
An Institutional and Fiscal Analysis of Foreign Worker Compensation Fund (DKPTKA) Management in Developing Indonesian Workforce Competence

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Abstract

The use of foreign workers in Indonesia not only affects the dynamics of the labour market, but also contributes fiscally through the Foreign Worker Compensation Fund (DKPTKA) as part of Non-Tax State Revenue (PNBP). Regulatory provisions, as stipulated in Government Regulation No. 34 of 2021, Articles 33-35, direct the DKPTKA to support the enhancement of Indonesian workers' competencies through training, certification, and the strengthening of vocational training institutions. However, this study found that the current utilization of the DKPTKA is not yet fully in line with these strategic objectives, as most of its allocation is still directed towards job expansion programs and administrative activities. This article aims to provide a factual overview and policy analysis related to the utilization of DKPTKA, examine its compliance with regulatory provisions, and formulate relevant policy recommendations for optimising the use of DKPTKA in a more effective and oriented towards improving the competence of the Indonesian workforce. Through policy analysis and comparison with practices in several countries such as the Philippines, Thailand, Vietnam, Malaysia, and the UAE, this study shows that foreign worker compensation funds have the potential to be a strategic instrument for local workforce capacity building. Based on these findings, this article recommends reorienting the allocation of DKPTKA towards competency development, integrating technology transfer in the use of foreign workers, providing incentives for local governments, diversifying sources of non-tax state revenue from employment, and strengthening impact-based monitoring and evaluation systems.

Keywords: foreign worker compensation fund (DKPTKA), vocational training, foreign labour policy, workforce competency development, non-tax state revenue (PNBP)

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1. Introduction

Non-Tax State Revenue (Penerimaan Negara Bukan Pajak, PNBP) is a crucial instrument for financing national development. In the employment sector, PNBP plays a strategic role in supporting the implementation of programs aimed at improving the quality of human resources. Within the Ministry of Manpower, one of the primary sources of PNBP comes from the Foreign Worker Compensation Fund (Dana Kompensasi Penggunaan Tenaga Kerja Asing, DKPTKA), which is funds paid by employers for the use of foreign workers, as stipulated in Government Regulation Number 34 of 2021 concerning the Use of Foreign Workers.

Normatively, the DKPTKA is designed to support improving the quality and competence of the Indonesian workforce. These funds are supposed to be used to finance various strategic programs such as job training, competency certification, the development of vocational training centers, and facilitating technology transfer from foreign workers to local workers. Thus, the DKPTKA is positioned not only as a source of fiscal revenue but also as a policy instrument for sustainable human resource development oriented towards increasing the competitiveness of the national workforce. However, in its implementation, the use of the DKPTKA has not fully reflected this regulatory mandate. Several reports indicate that most funds are still being used for administrative activities rather than for strategic training programs for the local workforce. Furthermore, there is a high level of dependence on DKPTKA in the Ministry of Manpower PNBP structure, which has the potential to cause distortions in results-based planning and budgeting.

The increasing number of foreign workers in Indonesia, particularly following the COVID-19 pandemic, has also contributed to the rise in DKPTKA revenue. The Ministry of Manpower report (2023) noted that strategic sectors such as construction, manufacturing, and energy are the largest contributors to the number of foreign workers, directly impacting the increase in PNBP from the DKPTKA. However, several studies indicate that the effectiveness of DKPTKA utilization remains suboptimal. A study by Katadata Insight Center (2022) revealed a gap between the amount of funds collected and the actual impact on improving the skills of the Indonesian workforce, particularly in labor-intensive sectors. Similar findings were presented by Yuiastuti (2018), who stated that increasing investment and the number of foreign workers did not significantly impact the capacity building of the local workforce.

Although DKPTKA is a fiscal instrument that is regulatively aimed at improving the competence of the Indonesian workforce, studies on the effectiveness of its utilisation are still very limited. Most previous studies have focused on aspects of TKA regulation, the contribution of DKPTKA to state revenue, or issues of TKA supervision and licensing. However, there have been few studies that systematically assess the gap between the regulatory mandate of DKPTKA and the realisation of its allocation, particularly in relation to the proportion of funding for vocational training, competency certification, and the development of vocational training centers (Balai Latihan Kerja, BLK).

