Making Skills Development Work For The Future

Asia-Pacific Conference on Education and Training 2015 (ACET 2015)

Venue: Berjaya Times Square Hotel, Kuala Lumpur
Date: 3-5 August 2015
Key labour market trends in AP

Makiko Matsumoto
Employment Specialist
Decent Work Technical Support Team for East and South-East Asia and the Pacific
Kuala Lumpur, Malaysia
3 August 2015
Introduction

1. Key labour market trends in the AP

2. Key drivers of labour market that have implications for skills required
Key labour market trends in AP

1. Slowdown in employment growth – ILO estimates

Average annual growth in employment (%)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>World</td>
<td>1.6</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>East Asia</td>
<td>1.2</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>South East Asia and the Pacific</td>
<td>2.4</td>
<td>1.8</td>
<td>1.9</td>
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<tr>
<td>South Asia</td>
<td>2.2</td>
<td>1.9</td>
<td>1.4</td>
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</tbody>
</table>
Key labour market trends in AP

1. Slowdown in employment growth – ILO estimates

And more so for youth than for adults....
Key labour market trends in AP

2. Challenges facing young entrants to the LM

... reflecting, to some extent, the overall LM challenges...

Youth unemployment rate (%)

World
- 2000-2009: 12.9
- 2010-2014e: 15.5

East Asia
- 1991-1999: 8.9
- 2000-2009: 9.0
- 2010-2014e: 9.7

South East Asia and the Pacific
- 2000-2009: 13.5
- 2010-2014e: 15.5

South Asia
- 2000-2009: 9.8
- 2010-2014e: 9.8

Adult unemployment rate (%)

World
- 2000-2009: 4.5
- 2010-2014e: 4.5

East Asia
- 1991-1999: 3.2
- 2000-2009: 3.2
- 2010-2014e: 3.5

South East Asia and the Pacific
- 1991-1999: 2.1
- 2000-2009: 3.2
- 2010-2014e: 2.3

South Asia
- 1991-1999: 2.3
- 2000-2009: 2.7
- 2010-2014e: 2.4
2. Challenges facing young entrants to the LM

High youth unemployment rates…

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia (Nov.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea, Rep. of (Nov.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand (Q3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macau, China (Q3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia (May)</td>
<td></td>
<td></td>
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<tr>
<td>Singapore (Q3)</td>
<td></td>
<td></td>
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<tr>
<td>Japan (Nov.)</td>
<td></td>
<td></td>
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<tr>
<td>Philippines (Oct.)</td>
<td></td>
<td></td>
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<tr>
<td>Viet Nam (Q2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sri Lanka (Q2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan, China (Nov.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong, China (Oct.)</td>
<td></td>
<td></td>
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<tr>
<td>New Zealand (Sep.)</td>
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</tbody>
</table>
### Key labour market trends in AP

#### 2. Challenges facing young entrants to the LM

Obstacles to finding employment in selected countries...

<table>
<thead>
<tr>
<th>Top reported obstacles</th>
<th>% unemployed youth</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirements for job were higher than education/training received</td>
<td>63%</td>
<td>Bangladesh</td>
</tr>
<tr>
<td></td>
<td>43%</td>
<td>Nepal</td>
</tr>
<tr>
<td>Not enough work experience</td>
<td>28%</td>
<td>Cambodia</td>
</tr>
<tr>
<td>Considered too young</td>
<td>20%</td>
<td>Viet Nam</td>
</tr>
</tbody>
</table>
Key labour market trends in AP

3. The challenge of improving job quality:
Some progress… but still high vulnerability

Average share of own-account and contributing family workers in total employment (%)

- East Asia: 1991-1999: 42.4, 2000-2009: 51.9, 2010-2014e: 64.6
Key labour market trends in AP

3. The challenge of improving job quality:
Uneven progress across countries

Share of own-account and contributing family workers in total employment (%)

- Philippines (Oct.)
- Sri Lanka (Q2)
- Thailand (Q3)
- Indonesia (Aug.)
- Viet Nam (Q2)

2013 2014
Key labour market trends in AP

3. The challenge of improving job quality:

Majority of workers still vulnerable to poverty in SEA & SA

Less than $1.25 (%)

