

Skills provision and private sector demand

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The issue

Skills training (often referred to as TVET – technical and vocational education and training) is now regarded as a key factor for economic growth and social development, and as such, has grown in importance for governments and donor agencies. This trend is noticeable within DfID itself where several studies and business cases have been undertaken within the last two years in preparation for significant interventions. These include: Skills for Employment in Mozambique; Skills Development Programme in Pakistan; East Africa Oil & Gas; and Skills for Growth & Poverty Reduction in the Eastern Caribbean, as well as on-going support to the Employment Fund in Nepal and the new Skills for Employment project being implemented there from spring 2016.

What makes these interventions different from previous, albeit limited, support for skills training, is the strong emphasis on the role of the private sector. It is now widely accepted that governments alone cannot meet the demand for training and that the resources of the private sector need to be utilised. In developed countries getting that buy-in can be challenging. In developing countries, where the formal employment sector is small, small and medium-sized enterprises (SMEs) predominate, and companies are often wary of working with the government, making the challenges even greater.

Skills provision and private sector demand can be broken down into four discrete elements, each of which can be an intervention on its own, or all of which can be wrapped up into a single programme.

- (i) Understanding employers' needs:
 - a. One of the greatest challenges in designing skills programmes is to get an accurate understanding of what it is employers need and to view the labour market from their perspective.

About the author

Dr. Muriel Dunbar joined Cambridge Education, a division of Mott MacDonald, as Senior Skills Adviser in 2010, following completion of a five-year mandate as Director of the European Training Foundation, where she was responsible, as part of the EU's external relations policy, for vocational education and labour market reform programmes in 30 countries surrounding the EU. In her current role, she has carried out work for DFID, the World Bank and the Asian Development Bank, in Asia and in Africa, focusing on the interaction between education and industry and their respective roles within the labour market. Earlier in her career Dr. Dunbar worked for the British Council and the Scottish Qualifications Authority in the development of national vocational qualification systems.

- (ii) Supplying the skills which employers need:
 - a. Technical skills:
Projecting from current demographic and labour market patterns, it is predicted that by 2020 there will be a global shortage of 38-40 million high-skilled workers; the greatest demand being for jobs in science, technology, engineering and maths disciplines. Workers will be especially attractive to employers if they live in low-cost locations.
 - b. Employability skills:
Technical skills are no longer sufficient on their own. There is an increased demand from employers for what are often termed 'soft skills' and an expectation that workers will arrive with them, rather than learn them on-the-job.
- (iii) Bridging the gap between supply and demand:
Increasingly, it is understood by governments and donors that providing poor people with technical and employability skills will not be enough to open employers' doors to them. This is particularly so in countries with opaque recruitments systems and a heavy dependence on personal networks. Employment services must be provided to ease the transition from training into private sector employment.
- (iv) Engaging employers in the provision of training:
There are many roles which employers can play in supporting and providing skills training. Actual delivery of training is only one of them.

The key readings provide a reference for each of these five headings.

Key readings

Reading 1: IFC, 2013, Assessing Private Sector Contributions to Job Creation and Poverty Reduction http://www.heart-resources.org/doc_lib/ifc-jobs-study-assessing-private-sector-contributions-to-job-creation-and-poverty-reduction/

State of evidence

The report was prepared by a team of IFC staff, reporting to an Advisory Panel made up of seven representatives of academia, multi-lateral institutions and the private sector. It is a companion document to the World Development Report 2013. When identifying the most important constraints facing firms in the private sector, data was used from the World Bank Group's Enterprise Surveys, and responses from over 45,000 enterprises in 106 developing countries were analysed.

Key messages

The report stresses that 90 per cent of jobs in developing countries are in the private sector. It presents global employment trends and methods to assess the impact of private sector development on jobs. It looks in particular at four constraints to growth, one of which is insufficient skills and training. It finds, broadly, that there are not enough workers for high-skilled jobs, not enough jobs for low-skilled workers and not enough skilled business owners and managers (see pages 96 – 115). The report shows that some programmes, and the jobs created as a result, can have a transformational impact on an economy.

It is suggested that a comprehensive approach is needed to tackle the lack of more advanced skills and future employment needs, and that this needs to be done in collaboration with the private sector. Investing in training, technology and innovation can have an impact on job growth and must be part of the strategy to decrease the skills mismatch.

Reading 2a: Dunbar, M., 2013, Engaging the Private Sector in Skills Development, commissioned by DFID http://www.heart-resources.org/doc_lib/engaging-the-private-sector-in-skills-development/

State of evidence

The abstract for this paper was subject to a blind peer review process for conference acceptance. Prior to that, the full document had been critically assessed by a roundtable of DFID advisers.

Key messages

There is an increasing demand for skills training which needs greater private sector involvement, better co-ordination, effective use of new technology and the media, and interventions with a sectoral focus. The report makes clear that private sector intervention will generally not happen without facilitation by another party, whether it be government, donor agencies or NGOs.