As part of the ministry's budgeting system, the management of the DKPTKA should be transparent, accountable, and aligned with results-based program planning. Dependence on the DKPTKA as the primary source of PNPB also needs to be anticipated to prevent shifting the orientation of fund utilization from what should be strategic to merely meeting revenue targets. Therefore, a comprehensive analysis is needed on the dynamics of DKPTKA receipt, management, and utilization as part of PNPB at the Ministry of Manpower. This article aims to provide a factual overview and policy analysis related to the utilization of the DKPTKA, evaluate its compliance with regulatory provisions, and develop relevant policy recommendations to optimize the use of the DKPTKA in a more effective and oriented towards improving the competence of the Indonesian workforce.

2. Research method

2.1. Research method

The research method used in this study is qualitative, with a policy analysis and case study approach focused on the governance and utilization of the Foreign Worker Compensation Fund (DKPTKA) in Indonesia. This approach was chosen because it enables an in-depth examination of the alignment between regulatory provisions, implementation practices, and institutional dynamics that influence the effectiveness of the fund's utilization. The data analysed was secondary data taken from various sources, including research results, journals, official reports, laws and regulations and their derivatives, and relevant media publications. This study combines policy studies with documentation studies to systematically examine the substance of regulations and patterns of DKPTKA usage over time.

To enrich the analysis, this study also applies international benchmarking analysis using a comparative policy analysis approach to the utilization and use of foreign worker compensation fund in several countries, such as the Philippines, Thailand, Vietnam, Malaysia, and the United Arab Emirates, which have developed policy instruments similar to the DKPTKA as part of their foreign worker governance.

2.2. Theoretical Framework

The national legal framework regarding the use of foreign workers in Indonesia is comprehensively regulated in Law Number 13 of 2003 concerning Manpower, which emphasizes the importance of regulations to ensure order and protection in the use of foreign workers. Article 42 paragraph (1) states that every employer employing foreign workers must obtain written permission from the Minister of Manpower or a designated official. Furthermore, Article 43 paragraph (1) requires a Foreign Worker Utilization Plan (RPTKA) document as the basis for legality and oversight. This provision aims to ensure orderly and accountable foreign worker management, in line with the principle of protecting local workers.

As part of this policy, the government has implemented the mandatory payment of the Foreign Worker Utilization Compensation Fund (DKPTKA), as stipulated in Government

Regulation Number 34 of 2021. The amount of the DKPTKA is set at USD 100 per position per person per month, and is paid according to the length of service of the foreign worker employed. This fund serves as a source of Non-Tax State Revenue (PNBP) and represents a private sector contribution to national workforce development. In a study by Dewi & Ramadhani (2021), the DKPTKA system is assessed not only as a fiscal instrument but also as a policy tool to encourage knowledge transfer and strengthen the capacity of the local workforce.

The Theory of Good Governance (UNDP, 1997) states that good governance is the process of managing a country that involves public participation, the rule of law, transparency, responsiveness, consensus orientation, equality, effectiveness and efficiency, accountability, and strategic vision, with the aim of achieving sustainable development by involving the government, citizens, and the private sector in accountable decision-making and implementation.

The Public Resource Allocation Theory (Musgrave, 1959) states that the government functions to provide goods and services needed by the public, requiring consideration of the socio-economic impact of policies that have been implemented and maintaining economic stability.

The Theory of Fiscal Sector Policy (Stiglitz, 1988) states that fiscal policy can be directed sectorally to accelerate economic transformation through investment in human capital, technology, and institutional capacity. Stiglitz also adds that the government needs to intervene fiscally when the market fails to provide sufficient investment in training, research, and workforce competency development.

Human Capital Theory (Becker, 1964) states that individual skills, knowledge, and competencies are forms of capital that can be improved through investment in education and training. This investment results in increased labour productivity and long-term economic growth.

