



OECD Skills Studies

# OECD Skills Strategy Southeast Asia

SKILLS FOR A POST-COVID RECOVERY AND GROWTH

## HIGHLIGHTS



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**Read the full publication:**

OECD (2023), *OECD Skills Strategy Southeast Asia: Skills for a Post-COVID Recovery and Growth*, OECD Skills Studies, OECD Publishing, Paris, <https://doi.org/10.1787/923bfd03-en>.

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# Foreword

**Skills are vital for enabling individuals and countries to thrive in an increasingly complex, interconnected and rapidly changing world.** Megatrends such as globalisation, technological progress, demographic change, increasing migration flows, climate change as well as unforeseen shocks such as the COVID-19 pandemic are transforming skills needs in Southeast Asia. To adapt effectively to these changes and flourish at work and in society, people will need to develop a strong and well-rounded set of skills, including cognitive, social, and emotional, and job-specific skills, and have opportunities to use those skills fully and effectively.

To achieve this aim, Southeast Asian countries will need to take a strategic and comprehensive approach to skills policy. Since skills policy is located at the intersection of education, labour markets, industry, and other policy domains, effective co-ordination and collaboration between a wide range of government ministries and agencies as well as between governmental and non-governmental actors, such as employers,

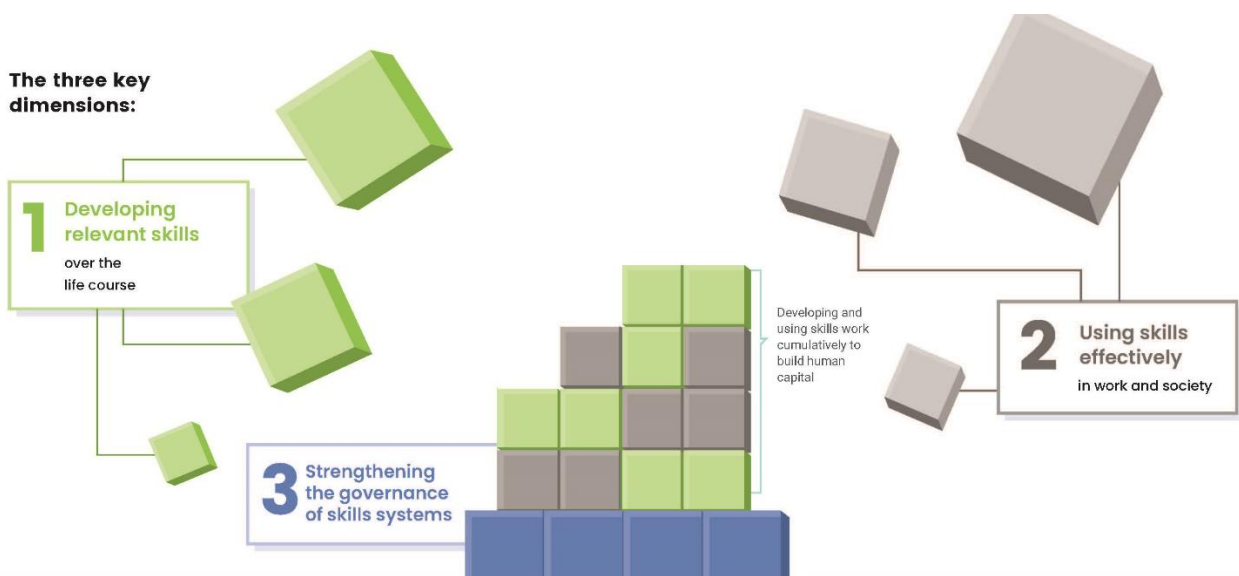
labour and education and training providers, are essential elements of a strong skills systems

**The OECD Skills Strategy provides a strategic and comprehensive approach to assessing the performance of skills systems.** The approach has been applied in 20 countries, carried out in close co-operation with inter-ministerial teams. Each project is designed to foster a whole-of-government approach while engaging a broad range of other stakeholders to better understand countries' and regions' skills challenges and opportunities, identify priority areas for action, and develop concrete and tailored recommendations.

