

Orienting Skills Development for Lifelong Learning and Higher Growth Rates



Dr Marcus Powell and John Lindsay

www.cei-international.org

Summary

The aspiration of most countries in South East Asia is to become a middle or higher income country and to move on to the high skilled path to development. The degree to which countries are achieving, or have achieved this aspiration, varies across the region. The specific development and corresponding skill needs in each of the South East Asian countries have been shaped by a unique set of historical, political, economic, cultural and social factors and correspondingly the response, including skill strategies, will need to respond to these specific needs. However, there are a number of common lessons and characteristics of countries who have successfully managed, or are in the process of doing so, the transition to a middle income country. At the heart of the process is a strong commitment by the State to the process of skills formation at all levels. However, to be successful this must be accompanied by the commitment of employers to middle and higher level skills, particularly in the field of science and technology. Another important component for success is the development of a coherent skills strategy that is preferably linked to an industrial and trade strategy, helping to ensure that the outputs from the skills system are aligned to national economic priorities. Closely connected to the skills strategy, is the need to ensure that a comprehensive qualification framework is put in place and a coherent LMIS exists to inform policy makers and stake-holders. The glue that binds the different components together is a pro-active funding mechanism that encourages learners to become committed to life-long learning and encourages companies to be partners in skills development for economic growth. The evidence would seem to suggest that the later you develop the more top-down and directed the skills strategies needs to be.

Introduction¹

The Southeast Asian region has experienced some of the highest growth rates in the world, with investments in skills playing a significant role in helping national economies to adjust to changes in working practices, advances in technology, and challenges associated with globalisation. In some countries this process has been more successfully managed than in others and significant advances have been achieved in growth rates and employment levels. Nevertheless, in others development has resulted in stagnation of economic sectors, underemployment, rising unemployment levels and social exclusion for large sections of society.

The tools that are available for governments to manage change must be able to respond to the new opportunities posed by globalisation, yet at the same time address domestic challenges associated with demographic shifts in population, increased urbanisation and

¹ This paper draws heavily on research conducted by CEI in following studies:

http://www.cei-international.org/media/pdfs/ESSA_Final.pdf

<http://www.cei-international.org/media/pdfs/Skill%20Development%20for%20Rapid%20Growth%20CEI.pdf>

shifts from agriculture to manufacturing and in many cases services. This raises the question of what are the most appropriate policy options and tools open to help raise human capital levels, improve productivity and ensure higher growth rates, yet at the same time ensure that a more inclusive and carbon friendly path to development is achieved.

Successful human capital formation is at the heart of many countries development agendas across South East Asia, particularly in terms of how to move up the value chain and to tackle poverty alleviation and rising unemployment. However, the way in which each country approaches human capital formation will depend on their specific needs. Understandably, the needs vary from society to society and will be shaped by unique historical, political, social and economic circumstances.

In some of the smaller and more open South East Asian economies the needs tend to relate to the impact of the financial crisis and what skills are required to help displaced workers re-enter the labour market, but in others the needs may be more concerned with the phenomena of jobless growth and how to improve employment levels. For large South East Asian economies the needs often arise from the recent moves towards decentralisation and the devolvement of responsibility to local and provincial governments, under which new skills are required on an extensive scale by the public sector to manage change and respond to the demands for improved service delivery at the local level.

The response to whatever skills will be required will vary from country to country, but in all cases the response will be politically driven by the government and stakeholders. The type of human capital strategy developed in different countries will be driven by various agendas and will result in emphasis being given to different components of education, training or development, depending on what the government thinks is most appropriate. Nevertheless, there are a number of common lessons, approaches or strategies that should be addressed by governments, stakeholders and development partners in order to promote an improved commitment to life-long learning and higher growth rates.

Common Components of Skills Development Led Growth

1. Strong commitment from the government to skills development at all levels of the education and training system
2. Groups of employers in strategic economic sectors recognise and are committed to developing high level science and technology skills
3. Ensure that skills strategies are developed to support the transition to higher value added services and products
4. The importance of a qualification framework
5. The importance of utilizing labour market information
6. The introduction of a sustainable system of funding for higher level skills development

1. Strong commitment from the government to skills development at all levels of the education and training system

One of the essential requirements for helping to raise human capital levels is strong commitment from the government to all levels of the education and training system. This must begin with early childhood development (ECD), since human development and learning

in the earliest years of life is a vital predictor of future health, well-being and achievement. A seamless transition between the care and learning occurring in kindergarten, pre-primary, and the early to later primary years is another key element in ensuring optimal and successful human growth and contributions to society. Basic education (primary and lower secondary years) is recognised as the springboard for later specialised achievement.