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<thead>
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<tbody>
<tr>
<td>East Asia</td>
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<tr>
<td>South East Asia &amp; Pacific</td>
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<tr>
<td>South Asia</td>
<td>23.1</td>
<td>38.5</td>
<td>49.4</td>
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Between $1.25 and $4 (%)

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</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>35.0</td>
<td>42.3</td>
<td>47.6</td>
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<tr>
<td>South East Asia &amp; Pacific</td>
<td>27.6</td>
<td>47.2</td>
<td>56.6</td>
</tr>
<tr>
<td>South Asia</td>
<td>4.6</td>
<td>8.9</td>
<td>45.0</td>
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Between $4 and $13 (%)

<table>
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<tbody>
<tr>
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<td>2.3</td>
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<td>6.8</td>
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<td>2.8</td>
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<td>1.1</td>
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Above $13 (%)

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<tbody>
<tr>
<td>East Asia</td>
<td>4.5</td>
<td>4.5</td>
<td>1.1</td>
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<td>2.3</td>
<td>3.7</td>
<td>0.1</td>
</tr>
<tr>
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<td>0.5</td>
<td>0.0</td>
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4. Changes in skills mix in employment

Generally toward higher skills...

<table>
<thead>
<tr>
<th></th>
<th>Low skill occupation (%)</th>
<th>Medium skill occupation (%)</th>
<th>High skill occupation (%)</th>
</tr>
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<tbody>
<tr>
<td>World</td>
<td>15.4</td>
<td>16.0</td>
<td>28.6</td>
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Key labour market trends in AP
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4. Underpinned by sectoral shifts in employment

Out of agriculture…

Percentage point change in share of agricultural employment, 1991-2014

Macau, China  Brunei Darussalam  Papua New Guinea  Pakistan  Sri Lanka  Korea, Republic of  Malaysia  Philippines  Bhutan  India  Thailand  East Timor  Cambodia  China
Key labour market trends in AP

4. Underpinned by sectoral shifts in employment

Some into manufacturing…

Percentage point change in share of manufacturing employment, 1991-2014

Viet Nam
Nepal
Thailand
East Timor
Brunei Darussalam
India
Papua New Guinea
Pakistan
Solomon Islands
China
Afghanistan
Korea, Republic of
Singapore
Macau, China
Key labour market trends in AP

4. Underpinned by sectoral shifts in employment

Some into services…

Percentage point change in share of service employment, 1991-2014

Korea, Republic of
Bangladesh
Indonesia
Solomon Islands
Viet Nam
Singapore
Lao People's Democratic Republic
Mongolia
India
Brunei Darussalam
Maldives
Philippines
Afghanistan
Sri Lanka
Key labour market trends in AP

5. Reflected in productivity growth…

With some signs of slow down since 2008/09
Key drivers of LM

1. Demographic transition

2. Migration: low and medium skilled migration
   - Intra-regional
   - Mutual recognition of skills

3. Economic integration, including:
   - ASEAN Economic Community 2015
   - Regional Comprehensive Economic Partnership (RCEP) – ASEAN + FTA partners
Key drivers of LM

- Need for general skilling up, and meet specific needs of jobs/sectors
- Adequate returns to investment in education and training in the LM
- Need to better understand the causes of ‘mismatch’
  ▪ Mismatch is not just about skills and qualifications
Thank you

For more information, please contact:
Makiko Matsumoto
ILO Regional Office for Asia and the Pacific
Tel: 662 288 1459, Fax: 662 288 3062
E-mail: matsumoto@ilo.org
www.ilo.org/asia
Where are the jobs in Asia-Pacific?
ASEAN Economic Community (AEC) and its implications for the labour market.