*OECD Skills Strategy Southeast Asia: Skills for a Post-COVID Recovery and Growth* applies the OECD Skills Strategy framework to assess the skills performance of Southeast Asian countries and the region as a whole, identify opportunities for improvement, and provide recommendations in three key dimensions:

- Developing relevant skills over the life course
- Using skills effectively in work and society
- Strengthening the governance of skills systems

**Figure 1. The OECD Skills Strategy framework**

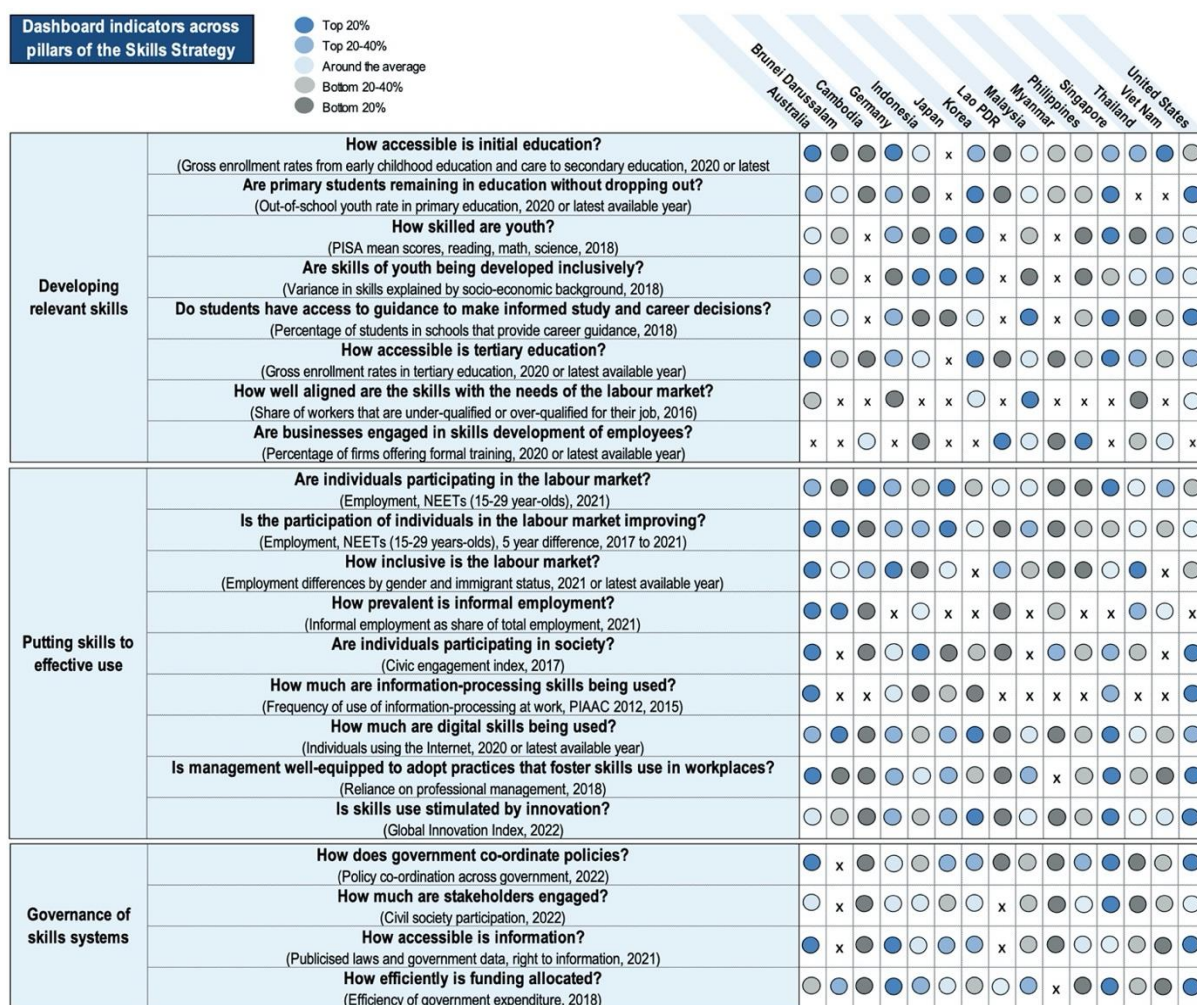


# OECD Skills Strategy Dashboard: Assessing Southeast Asia's performance

The OECD Skills Strategy Dashboard provides a high-level snapshot of the comparative strengths and weaknesses of Southeast Asian countries' skills systems (Figure 2). The dashboard shows that there is room for improvement on multiple fronts for both the

development and use of skills, as well as for the various aspects of the governance of skills systems in Southeast Asia. The dashboard shows that each country in the region has a unique set of challenges to address, which can be used to help them identify priority areas for action.

Figure 2. OECD Skills Strategy Dashboard: Southeast Asia and selected benchmarking countries



Note: Colours in the dashboard represent the quintile position of the country in the ranking and "x" indicates insufficient or no available data for the underlying indicators. See Annex 1.A. of Chapter 1 of the full report for the methodology. The ranking of countries, which are Member States of the Association of Southeast Asian Nations (ASEAN), is relative to other ASEAN countries and the five benchmarking OECD countries (Australia, Germany, Japan, Korea, and the United States).

