

Background Note for the Special Plenary Debate

“Skills for the Future”

This document, which supplements the Report of the Director-General to the 16th Asia-Pacific Regional Meeting (Geneva, 2016), has been prepared as an additional resource for the Special Plenary Debate titled: “Skills for the Future”.

Introduction

1. Many countries in Asia and the Pacific and Arab States have intensified efforts in improving their skills systems over the years.¹ Investing in the education and training of young people in the workforce is seen as key to increasing employability, reducing poverty, improving productivity and competitiveness and facilitating a pattern of economic growth that is inclusive and equitable.
2. The 2030 Agenda for Sustainable Development calls for substantially enhancing relevant vocational and technical skills as a means for fostering employment, decent jobs and entrepreneurship. The importance of skills development is articulated especially through the SDG 4, while at the same time promoting skills is a key element in achieving the other Goals, such as decent work (SDG8), eliminating poverty (SDG1) and gender equality (SDG5). In conflict and disaster affected areas, skills development constitutes an important part of the effort for inclusive recovery.
3. Skills development systems in many countries in the region continue to face many challenges. For many countries, improving the quality and responsiveness of the skills system remains a significant challenge. It is not uncommon for countries to report a shortage of skilled workers while also recording high unemployment rates, in particular among the youth. The problem of a ‘skills mismatch’ underlines the effort for making the skills development system more responsive to labour market demands.
4. As seen by the active and energetic engagement in the Future of Work Initiative of the ILO, many countries from across the region are considering their future employment and skills policies and strategies. The driving forces of change include technology, demographic trends, patterns of economic growth and fragility as well as environmental degradation. Other critical drivers include the transition to a green economy and trade integration. In the Arab States, the end of the demographic bulge and the disrupting effects of conflicts will significantly influence the patterns of migration and job creation.
5. In addition, generating more skilled workers alone is not sufficient. Translating higher skills into stronger business performance, better jobs and decent work is not an automatic process. In this regard, business and economic upgrading, namely shifting to

¹ Henceforth, for the purposes of this note, ‘Asia and the Pacific’ refers to the region that includes 47 countries, plus the Occupied Palestinian Territory, across all income levels from East Asia, South-East Asia, South Asia, the Pacific Island countries and the Arab States of West Asia, unless explicitly stated otherwise.

higher quality production and service that require and utilize higher skills, would be a vital part of any skills strategy.

Current context and future outlook

6. High-quality basic education provides young people with the literacy and numeracy that lay the foundation for further education and training, for productive work, and for life in general. However, the average education level of the labour force in Asia and the Pacific varies considerably. Educational achievement remains relatively low in some countries. For example, in five of the 24 countries listed in figure 1, more than 30 per cent of the workforce has not completed primary education. This includes Bahrain, Cambodia, India, Kuwait, and Pakistan. In nearly half of the sample of countries, a majority of the workforce has less than a secondary education. This group includes the four countries in South Asia, four of the six Arab States and three countries in South-East Asia.
7. The high-income economies in the region have much better educated workforces. For example, Australia, Japan, Republic of Korea, New Zealand, Singapore, and Taiwan (China) have a workforce in which at least 30 per cent of workers have tertiary education. From the Arab States, Occupied Palestinian Territory and Jordan are the only two entities that are at or close to that level. Along with increasing enrolment in TVET, countries face a key challenge in improving the relevance and quality of education and training. In the Middle East, for example, students did not perform well in standardized international examinations.
8. Australia, Brunei Darussalam, Japan, New Zealand and Singapore are the countries with the highest proportion of workers in high-skill occupations, all exceeding 40 per cent (figure 2). In contrast, the proportion of high-skill jobs in South Asia is significantly smaller. In Nepal and Bangladesh, only 4 per cent and 6 per cent, respectively, of all workers hold jobs as managers and professionals. In the Arab States, the countries with relatively high proportion of high-skill employment include the United Arab Emirates (36 per cent), Lebanon (32 per cent) and Saudi Arabia (27 per cent). In South-East Asia, high-skill jobs are particularly scarce in Cambodia (4 per cent), Indonesia (9 per cent) and Viet Nam (10 per cent).
9. Significant skills mismatches exist currently in the region, even as the types of mismatches have evolved over the past decade.² There is a high incidence of “under-skilled mismatches” in which workers are filling positions for which they do not have the requisite education and training.³ For example, 51 per cent of workers are under-skilled for their jobs in India and about 45 per cent of jobs in Cambodia and Thailand.

