka to ensure the content is aligned with Traveloka's needs. Program participants will have the opportunity to list their tourism and hospitality related services on the Traveloka app, enabling them access to greater economic opportunities.

Following the implementation of the digital literacy course, Katalis will seek to broker partnerships with multiple Australian training providers to develop course content related to sustainable tourism, to be advertised on the Traveloka app to their more than 40 million monthly users. By developing course content and making it more accessible to the Indonesian public, Katalis is seeking to improve awareness of Australian TVET and increase the number of people able to access high quality training opportunities in the tourism sector.

Key Takeaways

The recovery of Indonesia's tourism industry presents a major opportunity for Australian skills and training providers. The downturn of the tourism industry caused by COVID-19 is reversing, with tourist numbers recovering in 2022. This resurgence is expected to result in a talent crunch, as operators compete to acquire and retain staff, and adapt to new trends in the sector. The tourism industry is likely to show huge demand for skilled talent in the coming years, as they seek to rebuild their staffing numbers.

Australian TVET providers are well placed to support this recovery with targeted skills and training. Job advertisements in Indonesia confirm the emerging job opportunities and skills in demand, that can inform and shape the development of Australia's TVET offering to Indonesia. Key skills in demand include: communications, sales, customer service, culinary skills, teamwork, administration, leadership, hospitality, and Microsoft Office. Australian TVET providers have established skills and training courses in each of these areas, and 77 per cent are well placed to deliver to Indonesian students, employers and the tourism workforce.

Price sensitivity is likely to remain a challenge to training in the tourism sector. TVET providers will need to adopt strategies to address this, which may mean a high-volume/low-cost approach and making use of local training capacity and remote learning.

New avenues to connect Indonesian tourism employers with Australian TVET providers are emerging. With the support of the Indonesia and Australian governments, Katalis has established a bilateral Indonesia – Australia Skills Exchange to connect Indonesian employers with high-quality Australian TVET providers that can meet their specific training needs.

Katalis is here to help. Katalis can help you connect. If you are an Australian skills provider able to deliver digital skills and training in the Indonesian market, or an Indonesian business looking to deliver training to your employees, contractors or clients, contact Katalis to discuss opportunities.

Contact   clarice.campbell@iacepa-katalis.org
Website   iacepa-katalis.org