# Megatrends and COVID-19

Megatrends and unforeseen shocks, such as the COVID-19 pandemic, are transforming how people live, work, learn, and interact. Accordingly, they are also reshaping the skills individuals need to thrive at work and in society.

## Globalisation

**In today's world, firms are increasingly organising their production globally.** Trade liberalisation, lower transportation costs, and information and communication technologies have enabled the creation of global value chains (GVCs) that allow different parts of the production process to be performed in different geographical locations. International trade has increased across Southeast Asian countries in recent decades, largely due to a rise in free trade agreements (FTA) and foreign direct investment (FDI). Yet the United States-China trade war and prolonged supply chain disruptions caused by COVID-19 have created challenges for Southeast Asia's positioning in GVCs.

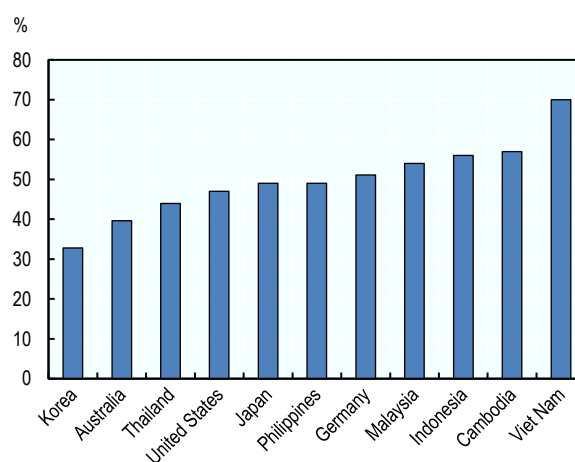
**Developing a highly skilled workforce allows countries in Southeast Asia to participate in the higher end of GVCs.** While many Southeast Asian countries have invested heavily in education, it is important that the skills acquired in education are well aligned with evolving labour market needs. As Southeast Asian countries move up GVCs over time, lower-end production processes could be relocated elsewhere, potentially leading to job losses for some workers in the short-term. Providing these individuals with opportunities to upskill and reskill will be essential to help them adjust to the changing skills requirements of their jobs or transition to new jobs.