² Skills mismatch is defined by the ILO as “an encompassing term which refers to various types of imbalances between skills offered and skills needed in the world of work”. For further discussion, see: ILO: *Anticipating and matching skills and jobs*, Guidance Note (Geneva, 2015).

³ ILO: *Skills mismatch in Asia and the Pacific* (Bangkok, forthcoming).

In contrast, the problem of an “over-skilled mismatch” – in which workers are overqualified for the jobs they fill – is much smaller but its incidence is rising.⁴

10. The co-existence of high youth unemployment and the lack of skilled workers for some jobs points to a high skills mismatch in the Arab States. Despite high youth unemployment, Arab employers commonly indicate the inability to find employees with the right skills.
11. Looking forward, skills demand will be driven by four major trends shaping the future of work: (i) demographic transitions; (ii) technology and innovation; (iii) regional and global economic integration; and (iv) the greening of production.
12. Demographic transitions will vary from country to country, and call for different policy responses. Between 2015 and 2030, the share of the region’s population aged 65 and above is projected to increase from 8 per cent to 12 per cent.⁵ An ageing workforce will characterize not only high-income economies such as Australia, Japan, New Zealand, Republic of Korea, and Singapore but also many low- and middle-income countries including Bangladesh, China, Lebanon, Myanmar, Sri Lanka and Thailand. Conversely, the main challenge in other parts of the region will be to prepare young jobseekers with the skills to compete in a rapidly expanding workforce. Over the next 15 years, for example, the working-age population (15 and above) will increase on average by 1.6 per cent annually in South Asia and by 2.4 per cent in the Arab States.⁶
13. The second key driver of the future of skills will be technology and innovation. While the full impact of technology on the labour market cannot be projected, the region can certainly expect adjustments as occupations are redefined or become obsolete, and new ones are created. A recent ILO study on technology in ASEAN found that the workers most at risk of technology automation in the workplace were women and the least educated.⁷
14. Deeper economic integration is the third major driver shaping the outlook for skills. The Asia-Pacific region accounts for around 40 per cent of global trade and is closely integrated into global and regional value chains.⁸ These dynamics will likely intensify in the coming years as a result of major regional trade agreements. These initiatives will accelerate structural change in the economy, labour market and concomitant skills upgrading. For example, demand for high-skill employment in ASEAN is projected to increase by 41 per cent between 2010 and 2025, partly driven by the formation of the AEC.⁹ By contrast, the impact of regional integration in the Arab States on jobs and

⁴ The smaller proportion does not necessarily mean that there are small numbers however. China alone reports 7.5 million young graduates in unemployment. Unemployment among the relatively educated youth is another growing concern in the region.

⁵ ILO estimates from United Nations, Department of Economic and Social Affairs, Population Division: World Population Prospects: The 2015 Revision, DVD Edition.

⁶ Ibid.

⁷ ILO: *ASEAN in transformation: The future of jobs at risk of automation* (Bangkok, 2016).

⁸ United Nations Economic and Social Commission for Asia and the Pacific: *Asia-Pacific Trade and Investment Report 2015: Supporting participation in value chains* (Bangkok, 2015).

⁹ ILO and Asian Development Bank, op. cit.

skills is expected to be less striking. Greater labour mobility within the region will also create momentum for recognition of skills across borders.

15. Fourth, efforts towards workforce readiness will also need to consider the greening of production and jobs. Economic progress and social prosperity across the region are threatened by environmental degradation and climate change, which in turn could destroy jobs and livelihoods. However, one study indicates that over the next two decades the transition to a greener, low-carbon economy could generate up to 60 million additional jobs worldwide.¹⁰ This would be driven by the transformation of carbon-intensive industries as well as the emergence of new, carbon-friendly sectors such as renewable energy, recycling, eco-tourism, and others. The implications for green skills to match these shifting industry dynamics are numerous.

