

Skills development for employability and inclusive growth: Policy dilemmas and priorities in South Asia

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Abstract Most countries in South Asia are either in the middle-income bracket or moving towards it; to move up the value chain towards higher incomes, they need more skilled people and larger investments in infrastructure. The combination of globalization, technological advancement, unprecedented labour mobility, and the demographic dividend offers them enormous opportunities—but they urgently need to catalyze the private sector through unified funding to scale up the high-quality training that can have a major and positive impact on the economy. This article suggests crucial ways to transform the skills training ecosystem so it can respond to the labour market's needs, both at home and overseas. Among them are more effective funding arrangements, strong institutional arrangements for effective coordination, improved training modalities, significant engagement by the private sector, and quality assurance through partnerships between the national quality assurance agencies and industry/sector councils.

Keywords Skilling · Upskilling · Demand-led · Market-oriented · Training capacity · Skills gap · South Asia · Inclusive and sustainable growth

Countries in South Asia are growing quickly; many are either already in the middle-income bracket or will transition there within the next decade or so. The top three constraints confronting South Asia are transport, energy, and skills. In prioritizing skills development, it is crucial to address the low human development index in the region, which continues to lag behind most other regions except sub-Saharan Africa. Average school attainment in South Asia is around 6 years (except for Sri Lanka), compared to over 10 years for advanced countries (WBG 2013). Surveys of the labour force indicate low levels of education and even lower levels of skills training.

Despite these constraints, South Asia has huge opportunities arising from globalization, technological advancement, and unprecedented labour mobility. Most of the countries are

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sustaining economic growth rates of over 6%, which can improve further, as demonstrated by the recent growth trajectories in India and Sri Lanka. Thanks to unprecedented labour mobility, which is likely to increase substantially, workers' remittances are making significant and growing contributions to these countries' gross domestic product (GDP). This also shows the high potential for skilling and upskilling, given that the majority of migrant labourers have low skills. For instance, per capita remittances range from \$1,000 for Bangladeshi workers to \$2,000 for Indian workers, and \$3,000 for Sri Lankan workers. By enhancing their basic skill profile, they could double or even treble their remittances relatively quickly. A recent McKinsey study (MGI 2012) indicates that South Asia alone has the potential to supply 40% of the total global demand for labour (around 600 million workers) for the next two to three decades. It also indicates that the demand will be not for very low-level skills but for middle-level skills, especially in the domestic market. This finding is consistent with the important role that skills development plays in adding value to the labour force, which in turn helps countries improve their labour productivity. Given the consistently high rate of return from investments in human capital, it is important to emphasize here that investment in infrastructure will pay off well only if a commensurate investment is made in skills development.

Current situation in South Asia

South Asian countries are growing quickly and have the potential to grow even faster if they systematically address the binding constraint linked to skills. For all of them, investing in infrastructure is a top priority. But the only additional way to move up the value chain in South Asia is to invest more in training and upskilling the working-age population, particularly the youth. Although the overall unemployment rate is generally low, this masks the high level of underemployment and high youth unemployment: generally two to three times that for adults. With rapid economic growth, inequities are also rising, as reflected by high Gini coefficients in countries like India and Sri Lanka. This could potentially threaten the hard-earned growth and reductions in poverty. Because the general education system, especially at the secondary level, is generally inefficient—high dropout rates, low pass rates, and low employability rates—many students drop out prematurely and end up in low-skill jobs, thereby creating a “low-skill equilibrium”. This is true for the domestic and migrant labourers who are largely concentrated in low-skill jobs (ADB 2014; WBG 2013). To ensure more inclusive growth, it will be crucial to combine high-quality infrastructure (transport, energy, urban infrastructure) with solid investments in human capital.

While the contributions that agriculture makes to GDP continue to decline in all countries, the share of employment in agriculture still remains high, as Table 1 shows. While the services sector has continued to expand, both in terms of contributions to GDP and labour absorption, the manufacturing sector has either stagnated or moved very slowly in most countries.