## Technological progress

**Many Southeast Asian countries are attracting significant investment in new technologies that can accelerate industrialisation and economic development.** While digitalisation was already on the rise prior to COVID-19, the

pandemic has rapidly accelerated the adoption of digital solutions, thereby making digital skills increasingly essential skills. As compared with OECD countries, rapid technological progress will likely have a greater impact on jobs in Southeast Asia, particularly in Cambodia, Indonesia, and Viet Nam, where more than half of jobs are at risk of automation or significant change (Figure 3). However, while certain jobs may disappear as a result of technological progress, others will emerge. For instance, the region is projected to be one of the world's fastest-growing data centre markets in the next few years.

**Figure 3. Share of jobs at risk of automation or with a probability of significant change in SEA and selected OECD countries, 2017**



Note: The bars represent occupation-based estimates for the risk of automation, based on (Frey and Osborne, 2017).

Source: OECD (2020), *OECD Economic Surveys: Thailand: Economic Assessment*, <https://doi.org/10.1787/ad2e50fa-en>.

**Developing a broad mix of skills, including digital, cognitive and socio-emotional skills, is essential for helping workers transition from jobs at high risk of being automated to new and higher quality jobs.** It is also critical for Southeast Asian countries to consider the impact digitalisation is having on job polarisation. While individuals who are highly skilled are in greater demand, individuals with lower levels of skills are more likely to work in jobs at risk of automation.

### Demographic changes

**Southeast Asian countries are experiencing significant demographic change, albeit at different speeds.** Currently, the share of people over 65 in the population is, on average, lower across Southeast Asian countries (10.7%) than OECD countries (17.3%). However, East and Southeast Asia are projected to have among the largest increase in the size of the older population (aged 65+) between 2020 and 2050. Nevertheless, the age structure of the population varies substantially across countries in the region.

**With individuals working and living longer now than in the past, lifelong learning is increasingly important.** Providing a strong skills foundation early in life will pay dividends across the whole lifecycle by encouraging and enabling learning later in life. Furthermore, as populations age, economic growth will depend increasingly on encouraging more people to use their skills fully and effectively in the labour market, particularly women and older individuals.

### Migration

**Southeast Asian countries are major exporters and recipients of talent, with migration within and outside the region increasing over time.** Migration can increase the supply of skills and contribute to the economic growth of their host country when the skills of migrants are well used. Migration also has important implications for the skills supply of source countries, especially when highly skilled people emigrate.

**Effective skills policies can help migrants to smoothly enter the education system and labour market.** Effective skills assessment and recognition practices make it possible to assess the qualifications of migrants against those of their host countries, and to formally recognise informally acquired skills. Given the increasing intra-regional migration flow in Southeast Asia, it is important to strengthen regional co-operation on the topic of cross-border recruitment and the assessment and recognition of skills across the region.

### Climate change

**Climate change has significant skills implications.** Frequent natural disasters and unprecedented extreme temperatures affect millions of people in Southeast Asia. These crises can lead to the loss of life, displacement of people, and school closures, all of which dramatically impact the skills supply. The effects of climate change on economic growth will be more negatively felt in Southeast Asia than in the OECD, as many of the countries in the region have poor infrastructure and insufficient natural hazard preparedness and risk reduction strategies.

**Climate change also has significant negative impacts on how skills are developed and what skills are in demand.** Exposure to air pollution and high temperatures can impair the central nervous system and cognitive acuity and attentional and behavioural processes. As countries shift towards greener industries, products, services, and processes will change in line with related environmental requirements and regulations, thereby increasing demand for green jobs and skills. Providing people with sufficient learning opportunities to develop green skills, is essential for supporting the green transition.

### COVID-19

**The COVID-19 pandemic greatly impacted skill development in Southeast Asia.** School shutdowns have significantly increased the amount of learning taking place on line, making the effectiveness of learning for students more dependent on the home environment. Students without access to reliable and fast internet, digital devices and a conducive home learning environment are exposed to a greater risk of falling behind, exacerbating existing inequalities.