Main skills agenda and responses

16. The pace and extent of the change in future labour markets will vary across countries and sectors. The preparedness of the existing skills system centres on its ability to better anticipate and respond to future skills demands.

Anticipation of skills demands

17. The ability of the skills system to anticipate such needs is critical for preparing individuals, enterprises, governments and training providers with relevant competences. Skills anticipation involves activities that “assess future skills needs in the labour market in a strategic way, using consistent and systematic methods”.¹¹ Most importantly it assists stakeholders in making informed choices about the investment in skills that need to be made now to prepare for the future. By providing information on future skills needs, it guides the supply of skills and thus is a critical element in improving the responsiveness of the skills system to meet labour market needs while reducing future skills mismatches.
18. The ILO, together with the European Centre for the Development of Vocational Training (Cedefop) and the European Training Foundation (ETF), has developed a number of guides and tools for anticipating skills demands. This includes the Skills for Trade and Economic Diversification (STED) tool that identifies skills needs as an integral part of strategies to develop trade-exposed sectors. STED was pilot tested in Bangladesh and has been expanded in a project that covers Cambodia, Myanmar, Philippines and Viet Nam.

Making formal training systems more responsive

19. The changing and uncertain future of jobs skill requirements calls for the flexibility, responsiveness and accessibility of the skills development system. The greater involvement of industry through public-private partnerships in the skills system is viewed as essential for making the formal training system more responsive to meet individual workers’ and industry’s needs. While industry’s involvement in the skill

¹⁰ ILO: *Working towards sustainable development: Opportunities for decent work and social inclusion in a green economy* (Geneva, 2012).

¹¹ ILO: *Anticipating and matching skills and jobs*, op. cit., p. 3.

system can take different forms, providing training based on the skills competency standards that are developed and agreed by employers has attracted much attention. Significant effort has been made in developing a large number of competency standards and national qualification frameworks.¹²

20. Translating competency-based training (CBT) into improved responsiveness of the skills system can be a difficult process, however. The process is mediated by various factors ranging from the extent of employer engagement to the development and functioning of training, assessment and certification systems. Training of instructors on competency-based approaches is also of crucial importance.
21. There is also renewed interest in promoting and strengthening quality apprenticeships. While other forms of workplace-based learning also bring advantages in terms of job exposure, structured quality apprenticeships have a demonstrated track record in contributing to greater employment of graduates. Quality apprenticeships enable employers to train staff according to their specific skills requirements and can be a source of recruitment of regular workers. The challenges remain however in expanding and improving the quality of apprenticeships, especially in countries where industry has limited experience in skills development.
22. The greater involvement of the private sector in skills development systems should be paired with a performance-based financing system that guarantees the prolongation of programmes that comply with employment targets and the discontinuation of those that do not. Performance-based financing faces numerous implementation difficulties, including the lack of capacities to measure impact, and the reluctance of public training centres to embark in programme changes.

Industry engagement and demand-led approach to skills

23. The preparedness of the skills system to meet future skills needs will be influenced by the extent to which industry plays a significant role in planning and delivering training and in hiring skilled workers. Employers are at the frontline of knowing the changes in the business environment and therefore are best positioned to sense future skills demands.
24. Significant engagement of industry is still at the early stage of development in many parts of the region. However, several countries have taken a major step forward by setting up institutional mechanisms such as Sector Skills Councils (SSC) in India, Industry Skills Councils in Bangladesh and Skills Councils in Jordan.¹³ While these

¹² For example, some countries include Bangladesh, Cambodia, Fiji, India, Indonesia, Lao People's Democratic Republic, Philippines, Sri Lanka, Thailand, and Viet Nam.