The share of people employed in the informal labour market also remains very high at over 80% in Sri Lanka, and close to 90% in Bangladesh, India, and Nepal. This means even those with jobs are vulnerable to the insecurity associated with the informal labour market. The good news is that people can shift from agriculture to other sectors. For instance, analyses in India show that the construction sector helped shift many people from on-farm to off-farm labour. Three ways to speed up such transitions include closer analyses of such

Table 1 Economic structure: Share of GDP and employment by sector (%)

Country	1994			2000			2010		
	Agriculture	Industry	Services	Agriculture	Industry	Services	Agriculture	Industry	Services
Share of GDP (%)									
Bangladesh	30.2	21.5	48.3	25.5	25.3	49.2	18.6	28.4	53.0
India	29.3	26.9	43.8	23.4	26.2	50.5	17.7	27.1	55.1
Nepal	48.4	12.3	39.3	37.8	17.3	44.9	35.4	15.1	49.5
Sri Lanka	24.2	28.9	46.9	17.6	29.9	52.5	12.8	29.4	57.8
Share of employment (%)									
Bangladesh	54.0	13.0	33.0	51.0	10.0	39.0	48.0	11.0	41.0
India	60.5	15.7	23.7	60.0	16.0	24.0	51.2	22.3	26.4
Nepal	81.0	3.0	16.0	76.0	10.0	14.0	74.0	10.0	16.0
Sri Lanka	47.0	19.0	34.0	36.0	24.0	40.0	33.0	25.0	43.0

Sources: On GDP: ADB (2012, 2013). On share of employment: ADB (2011), ILO (2010), WB (2013), and country sources: BBS (2010) and CBS (2009)

Note: 1990 data for India is not available. Instead, we used the latest, which is 1994.

opportunities, targeted policy support, and support for skilling and upskilling (Mehrotra, Gandhi, Sahu, and Sahoo 2012a; Mehrotra, Gandhi, Sahoo, and Sahu 2012b).

The increasing employment in major industries creates a demand for workers with relevant skills. For example, in Bangladesh from 2002 to 2010, employment in manufacturing increased from 4.3 million to 6.7 million. In trade, hotels, and restaurants, it increased from 6.7 million to 8.4 million. In construction it rose from 1.5 to 2.6 million, and in transport, storage, and communication (TSC) from 3.0 to 4.0 million (BBS 2010). Similarly, in Nepal, from 1998 to 2008 employment in manufacturing rose from 553,000 to 773,000, in hotels and restaurants from 114,000 to 197,000, and in TSC from 135,000 to 198,000 (CBS 2009). In Sri Lanka, between 2001 and 2012, employment in construction rose from 1 million to 1.4 million; in TSC it rose from 386,606 to 528,366, and it doubled in construction, from 324,251 to 682,811 (DOL 2013). As the demand for employment outside of agriculture continues to rise, South Asian economies may need a more efficient system to equip agricultural workers with the knowledge and skills they need to transition away from agriculture and meet emerging labour market needs (Panth 2013; World Bank 2012).

The system of technical and vocational education and training has both strengths and weaknesses. All South Asian countries are realizing they urgently need to move towards skills development that is led by demand and oriented to the market. With rising investments in general education and the current move to establish national vocational frameworks, South Asia is positioning itself to correct its historical deficit on the human development index so it can take advantage of emerging opportunities associated with huge labour mobility and high remittances despite the low skills of its labour force. All the countries have recently adopted skills development policies that are forward looking and target improvements in equitable access, high quality training with high job placements, and involvement by the private sector.

The ADB (2014) sees at least five indications that the region is preparing to transform emerging opportunities into sustained economic growth. First, business associations are ready and enthusiastic about playing a larger role in skills development, as funding and policy reform become predictable. Meanwhile, society is strongly demanding training—and willing to pay for it—given the increasing demand for higher skills and associated returns. And institutional arrangements include an increasing focus on strengthening apex institutions for TVET, which promise better coordination and efficiency. Also, many are interested in developing and implementing national qualification frameworks and quality assurance mechanisms linked to a mutual recognition of qualifications and certification. Finally, good practices exist in many sectors.

At the same time, several weaknesses face the TVET sector in South Asia. Here, ADB (2014) lists four issues. First, the real demand for training is not being met, for various reasons. These include the high educational entry requirements (often a grade 8 diploma), high opportunity costs for the poor, low female participation, limited vertical mobility, and geographical disparity. Second, TVET programmes are generally of low quality and relevance, as reflected by the high inefficiencies, both internal (low completion and pass rates) and external (low job placements). Other problems include a lack of qualified teachers and functional quality assurance systems; inadequate instructional materials, equipment, and facilities; low level of participation by the private sector and industry/employers; and a lack of information about demand. Third, despite a recent move towards integration and overall coordination, the TVET system remains highly fragmented and most training institutions duplicate the training efforts of other institutions. No concerted effort is being made to restructure the system to support priority sectors and skill levels.

Finally, the TVET sector is grossly underfinanced. This problem is exacerbated by two other factors. First, resources are not efficiently allocated. For instance, unit costs are not established for various types of training linked to labour market outcomes. Second, control is centralized. For instance, public training providers generally cannot retain the earnings they generate or hire contract staff to offer flexible courses to meet emerging labour market needs.

