



STED: The Garment Sector in Kyrgyzstan

Tripartite Workshop on Skills for Trade and Economic Diversification in Kyrgyz Republic

Bishkek, March 14, 2012

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WHAT IS STED?

- Methodology that provides strategic guidance for the integration of skills development in sectoral policies.
- Designed to support growth and decent employment creation in sectors that have the potential to increase exports and to contribute to economic diversification.
- An ANALYTICAL exercise, but can be a starting point for targeted technical assistance





Skills for Trade and Economic Diversification

WHY STED?

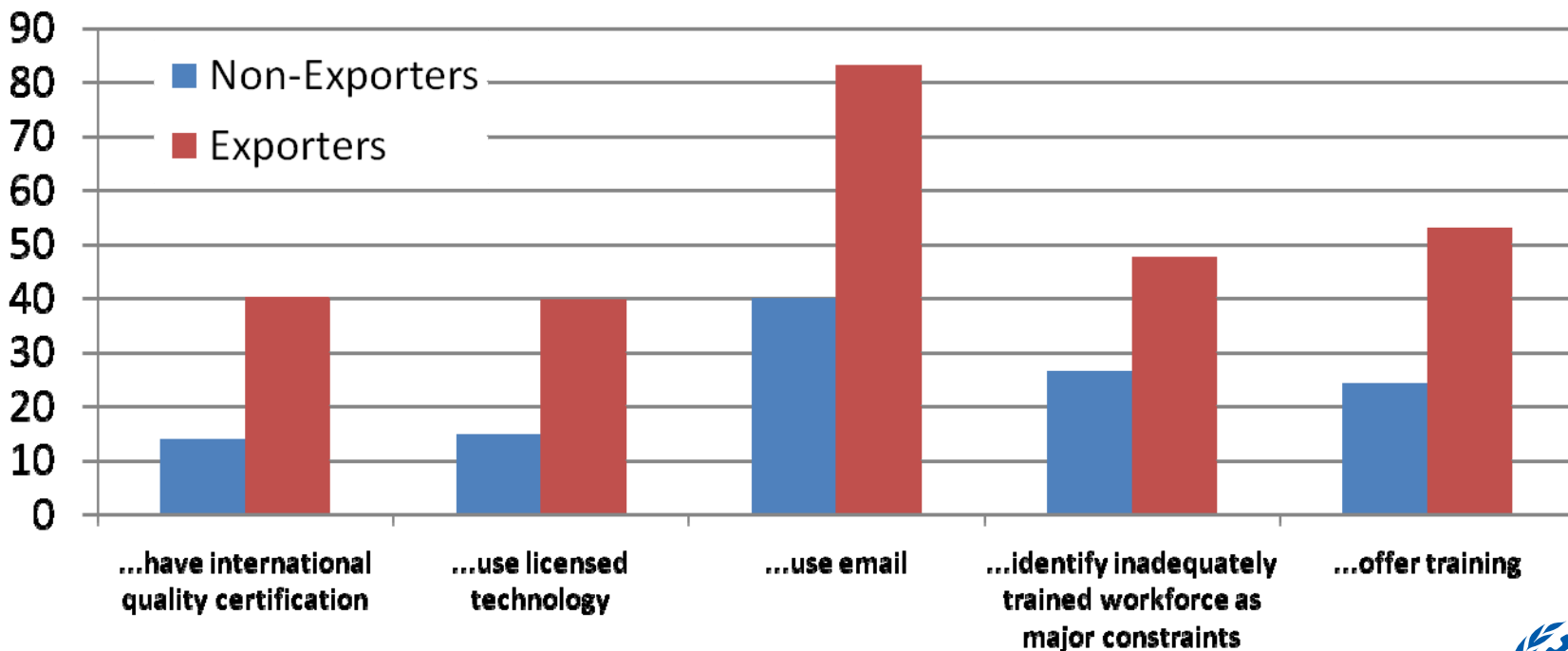




Skills for Trade and Economic Diversification

Exporters have higher skill needs

% of Firms in Kyrgyzstan that ...