Employers are more likely to engage in skills development if the benefits of doing so are apparent, the business environment is favourable and there is minimal bureaucracy attached. Their engagement is most effective if it takes place early in the planning process and results from them being proactive. Sections 2 and 3 of the report outline how parts of the private sector may get involved in skills development, describes different types of intervention, and evaluates their strengths and weaknesses. The greatest challenges are found in countries with unstable governments and low-growth or stagnant economies, and in remote, agrarian communities with little industry.

Reading 2b: Brewer, L., 2013, Enhancing Youth Employability: What? Why? and How? Guide to core work skills, ILO http://www.heart-resources.org/doc_lib/enhancing-youth-employability-guide-core-work-skills/

State of evidence

The author is Specialist in Skills for Youth Employment for the ILO. Her work drew on contributions from colleagues in the International Programme on the Elimination of Child Labour, the Youth Employment Programme and the Sectoral Activities and Employment Policy departments.

Key messages

The paper begins by defining core skills for employability and explains why these are so important to employers. It goes on to guide readers through the key issues in identifying relevant core skills for employability, understanding their importance and ways these skills can be delivered, attained and recognised. It proposes and shows how to integrate employability skills into core academic content and vocational training, rather than providing a 'core-skills curriculum'. Brewer acknowledges that while the best way to learn these transversal skill is on-the-job, alternative mechanisms are required as employers are not often prepared to train new recruits.

This Guide is accompanied by a policy brief, *Enhancing youth employability: the importance of core work skills*, which provides the basic premise for the Guide.

Reading 3: Andersen, T., Feiler, L., Schulz, G., 2015, The Role of Employment Service Providers: Guide to anticipating and matching skills and jobs, vol. 4, published by the Publications Office of the European Union http://www.heart-resources.org/doc_lib/role-employment-service-providers-guide-anticipating-matching-skills-jobs-volume-4/

State of evidence

This guide is one of a series of six which address the use of labour market information, skills forecasting, developing skills surveys and carrying out tracer studies. It is produced using the combined experience and geographic coverage of two EU agencies, the European Training Foundation and the European Centre for the Development of Vocational Training, and the ILO.

Key messages

The role of both public employment services (PES) and private employment agencies (PEA) are covered. It is acknowledged that public employment services in transition and developing countries face particular challenges: inadequate budgets; poor staff resources; and a low reach-out and market share. The Guide stresses that budget alone is not the issue as some of the countries with larger budgets show poorer

results on matching, demonstrating that appropriate management (such as strategic planning with a focus on results, multi-level partnerships and monitoring) are important for success.

The review on which this guide is based puts forth a key message: that skills, rather than qualifications, are at the centre of the anticipation and matching practices of the employment services. This shift to skills as the core element has led employment services to concentrate on developing more skills-related services.

Reading 4: UK Commission for Employment & Skills, 2013, Employer Engagement in Design and Development of Skills Solutions http://www.heart-resources.org/doc_lib/employer-engagement-design-development-skills-solutions/

State of evidence

The report sets out the key lessons from a qualitative evaluation of demand-led skills solutions carried out by ICF GHK at the Institute of Development Studies, University of Sussex. The evaluation was based around ten investment fund project case studies and ten case studies looking at standards and frameworks products.

Key messages

Although the research has been carried out in the UK, the findings are of direct relevance to developing countries. These include the fact that employer engagement, relationship management and maintained engagement take more time and resources than even the most cautious partners expect. It also found that, while working with a core of known employers is to be expected, it is when these employers are active, rather than passive, that the potential to influence the training offer can be realised. Some employers are motivated by directly influencing the on-going design and development of skills solutions. It was also found to be more important to get support from employers in delivering skills projects than to attract funding from them. That is what brings substantial and long-lasting value.

Questions for discussion

- In most developing countries there is a paucity of labour market information. That which does exist is often out-of-date and at too high a level to be of help to decision-makers in training institutions or to young people and their families. It is therefore worth asking: what sources of labour market already exist? How useful are they? Are there alternative means of acquiring local labour market intelligence quickly and at low cost, which could be implemented? What role could employers play in generating labour market information?
- It is clear that graduating in STEM subjects (science, technology, engineering and mathematics) will be of enormous benefit to young people keen to enter formal employment. How well is that being taught at present? What proportion of young people choose science subjects in school and post-school? How could employers be instrumental in increasing the number of STEM graduates and ensuring that the teaching they have received is fit-for-purpose?
- Employability skills are now regarded as of equal, or even greater value than technical skills. Are these subjects currently taught in schools and training institutions? If so, are they also formally assessed? Are employability skills embedded within technical training programmes? Are employers clearly articulating the importance they attach to these skills?
- Many young people need assistance with transferring into formal employment because they lack the social contacts which informal recruitment practices rely on. Are young people currently being well-served by employment services? How strong are the links between employment services and employers? How could those links be strengthened?
- Sometimes, private sector engagement in skills is only thought of in the context of employers contributing funds to training (voluntarily or through taxation) or of actually delivering it in-house. What other ways are there for employers to get engaged and what are the chances of them being sustainable in the long term?