**COVID-19 has also had a disruptive impact on the extent to which skills are being used.** Evidence suggests that about 47.8 million people across six Southeast Asian countries were able to switch to remote working since 2020, although impact on productivity remains ambiguous. Moreover, due to restrictions on mobility, factory closures, disrupted supply chains, and depressed demand in the economy, many firms have had to furlough or lay off workers.

# Dimension 1: Developing relevant skills over the life course

Skills development is lifelong and life-wide and requires:



**Developing relevant skills is an investment in a country's economic prosperity, social cohesion, and broader well-being.** All people need access to education and training opportunities to develop and maintain strong proficiency in a broad set of skills. This process is lifelong, starting in childhood and youth and continuing throughout adulthood. It is also “life-wide”, occurring not only formally in schools, but also non-formally and informally in workplaces, homes and communities.

**Southeast Asian countries have made significant investments in strengthening their education and training systems.** Investments in education and training through the decades have played a central role in the development of countries in the region, rapidly transforming Southeast Asian countries into some of the most competitive economies in the world. Many countries have made education and training the foundation of their national development plans and adopted lifelong learning policies. At the regional level, the ASEAN recognises skills development as one of its key areas of co-operation and mobilises its network and resources to actively promote lifelong learning in the region.

*Access to skills development has improved in Southeast Asia, but barriers remain, especially for disadvantaged groups*

**Southeast Asian countries have made considerable progress in increasing participation in skills development over the life course, but increasing participation in learning in the earliest years as well as in adulthood remains a challenge.** Over the years, countries have succeeded in boosting enrolment rates at all levels of education, and participation in primary education has become universal (or nearly universal) in many of them. However, enrolment rates in early childhood education and care (including pre-primary education), as well as at the secondary and tertiary levels remain low in many countries. At all levels of education, enrolment rates in Southeast Asia generally lag behind those of OECD countries, and out-of-school children rates are nearly four times larger in the region than in the OECD. Moreover, access to employer-sponsored formal training at work remains mostly limited to employees of large firms as SMEs struggle to provide training to employees due to financial and human resource constraints.

**Participation in skills development across the life course remains extremely unequal across groups in Southeast Asia.** For instance, at the tertiary level, gross attendance rates are highly influenced by location (i.e. higher in urban than rural areas) and household wealth. The attendance rate in rural areas is less than half the rate in urban areas, and individuals from households in the poorest quintile are 50 percentage points less likely to attend tertiary education than those in the richest quintile. Additionally, ethnicity, language, and disability status all impact greatly on access to tertiary education in Southeast Asia.

**Workers in Southeast Asia’s large informal economy do not have access to high-quality skills development opportunities.** It is estimated that there are about 244 million informal workers throughout the region who do not have access to social security and employment benefits, including employer-sponsored training. They risk missing out on opportunities to develop new and higher levels of skills that could boost their employability and help them adapt to changes in the labour market. Ensuring that individuals in key sectors develop higher-level skills can also act as a preventive measure, imparting them with the tools necessary to participate in the formal economy and keeping them out of informal employment.

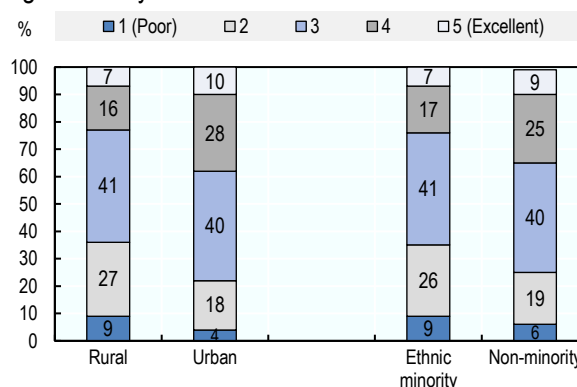
*Improving the quality of education is a key policy challenge in Southeast Asia*