Datuk Dr. Pang Chau Leong
Director-General
Department of Skills Development (DSD)
Ministry of Human Resources (MOHR), Malaysia
Contents

1. ASEAN Economic Community (AEC): Implications for the labour market in the region
2. Moving forward: Malaysia’s perspective
3. Challenges for national skills development in Malaysia
ASEAN Community 2015: 3 pillars

ASEAN Political-Security Community (APSC)

ASEAN Economic Community (AEC)

ASEAN Socio-Cultural Community (ASCC)

ASEAN Member Countries

ASEAN COMMUNITY 2015
ASEAN Economic Community (AEC)

• A single market and a production base
• Free movement of goods, services, investment, capital and skilled labour
• Strengthening economy of ASEAN to compete globally.
ASEAN Economic Community (AEC): Implications for the labour market in the region
Implications of the ASEAN Community on the labour sector: **Strengths / Opportunities**

- Total population of **630 million** - young and growing
- Expanding **consumer market** - growing middle-class
- Diverse **productive capabilities** in various economic sectors – potential for increasing foreign and intra-ASEAN trade and investments
- Large **job opportunities** for wide-ranging industry sectors.
- Freer movement of **workforce and talent**.
- Opportunities for collaboration, alliances and **networking** to be expanded.
Implications of the ASEAN Community on the labour sector: **Weaknesses / Threats**

- Increasing competition for businesses and markets.
- Increasing competition for skilled and experienced employees.
- Large disparities in **economic growth** leading to **wage disparities**, labour deficits and different niche-orientation in the labour market.
- Disparities on **labour policies, laws and regulations** relating to different working conditions and environments.
- Different **social security and protection systems**
- Large gaps in **human capital and institutional capacities** including rural-urban disparities
Moving forward: Malaysia’s perspectives
Main concerns for skilled labour

LABOUR

MOBILITY
Free flow of skilled labour across the region to be facilitated.

MARKETABILITY
Competencies (skills, knowledge, abilities) of skilled labour to be tapped across the region.
Some strategic areas of action

Human Resources Development

- Human resource development – workforce preparation and up-skilling
- Mobility of skilled labour – MRA, MRS, AQRF
- Enhancing OSH - OSHNET
- Labour market research and training
  - ILMIA
  - CIAST / NIOSH

Labour Relations

- Implementation mechanism for mobility of unskilled labour
- Implementation of labour standards, social safety net, & Decent Work Agenda
- Engagement – intra-, bilateral, multilateral
Challenges for national skills development in Malaysia.
Challenges for national human capital development: Malaysia’s experience

Developing & Retaining a First-World Talent Base
(10th MP, 2011-2015)

Integrated Human Capital and Talent Development Framework for Malaysia:

3 Main Strategies

Revamping education system to significantly raise student outcomes

Raising skills to increase employability

Reforming labour market to transform Malaysia into a high income nation

Challenges for national human capital development:
Raising skills to increase employability

Mainstreaming and broadening access to increase the skilled workforce base

- Improving perception
- Streamlining delivery
- Developing highly effective instructors and trainers
- Upgrading and harmonizing curriculum quality
Accelerating Human Capital Development for an Advanced Nation
(Strategic Thrust 3, 11th. Malaysia Plan, 2016-2020)

- **Focus Area A**
  Improving labour market efficiency to accelerate economic growth.

- **Focus Area B**
  Transforming TVET to meet industry demand

- **Focus Area C**
  Strengthening lifelong learning for skills enhancement.

- **Focus Area D**
  Improving quality of education for better student outcomes and institutional excellence

Theme of 11th. MP: Anchoring growth on people
Mainstreaming TVET (Higher Education Blueprint, 2015-2025)

**Major shifts** to transform higher education

- Equitable access to high-quality education of international standards; Values-driven approach;
- Intensive industry and community engagement;
- Pushing boundaries of innovation.....

Focus on **university education**

Academic and TVET pathways equally valued and cultivated

Higher education focus on inputs **→** outcomes

Graduates are **job seekers**

Job creators and balanced citizens with entrepreneurial mindset
Thank you
Making Skills Development Work For The Future
Asia-Pacific Conference on Education and Training 2015
(ACET 2015)
Venue: Berjaya Times Square Hotel, Kuala Lumpur
Date: 3-5 August 2015
What are the returns to additional investment in TVET?

Phil Loveder
NCVER (AUSTRALIA)

ACET Conference
3 August 2015
ROI - A unifying issue for action!