Policy priorities and dilemmas

Though South Asia's training capacity is inadequate, new initiatives are emerging, along with the new challenges. In this section I identify some critical areas that are evolving and are important to support.

The skills development offered in South Asia is marginal, given the enormous needs and opportunities. The annual training capacity is only a fraction of what is needed, perhaps 20% to 25%. For example, in Bangladesh, around 2 million people enter the labour market every year. According to the labour force survey of 2010 (BBS 2010), over 60% of people in the market have either no education (40%) or only up to a primary education (22.8%), and 96% have no vocational training. This means the amount of training needed to cater to the new entrants and to clear the backlog of untrained workers is nearly 4 million spaces a year—compared to the actual training capacity in the public and private sectors of around 500,000 spaces a year. Other challenges are the low quality of training, and low public investment for skills development: only around 5% of the amount spent annually on general education.

In Nepal, around 450,000 people enter the labour market every year. As in Bangladesh, a large percentage of the country's labour force has little education or training. Nepal's annual need for training is close to a million spaces, including new labour force entrants and the backlog, but the country can meet no more than 20% of that need. Less than 5% of the expenditure on general education goes to skills development. Every year, over 300,000 people leave Nepal for overseas employment, mostly in low-skilled jobs. Nepal's annual remittances from workers abroad make up over 20% of its GDP: one of the highest percentages in the world (see Figure 1).

Sri Lanka's education profile—an average of over ten years of attainment—is much higher than the regional average of around six years. Still, it has not been able to exploit the labour market's needs commensurately. For instance, though women gain more education generally, their unemployment rate is much higher than that of their male counterparts. The share of remittances in Sri Lanka's GDP has hovered around 8% to 10% per year though a large proportion of these workers have low skill levels. Per capita, however, Sri Lanka's remittances are estimated to be higher than among its neighbours in the region.

The problem of inadequate investment in skill development is also evident in India, though it has recently taken some bold steps to invest more in education and skills development. Around 13 million people enter India's labour market annually but it has the capacity to train only about 20% to 25% of them. The government is now making great efforts to address this constraint through policy reform, increased funding, and large-scale private-sector involvement. The important point here is the historical underinvestment in education in general and skills development in particular.

Efforts at skills development, dominated by the public sector, fall far short of meeting the emerging needs of the labour market and the rapidly modernizing economy of South Asia. Not only has investment in skills development been low for a

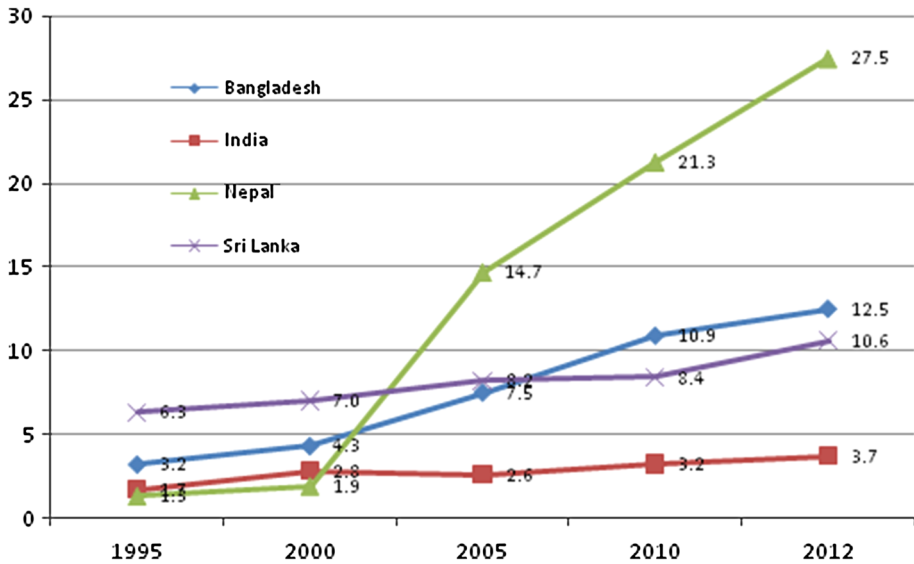


Fig. 1 Workers' remittances as percent of GDP, 1995–2012

Source: ADB (2013)

long time, the labour market outcomes associated with skills development have also been disappointing. Tracer studies of skill development programmes are rare; the few that are available indicate are that only around 20% to 30% of those completing such programmes get jobs. Many of those getting vocational training at the high school level prefer to move into higher education even after vocational training. Given the high demand for work overseas, people are opting for such opportunities with or without training. This makes it difficult to determine whether they are getting jobs because of their training or because of the high demand for low-skill jobs. Some studies (Almeida, Behrman, and Robalino 2012) point out a huge mismatch between what the labour market needs and what the graduates actually have to offer. This applies to vocational training as well as technical training in higher education. The puzzling policy question is why such programmes (particularly technical and vocational) continue to be funded if they cannot upgrade their curricula, equipment, and teaching materials.