Public Policy Theory (Dye, 2017), which states that public policy is a decision made by the government, either to do something or not to do something. The theory emphasises the importance of assessing the gap between normative policy and its implementation.

3. Results and Discussion

To analyze the strategic role of the DKPTKA within the Ministry of Manpower budget system, an approach based on public resource allocation theory (Musgrave, 1959) is used, which emphasizes that public funds must be allocated efficiently for the benefit of the wider community. Ideally, the utilization of the DKPTKA to support the skills development of the local workforce reflects the principle of targeted allocation. However, if the funds are used primarily for administrative purposes, this deviates from its primary purpose as a human resource development instrument.

Furthermore, in the context of DKPTKA governance, the principles of good governance (UNDP, 1997) are crucial to ensure transparency, accountability, and stakeholder participation.

Governance inconsistent with these principles risks undermining public trust and the effectiveness of workforce competency improvement programs. Moreover, as reported by the Ministry of Manpower (2023), there is still a disparity between the amount of DKPTKA funds collected and the resulting program outputs.

DKPTKA is collected through several mechanisms, including the approval of new RPTKAs, extensions of RPTKAs across provinces, and approval of RPTKAs in Special Economic Zones (KEK). The utilization of DKPTKA funds is also divided into two schemes: regional levies and central non-tax state revenues (PNBP), depending on the foreign worker's work location. If the work location involves more than one district/city within a province, the DKPTKA is categorized as a provincial levy. Conversely, if the scope of work is limited to a single district/city, the funds are included in the district/city-level levy (Ministry of Manpower, 2023). This scheme demonstrates the synergy between central and regional employment policies within the context of fiscal decentralization, but monitoring of implementation and program direction still needs to be evaluated to ensure its effectiveness.

The utilization of the DKPTKA also needs to be viewed through the lens of sectoral fiscal policy theory (Stiglitz, 1988), which states that fiscal instruments, including PNBP (Non-Tax State Revenue), should be directed towards supporting the transformation of the relevant sector, in this case the employment sector. When the DKPTKA functions more as an operational financing tool than as an investment in vocational training or technology transfer, the stimulative function of fiscal policy is not optimally achieved.

Furthermore, the government has established exemptions from DKPTKA payments for government agencies, foreign diplomatic missions, international organizations, and certain social, religious, and educational institutions. This policy reflects the state's support for strategic sectors that play a crucial role in developing community capacity. For example, higher education institutions employing foreign lecturers with superior academic qualifications are exempt from paying DKPTKA as part of the higher education internationalization policy (Kompas, 2022). A study by Purwanto & Fitriani (2020) found that this incentive policy is considered capable of improving human resource quality through global academic collaboration.

Finally, in the context of human capital theory (Becker, 1964), the DKPTKA can be understood as a form of indirect investment in the local workforce. When these funds are used for training, certification, or capacity building, they will strengthen human capital, which can boost national productivity. Conversely, non-strategic use will eliminate long-term opportunities to strengthen the workforce's competitiveness.

4.1. Trends and Dynamics of DKPTKA Revenue as PNBP and Regional Retribution

The DKPTKA has become a key pillar in the Ministry of Manpower PNBP structure. According to data from the Ministry of Manpower Finance Bureau, from 2021 to 2024, the DKPTKA's contribution to the Ministry's total PNBP consistently exceeded 90%, indicating a very high fiscal dependence on a single revenue source. In 2021, the DKPTKA contributed 94.25% of

the Ministry's total PNBP. This figure decreased slightly to 91.51% in 2022, but rose sharply again in 2023 to 96.80%, before finally experiencing a slight decline to 93.53% in 2024. This highly dominant proportion reflects the government's success in digitally and centrally integrating the foreign worker licensing and levy system through the TKA Online platform.



