



## **Economic:**

**How can industries work with tertiary institutions to enable youth to become more employable and highly skilled?**

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# 1 Introduction

The ASEAN Economic Community (AEC)'s target by 2015 is to make ASEAN countries to become a single market and production base. This will lead to free flow of goods and an increase in skilled labor workers in the region. New opportunities will bring economic growth to all countries, and AEC's target is to maintain a sustainable development and to ensure equal share of prosperity. Therefore, AEC's plan will affect every **industry** and worker in the region and thus it is important for people in this region, especially youths to prepare not only for the opportunities but also the challenges.

Youth employment was firstly brought up as an issue by the United Nations (UN) in the World Youth Report in 2003. The UN recognized that **youths** are between the worlds of employment and unemployment (intermediary zone) as they might be engaged in the informal economy and be denied employment rights and security. The concern was with wages in the informal economy which can be 44 per cent lower than those in the formal sector (International Labor Organization [ILO], 2015), and the majority of the young people worldwide worked in the informal sector.

This issue persists whether youths are educated or not. In the former, youths who have graduated from **tertiary** institutions may not be equipped with the right set of skills (whether specialized or soft skills) for our current knowledge economy; in the latter, youths who lack education find themselves cut off from many job opportunities which require them to have some basic form of educational certifications.

## 2 Definition of terms

### Industries

ASEAN has been experiencing strong growth in various key business industries recently, notably in the electronics, information and communications technology (ICT), textiles and apparel and medical devices sector.

The electronics sector has always been one of the strongest forces contributing to ASEAN's economic growth, as many ASEAN countries export electronic components to neighboring countries for assembling such as from the ASEAN-4 nations (Indonesia, Thailand, Malaysia, Philippines) to China. However, as China starts to manufacture more high-end products, coupled with the rising labor costs of production, foreign direct investment is now channeled towards other ASEAN countries such as Myanmar, Thailand, Cambodia and Vietnam.

Over 11.7 million people work in the ICT industry across the ASEAN region, contributing more than US\$32 billion or over 3% of ASEAN's GDP as of 2014. Since its launch in 2011, the ASEAN ICT Masterplan 2015 (AIM2015) has helped to improve the reach of services such as broadband and telecommunications infrastructure, further develop innovation capacity, and encourage FDI. Internet usage across ASEAN has also been steadily increasing (refer to appendix 1), creating many opportunities for mobile commerce to flourish.

### Tertiary Institutions

Tertiary institutions offer tertiary education. Individuals who enroll in a tertiary institution can receive a specialized or general certificate at the end of their course. The International Standard Classification of education (ISCED) of 2011, which is a statistical framework for organising information of education by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) states that tertiary education falls under level 5, 6 or 7 of the classification. Level 5 refers to short-life tertiary education while level 6 refers to a bachelor's or equivalent level of study. Level 7 is the master's or equivalent level of study.

### Youth

The term "youth" is often used to describe a person between the age where he/she may leave compulsory education, and the age at which he/she finds his/her first employment (Unesco.org, 2015). It is a more fluid category than a fixed-age group and as such ASEAN countries have different meanings of the term. However, according to UNESCO's definition for statistical purposes, youths are individuals aged between 15 and 24.

## **3 Key Events**

In ASEAN, International Labor Organization started to address the employment issue around year 2010. Before global economic crisis in 2008, there were 75 million unemployed youths globally and 40% came from Asia and the Pacific region. The fundamental problems are the large number of young people entering the labor market every year, the lack of employment opportunities in both developing and developed countries, and the low quality of education and training without a proper link to the labor market. The aftermath of the economic crisis in 2008 has resulted in more youth unemployment (ILO, 2013).

In 2010, the ILO published a case study of the Local Economic Development and Youth Employment in the Philippines. The youth participation in the workforce was found to be

low. The majority of youths believed they need knowledge in entrepreneurship and they were inclined to work abroad.

In 2012, the UNESCO (United Nations Educational, Scientific and Cultural Organization) Bangkok office, which is the Asia and Pacific Regional Bureau for Education, published a long article analyzing employability of graduates in Asia, mainly those in Indonesia, Malaysia and Philippines. Tertiary enrolment has been fivefold and yet youth employment rate had not kept pace with this trend. The unemployment of youth was largely contributed by tertiary institutions which did not adequately equip their students with relevant skills and knowledge for the various industries. As a result, graduates had a lot of difficulties transiting from university to the workplace.