Many public training institutions in South Asia have long been offering the same courses without regularly upgrading courses, equipment, or teacher knowledge. Another related problem is that these training institutions often cannot respond flexibly to labour market needs by hiring contract staff, retaining the earnings they generate, developing courses flexibly, and entering into partnerships with employers and enterprises to ensure hands-on training and subsequent jobs. Available data (Mohiuzzaman 2012) indicate that in Bangladesh, the employment rate for graduates of many public training institutions is under 20%. In India, the employment rates have fluctuated within a wide margin depending on the states and local conditions, but the overall job placement rates are much lower than expected. A consensus exists in all these countries that current job placement rates are unacceptable and must be improved substantially.

These poor outcomes in the labour market have also helped create a low image of the skills development sector: it is seen as serving those who fail in general education, or as

catering only to those at lower economic levels. This perception can change only if the programmes are made more relevant to the labour market's needs, by moving them away from a highly supply-driven approach and conducting regular and systematic analyses of skill gaps. The vicious cycle of the low skills equilibrium must be converted into a virtuous cycle, in which all types of students in general education can move back and forth between formal and informal education and training, and can focus on the skills in most demand in the emerging labour market. Unless this happens, much of the investment will be wasted. This may lead to large-scale unemployment for those moving out of general education or skills programmes who cannot respond to the market's needs.

I do not mean to generalize by placing all the public training institutions into one category. In fact, some public training institutions have maintained good reputations, have responded quite successfully to the market's needs, and have also contributed significantly to providing skills for people in priority areas. For instance, the tool rooms in India have done exceptionally well and now cater to the needs of the manufacturing sector quite effectively. The Indian government is now expanding this training to most states. Another institution that has done well is the Central Institute for Plastics Engineering and Technology (CIPET 2013), which has training centres in several locations in India (GOI 2013; Nayak 2013).

In Bangladesh, several technical training centres of the Bureau of Manpower Employment and Training have very successfully provided training for those seeking overseas employment (ADB 2014). In Nepal some of the polytechnics, technical schools, and vocational training centres for community development under the Council for Technical Education and Vocational Training (CTEVT) have expanded access to skills development based on demand and needs in fields like tourism, agriculture, and information and communications technology. Sri Lanka's public training provision is diverse enough to meet the needs of various trainees at the community level through its Vocational Training Authority (VTA) and to offer industrial apprenticeships through its National Apprentice and Industrial Training Authority (NAITA). Its Bureau of Foreign Employment, together with other private institutes, conducts training for those seeking foreign employment.

These experiences point to three lessons. First, given that many public training institutions make use of less than half of their facilities, public-private partnerships (PPPs) could optimize the use of such facilities, a win-win for all parties. Second, PPPs between successful and less successful training providers could expand training in priority sectors and at priority skill levels. Third, restructuring training programmes within a coherent framework could help align all training programmes with the emerging priorities and principles of partnerships and responsiveness in order to support priority sectors and skill levels and to avoid duplication.

Promising institutional arrangements are emerging that can transform the skills development sector. Governments in South Asia are rethinking the traditional roles played by their ministries of education and labour, given their need to focus skills development on overall economic growth, trade facilitation, and industrialization. Most countries have recently developed and approved national policies on skills development. In India, after the national policy was approved in 2009, the government established a National Skill Development Fund and the National Skills Development Corporation (NSDC) under the Ministry of Finance to significantly catalyze action by the private sector. In May 2013, India's Cabinet approved the establishment of a National Skills Development Agency (NSDA), also under the Ministry of Finance, to coordinate the implementation of the National Skill Qualification Framework (NSQF). It is also expected to help the state skill

development missions to effectively scale up and coordinate skills development at the state level, and to coordinate government and private-sector initiatives to meet the targets for skills development.