Most countries in South East Asia have tended to neglect ECD and considerable more investment is needed. Most of the educational efforts amongst government and development partners over the past decade has been on universal primary education. Good progress has been made in this area, but disparities exist across the region, particularly in relation to certain groups, such as those in specific minority groups or those living in isolated areas being unable to access primary education². Despite good progress being made with enrolment levels across South East Asia, millions still drop out of the system and fail to obtain the most basic literacy and numeracy skills, all of which is jeopardizing their future commitment to skills development, life-long learning and jeopardizing the nation's transition to a knowledge based economy. Solutions for reducing drop-outs and improving quality centres on adoption of learning friendly schools, expanding the number of teachers and enhancing their quality through more appropriate professional development and retention strategies. Other significant factors centre on improving the quality of the curriculum and learning materials, as well as school building and infrastructure.

Besides formal basic education, governments should ensure that education systems produce young people with strong intermediate level skills, especially in the areas of English language, maths, IT and literacy. This is important since it provides the foundation for young people to become technicians or middle managers – the basis for the transition to the knowledge economy.

At the tertiary level it will be equally important for institutions to provide appropriate academic knowledge in order to underpin practical skills formation in the workplace. Increasingly, the emphasis within tertiary education is on quality, particularly with regarding to continual development of teachers and the relevance of the curricula, if these institutions are going to produce the types of professionals and technologists needed by modern industry.

For those not entering the academic tertiary route there are the TVET systems, as well as non-formal skills training. The nature of the type of provision will vary from country to country, but there is a need to ensure that TVET systems, or even the provision of skills training, is not seen as second best and only to be followed if other forms of education are not available. The government can ensure that this does not happen by providing the appropriate support and investment, as well as by ensuring employer involvement (see section below)

To ensure success the government also needs to encourage provision of skills in the workplace, as well as the expansion of private providers. The involvement of the private

² UNESCO (2011) Education as the key to achieving all MDG goals, Regional Preparatory Meeting for Asia & Pacific Educators, Jomtien Thailand.

sector provides a means of alleviating the financial burden on the state, but the state will need to act as a regulator in order to ensure that minimum standards are maintained.

2. Groups of employers in strategic economic sectors recognise and are committed to developing high level science and technology skills

The involvement of employers in the funding or provision of high level science and technology skills is not an automatic process. The nature and extent of employer engagement in any country depends on the complex interaction of a number of factors. The most significant of these is the policy environment in education or training in which providers operate and whether the appropriate legislation is in place to encourage institutions to forge links with industry. Equally significant is whether the government has introduced financial incentives to encourage employers to behave in certain ways, particularly in relation to working with education or training institutions. The fact is that enterprises are only likely to work with education institutions if they receive an immediate or tangible benefit. Another important issue is the country's level of development and the industrial structure of the economy. Clearly, if a country's economy is dominated by technologically advanced enterprises, then they are much more likely to experience closer links between enterprises and tertiary institutions for purposes of research, than if the economy is dominated by low value industries that compete on price. Together these factors help shape the type of employer engagement.

However, for most middle income countries there is a need for the government to provide some form of structure or incentives to encourage groups of employers to become committed to developing high level science and technology skills. One of the most common methods is to involve employers in the development of a strategy or policy for skills, possibly through the setting-up of a National Training Board, National Training Agency or possibly a Human Resource Council. Normally, these are semi-autonomous bodies. Unless appropriate legislation is introduced there can be a tendency for National Training Agencies (NTAs) to just perform the function of an advisory body. Under such circumstances employers may not be given sufficient power to make decisions and future strategies for skills development may not match the needs of the business community, or support the movement towards higher level skills in science and technology.