¹³ Since 2009, India has established 18 SSCs for high growth and priority sectors. Each council not only developed a sector skills plan but also financed large-scale skill training to meet the needs of the sector. In Jordan, skills councils for pharmaceutical and food and beverage sectors have also started working. At national level, the tripartite Employment, Technical and Vocational Education and Training (E-TVET) Council also oversees the allocation and use of funds for training generated by migrants work permits, as part of the policy of nationalisation of the labour force. In the Occupied Palestinian Territory, district based skills councils are playing a useful role between training providers and employers.

systems are still in the developing stage, they have contributed significantly in allowing industry to gain experience and become a critical player in the skills system.

25. To engage employers in skills development, it is important that investing in skills make sense as a business solution. Skills demands are determined by the type and nature of jobs and these are closely linked with the type of goods and services that the business offers and how they are produced as well as their market sizes. If the business strategy is to compete on low-cost, with low technology and low wages, then there is limited demand for higher skills. Investing in skills makes sense when the business upgrades the quality of the goods and services it produces and how it produces them.
26. Employers' engagement in skills development also depends on their capacity to strategize and identify the skills they require for these strategies and to organize their demands at the sector level. In some countries, there is limited space for employers to express their demands. While, in others their representatives do not take full advantage of their membership in skills development committees and councils. In this sense, skills mismatches cannot always be attributed to a failure of the education system but also to the lack of organizational capacity and of space for employers to express their needs.
27. The ILO promotes skills development as an integral part of broader strategies for industry growth, local development and national competitiveness.¹⁴ In this regard, the ILO is currently supporting a local economic development project in Sekong Province in the Lao People's Democratic Republic in which skills development is part of its rural development strategy, along with interventions in enterprise development and rural infrastructure. A similar approach is being applied in Lebanon for the development of vegetable production value chain.

Preparedness of the skills system for meeting the needs of vulnerable workers

28. The informal economy remains the main source of income for many working women and men in Asia and the Pacific. Yet, most of them face multiple barriers in accessing skills and are trapped in a vicious cycle of low-skills, low-productivity and low-wage jobs. The ability of a country to prioritize and re-orient the skills system to meet the needs of informal workers is key for reducing inequality and achieving inclusive growth.
29. Attempts to make the formal training system more flexible and to improve access for these workers have produced useful lessons. For instance, effective training should be targeted and demand-driven, and offer short, competency-based courses that include not only technical but also livelihoods and other soft skills. Training can be mobile or community-based, driven by coordination with non-traditional training providers such as non-governmental organizations (NGOs) and/or trade unions to improve outreach. A flexible training delivery schedule is particularly important, especially for women who continue to perform most of the care and domestic responsibilities. Certifying skills that workers have acquired on the job helps to increase the portability of their skills.

¹⁴ Human Resources Development Recommendation, 2004 (No. 195), 2011; ILO: *A skilled workforce for strong, sustainable and balanced growth: A G20 training strategy* (Geneva, 2010); ILO: *Skills for improved productivity, employment growth and development*, Report V, International Labour Conference, 97th Session, Geneva, 2008.

Promoting women in non-traditional jobs and sectors is an important means to breaking stereotypes and enabling more women to enter into higher yield sectors.