- Worldwide – there is still a *parity of esteem* problem for TVET
- At all levels; people want to understand what’s in it for them from training – employers, industry, individuals, governments and training providers
- Understanding the benefits and returns to training is seen by many countries as a ‘top priority’ for action!
Returns to training – valid considerations

- Different contextual underpinnings
- How to measure some aspects of ROI
- Data limitations and variations in data availability
- Consistent data collection mechanisms.
ROI Benefits Framework

High level objectives
Macro-level

TVET contributes to improved economic outcomes
- Economic growth
- Increased productivity

TVET contributes to improved social outcomes
- Increased workforce participation
- Social inclusion
- Crime reduction
- Health and wellbeing
- Cohesion/stability

Intermediate level objectives
System-level

TVET meets the needs of industry
- Skills utilisation
- Employees’ productivity
- Business innovation

TVET provides citizens with the skills needed to effectively participate in the labour market
- Employability/Labour market status
- Earnings/wages
- Educational attainment (enrolment, attrition, completions)
- Adequate foundation skills (literacy, numeracy, STEM)
- Skills acquisition to support vertical and horizontal movement in the labour market and/or further study (transitional pathways)

Quality learning outcomes
- Teacher quality
- Student engagement
- Relationships with employers are relevant and effective
- Training pathways are clearly communicated to students

Key determinants

Improved labour market outcomes

Enabling system features
Underpinning features

All citizens have the opportunity to participate in TVET
- Equitable, accessible and affordable
- Transparent for students, industry and governments and other social partners
- Connected to schools, adult, higher education and employment
- Sustainable and viable
- Responsive to business and industry
Returns from additional investment – evidence from Australia

- Study in 2013 by *Independent Economics* for TAFE Directors Australia (TDA).

- The study estimated the economy-wide benefits and costs of committed funding increases (from 2011) under the National Agreement on Skills and Workforce Development (NASWD) and, secondly, of a larger expansion of TVET funding.

- Used a Computable General Equilibrium (CGE) model which focused on the choices of a range of economic players including governments, individuals and businesses.

Murphy, C, 2013, ‘Cost benefit analysis and returns from additional investment in Vocational Education and Training’, Independent Economics
Who benefits? – The Economy

- When all of the benefits and costs are taken into account, each dollar invested by governments, students or businesses in TVET is expected to generate 18 cents of ongoing annual net benefits for the Australian economy (Internal Rate of Return IRR)

- In aggregate terms, real GDP and employment are 0.1 per cent higher.

- The total costs are $7.0 billion. This includes tuition costs and foregone earnings by students who are studying and therefore less available for work.

- The total benefits are $20.4 billion. This consists mainly of employability benefits and productivity benefits.
Who benefits? – For Students

- The most important benefits from TVET are improvements in the **employability** of students. These students are more likely to participate in the workforce, less likely to be unemployed, and more likely to work full-time compared to those with no post-school education.

- TVET also improves the **productivity** of students. TVET study allowed students to work in more highly-skilled occupations which command higher wages.

- TVET is important to assist students to **reskill** by allowing them to adapt to changing industry or technological needs – important where structural adjustment in the economy is necessary.
Who benefits? – For Industry

- Business benefits have been estimated at around 9 cents for each dollar invested by industry.

- There is significant expansion of industries that are relatively dependent on TVET skills, including manufacturing, automotive repair and personal services.

- The workforce is more skilled (e.g.) employment of Technicians and Trades workers is 0.3 per cent higher than under the baseline scenario.
Who benefits? – Other benefits

- Households are better off by $0.6 billion per year.
- TVET can play a role in increasing the size of the labour force by attracting international students who go on to work in-country.
- TVET provides important pathways to higher education and learning.
- TVET has an important role in the innovation cycle.
What does this mean for policy?

- Such high returns from VET support the case for further TVET funding! Convincing the range of social partners of the benefits of investing in training is very important.

- Policies to **improve completion rates** should be evaluated by comparing the net benefits of these policies against spending the same funds on expanding TVET in its current form.

- Policies to **improve the quality of VET tuition** can increase the employability and productivity benefits from VET training, but will also involve additional costs per student.