Normally, in order to support the implementation of skill strategies developed by NTAs countries establish various forms of Industry Sector Bodies or Industry Sector Councils. In many South East Asian countries these are relatively new structures and most have their origins in the old industrial training boards of the Anglo Saxon countries. These structures are employer-led and responsible for the implementation of skill strategies within a particular industrial sector. A sector skills strategy helps provide a framework for guiding the activities of sector bodies. Furthermore it provides an operational plan that outlines the practical realities of what needs to be done. Normally, the sector skills strategy replicates the priorities and time-frameworks identified in the national skills strategy, but takes into account implementation at the sector level. The starting point for constructing a sector skills strategy is to work with employers and unions to build up an understanding of what is happening in the sector and how these are impacting on skills in the sector. The strategy will also investigate current supply and analyse the degree to which demand is being met, and

correspondingly what gaps exist between demand and supply. Adopting such an approach enables the strategy to identify what skills should be developed in the sector, including an identification of what occupational standards need to be developed or upgraded in response to new demands. Employers and unions play a vital role in this process since together they have the best understanding of what changes are happening in the workplace in response to the impact of new technology, legislation or working practices.

Normally, the construction of a sector strategy follows a national format developed by the NTA. This helps ensure consistency between the different sector bodies and provides a means by which their activities can be monitored. The setting-up of sector based structures and the implementation of sector strategies requires a considerable amount of time and resources. There are no quick fix solutions and it is important that employers drive this process, which will not happen without the introduction of some form of incentive.

3. Ensure that skills strategies are developed to support the transition to higher value added services and products

Many countries are developing skills strategies that are very populist in nature and have objectives that are not in the best interest of national economic growth in the longer term. These populist skills strategies are based on principals such as making the training system more labour market responsive or the need to increase employer involvement. However, in reality these strategies don't have any substance and at best they represent an attempt to chase the market, in that they try to understand the current skill requirements, when in actuality they should be preparing for the skill needs of the future, not the present. It takes a lot of time, money and effort to develop appropriate training programs, to train the teachers and to support implementation. The disadvantage of such an approach is the long delay between the original identification of employer's needs and the actual delivery of skills to the labour market. When this approach is undertaken in many instances it results in workers that are no longer in demand by the labour market once their training is completed.

Therefore, in order to move away from populist and re-active strategies, there is a need for strategies to become more pro-active and to anticipate what will be needed. One of the best ways to achieve this is to align the skills strategy with the country's national strategy for industrial and economic development. This will help ensure skills are produced in line with future industrial demand. Where this is not possible a country needs to think about their priority sectors for development over the short and medium term, as well as the implications for occupations which will be required over this time period. Adopting such an approach should provide the basis for identifying targets and priorities, and for building the skills strategy around these.

4. The importance of a qualification framework

The introduction of a qualification framework is important for a number of reasons. Perhaps the most significant of these is the fact that it provides consistency for the value of qualifications at different levels, ensuring that mutual trusts exist between providers, employers and users of the skills development system. It also creates a national and international understanding about the consistency of the quality of qualifications and

supports portability, of all which is vital to ensure people are committed to life-long learning and flexibility in the labour market. What is equally important is that the introduction of a qualification framework serves as an important driver for other areas of education and training reform, particularly with regard to the movement towards a competency based system and other related issues such as the involvement of employers.

However, there are difficulties associated with most qualification frameworks. The initial application of a new framework is difficult and the failure to put in place adequate quality assurance systems that sit behind the framework, as well as failing to ensure that learning pathways exist between the different levels and stages of a country's education and training system can create a system that may do more harm than good. Another important failing in some countries is the fact that qualification frameworks are not sustainable over the longer term, reflecting the fact that they don't provide the necessary resources to ensure effective implementation and need continued support from government.

Therefore, in order to ensure that qualification frameworks are more sustainable it is necessary to ensure political commitment and that the appropriate resources are available to supporting the setting up the framework, as well as the actual implementation. Another related issue is the necessity to ensure all the quality assurance and governance structures are put in place. In order to reduce the costs associated with many of the components sitting behind the framework, such as competency standards and assessment packages, it is best to use those developed for other countries and adopt them to local circumstances. Not only does this save money it also reduces time. Another decision that needs to be made is whether the system is an extensive system or not, and if the qualification framework is tight or loose. Normally, for quick wins it might be better to introduce a system that is not so extensive, perhaps just covering craft and technician level qualifications and to introduce a quality assurance system that does not contain extensive rules and regulations. Once such a pilot has been accepted and successfully implemented, it would be necessary to move onto a more extensive and tighter framework.