Figure 1. DKPTKA's Contribution to the Ministry of Manpower PNBP 2021–2024

Source: Ministry of Manpower Finance Bureau (processed)

DKPTKA revenue as part of PNBP experienced a significant upward trend in the period 2018 to 2023. Total revenue increased from IDR 1.44 trillion in 2018 to IDR 2.54 trillion in 2023, reflecting the high intensity of foreign worker utilization post-COVID-19 pandemic and the strengthening of the collection system through digitizing foreign worker permits, such as through TKA Online. However, data shows that this increase in revenue is not accompanied by equitable fiscal distribution between the central and regional governments. Contributions from central PNBP consistently dominate, with an average portion above 80% of total revenue each year. Meanwhile, contributions from regional levies are fluctuating and have tended to decline in recent years, although they peaked at 31.49% in 2020.

Table 1. Realization of DKPTKA Revenue 2018–2023

Year	PNBP (Rp)	Regional Retribution (Rp)	% PNBP of Total	% Regional Retribution of Total
2018	1.423.4 M	18.1 M	98.74%	1.26%
2019	1.562.7 M	318.8 M	83.06%	16.94%
2020	1.112.7 M	511.3 M	68.51%	31.49%
2021	1.145.1 M	396.6 M	74.28%	25.72%
2022	1.817.6 M	226.6 M	88.92%	11.08%
2023	2.043.5 M	494.2 M	80.52%	19.48%

Source: Directorate of Control of the Use of Foreign Labor, 2024 (processed)

The dominance of central government non-tax state revenues (PNBP) is inseparable from the centralized licensing and management policies of the Directorate General of Workers' (DKPTKA), which consolidate administrative authority within the central government. On the other hand, the capacity of local governments to determine, collect, and manage foreign worker levies remains limited, both in terms of regional regulations (Perda) and fiscal institutions. This

creates a fiscal and programmatic gap, with local governments lacking the fiscal space to develop job training, certification, and technology transfer, as mandated by Government Regulation No. 34 of 2021.

From the perspective of public resource allocation theory (Musgrave, 1959), this situation reflects the suboptimal fiscal distribution to address real needs at the local level, particularly in workforce competency development. This imbalance also raises critical questions about the effectiveness of the DKPTKA governance, as emphasized in the principles of good governance (UNDP, 1997), which demand transparency, accountability, and equitable distribution of benefits across levels of government. The implications of this imbalance indicate the need for reform of the DKPTKA distribution scheme, including a profit-sharing mechanism or performance-based incentives for regions. The central government can promote a fund distribution model based on regional contributions to the supervision, facilitation of foreign workers, and implementation of local workforce training programs. This step will not only strengthen fiscal decentralization but also align fund utilization with specific regional needs.

From the perspective of sectoral fiscal policy theory (Stiglitz, 1988), DKPTKA funds should be used as an instrument to stimulate systemic local human resource development. Excessive utilization by the central government without regional involvement actually reduces the fiscal effectiveness of these funds in strengthening local skills contextually. Furthermore, field data and evaluative studies, such as those from Katadata (2022), indicate the limited impact of the DKPTKA on skills development in labor-intensive sectors. Considering human capital theory (Becker, 1964), DKPTKA funds should ideally be allocated for long-term investments in vocational training, development of Vocational Training Centers (BLK), and competency certification. When allocations are focused on non-substantive or administrative activities, the opportunity to create a globally competitive local workforce is hampered.

Therefore, despite the significant increase in DKPTKA revenue, the imbalance in fiscal roles between the central and regional governments remains a structural challenge. Therefore, strengthening the integration of DKPTKA planning, regulation, and management collaboratively between the central and regional governments is urgent. This step is crucial to ensure that compensation funds are truly utilized to improve the competitiveness of the Indonesian workforce, strengthen the technology transfer agenda, and build long-term national labor independence.

4.2. Utilization of DKPTKA in Employment Policy

a. Analysis of Trends in the Utilization of DKPTKA Funds for Human Resource Development and Vocational Education

As mandated by Government Regulation No. 34 of 2021, DKPTKA funds are normatively directed to support improving the quality and competitiveness of the Indonesian workforce through job training, certification, the development of vocational training centers (Balai Latihan Kerja, BLK), and technology transfer from foreign workers to local workers. In practice, the

allocation of DKPTKA funds for human resource development shows a fluctuating and downward trend, with a sharp decline occurring after 2020. 2020 recorded the highest proportion of DKPTKA PNPB allocation for vocational activities and strengthening training institutions (46.23%). However, in subsequent years, the allocation of funds for vocational training, competency certification, and instructor development decreased drastically, reaching only 0.74% in 2022 and 2023, and increasing slightly to 1.93% in 2024—the majority of which was used for improving civil servant human resources, rather than training the local workforce.

