

THE 6TH EXPERT MEETING OF THE EMPLOYMENT AND SKILLS STRATEGIES
IN SOUTHEAST ASIA (ESSA) INITIATIVE - 17-18 September 2014, Bangkok, Thailand

Building effective skills strategies to foster quality job creation and growth



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AIMS AND OBJECTIVES¹

The aim of the Employment and Skills Strategies in Southeast Asia (ESSSA) Initiative is to increase the impact of employment and skills policy on labour market outcomes at the local level by identifying and implementing best practice principles.

ESSSA recognises that effective employment and skills strategies concern not only employability and the supply of skills, but also the utilisation of those skills to enhance productivity and create more and better quality jobs. With this in mind, there is a need to better coordinate the workforce development responses of both employers and the education and training system.

To that end, the 6th Expert Meeting of the ESSSA Initiative focused on:

- Identifying the commonalities and differences in skills mismatches across the Southeast Asian economies;
- Better understanding the challenges of working with the informal sector and the dominance of micro, small and medium-size enterprises (MSMEs); and
- Discussing the implications of these challenges on employment and skills policy, and highlighting successful initiatives and best practices.

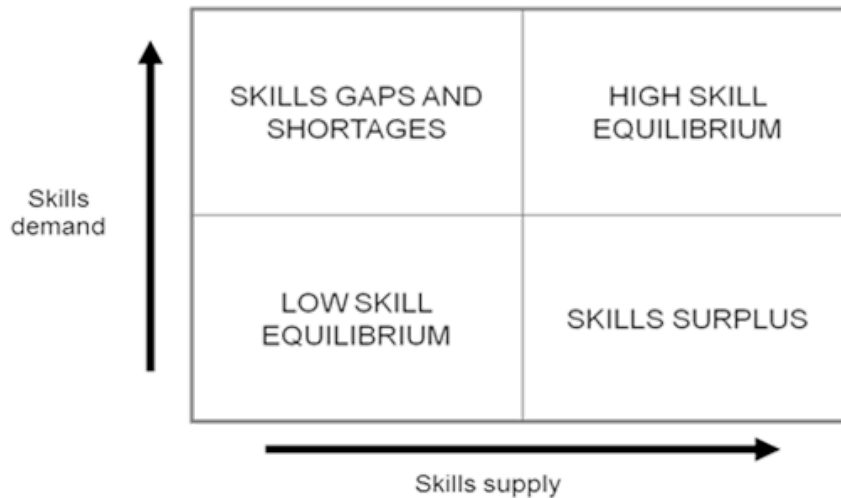
SUMMARY OF DISCUSSIONS

Session I: Tackling skills mismatches at the local level

In this session, the OECD introduced a framework which would underpin the meeting's overall discussions. This framework, shown in Figure 1 below, shows how the relationship between the demand and supply of skills can lead to different imbalances and equilibrium outcomes. In particular, the most desirable scenario, a high-skill equilibrium, requires both a highly trained workforce, and a productive industry capable of creating high-skilled jobs.

¹ This meeting summary note was prepared by Serena Yu, Senior Research Analyst at the University of Sydney and Jonathan Barr, Manager of the Employment and Skills Strategies in Southeast Asia initiative, OECD. The authors wish to acknowledge the support of the Sydney Southeast Asia Centre at the University of Sydney as well as the European Commission

Figure 1. Understanding the relationship between supply and demand



Source: Froy, F. and S. Giguère (2010), "Putting in Place Jobs that Last: A Guide to Rebuilding Quality Employment at Local Level", OECD Local Economic and Employment Development (LEED) Working Papers, No. 2010/13, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5km7jf7qtk9p-en>

With this framework in mind, Session I identified significant skills mismatches. In countries such as the Philippines, Korea, and Thailand, skills shortages exist in low to middle skilled roles including those in agriculture, construction, food processing, and engineering. At the same time, these countries reported high proportions of university graduates, yet with high levels of unemployment or underutilisation exist among degree-qualified individuals. Entry-level job seekers in particular face long search times – the Philippines reported that college graduates typically take 2 years to secure permanent employment.

In Laos, Cambodia and Vietnam, the skills crisis was by contrast dominated by low levels of primary education attainment – Laos reported that only 58% of men had completed primary school (with only 20% of rural women). Cambodia reported that such 70% of the workforce had not completed lower secondary school. In these countries, there is a shortage of high-skilled workers, such that these workers are imported from elsewhere, and there is pressure to find ways to retain this capacity. The key barriers in these countries relate to a lack of resources at both the institutional level (e.g. to invest in educational infrastructure and training capacity), and at the household level, with young individuals needed to contribute to low household incomes.

