



## **ILO/IOE/CAPE Regional Employers' Meeting on Human Resources Development for Competitiveness**

Bangkok, 1-3 December 2008

### **Note on the theme and purpose of the meeting**

#### **Asia has a skills crisis**

The Asian Development Outlook 2008<sup>1</sup> makes the point, based largely on the extensive World Bank Investment Climate Surveys. Anecdotal accounts of industry complaints and measures taken by companies to cope with the problem have appeared often in the press, supporting that view. The evidence is compelling and disturbing, especially since the crisis is focused in those sectors that have been powering the economic and social advances made by countries in the region these last three decades, and hold the greatest promise for improving economies and living standards in the future.

#### **Causes**

To an extent, economic success has been one of the factors leading to the crisis. Expanding middle classes with rising incomes have led to greater demand for a wide range of goods and services, and they want world-class products. In addition, many companies in the region are moving up-market to offer higher value-added goods and services to global markets, and need the knowledge and skills to sustain their growth momentum.

However, these developments have not been matched on the supply side by sufficient growth in the number of people available with the requisite competencies. In some countries, in particular the economically more advanced ones, this is due to demographic factors such as low birth rates leading to smaller numbers entering the labour market. The immigration policies adopted to cope with these shortages are not only politically sensitive, but also risk being unsustainable if the “push factor” in migrant-sending countries is weakened by economic development leading to better living standards there.

In other countries, such as China and India, the shortage is in marketable skills, not labour supply—this despite increases in enrolment rates in all categories of education. The result is large numbers of persons who have been through higher levels of education but cannot find jobs, while employers take desperate steps to find suitable staff in sufficient numbers. This seems to indicate the need for significant improvement

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<sup>1</sup> Asian Development Bank, 2008, pp. 61-75

in the quality of education and better linkages between the education system and business, in order to match supply with demand.

At the same time, the pace of growth in enrolment and educational attainment has not kept pace with the growth in entrants on the labour market, and is perhaps of greater long-term significance.

Other causes underlying the skills shortage include insufficient up-skilling of those already in jobs, the paucity of management skills and the lack of regional recognition of qualifications, which affects the portability of skills across borders.

### **Consequences**

The consequences of the skills shortages in the region will, in the short term, be different for different countries. In the more developed countries there is likely to be more pressure to loosen immigration regulations, while in others prospects for growth at both sectoral and firm levels could be stunted and the risk of losing potential new investment is very real. Practically in all countries, there will be wage distortion and high staff turn-over in scarcer skill jobs. In the longer term, the skills crisis will slow the growth of markets and improvement in living standards, dimming prospects for the region as a whole.

Asia has the potential to offer the world vast new markets through raising the productivity and living standards of its large population. Unless measures are taken now to correct the causes of the skills crisis, which lie to a large extent in human resources development policies and programmes, the cost to everybody will be significant.

### **The role of business**

Employers are the principal market for skills. They are also part of the skills development system as developers, providers of incentives and policy-setters. They need to send the right signals to the educational and formal training establishment, and should work with the authorities to create the right policy environment that would optimise the performance of the human resources development system as a whole. Their participation in the system, from primary education through to life-long learning, is therefore vital. Both individual enterprises and their associative bodies, in particular employers' organizations, have a role in this—and indeed, there are many examples of measures taken and practices put in place by them that can inform and encourage others.

### **ILO**

The ILO has always placed a lot of emphasis on skills. The International Labour Conference adopted conclusions concerning human resources development in 2000, and the Human Resources Development Recommendation (No.195) in 2004. Again in

2008 it adopted conclusions on skills for improved productivity, employment growth and development. The central message through all these authoritative documents, which convey the considered opinion of the global community, is that education, vocational training and lifelong learning are central pillars of employability, employment and sustainable enterprise development within the Decent Work Agenda. The ILO also offers a Regional Skills and Employability Programme (SKILLS-AP) to provide services to member States in the Asia-Pacific region on skills issues. The ILO/SKILLS-AP has developed Regional Model Competency Standards for several sectors, as a means to promote competency-based approaches to assessment and training, and to improve training quality. The ILO's assistance is available to all its constituents, including employers' organizations.

### **Objectives of the meeting**

The meeting will seek to move forward the agenda of the Asia-Pacific employers to make the region an attractive and better place to do business in, and to promote social and economic development for its people<sup>2</sup>. The ILO Bureau for Employers' Activities has, since 2002, held a series of meetings in collaboration with the International Organization of Employers (IOE) and the Confederation of Asia-Pacific Employers (CAPE) on the overall theme of productivity and competitiveness<sup>3</sup>. This meeting will be the fourth in the series. Participants will get an overall picture of what is happening with respect to the human capacities aspect of competitiveness in the Asia-Pacific region, and what the figures are telling us with respect to likely trends. The human resources scenario will be considered specifically, and participants will relate what they learned from their respective national experiences. Options for improving the situation will be examined, and suggestions for national and, if appropriate, international action will be discussed.

The objective of the meeting is for Asian and Pacific employers' organisations to better understand the skills crisis and to take action in that respect, as appropriate in their respective countries and regionally, supporting each other where necessary. Overcoming the skills crisis is critical to making the economies of the region the most dynamic and competitive in the world, and to offering the people of the region the best living standards available.

### **Preparing for the meeting**

Participants are requested to come to the meeting armed with relevant information relating to the theme of the meeting. It is not necessary to bring aggregate official statistics, since that is covered in the Asian Development Outlook 2008 and other

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<sup>2</sup> CAPE Statutes, Article I

<sup>3</sup> Performance and skills-based remuneration (Bangkok, 2002); Productivity for competitiveness (Kuala Lumpur, 2004); Impact of labour legislation on labour market flexibility (Beijing, 2006)

publicly available sources. However, it would be very valuable to bring industry-level information that can illustrate specific issues, as well as explanations of schemes and systems that enable business to influence education policies, training systems and thinking on the part of providers and labour market entrants. Information on other human resources development interventions and practices of firms and business associations will also be useful to expand knowledge of the range of options available to those who want to take action.

Participants will be requested to provide a five-minute description of the skills situation in their respective countries and prospects for the future on the first day, as part of the scene-setting for the discussions. More detailed information on specific aspects, especially lessons learned from innovative schemes, will help to better understand issues in the discussions and group work later in the programme.