Table 2. Allocation of Funds for Human Resource Development and Vocational Education (% of Total PNPB)

Year	Vocational Training & Internship	Competency Standards/Vocational Institutions	Competency Certification	Instructor Competency Improvement	Apparatus Human Resources	Total
2020	0.93	39.60 (Stankom + Kelembagaan)	3.84	1.86	-	46.23%
2021	0.04	0.51	-	-	0.74	1.29%
2022	0.36	0.16	-	-	0.22	0.74%
2023	0.52	-	-	-	0.22	0.74%
2024	0.53	-	-	-	1.40	1.93%

Source: Bureau of Planning and Performance Management, Ministry of Manpower, 2024 (processed)

This decline highlights the gap between the DKPTKA's normative objectives and their actual implementation. From the perspective of Human Capital theory (Becker, 1964), investment in vocational education and training is key to increasing the productivity and competitiveness of the local workforce. The fact that budget allocations have shifted to administrative functions raises significant questions about the effectiveness and accountability of DKPTKA funds as a human resource development policy instrument.

Therefore, repositioning DKPTKA financing policy is urgently needed to ensure that DKPTKA's primary function as a vehicle for technology transfer and workforce capacity building is truly realized through measurable, standardized, and labor market-based vocational programs.

b. Analysis of DKPTKA Utilization for Foreign Worker Services and Supervision

In contrast to the allocation for vocational training, the allocation of DKPTKA funds for foreign worker service and supervision activities has actually increased significantly, from 2.91% in 2020 to 14.05% in 2024. Activities in this category include: supervision of the use of foreign workers, bilateral cooperation on employment, development of regulations on the use of foreign workers, and Occupational Safety and Health (K3) testing.

Table 3. Allocation of Funds for Supporting Activities for Foreign Worker Management (%)

Year	Foreign Worker Control	Supervision System	Domestic & International Cooperation	Employment Policy	K3 Testing	Total
2020	1.54	–	–	–	1.37	2.91%
2021	0.68	–	0.97	–	1.42	3.07%
2022	1.15	–	1.29	–	1.13	3.57%
2023	0.69	0.90	0.53	0.60	7.45	10.17%
2024	0.84	1.07	0.54	1.86	9.74	14.05%

Source: Bureau of Planning and Performance Management, Ministry of Manpower, 2024 (processed)

Administratively, this increase demonstrates a strengthening of governance and control over the use of foreign workers. However, from a policy perspective, this shift in allocation demonstrates an imbalance between foreign worker supervision and the DKPTKA's strategic goal of transferring knowledge to the local workforce. There is no evidence that the increased budget for foreign worker supervision directly contributes to training or apprenticeship schemes for local workers alongside foreign workers, as expected under the dual-training system or cross-border mentoring schemes implemented in several ASEAN countries.

From a public policy theory perspective (Dye, 2017), this divergence between policy objectives and implementation indicates weak results-based planning and a lack of performance-based evaluation mechanisms. Allocating a larger portion of the budget to foreign worker supervision rather than local worker training actually weakens the DKPTKA's strategic role as an instrument for human resource development and fulfilling regulatory mandates.

4.3. Benchmarking the Utilization of Foreign Worker Compensation Fund in Several Countries

This study benchmarks the use of the foreign worker compensation fund in several countries, focusing on optimization methods, funding sources, implemented policies, and their impact on national employment. The article reviews policy practices in countries such as the Philippines, Thailand, Vietnam, Malaysia, and the United Arab Emirates (UAE), which have developed foreign worker compensation fund policy instruments as part of their foreign labor governance.