It was recognised that in order to overcome such mismatches, significant industrial restructure will need to occur, shifting production from manual industries such as agriculture, to higher skilled service industries. Laos for example, is aiming to increase its service sectors' share of employment from 17 in 2005 to 23% by 2015. In addition, participants identified the need to improve the use of technology across all sectors in order to generate not only productivity gains, but to use this as a mechanism for generating demand for higher skilled workers, and reduce demand for low skilled workers.

Session II: Tackling youth unemployment at the local level

Youth unemployment has been well recognised as a most pressing consequence of the global recession, and the International Labour Organisation has developed a comprehensive online platform

(APYouthnet) which facilitates the exchange of resources and ideas relating to tackling youth unemployment globally. While the Southeast Asian economies have fared relatively well, there are nonetheless distinctive challenges facing the youth of this region. Unlike the developed economies, the Southeast Asian economies have a much younger demographic, for example, half the population in Cambodia is 24 years or younger.

As mentioned above, high rates of unemployment exist amongst the many university graduates entering the labour market in some countries (Philippines, Korea, Thailand, Laos, and Indonesia). The key issues in these economies included:

- The continuing dominance of industries which rely on low-skilled labour.
- The high value and status attached to university education, to the detriment of vocational and technical skills and careers which report higher demand.
- The lack of adequate careers guidance and up-to-date labour market information.
- The lack of relevant work skills and competence of graduates

It was also observed that well-resourced Brunei faces unique barriers: with low levels of motivation amongst young workers, and employer preference for foreign workers, around two-thirds of the Bruneian workforce is sourced externally. In response, the government has put incentive plans in place for locals, engaged with local industry to develop rewarding career paths for workers, while freezing foreign labour quotas.

In Australia, youth unemployment policies have developed around an 'earn or learn' framework, with eligibility for income support tied to training in employability skills, and financial incentives attached to securing employment.

Indonesia is making efforts to develop creative industries, agriculture, and the maritime sectors and link youth to these employment opportunities. In many cases, youth lack the motivation and aspirations to participate in employment and training opportunities.

Session III: Skills development for SMEs and informality

The prevalence of SMEs, operating largely in the informal economy, was stark amongst the represented countries. For example, Philippines reported that SMEs contribute about 39 percent of total employment; Vietnam indicated that three-quarters of these employees have had no formal training, while in Thailand SMEs generate 37% of all non-agricultural production.

Historically, skills development in SMEs is undertaken on an opportunistic basis, with recruitment taking place informally amongst friends and family, and training conducted on-the-job. Further, the informal sector is driven by low literacy/numeracy skills, and complex regulatory requirements with poor enforcement and communication. SMEs themselves have low financial and legal literacy, and face difficulties in accessing information, technology and financial support. Participants suggested that growing the SME sector, and moving enterprises into the formal sector, could be achieved through a number of mechanisms, including:

- Establishing local industry associations, which work with local SMEs to develop and share business best practice, as well as identify shared skills needs, training strategies, and provide shared services such as marketing materials.

- Creating shared industry opportunities for individuals to learn relevant skills and knowledge, via internship, mentorship and similar programs.
- Encouraging/enforcing linkages between industry and the training system. For example, Vietnam has also revised its laws to create new rights and responsibilities of employers to train employees; Thailand also has a similar law to encourage employers/enterprises to provide training to as least half of the employees, and the training expenses can be use for tax reduction purposes. Philippines has created public-private partnerships which pool the costs of training by mandating industry contributions to a talent development fund.
- Simplifying regulations for SMEs
- Providing support and incentives to SMEs, such as tax rebates and access to finance.