In Bangladesh, the National Skill Development Council, headed by the prime minister, was proactive in approving the National Skill Development Policy in January 2012; it proposes setting up a National Human Resource Development Fund, strengthening overall monitoring and coordination of skills development activities, and catalyzing action by the private sector. In Sri Lanka, most skills development programmes have been brought under the Ministry of Youth Affairs and Skill Development. These include the Directorate of Technical Education and Training, VTA, NAITA, the National Youth Services Council, the University of Vocational Technology, the Ceylon German Technical Training Institute, and the National Institute for Business Management. In Nepal, the National Skill Development Policy approved in 2012 stipulates that the country should strengthen and extend the jurisdiction of CTEVT and make its coordination and quality assurance function more effectively, through a national vocational qualification framework (NVQF). It emphasizes active participation of and partnership with various stakeholders including the private sector and industries, along with decentralization. To maximize resources, the intention is to anchor such institutional arrangements and coordination efforts on a rational arrangement for fund management. The policy also recommends a unified funding scheme, the Technical Education and Vocational Training Fund, under the leadership of the Ministry of Finance.

The private sector still plays only a marginal role, but this may be changing, given the rising importance of skills development to overall economic growth. It is well known in all South Asian countries that the public sector can no longer absorb the many new workers entering the labour market every year. These new entrants, and those seeking better employment, have three options: find jobs in the domestic private sector, explore self-employment, or find work overseas. Of the total existing provision, over 75% is provided by the private sector in most countries, but often within a narrow band of occupations. This leads to a question. If the private sector is expected to absorb much of the labour force and is already providing much of the training, why is no one working proactively to engage the private sector in large-scale training with the governments providing regulation, quality assurance, coordination, and funding? Often this failure of effort is due to mistrust between the public and private sectors, and potential governance issues. But it is time to address this critical issue, to ensure that skills training is innovative and relevant.

In India, the IT industry has demonstrated how it was possible to expand the sector, not only to meet domestic needs but also to provide pioneering services by meeting global standards. The automobile industry, emerging as a major employer, will likely have a large impact on the economy, adding both jobs and value, because it relies on the distributed manufacturing of various components that involve a network of skilled workers in the supply chain. Bangladesh has demonstrated resilience in the garment industry which has continued to grow despite strikes and political instability. And the current major efforts to improve safety and workers' welfare are improving its potential because of rising labour costs in other economies, like China. Nepal and Sri Lanka succeeded in expanding their tourism sectors, which have higher growth potential. All these countries need to create a much larger pool of skilled workers, along with the needed infrastructure, so they can attract the investments they need to expand, improve their quality, and add value.

One approach emerging in the region is forming sector skills councils (SSCs) in India and industrial skills councils (ISCs) in Bangladesh to catalyze action in the private sector and among private training providers. Just as in the United Kingdom and Australia, skills

councils facilitate close collaboration among the government, industry, labour, academies, and other stakeholders. These councils aim to reduce the gaps between the available training and the demand for skills, to improve the quality and relevance of training, and to enhance productivity, among other aims. Established as tripartite committees involving the government, workers, and industry, nine ISCs exist in Bangladesh, most in nascent stages. The ISC in the leather sector has established a successful Centre of Excellence in Leather, one that other ISCs can replicate (ADB 2013; Mohiuzzaman 2012). Other ISCs involve those in several industries—garments, building and construction, information technology, food processing, and transport equipment—in both the formal and informal economies (ILO 2010). In India, the NSDC is mandated to constitute the SSCs which will set up a labour market information system and sector skills development plan; it will also develop competency standards and qualifications, participate in standardizing and accrediting processes, train trainers, and promote excellence. SSCs are also mandated to establish a research wing. India's SSCs will affiliate with training institutes and forge collaboration with their counterparts in the United Kingdom, Australia, and other countries. So far, 18 SSCs have been approved; another six are making good progress. The current target is to establish 35 SSCs in various industries and see them move into operation (NSDC 2009).

In India, a vibrant skills market is evolving with substantial investments from the private sector. NSDC's leadership started out strong by engaging many private skills providers to offer training, in three categories: those with the capacity to train 100,000, or 500,000, or 1 million people over the next 10 years. This will likely lead to a dynamic market for skills. This approach is triggering innovations which are already beginning to show success, with several large-scale private training providers establishing excellent training facilities and linking with the employers to employ recent graduates. Among the successful companies are Gram Tarang in Odisha (anchored within Centurian University); the All India Society for Electronics and Computer Technology, which has evolved a franchise model for training in information technology; Infrastructure Leasing and Financial Services, which has established a first batch of state-of-the-art multi-skilling centres under a hub-and-spoke concept; and Basix Academy for Building Lifelong Employability (B-ABLE) which also focuses on self-employment. An initial evaluation of these training providers will indicate how effective they have been in training or upskilling a large number of people with good outcomes in the labour market.