Table 4. Benchmarking of Foreign Worker Compensation Fund Utilization in Several Countries

Country	Optimization Method	Source of Funding	Key Policy	Impact
Philippines	Integrated Skills Development	Compensation fund from foreign worker permit fees	Training and certification for local workers' skills	Improved local competencies and reduced dependency on foreign workers
Thailand	Employee Welfare & Development Fund	Contributions from companies employing foreign workers	Social investment and job training through the labor protection fund	Balanced protection for foreign and local workers, and

Country	Optimization Method	Source of Funding	Key Policy	Impact
				enhanced social acceptance
Vietnam	Workforce Skills Training	Government subsidies and foreign worker funds	Skills training through collaboration between foreign firms and training institutions	Reduced need for foreign workers and increased domestic labor capacity
Malaysia	Human Resource Development Fund (HRDF)	Mandatory contributions from companies, including those hiring foreign workers	Sector-based training and support for in-house corporate training	Improved local competencies and accelerated adaptation to Industry 4.0
UAE (Emirates)	Emiratisation Fund	Employer contributions for hiring expatriate workers	Wage subsidies and training for local workers to replace foreign employees	Strengthened local workforce dominance in the private sector and reduced reliance on foreign labor

A comparative analysis of the utilization of the DKPTKA in several countries reveals a diversity of policy approaches aimed not only at meeting fiscal obligations but also at strengthening human resource development strategies and the well-being of local communities. The Philippines, through its Integrated Skills Development scheme, focuses on using compensation funds from foreign worker work permits to support local workforce skills training and certification programs. This approach has significantly contributed to increased productivity and reduced dependence on foreign workers (Asian Development Bank, 2020).

Meanwhile, Thailand developed a Community Development Fund funded by contributions from foreign worker-using companies, which is used to build public facilities and social services in industrial areas. This policy has been shown to increase social acceptance of foreign workers while strengthening ties between industry and local communities (International Labour Organization, 2021). In Vietnam, the Workforce Skills Training policy, supported by government subsidies and contributions from foreign worker-using companies, focuses on skills training through partnerships between the private sector and training institutions. This has resulted in significant improvements in the quality of the local workforce and a gradual reduction in the need for foreign workers (World Bank, 2022).

Two additional countries that are also relevant for analysis are Malaysia and the United Arab Emirates (UAE). In Malaysia, the implementation of the Human Resource Development Fund (HRDF) requires companies employing foreign workers to contribute to training funds for local workers, which are then channeled through industry-based training programs (Yusof & Rahmah,

2019). This scheme creates a strong incentive for businesses to participate in domestic workforce development, while simultaneously making the HRDF a catalyst for vocational training reform.

Meanwhile, the UAE, with its Emiratization policy, not only uses funds from companies employing foreign workers for training but also requires private companies to provide mentoring, internships, and skills transfer programs for local nationals. This policy firmly positions the Emiratisation Fund as a strategic instrument in supporting the national agenda of job creation and reducing the dominance of foreign workers in the private sector (United Arab Emirates Ministry of Human Resources & Emiratization, 2021).

The implications for Indonesia from these benchmarking findings are significant. First, Indonesia needs to shift the orientation of the DKPTKA utilization from an administrative approach to a more integrated and directly impactful human resource development instrument (Dewi & Ramadhani, 2021). Second, the allocation of the DKPTKA should be accompanied by a mandatory training policy or mentoring program for foreign workers, as implemented in the UAE and the Philippines. Third, a local community-based fiscal benefit-sharing scheme, modeled after Thailand, should be developed to strengthen social support for foreign workers. By adopting best practices from these countries, Indonesia can strengthen the effectiveness of the DKPTKA utilization to align with regulatory mandates and support the sustainable improvement of the national workforce.