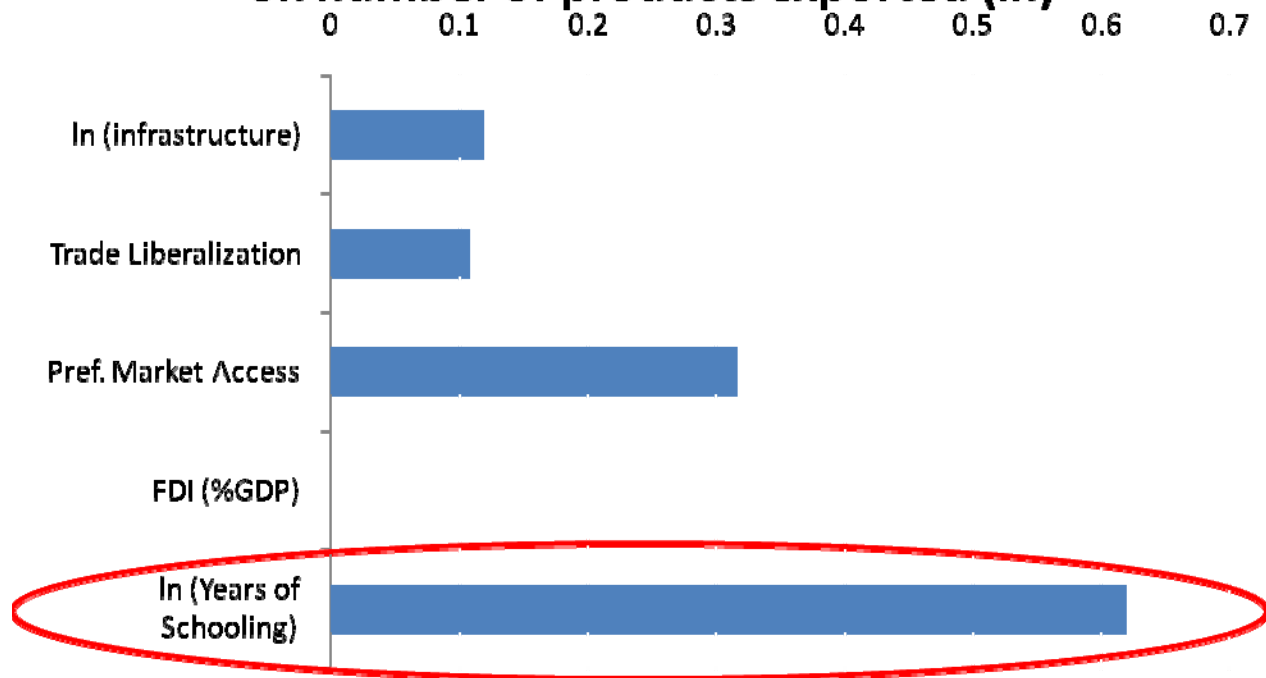




Skills for Trade and Economic Diversification

Skills contribute to Export Diversification

Regression coefficient of selected variables
on number of products exported (ln)



Source: Cadot et al. (2011). Panel Regression Results on 87 countries, 1990-2004.





Skills for Trade and Economic Diversification

But 'getting skills right' is not easy

- High unemployment among well educated
- At the same time, firms struggle to find the qualified personnel (skills mismatch)
- trade can lead to rapid changes and adjustment