Quality assurance remains a major challenge, without strong involvement by industry and a mechanism for devolved quality assurance. While all South Asian countries already recognize the importance of establishing and starting up an NVQF, various complexities are slowing the implementation. Sri Lanka is the first country in South Asia to develop a NVQF, but is encountering two major challenges: finding adequately prepared assessors, and getting buy-ins, particularly from the private sector. In India, two ministries (Ministry of Human Resource Development and Ministry of Labor and Employment) worked in parallel to develop two qualification frameworks, but the recently approved NSDA has been tasked to coordinate one framework: the NSQF, mentioned earlier. Bangladesh has developed a National Technical Education and Vocational Qualification Framework which it expects to implement soon, with further refinements. Nepal is embarking on a similar framework. These frameworks are very important but they will only be valuable if they are implemented effectively, which will require buy-ins from all the key stakeholders.

A closely related aspect is the introduction of competency-based training (CBT), which most countries have yet to adopt fully within their national frameworks. Against this backdrop, the most critical priority is to institutionalize assessment and certification, with

the involvement of industry bodies and employers. Wherever applicable, occupational standards drawn from other successful countries should be adapted since this will also help mutual recognition. With increasing labor mobility, this approach will be efficient as skills recognition will extend beyond the boundaries of any particular country. In fact, companies in countries that welcome guest workers are already conducting tests in various types of skills. What is needed now is strong leadership to coordinate and reconcile various initiatives at the public and private level to ensure good quality skills training.

The capacity for monitoring and evaluation (M&E) mirrors the fragmented TVET system. While all these countries are talking about establishing a robust M&E system to track trainees and determine the demand for priority skills, their actual M&E capacity remains weak and fragmented. Like the fragmented TVET system, M&E is also largely scattered across various programmes; no particular agency has the responsibility to monitor across the TVET sector based on agreed parameters. Some programmes, for example in India and Nepal, have already introduced performance-based contracts, by linking a worker's last payment from a successful training programme with a job placement. The good news is that consensus is emerging that four M&E questions are key: Are regular tracer studies being conducted to determine if TVET students are getting jobs in the areas of their training? Are regular skill-gaps studies conducted to identify emerging demand for priority sectors and skills? Are TVET funds allocated efficiently and adequately to the best-performing priority training programmes? And are trainees being tracked for a reasonable time to ensure that they complete the intended training programmes, get jobs within a reasonable time, and can continue in those jobs for at least some time?

Good practices in skills training

As noted above, skills development in South Asia is becoming more organized, as people increasingly recognize its strong role in sustaining high economic growth and reducing poverty. For instance, consider remittances, which comprise 8% to 10% of GDP in Bangladesh and Sri Lanka and a whopping 20% or more in Nepal. Even in a large country like India, they account for around 2% to 3% of GDP. If countries send more highly skilled workers overseas, those workers can send home larger remittances. South Asia may have lagged behind in educational attainment, especially in skills development, but it need not reinvent the wheel in areas where good practices are already available to develop a robust skills development ecosystem. Countries in the region need to continue cooperating and collaborating with the countries where their workers go, and with major trading partners, and with selected countries that have already succeeded at skills development. Through these measures, South Asia can develop a solid skills base among its population by identifying good practices. Here I suggest some good practices, clustered into five areas.

Funding arrangements

Three main types of training funds exist, for three purposes. Pre-employment training funds are intended to finance initial or further training prior to employment. Enterprise training funds are provided as incentives to increase in-service training of workers in the enterprises. And equity training funds are intended to increase the opportunities for skills development among disadvantaged groups not covered by enterprises. The sources of these funds are usually payroll levies, public subsidies, and donors, or a combination of these. Singapore's Skills Development Fund (SDF) is a good example of an enterprise training

fund. Employers contribute a skills development levy for each employee; these levies constitute the SDF, which the same companies can tap when they send their workers for training, whether retraining, advance training, or upskilling. Another example is the Malaysian Human Resource Development Fund which was established to encourage private-sector employers to retrain and upskill the workforce in line with their business plan and that of the national development agenda. The funds can also be tapped to conduct training needs assessments to formulate training plans (Johanson 2009).

Institutional arrangements

South Korea developed an excellent education system within a relatively short period; it has served the country's social and economic development quite well. One major reason it succeeded is the way the country linked education and skill development with its industrial development and trade promotion, and eventually with high economic growth (Kwon 2011). It has been highly successful in moving from a labour-intensive economy (in the late 1960s to 1970s), to a capital-intensive economy (in the 1980s and 1990s), to a technology and knowledge economy (in the 2000s), by making commensurate progress in providing education and training: high school vocational education and training, open learning, and higher education (Choi and Minwoong 2012). In the past few years India has also made bold efforts to revitalize its skills development. The NSDC has engaged some of the best private training providers, some of which are doing exemplary work in expanding high-quality training all over India in various sectors (IT, construction, light engineering, hospitality, etc.). Establishing the NSDA represents a further effort to consolidate its reform initiatives in improving the overall coordination of skills development, unifying funding at the central and state levels, and ensuring a more uniform quality assurance system.