4. Conclusion and Recommendations

This study shows that the Foreign Worker Compensation Fund (DKPTKA) has a significant fiscal contribution to the Ministry of Manpower Non-Tax State Revenue (PNBP), with a dominant contribution of over 90% in the 2021–2024 period. However, the utilization of the DKPTKA has not been optimally directed towards local human resource development, as mandated by national regulations. DKPTKA use is still dominated by financing administrative and supervisory activities, while allocations for vocational training, competency certification, and instructor capacity building have shown a downward trend. Furthermore, there is a fiscal gap between the central and regional governments in terms of DKPTKA distribution and utilization, and there is a lack of an integrated knowledge transfer scheme for foreign worker management.

Lessons learned from several foreign worker-using countries, such as the Philippines, Thailand, Vietnam, Malaysia, and the UAE, demonstrate that the utilization of foreign worker compensation funds can be a strategic instrument for building the capacity of the local workforce and strengthening social acceptance of foreign workers. Normatively and strategically, Indonesia must reformulate its DKPTKA utilisation policy by transforming it from a passive fiscal instrument into an employment development fund that is explicitly directed towards strengthening vocational training, competency certification, and accelerating technology transfer.

The government needs to set a minimum earmarked allocation, for example 50–70%, of the DKPTKA for industry-based training funding and BLK revitalisation, so that the funds collected

directly result in an increase in workforce skills. Furthermore, the training or mentoring scheme in the RPTKA must be enforced as a condition for permit approval and an indicator for evaluation of extensions, making companies that employ foreign workers share responsibility for local human resource development. With this step, DKPTKA is not only returning to the public in the form of measurable training services, but also creating a sustainable ecosystem for improving workforce productivity.

Based on the empirical findings and comparative analysis presented, several policy recommendations can be formulated to improve the effectiveness of the DKPTKA utilization in the Ministry of Manpower budgeting, in order to align it with the goal of improving the competence of the local workforce and reducing dependence on foreign workers.

- a. **Reorienting DKPTKA Utilization to Vocational Training Programs**
DKPTKA utilization needs to be reoriented to its initial mandate, as stipulated in Government Regulation No. 34 of 2021, namely improving the quality and competence of the Indonesian workforce. Therefore, the budget allocation must allocate a minimum of 10% of the total DKPTKA Non-Tax State Revenue (PNBP) for vocational training programs, industrial apprenticeships, training standards development, and instructor competency improvement, as a corrective measure to address the current low allocation of DKPTKA funds to support vocational training programs.
- b. **Integrating Knowledge Transfer Schemes into the RPTKA**
Every employer employing foreign workers should be required to include mentoring, on-the-job training, or skills transfer programs in the Foreign Worker Utilization Plan (RPTKA). These training or mentoring menjadi elements are a condition for RPTKA approval and form part of the evaluation indicators when applying for a permit extension. This scheme can serve as a basis for evaluating the success of technology and skills transfer from foreign workers to local workers and serve as an indicator of the sustainability of DKPTKA utilization.
- c. **Decentralization and Fiscal Incentives for Regional Governments**
The central government needs to implement a profit-sharing scheme or performance-based incentives for regions that contribute to the supervision and facilitation of foreign workers. This mechanism aims to encourage regions to be more active in implementing training, certification, and developing Vocational Training Centers (BLK) based on local industry needs. The profit-sharing or performance incentive formula should be directly linked to measurable outcome indicators, such as the number of local workers successfully trained, the number of competency certificates issued, the activation and performance rate of vocational training centers, and other relevant indicators that reflect improvements in the workforce capacity in the region.
- d. **Diversification of Non-Tax State Revenue Sources for Employment**
The Ministry of Manpower high dependence on the DKPTKA as its main source of non-tax state revenue needs to be reduced by strengthening the revenue potential of certified training services, employment consultations, industrial cooperation, and optimising the

utilization of BLK assets. This diversification is important to strengthen the role and function of DKPTKA in a sustainable manner.

e. Impact-Based Monitoring and Evaluation System

The implementation of an output- and outcome-based monitoring and evaluation system must be strengthened with quantitative indicators that demonstrate the effectiveness of DKPTKA fund utilization. Evaluation should not only cover budget realization but also impacts such as increasing the number of certified workers, the absorption rate of training graduates, and the number of successfully implemented mentoring programs. (Bloom et al., 2003).

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