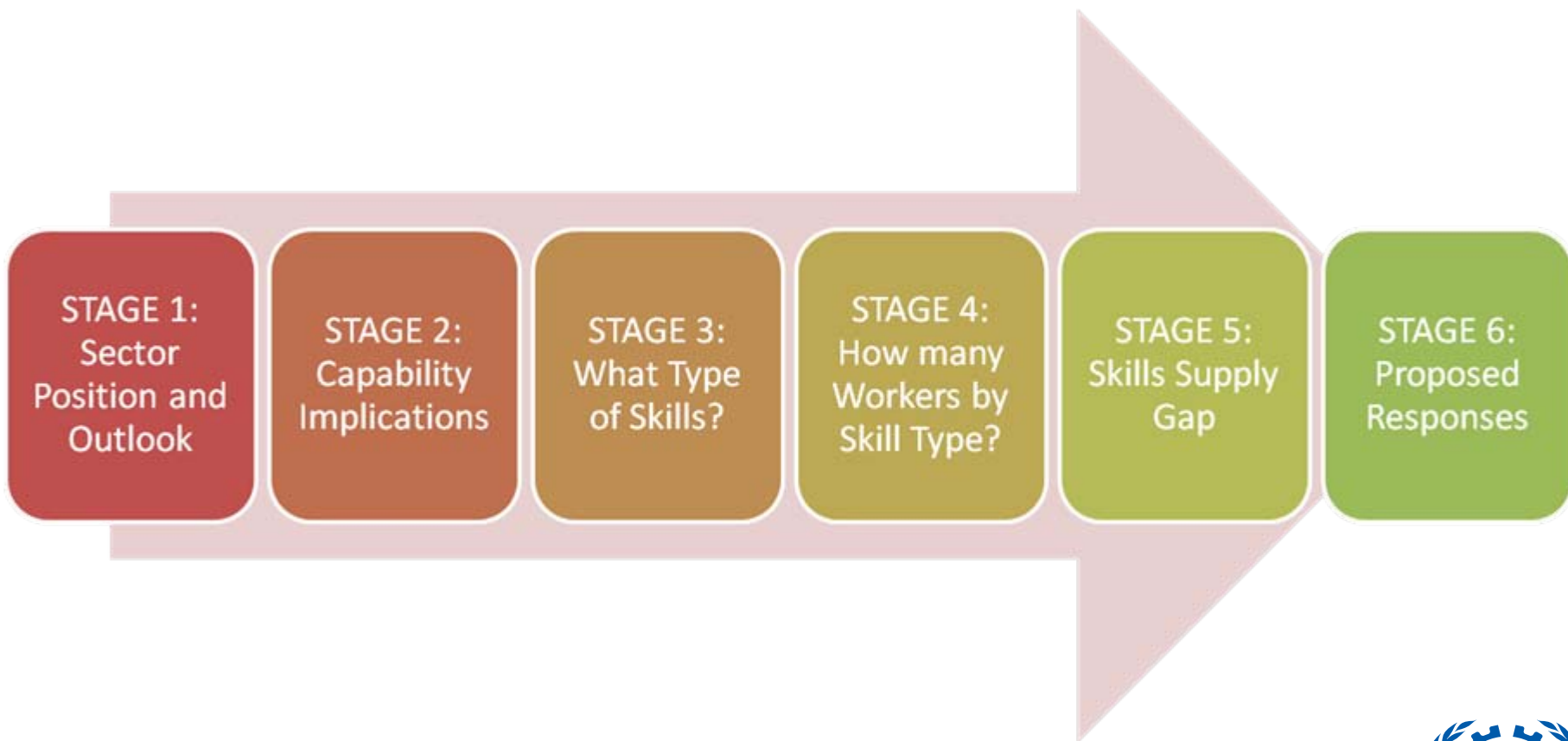
STED helps policy makers to ensure that firms find workers with the right skills and workers acquire the skills needed to find productive employment.





Skills for Trade and Economic Diversification

STED Methodology





Skills for Trade and Economic Diversification

SOME PRELIMINARY FINDINGS





Skills for Trade and Economic Diversification

Sector Characteristics

- Export (and import) oriented, strong growth
- High concentration on low-income markets in Russia and Kazakhstan through traditional distribution channels
- Low labour productivity, competitiveness based on cheap labour
- High levels of informality and semi-formality