5. The Importance of Utilising Labour Market Information

Currently, a number of countries in South East Asia have started to implement comprehensive labour market information systems (LMIS). These are normally based on the premise that there is a lack of data about the labour market, and that LMIS outputs will help ensure that an improved match is achieved between the demand and supply of labour. However, often the rhetoric does not match the reality, with the consequence that the outputs from many LMIS systems do not have their intended impact.

Part of the problem stems from the assumptions upon which many LMIS systems are based. Most donors and policy makers assume that the outputs from an LMIS will be automatically utilised by planners and policy makers to make more informed decisions. The extent to which information is used in such manner rarely occurs in many countries for a number of reasons. The most common reason why labour market information is never utilised is because the system normally depends on other organisations for data population and in most instances this never occurs. A second fact is that LMIS are designed with very ambitious objectives and are built around complex ICT frameworks, which in most cases are no longer sustainable once donor funding is withdrawn. A third factor is that data is almost

never produced in a format that can be readily used by policy makers or stakeholders. Indeed, in most South East Asian countries stakeholders would not want to know about the changing occupational structure of the labour force, or which sectors are experiencing the highest growth rate over the past three years. Fourthly, and closely related to the previous reason, in most in South East Asia countries policy makers and stakeholders don't have the capacity to understand how to utilise the outputs from the LMIS. A fifth reason is that most LMIS systems have been designed to monitor the labour market within the formal sector, despite the fact that in many South East Asian countries the informal sector is where the majority of people are forced to earn a living.

Therefore, the question that must be answered is how can we ensure that LMIS systems produce the outputs required by policy makers and stakeholders? Surprisingly, the answer is relatively simple. To ensure the most effective LMIS possible it must answer the following questions/issues:

- How will the outputs be utilised, particularly with regard to how they will help planners make more informed decisions about the development of strategies, as well as their subsequent monitoring
- What regular labour market reports will be produced using data from the system, who will prepare them and how will they be disseminated to targeted groups
- What type of outputs can be produced by the LMIS system that will be useful for stakeholders and what format should they be produced in
- Determine what indicators should be produced by the LMIS and how the data could be collected, collated and analysed, taking into the important issue of data collection
- Identify suitable open source software that can be readily updated in a cost effective manner using minimal skills

6. The introduction of a sustainable system of funding for higher level skills development

The funding of skills development is another central issue faced by governments in South East Asia who want to support movements up the value chain to higher skill levels. The development of more technologically advanced skills is not cheap and requires considerable investment in new equipment as well as the maintenance and repair of existing equipment. This demands heavy financial investment and recurrent capital budgets to respond effectively to the higher skill needs of the existing labour market and to the ever-increasing use of technology by industry.

Across South East Asia most governments alone are not able to finance skills at a level that can support the movement of their citizens towards higher skill levels. In many countries, the grants that governments provide are barely sufficient to pay for the salaries of staff, leaving little funds for capital investments and sustained skills development. Government need to ask themselves the question who must pay for this increased investment in training and how? If nobody will pay for the increased investment that is required in skills development then the government must think about what mechanisms and incentives are required to encourage such an investment. There is no single model for funding that can be applied in all countries across South East Asia? Normally, in most countries there must be a mixture of

government funding, employer contribution, trainee funding, and other fund-raising and revenue-generating activities, depending on the specific type of skills being developed. To respond to these challenges, an array of methods to diversify the financial sources of training have been introduced world-wide, aimed in one way or another to share costs with those who benefit from training, i.e. employers, trainees and their families and society at large.

In most countries, trainees do contribute to the cost of training in one way or the other. Usually, the immediate reason for the introduction of fees is to raise additional resources for financing public training institutions. When setting training fees for publicly provided training it is important to take into account the costs of comparable general education. When fees for skills programs are substantially higher than the cost of pursuing the academic stream in general education, TVET may become an even more unattractive option, and reinforcing existing prejudices of youth and their families against TVET, leading to low pay, low status jobs may be reinforced. A further risk of introducing training fees is that low-income groups are excluded from partaking in training. Therefore countries have embarked on mitigating strategies, in particular for long-term training. Such mitigating instruments include student loan schemes, exemption schemes for poor trainees (based on a means test) and the introduction of various scholarship schemes supported by employers, the government or donor organisations.

Another instrument to increase resources for providers is to systematically strengthen the capacities of training institutions to generate additional income. Typical income generation activities include the delivery of tailor made programs, evening or weekend courses, commercial use of buildings and equipment, as well as the introduction of training with production.