- 30.** Informal apprenticeships are one of the main means of acquiring skills in the informal economy. Attempts have been made in many countries to strengthen it. For example, in Bangladesh, the quality of informal apprenticeship was improved by introducing structure to training, and enabling apprentices to obtain a formal vocational qualification. In Jordan, a similar attempt included improving occupational safety and health and linking apprentices to a training centre for the theoretical parts of the training.
- 31.** Experience shows however that multiple barriers for accessing skills are deep rooted and go beyond the delivery mode of skills.¹⁵ The barriers include the low level of education and literacy, different expectations for women and men from society and the financial or opportunity cost of attending training as opposed to generating income. Women are disproportionately represented in the informal economy and often in undervalued occupations deemed female oriented. Gender segregation in occupations persists, restricting access of women to better jobs, opportunities and equal pay for work of equal value and women continue to take prime responsibility for care and domestic responsibilities. Family support is often a key for women who are trying to access skills training to create or diversify skills to secure better employment.
- 32.** Income generation requires skills but also start-up capital and equipment. However, unless skills are part of a broader strategy of local economic development or a sector development strategy, the sustainability and growth of income-generating activities to transit from informal to formal employment will be remote.¹⁶ Additionally, in order to ensure that women can succeed, interventions should seek to address the barriers to women`s entrepreneurship beyond access to finance and business skills.¹⁷
- 33.** Given the labour market outlook especially for those in low-skilled occupations, improving access to training for those who are currently employed, and facilitating skills upgrading in case of enterprise restructuring is also a major policy agenda. The pattern of investment in training by enterprises in MENA region suggests, however that companies that offer training tend to provide it to new recruits more so than to existing employees.¹⁸ The role of workers` organization is critical for guarding rights at work, promoting equal opportunity for training for all and assisting in skills recognition and upgrading for existing employees.
- 34.** In addition to women, the youth, the low-skilled workers, especially those work in the informal economy, vulnerable groups also include workers in rural, remote and difficult areas, people with disabilities and indigenous people. Identifying vulnerable groups in specific national and local contexts and strategizing for meeting their needs is critical for skills for inclusive growth.

¹⁵ ILO: "Enhancing skills and employability: Facilitating access to the formal economy", in *The informal economy and decent work: A policy resource guide supporting transitions to formality* (Geneva, 2013).

¹⁶ ASEAN: Vientiane Declaration on Transition from Informal Employment to Formal Employment towards Decent Work Promotion in ASEAN (2016).

¹⁷ ILO: *Effectiveness of entrepreneurship development interventions for women entrepreneurs: an ILO-WED Issue Brief* (Geneva, 2014).

¹⁸ World Bank: Enterprise Surveys, <http://www.enterprisesurveys.org/> [accessed 23 Sep. 2016].

Skills utilization

35. Producing a better skilled workforce does not naturally lead to quality jobs or stronger business performance. The process of skill utilization is far from automatic and it is important to understand the conditions and elements that affect the use of skills, including the creation of jobs with high skills intensity and robust conditions of employment.
36. Skills demands are determined by the skill composition and skills intensity of the job. It is critically important that major shifts in business strategy should involve social dialogue, and that trade unions have a role in negotiating with the employers on replacement and retraining of workers in such change. Social dialogue also plays a critical role in negotiating wages according to skill level, especially when there are increases in the skills intensity of the job.
37. Some countries in the region are recognizing the importance of creating a workplace conducive for skills development and utilization. They are reviewing conditions of employment to make the workplace attractive to retain skilled workers. For example, in Singapore, the skills strategy of the retail sector outlines how skills upgrading can relate to career progression within the company. Investing in skills needs to make sense both for individual workers and companies.

