Enhancing ASEAN's Competitiveness: The Skills Challenge

By Phidel Vineles

Synopsis

As ASEAN celebrates its 51st anniversary, how should the region leverage on its promising growth potential and the skills of its labour force to achieve the goal of becoming a highly competitive region?

Commentary

ASEAN IS projected to become the fourth largest economy in the world by 2030. Moreover, the region's GDP is predicted to be around US$4.7 trillion by 2020, double its current economic size. This promising growth potential is supported by the region's key economic achievements. For example, the region's average annual real growth rate of 5.3 per cent and total ASEAN trade increased by $700 billion between 2007 and 2015, boosting the region's economic growth.

However, greater efforts should be made to harness the full potential of ASEAN's labour force. The region has the third largest population in the world with more than half under the age of 30. Despite its vibrant demographic, a shortage of industry-ready skilled workers poses a great challenge for ASEAN to realise its economic vision.

Skills Challenge

The challenges on the skills front vary widely among ASEAN countries. It is important therefore to determine the workforce characteristics of each country to respond to industry's job-specific skills demands.

According to a joint study by J.P. Morgan and Singapore Management University (SMU), the five core members of ASEAN – Singapore, Malaysia, Thailand, Indonesia, and the Philippines – are confronted with a shortage of industry-ready skilled workers.

This challenge should be the region's main concern, especially for the ASEAN Economic Community's (AEC) vision of fostering robust productivity growth through human resource development.

Moreover, the J.P. Morgan-SMU study said that the ASEAN-5 now represent one of the most promising growth regions in the world, which means that equipping their labour force with job-specific skills is necessary to increase the region's competitive edge in both higher-technology and knowledge-intensive industries.

Singapore is a high-income economy but presently faced with a tight labour market because the country heavily relies on foreign labour. Nevertheless, the country has a largely skilled and educated workforce for pursuing an innovation-driven growth strategy. It is impressive to know that business leaders, training institutions, and labour unions all participate together in Industry Skills and Training Councils to determine industry-specific skill demands.

However, a study by the International Labour Organisation (ILO) said that Singapore is facing a challenge of strengthening the role of innovation in its educational and training institutions, especially in keeping up with the latest technology for the country's workforce.

Moving Up the Skills Ladder

Meanwhile, Malaysia and Thailand are moving towards technology- and knowledge-intensive industries to break out of the middle-income trap. The J.P. Morgan-SMU study noted that both countries face a similar challenge of equipping their workforce with the necessary engineering and science skills. There is also a need to broaden the appeal of technical education to students.

On the other hand, Indonesia and the Philippines have a young and growing workforce but face a challenge of equipping them with basic knowledge and skills required by key industries. Because of this, high youth unemployment rate is persistent in both countries. There is also an exodus of workers from both countries that could potentially reduce their supply of skilled workers.

More attention should be given also to other ASEAN countries. Brunei acknowledges that its future requires moving away from an oil-based economy to a knowledge-based economy, according to ILO's study. However, the country faces a challenge of equipping its workforce with skills in innovation and research and development (R&D).

Meanwhile, all the CLMV countries (Cambodia, Laos, Myanmar, Vietnam) need to have a more coherent technical and vocational education and training (TVET) system for industrial development.

Stepping Up Skills for Higher Productivity

Both the public and private sectors have key roles to play for strengthening the skills of ASEAN's labour force. The public sector should coordinate with industry to help companies meet their skills demands. This role should be in the form of being a facilitator that will help private companies to meet their skill needs. Government's

facilitation should be in the form of providing incentives to private companies which provide training schemes for their employees.

Moreover, the J.P. Morgan-SMU study recommended that government should work with private sector and educational institutions in developing a comprehensive roadmap for skills development. The roadmap should provide a projection of supply and demand for skills needed in key industries of each ASEAN member state.

Meanwhile, ILO's study suggested that there should be collaboration between government, industry, and associations for determining the countries' future skills needs. A good example of this is Singapore's Skills Framework that serves as an important component for the country's Industry Transformation Maps, which are designed to develop several industries in the country.

The framework is developed through the cooperation of government, employers, industry associations and unions for providing important information on sectors and employment as well as emerging skills required by industry.

Another way to step up the skills of the labour force in ASEAN is through upgrading the skills of the SME workforce. These enterprises are undeniably important in the ASEAN economy because they provide between 60 and 97 per cent of total employment in the region. Strengthening the skills of the SME workforce should partly be by encouraging multinational companies and corporations to provide training schemes for them, especially that some of these enterprises supply components to the international manufacturers.

Emphasising the importance of TVET education must be also prioritised in all ASEAN member states. According to the J.P. Morgan-SMU study, educational curriculum should increase the emphasis on TVET and STEM education (science, technology, engineering, mathematics) to help the youth acquire industry-specific technical skills. It should also address the problem of youth unemployment in the region due to skills mismatch.

Towards a Competitive Region

It is stated in the AEC Blueprint (2016-2025) that ASEAN's long-term competitiveness rests on the labour productivity of the member states. Hence, ASEAN should invest in human capital development to prepare the region's labour force to meet industry-specific skills demands. Doing this is critical for ASEAN to become innovative and competitive, which will allow its member states to become responsive to the trends that continually reshape the demand for skills.

As ASEAN celebrates its 51st anniversary this year, greater efforts should be done to improve the region's labour productivity. Hence, skills development must be prioritised to realise ASEAN's economic vision of experiencing a productivity-driven growth.

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