Training modalities

South Asia can benefit hugely from two types of training. The first is apprenticeship training, currently at a marginal level. The second is recognition of prior learning (RPL): many people lack good education and training but have learned various skills through various types of work including overseas employment. Another area with potential is enterprise-based training. South Asia can learn the principles of enterprise-based and apprenticeship training from countries like Germany, with its famous dual system, and Canada, with its robust community colleges for higher skills through private initiative and entrepreneurship. It can also better understand the labour market in order to prepare the workforce, as Singapore has with its workforce development efforts. Another important area is high school vocational education and training, which exists in all the countries at some level, but is not working effectively. Lessons learned by Australia, South Korea, Malaysia, Germany, Switzerland, and China will be highly relevant for South Asia.

Catalyzing the private sector

India's efforts to establish and start up the SSCs and Bangladesh's similar efforts for ISCs can benefit hugely by learning from successful equivalent organizations in other countries, perhaps through partnerships with them. Such partnerships should be approached as part of efforts at trade promotion and/or development cooperation.

Quality assurance

All countries in South Asia are late starters in establishing a national qualification framework, in implementing competency-based training, and in managing a strong assessment and certification system with strong industry involvement. Sri Lanka has been the leader in establishing a national qualification framework but it is still struggling to make it work effectively. Nepal has succeeded fairly well with its National Skill Testing Board and teacher training institute, which command trust. While some mutual collaboration exists, it needs to be harnessed more proactively. But the region needs to learn from other relevant countries such as Australia, Germany, Malaysia, Singapore, South Korea, and the United Kingdom (Panth 2013).

Recommendations and opportunities

I recommend focusing on six strategic areas to transform South Asia's skills ecosystem.

First, **expand training capacity** substantially, to target priority sectors and higher-level skills and move up the value chain. As I noted earlier, most countries are providing only about 20% of the skills training demanded by the priority sectors that are driving growth in South Asia. A major concern associated with this low capacity is the quality of training: often, under 30% of trainees are placed in jobs. While more than 75% of the training is being provided by the private sector, its contribution is not widely recognized. Public institutions are not subject to the scrutiny needed to respond to emerging labour market needs, because few have any performance-based funding mechanisms. Against these challenges, the question is how to increase training capacity more than five-fold, not only to meet the training needs of the new labour market entrants, but also to train those who are already working but have minimal training.

Four types of training are important for South Asia. The first is placement-linked short-term modular training that is flexible enough to meet emerging labour market needs; at least 70% of graduates must be placed in jobs or enter self-employment. Second, much greater capacity is needed to provide apprenticeship training in all the priority sectors where it is feasible, by aggressively promoting public-private partnerships. Third, RPL must be introduced in a substantial way to recognize the skills many have already obtained through work experience though they have not had the opportunity for more complete formal training. Finally, the region needs longer-term training programmes anchored in higher education institutions and/or centres of excellence, and backed by industry associations and SSCs/ISCs.

Second, **establish unified funding** in each country to target priority sectors and skills levels, and create a viable market for skills development. A unified training fund consolidates all types of funding into one fund that a government can use to target priority sectors and skills. For this to work effectively, it is important to institutionalize a systematic skills-gap analysis so that outsourced experts conduct regular studies and analyses to identify the skills needed for the domestic and overseas labour markets. Based on this information, the unified funding mechanism can solicit proposals from public and private training providers based on such parameters as unit cost, quality assurance frameworks, job placement arrangements with employers, counseling services, internal control, and M&E arrangements. A rigorous appraisal system, which can be outsourced to competent firms, can identify eligible training providers and their capacity development needs. The unified

fund can disburse funds to identified training providers based on a standard set of milestones.

This arrangement should be backed by strong due diligence capacity and strong M&E arrangements to ensure that high-quality training providers emerge over time and are able to expand by investing resources, given the predictability of funding assured by the unified fund. The fund can also pilot and scale up voucher schemes and stipends to target trainees who need financial support. For the unified fund to succeed, it must be managed by a professional fund management body and should have autonomy backed by a legal framework. The next step would be to identify sources of funding; they could include government budgets, external financing for an initial period, tax incentives or other contributions from the private sector, and user fees wherever feasible. Such arrangements will involve investments from large business enterprises leading to innovations in training and creating a high-quality skills market.