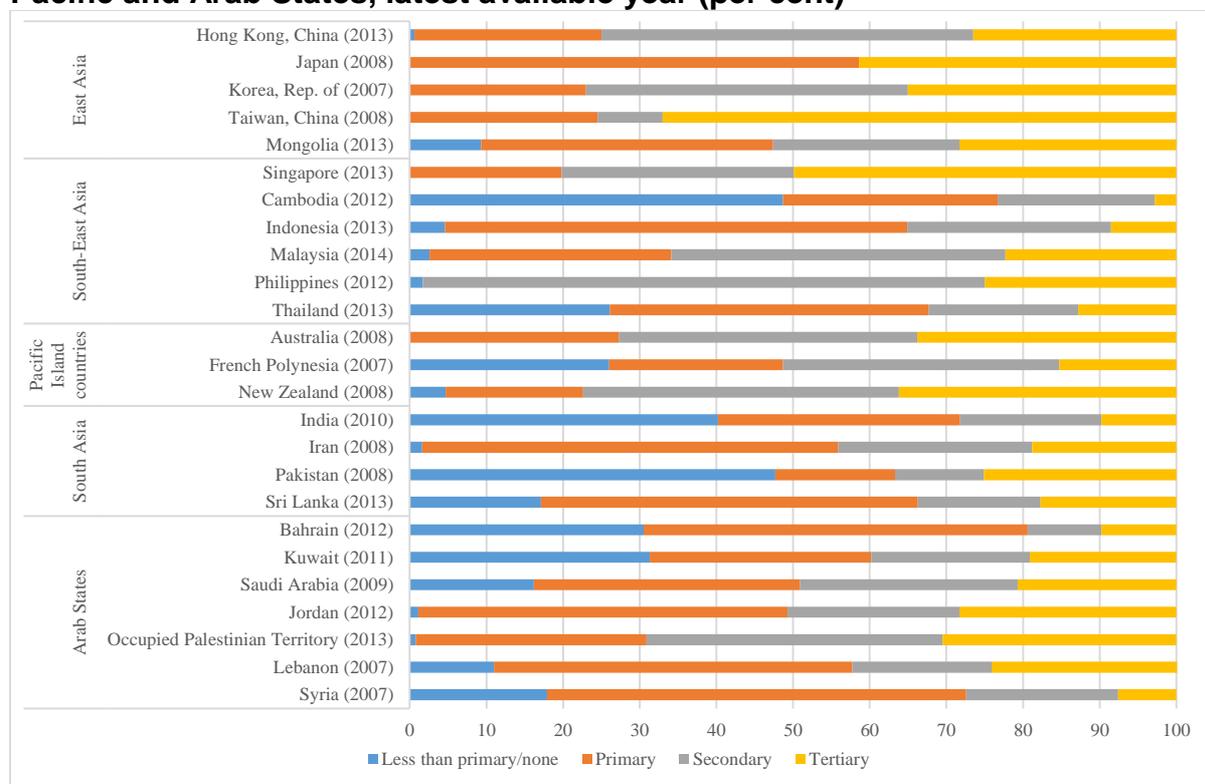
The way forward

38. Given the existing labour market challenges and uncertain outlook, a resolute policy focus on skills development is needed to ensure an inclusive and sustainable future in the Asia-Pacific region. To this end, a number of measures should be prioritized.
39. Investment to strengthen basic and secondary education remains critical for some countries in the region as sound basic education and core skills enable workers to deal with a changing and uncertain future job market. Inclusion of core skills in skills training, promoting women and girls in non-traditional sectors, both at secondary schools and among training providers, should be further promoted.
40. The supply of skills should be guided by the systematic analysis and anticipation of future skills needs. For countries with limited resources and institutional capacities, assessing future skills needs at the sector level as part of sector development strategies could be a practical and significant starting point. Industry-academic cooperation is significant to meet the future skills needs.
41. Improving responsiveness, together with the flexibility and accessibility, of formal training institutions requires political commitment. A renewed effort in undertaking detailed diagnosis and developing options for reform, in addition to financial commitment, may be helpful in some countries.
42. Significant industry engagement in skills development should be the norm, but takes time to develop in countries where there is limited experience. Industry needs to develop their capacity to collectively identify and express their skills needs, and the space – including but not exclusively sector skills councils – for expressing such needs.

- 43.** For greater industry engagement, a future skills strategy needs to be integrated into industry sector development and competitiveness strategies. Further policy support is needed to promote competitiveness based on quality and high-value added products and service. This would increase the skills intensity of jobs and can trigger a virtuous cycle of higher quality production, skills and wages.
- 44.** Workers' organizations should play a crucial role in engaging in social dialogue for policy and infrastructure development of skills at national, sectoral and enterprise levels and promoting equal opportunities for training and retraining for all, as well as in negotiating with the employers on skills recognition and upgrading.
- 45.** Lastly, prioritizing skills development for the informal economy and other vulnerable groups in the national skills development policy is key for mitigating inequality and achieving inclusive growth.