Session IV: Identification of key labour market and skills challenges

This session gave participants an opportunity to highlight their most pressing skills challenges, and gave rise to a wide range of themes which underpinned discussion throughout the conference. These can be summarised as follows:

- **Lack of quality jobs** to meet the needs of skilled (and often university qualified) labour force entrants. A number of participants cited difficulties in responding to the training needs of emerging growth industries (e.g tourism and renewable energy), despite an understanding that these industries provide a pathway to greater productivity and a higher skilled economic base.
- Cultural value placed on university education, and lower status of non-white collar jobs. These cultural values have contributed to **chronic skills underutilisation** across the Southeast Asian economies, as well as difficulties recruiting in low to medium skilled roles.
- **Low levels of education and labour force participation**, and high poverty rates, in rural areas. These trends are also entrenched by demand for low skilled workers in low-tech agricultural production.
- **Lack of institutional capacity and infrastructure**. This included shortages in trained teachers and assessors, inadequate and out of date training facilities, and quality assurance functions. There are significant resource constraints facing some economies, which can be mitigated in some ways by greater regional collaboration and the sharing of research and best practices.
- **Lack of up to date, accessible information** on labour market needs and opportunities.
- **Managing foreign labour flows:** some economies lack local expertise or capacity and import both high and low skilled workers (e.g. Laos and Cambodia), while others face difficulties managing illegal labour flows (e.g Thailand).
- **Demographic change:** In Australia and Korea, economic and demographic restructuring has increased the focus on productivity issues. In particular, ageing societies require greater participation by females and older workers; and smarter skills an industry policies are needed in local labour markets where industry restructures are concentrated.

Session V: Effective local strategies to boost quality job creation, employment, and participation

In response to the skills and labour market challenges, a wide range of policy responses have been implemented. In many countries, a holistic policy framework has been put in place to shift the skills distribution away from agricultural production, towards a better trained workforce and higher skilled industries. Some of the key pillars of these frameworks were common to different countries, and include:

- **Stronger partnership approaches** featuring government, employer and educational bodies. This included MOU agreements between education institutes and enterprises in Thailand; 276 government-funded pilot projects focused on local job creation in Korea; the establishment of Industrial Liaison Units in Cambodia; and the existence of ‘craft villages’ in Vietnam.
- **Review and development of education and training curricula, training standards and national qualifications frameworks** to assist the standardisation, recognition and certification of skills. These reforms have also included moves towards more modular and flexible forms of training.
- **Reform of training systems to integrate improved workplace training**, including improved internship and apprenticeship programs. In Malaysia, this ‘dual system’ has been underpinned by a diverse range of enabling policies, including: 1) accrediting both the education and enterprise and articulating the responsibilities (including cost sharing) of; 2) developing skills and assessment standards; and 3) creating incentive structures for both the student and employer.
- **More effective dissemination of labour market information** using improved technologies (e.g online portals and mobile services).
- **Improved provision of vocational guidance** and careers information (e.g Korea Job World; Career Passport in Thailand).
- **Improved employment services**: In Australia, a long history of reform has produced a model where the government has contracted out its employment services, where provider funding is based on benchmarked performance outcomes. The sector liaises with the government through a national industry association. Recent developments include improved rural coverage and greater focus on quality of outcomes.
- **Recruitment and wages reform**, such as moves towards competency based hiring and wages structure, rather than qualification based hierarchies.

CONCLUSIONS AND FUTURE MEETINGS

The key messages of the conference were captured in the sixth and final session, entitled ‘Key lessons and future directions for the ESSSA Initiative’. These can be summarised as follows:

First, the session recapped the key challenges as discussed above. These related predominantly to skills under-utilisation and the lack of quality jobs in some areas, and at the same time, low rates of educational attainment and participation in others (particularly rural areas). There is a lack of institutional capacity, as well as challenges in providing up-to-date and relevant information.

With respect to the future directions of ESSSA, it was recognised that employer and industry interests were not well represented at the conference. This raises barriers to addressing many of the concerns raised during the conference. In particular, issues about the nature of production, its demand for skills, and utilisation of the current and emerging skills base, require greater input from industry representatives.

There were calls for greater coordination efforts, both amongst government, educational and industry bodies within countries, but also across the region in order to better align skills policies. This could include the development of more consistent training and skills standards, the mapping and certification of skills and qualifications frameworks, and reform of training systems to integrate quality workplace learning.

There was a strong desire to improve data collection and invest in research and development activities. Many participants reported a lack of capacity for measuring and forecasting their skills supply (and demand), and it was suggested that case study research in one or more countries would assist in better understanding the skills challenges facing Southeast Asian economies.

Delegates were asked their interest in hosting the next expert meetings of the Employment and Skills Strategies in Southeast Asia (ESSSA) initiative in 2015 and 2016. Brunei and the Philippines indicated an interest in the potential of hosting a future meeting.

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