Third, establish or strengthen **leadership and institutional arrangements** to ensure effective coordination of the skills development sector. As I have noted, skills development should not be treated as an exclusive domain of ministries of education or labour. Given the economic importance of skills development and its linkages with industrialisation, trade promotion, and economic growth, the ministry of finance is best placed to provide the leadership and funding. However, the synergy that comes from the ministries of education and labour and employment will be crucial. For instance, as the general education system becomes more efficient (better completion rates, better learning outcomes), it will provide the inputs (students with foundational skills) to move into skills development so that the trainees have both the foundational skills and vocational skills to succeed in the labour market.

Another major focus should be in integrating into one framework the fragmented skills development provision that is often spread over more than 15 ministries, and operate it through one institutional window. This is important, in order to direct skills training towards priority sectors and skill levels, and away from the current ad hoc arrangements. This will require providing autonomy to public training providers so they can generate and retain earnings, hire contract staff to ensure high-quality instructors, allow flexible training modules or programmes to meet emerging labour market needs, and ensure partnerships with employers and industries so that training includes hands-on work and good linkages are developed with potential employers.

The recently approved skills policies in most countries point in this direction. India is already moving in this direction and discussions are underway in other countries. In several countries, the prime minister's office is providing the leadership, as a way to emphasize its importance. This is making all parties more serious, and optimistic, about taking major steps.

Fourth, **catalyze the private sector** to substantially increase training coverage and job placement. The reality is that the private sector is already providing more than 75% of the training in most of these countries. However, these efforts are not necessarily directed to priority sectors and skill levels, due to funding constraints and the nature of skills training. That is, a balance is needed between what the market is demanding now and what skills are anticipated in the future, in line with the national vision for development. By balancing the needs for the present and future, through strong coordination mechanisms and unified funding windows, governments will be able to create incentives and funding predictability to move towards higher skills and also enter into more expensive fields that may otherwise not attract the required investments. Eventually, the need is to engage the private

sector in innovating in training provision, attracting large investments, and ensuring higher rates of job placement.

Fifth, **strengthen quality assurance** by involving industries within a devolved quality assurance framework. National qualification frameworks, CBT, and mutual recognition of skills imparted are at an early stage in South Asia. While some promising developments are occurring in different countries as I have noted, it is now important to consolidate quality assurance initiatives within a devolved framework that links the assigned public institution for quality assurance with a network of industry bodies such as the SSCs and ISCs. This will allow efficient assessment and certification that is well recognized in both the domestic and overseas labour markets. India's recent initiative to form and start up SSCs is helping to embed quality assurance within the SSCs based on an emerging national qualification framework. Bangladesh is moving in this direction. Once such a framework is allowed, it will be possible to get the key stakeholder industries that are guiding new developments to buy into developing curriculum, using enterprise-based training, sharing expertise, and providing employment to graduates from skills programmes. As self-sustaining entities, the SSCs and ISCs can rely on a revenue-sharing model with the national quality assurance authority. The revenue can come from assessment, certification, and other professional services. Finally, SSCs and ISCs need to collaborate with their counterparts in other relevant countries to address capacity constraints relating to teacher training and quality assurance.

Sixth, a major effort is necessary to **establish a robust M&E system** for skills development. For a strong skills ecosystem to function effectively, such a system is essential. Again, while this system can be anchored in the national skills authority or coordinating body, the actual M&E can be outsourced. Given technological advances, it should be possible to develop a real-time system for tracking trainees to ensure they can complete the training and move into the intended employment within a reasonable time. A robust M&E should also facilitate regular tracer studies and skill-gaps analyses to provide information on how the trainees are doing, whether the employers are satisfied with the workers, and what the labour market demand is for current and new jobs.

Conclusions

South Asia is poised to emerge as a major region to maintain high economic growth rates and contribute to the rising share of Asia's GDP from the current 25% to over 50% by 2050. This potential provides the historical opportunity for South Asia to tap its young population (its demographic dividend) in not only growing rapidly but also ensuring inclusive and sustainable growth. In order to sustain higher economic growth and more quickly reduce poverty, South Asia must adopt an approach that represents a clear transition from the current marginal one, particularly in skills development. The recently approved skills policies in several countries indicate that South Asian countries are finally recognizing the urgency of investing in human capital to optimize the return from investments in infrastructure, trade, and commerce. However, the implementation of these policies will not be easy. These countries have to take bold steps and make strategic decisions, along with developing strong and sustained leadership. The good news is that these countries have reasons to be optimistic since large investments in infrastructure, combined with skilling and upskilling of the work force, will lead to higher productivity, higher household incomes, higher industry competitiveness, higher exports, and higher economic growth.

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