Appendix

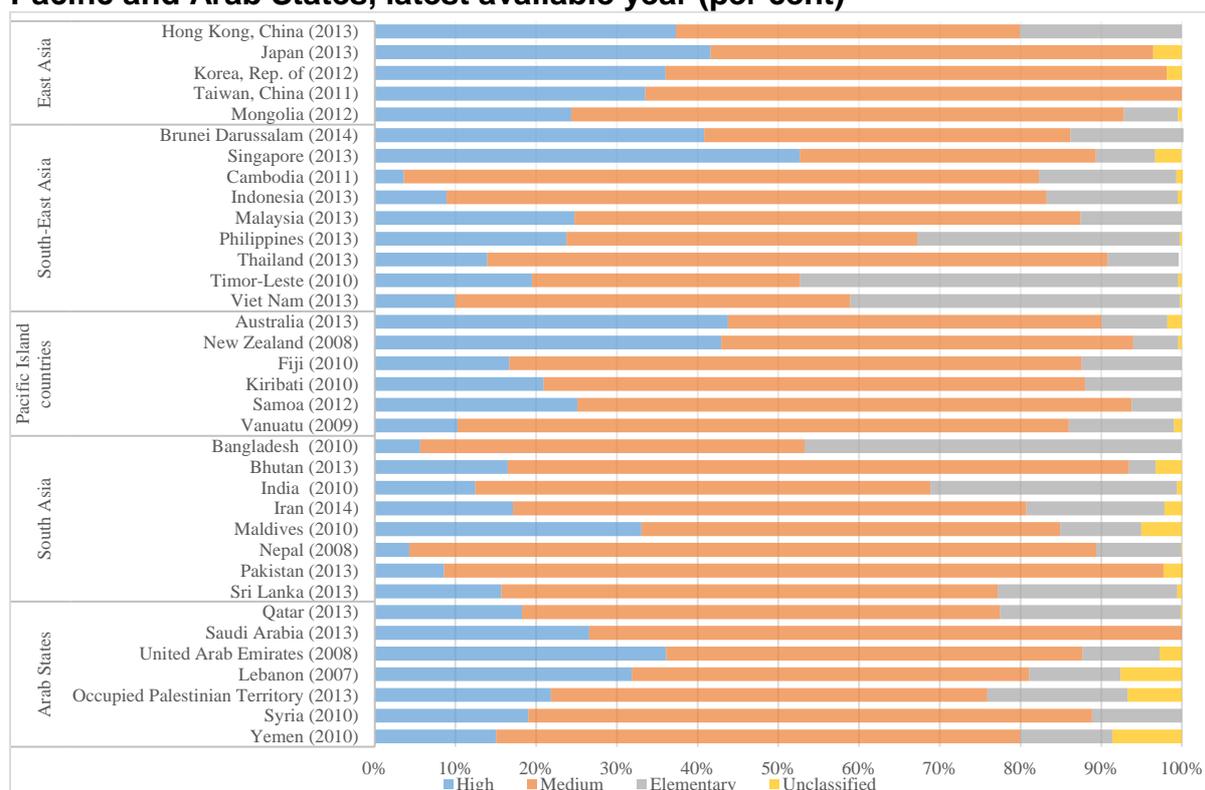
Figure 1. Labour force by education attainment in selected countries in Asia-Pacific and Arab States, latest available year (per cent)



Note: Japan: primary includes secondary; Philippines: secondary includes primary.

Source: ILO: Key Indicators of the Labour Market, 9th edition (2016).

Figure 2. Share of employment by occupation in selected countries in Asia-Pacific and Arab States, latest available year (per cent)



Note: High-skill occupations are defined as International Standard Classification of Occupations (ISCO) groups 1 (managers), 2 (professionals) and 3 (technicians and associate professionals). Medium-skill occupations include ISCO groups 4 (clerks), 5 (service and sales workers), 6 (skilled agricultural and fishery workers), 7 (craft and related trade workers) and 8 (plant and machine operators and assemblers). Low-skill occupations consist of ISCO group 9 (elementary occupations). See ILO: *International Standard Classification of Occupations: ISCO-08: Volume 1: Structure, group definitions and correspondence tables* (Geneva, 2012).

Source: ILO: Key Indicators of the Labour Market, 9th edition (2016).