Indonesia hosted the ASEAN Forum on Youth Employment in 2013 to share experiences in tackling youth unemployment. Each country reflected their own situation, and improved or initiated programs. The overview of the Forum pointed out that skills programs did not reach out to the vulnerable youths so that youths suffered from a lack of any form of orientation. In addition, career guidance and entrepreneurship were not always presented as an option, and data was either not available or not analyzed.

Some common problems mentioned by the delegates of each country were that supply of youth labor force was not matched with the demand; certain countries' educational level of youth was uneven; other countries' youth lack of experience and relevant skills; and a large number of youths worked in informal sectors.

## **4 Present Situation**

In February 2015, the ASEAN Economic Community published a report on enhancing competitiveness and employability through skill development. Below is an extract: The AEC aims to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues. As countries in the Asia and the Pacific region continue to recover from the global economic crisis, the ILO's Decent Work Agenda and the Global Jobs Pact provide critical policy frameworks to strengthen the foundations for a more inclusive and sustainable future.

This initiative will help boost the competitiveness of the various industries by ensuring that individuals, young or old, will be given adequate opportunities to obtain gainful employment and the ability to advance in their careers through workplace skill development training and relevant workshops that employees can take up while having a job.

## **New Trends of Industries**

Eight of the ten ASEAN countries have made improving agricultural productivity a top priority. As agricultural productivity increases, many traditional low-skilled jobs in the informal sector will be replaced by jobs that require more complex skills. Cambodia, Laos, Myanmar and Viet Nam depend heavily on agriculture. On the other hand, Small and medium-sized enterprises (SMEs) employ the majority of the population in the formal and informal sectors in all ten countries. SMEs make up the great majority of all enterprises (Southiseng, 2012), contribute between 32 and 60 per cent to GDP and provide between 60 and 97 per cent of total employment (with the exception of Brunei Darussalam, at 22 per cent).

AEC also recognizes that improving the productivity and competitiveness of manufacturing and services is a primary challenge for attracting and keeping FDI. With globalization, technology is transforming many industry sectors that have traditionally depended on low-skill work.

# **5 Problems**

## **5.1 Lack of a common functional language in the region**

Different ASEAN countries have their own official languages. As the most common language spoken for business purposes is English, many countries in ASEAN are unable to converse in that language comfortably. According to the EF English Proficiency Index (EF EPI), which records each country's English language proficiency, many ASEAN countries have a low proficiency in the English language (refer to appendix 2). Unfortunately, since the EF EPI only measures the EPI of 63 countries, some ASEAN countries are not ranked in the Index. However, it is understood that most of the ASEAN countries unranked in the Index do not have English as their official language. For example, Lao Republic's official language is Lao so it can be inferred that the English language proficiency level in the country will not be as high as other ASEAN countries such as Malaysia, Singapore and Indonesia.

This poses a problem to industries and the different sectors of the economy. For industries to grow, cooperation is needed between nations for business deals. However, with the language barriers, countries would have a more difficult time communicating with each other, causing unnecessary inconveniences in trade and negotiations. As a result, nations may be less inclined to cooperate with one another to advance their industries.

## **5.2 Gender Opportunities**

Due to various cultures and traditions, the opportunities for different genders to attend tertiary education and work can vary significantly. Traditionally, females have been

touted as homemakers rather than working folk, hence parents do not see the need for daughters to attend schools, especially those offering tertiary education.

This is a serious problem. For any industry to develop, equal work opportunities must be given to the two genders. ASEAN countries' gender distribution is relatively even, with half of the population being female and a large portion of them not working. Hence, the labor force participation rate will always be low from the countries' point of view. Furthermore, although there are cultural and traditional barriers, females have the right to contribute to world economy in 21<sup>st</sup> century. It can also be argued that women and men view the world in different ways, and these differences can be beneficial to the workplace where innovation and ways to improve current processes have always been a priority.