External Factors

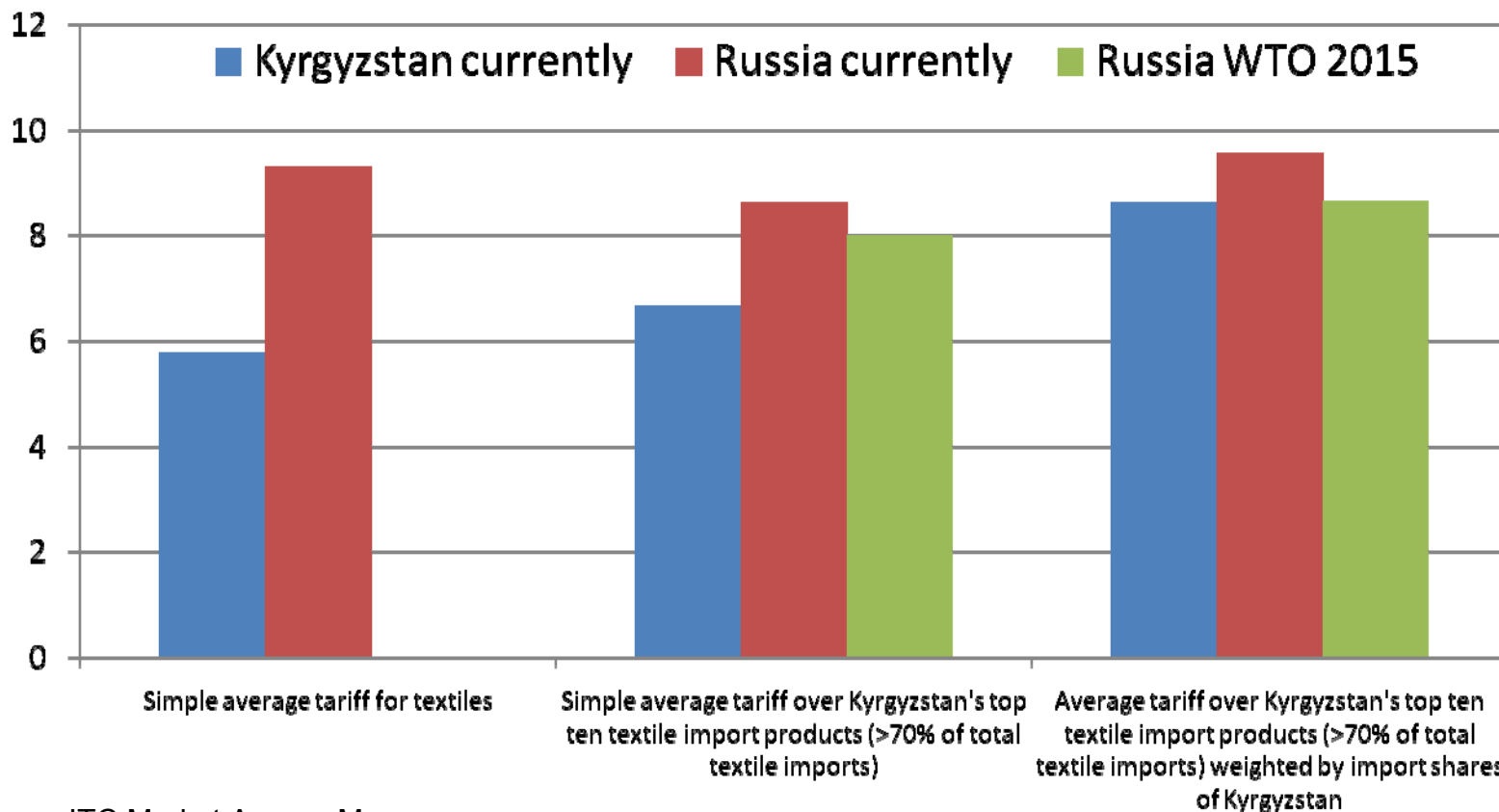
- Patent System
- Customs Union with Russia, Kazakhstan, Belarus
 - Tariffs on intermediate inputs
 - Non Tariff Barriers
- Russia's WTO Accession