A final and perhaps the most important measure involves the use of incentives to encourage employer based training. This normally involves some form of incentive or the introduction of a levy grant system. Typical incentives include the introduction of tax rebates if a company undertakes training or the exemption from import tax for training equipment. Finally, some governments offer direct subsidies or cost sharing for the training of employees or apprentices. In order to be effective, these schemes require an already well developed culture of enterprise responsibility and involvement in training and therefore they are more prone to be implemented in developed economies. With regard to levies these normally involve the introduction of a compulsory levy on companies to raise revenue. The most common type are payroll levies of around 1% to 2% on the company's wage bill. Subsequently, the collected can be used directly to support the costs of provision in the public sector or alternatively employers can reclaim part of the tax on the amount they have investment in training. Obviously, this provides an incentive for companies to undertake training. However, if the system is not seen as legitimate and serving the needs of employers, than a significant number will see it as just another tax and will not pay.

Besides the actual collection of additional revenue for training, there is the whole process of how the funds are managed and distributed which is just as important of an issue. In many countries in Africa there is a move towards the setting-up of National Training Funds. Normally, these funds are managed outside of the control of Ministries and normally report to the National Training Agency or Human Resource Council. The advantage of such an

approach is that employers and external stakeholders are involved in the management of funds and employer involvement provides a means for improved accountability, enabling decisions for allocation to become more market responsive. Traditionally, the funds have been used to support the following types of activities: (i) the central funds for TVET institutions providing pre-employment training, (ii) support for enterprise based training, including apprenticeship training, (iii) specific training initiatives to support displaced workers or those who are disadvantaged, and (iv) support for micro-enterprises or those working in the informal sector. The success of such schemes will depend on the individual context and the way in which they are managed. Obviously, the involvement of the private sector improves governance and also helps ensure that supply is more likely to be closely linked to demand.

Conclusion

The recommendations included here are not just an academic exercise, they are based on the real experiences countries have had, some of which have been able to successfully enter high-growth trajectories. The achievements of those countries were not accidents, they occurred because of specific government guidance, planning, policies and interventions. Experience has shown that markets alone cannot in a timely manner coordinate education and training for people so that skilled workers are available in the labour market when employers need them. Markets fare even worse when planning for long term future needs is not taken into account, particularly if there is a failure to determine the skills required in the short and medium term to help markets adjust.

While there is no ‘magic bullet’ promising rapid economic growth, this does not take place by chance or accident, a significant part of success relates to how skills strategies are link to strategies for growth and industrial development. The development progression can involve government’s investing in skills formation to attract investment in higher value-added sectors, moving up the value chain through growth from low to high technology sectors, raising productivity, improving competitiveness and increasing exports. The continual development and application of skills in this context has been a necessary ingredient for successful development. Skill and human resource development is not a simple task. However, nations that ignore significant skill development for their workers become trapped in a low skill trap where they remain stuck with low-wage and low value-added industries because the workforce is never transformed through acquiring higher skills. It is vital to plan for those skills that are needed in the near future, taking into account what skills will be needed by the more advanced sectors that will drive future growth.

The conditions presented in this paper show how skill development must be addressed if it is to be a vital component of national economic growth. The study of existing skill development strategies will help other countries be in a better position to develop tools that take into account their own specific cultural, historical and political context in which skill development approaches are being implemented. That is to say in different regions of the world countries will implement skill development approaches according to their own institutional and political structures, and it will be important for any tools to be sensitive to such nuances. Each country around the world will approach skill development based policies in their own unique way and it will be important for them to ensure that their tools can match the circumstances under which they are being applied. The failure to do so will result in a disarticulation

between the needs of employers and the supply within the labour market restricting economic growth and limiting their citizen's standard of living.

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The Centre for Employment Initiatives (CEI) is a not for profit making organization that has been providing technical and advisory services in the field of Employment and Human Resource Development for over 15 years. Much of CEI's current work focuses on providing policy oriented advice to governments, donors and development partners around the globe. The key philosophy underpinning CEI's approach is that successful labour market reform can only be achieved through inclusive practices, good governance and accurate and up to date information. For more information about CEI's work please go to www.cei-international.org.

Dr Marcus Powell

Director CEI

Marcus@cei-international.org