### 5.3 Tertiary Education

For a number of reasons, tertiary education or completion rates by themselves may not be valid indicators of whether a graduate is actually employable in ASEAN. The national accreditation system in many countries may be compromised by the political environments of those countries, and many Member States are not producing qualified university graduates that meet employers' needs for skills. For example, according to figures from the Economic Institute of Cambodia (Keo, 2012), only one in ten graduates finds work. And in the Philippines, a recent news article quotes a United States Agency for International Development education official, who noted, "Studies show that the largest groups of unemployed or underemployed in the Philippines today, despite the massive economic growth, are college graduates" (Bernabe, 2013).

### 5.4 Skills Mismatches

Skill mismatches highlight the challenge of aligning ASEAN countries' education and training systems with the needs of industry, especially emerging industries that can provide higher-quality jobs. Firstly there is the need for most ASEAN nations to produce a larger number of graduates with science, technology, engineering and mathematics skills (STEM) because these are the skills necessary in a knowledge economy (OECD, 2012, p. 25). On top of that, employers report significant gaps in both technical and soft skills. The overwhelming majority of reports on skill gaps in all ASEAN countries suggest that the lack of soft skills, such as time management, problem solving, creative thinking and interpersonal communication, is a critical void in the skills of the region's workforce.

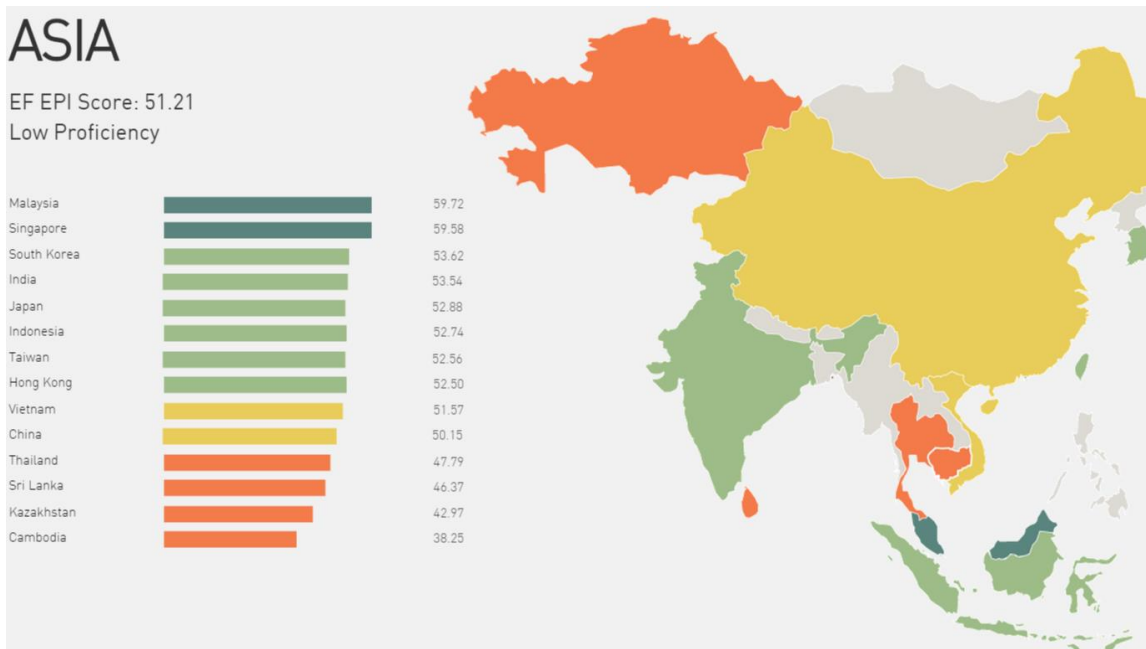
# 6 Appendixes

## Appendix 1

Internet Use Across ASEAN		
Country	Internet Penetration	Online Population
Brunei	64.50%	269,471
Cambodia	6.00%	908,110
Indonesia	15.82%	39,528,743
Laos	12.50%	846,216
Malaysia	66.97%	19,901,451
Myanmar	1.20%	639,108
Philippines	37.00%	36,405,622
Singapore	73.00%	3,941,416
Thailand	28.94%	19,392,839
Vietnam	43.90%	39,382,207

*Source: International Telecommunications Union; The World Bank*

## Appendix 2





# 7 References

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