Skills for Trade and Economic Diversification

Effect of CU on Import Tariffs



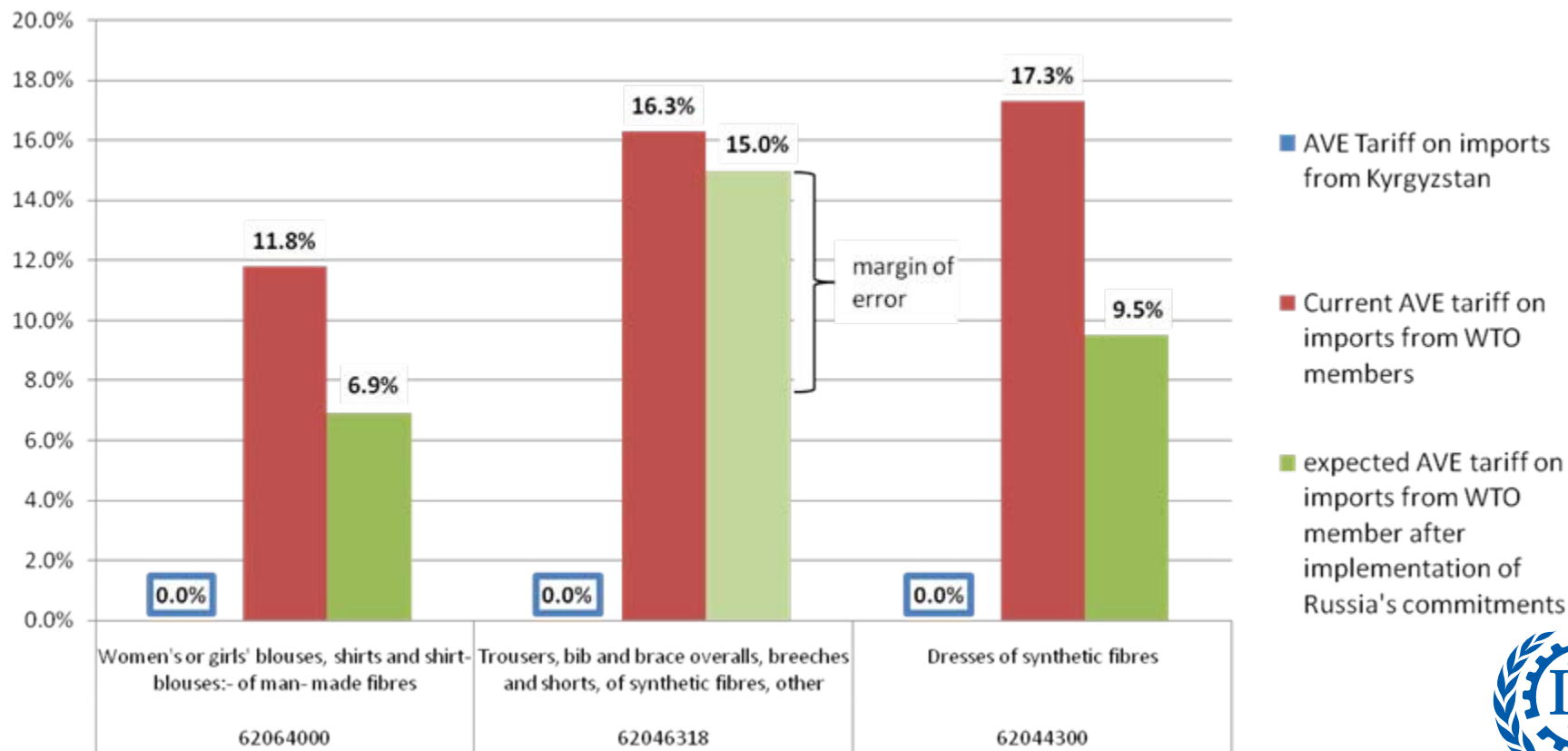
Source: ITC Market Access Map





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Preference Erosion in Russian Market



Source: ITC Market Access Map and Russia's WTO accession documents





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Sector Position and Outlook

- Strong growth, but increasing competitive pressure in current markets
 - Current model of competitiveness has reached its limits
 - Increase Labour Productivity
 - Develop new markets / products / distribution channels
 - Structural change / consolidation
- Focus on labour demand / skill needs of “pioneer” firms





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Skill Gaps (Survey Results)

- Most difficult to find:
 - dyers
 - designers
 - gaugers
 - cutters
- Increasing demand expected for:
 - cutters
 - designers
 - universal sewers
 - process engineers





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Skill Supply

- Respondents reluctant to hire graduates of existing education system
- High levels of on the job training for low skilled activities
- Labour migration to Russia and Kazakhstan





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Training Needs

- Survey Responses:
 - Sewers
 - Designers
 - Marketing, procurement and sales personnel
 - Cutters
 - Gaugers
 - Machine operators
 - Packaging workers
 - Administrators
- Report also recommends training / consulting for top management on topics like product and market development, value chain integration





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Policy Recommendations

- ‘Go it alone’ or institutional reform?
- Report favours institutional approach:
 - Interest of all stakeholders in strengthening education and training systems
 - Strong position of the sector to drive reform
 - Progress already made





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Institutional Recommendations

- Report makes detailed recommendations in the following areas of educational institution reform:
 - new and revised curricula
 - Strengthening cooperation between industry and education institutions,
 - Training and certification of teachers
 - Technical equipment of training institutions





Enterprise Recommendations

- Firms in the sector have an important role to play in skills upgrading and improvement
- Promote a more sustainable culture of employment where employers and workers have an incentive to invest in training and skills
 - Reduce labour turnover
 - Enhance social dialogue and workplace cooperation
 - Stop exodus of skilled workers