**The skills performance of Southeast Asian learners remains low in international comparison, raising concerns about the quality of education.** The performance of Southeast Asian students in the latest round (2018) of the Programme for International Student Assessment (PISA) is well below the OECD average in reading, mathematics, and sciences. The sole exception is Singapore, which ranks among the top performing countries participating in PISA. Digital literacy is also a key area of policy concern in the region, especially as digital technologies proliferate. Only 28% of youth and adults in Southeast Asia possess the digital skills needed in most jobs (e.g. copying or moving a file or folder, using basic arithmetic formulas in a spreadsheet). Moreover, many of those who report lower levels of digital literacy come from disadvantaged socio-demographic groups, such

as those who live in rural areas and who are from ethnic minorities (Figure 4).

**Figure 4. Self-reported levels of digital literacy by socio-demographic group, 2021**

Percentage of respondents by self-reported level of digital literacy



Source: UNICEF (2021), *Digital Literacy in Education Systems across ASEAN: Key Insights and Opinions of Young People*, [www.unicef.org/eap/media/7766/file/Digital%20Literacy%20in%20Education%20Systems%20Across%20ASEAN%20Cover.pdf](http://www.unicef.org/eap/media/7766/file/Digital%20Literacy%20in%20Education%20Systems%20Across%20ASEAN%20Cover.pdf).

**Material and human resource limitations in schools, especially in disadvantaged areas, have a negative impact on skills.** In 2019, fewer than half of children in Cambodia, Lao People’s Democratic Republic (hereafter “Lao PDR”) and Myanmar had access to a classroom library, and the lack of learning materials is especially pronounced in rural areas. While Southeast Asia generally has a good supply of well-qualified teachers, large class sizes and varying student profiles (in terms of language and skill level) make it difficult to provide well-tailored and focused instruction. Addressing material and human resource limitations requires strong student monitoring systems and adequate funding, but limitations remain. There are challenges in collecting and analysing data on students’ performance, especially data obtained through national assessments, limiting the use of evidence to inform skills policies. Strong student monitoring systems are needed in the context of educational decentralisation, which has also highlighted the need to equip school leaders with stronger management and financial skills to ensure the effective allocation and use of resources.

**The lack of stimulating learning environments in many homes contributes to the low performance of Southeast Asian learners.** Children from low-income households often lack



access to learning materials, such as books and playthings, and those in the poorest quintile are 28 percentage points less likely to experience a positive and stimulating home environment than children in the wealthiest quintile. Moreover, the lack of digital infrastructure and digital devices has made it difficult for many disadvantaged learners to continue their education during the COVID-19 pandemic. In 2021, less than 20% of 10- to 14-year-olds across Southeast Asia had access to digital education platforms, limiting their ability to continue with education during lockdowns.

***Southeast Asia needs to better ensure that people develop skills that are in line with evolving skill demands***

**Considering the rapid changes taking place in economies and labour markets, Southeast Asian countries must do more to impart students with relevant and higher-level skills.** However, there are still many barriers to accessing technical and vocational education and training (TVET), one of the principal ways in which individuals develop industry-relevant skills. These barriers include the low attractiveness of TVET to students, lack of information on how to participate, and limited financial resources. Additionally, at the

tertiary level, the content of curricula is often outdated, and many tertiary education institutions lack the infrastructure and human resources needed to develop highly technical skills.

**Career guidance services and financial incentives in areas of skills shortage can help the Southeast Asian workforce develop relevant skills.** Over the next decade, an estimated 6.6 million jobs across the ASEAN-6 countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam) will be rendered redundant due to technological advancements, highlighting the need for targeted career guidance and relevant re-skilling and upskilling opportunities. However, the effectiveness of career guidance services in Southeast Asia is limited by an inadequate supply of qualified career counsellors and outdated labour market information. Furthermore, while financial incentives exist to encourage the uptake of educational programmes in areas of skills shortage, there is room to increase the systematic use of such incentives, especially among disadvantaged groups. More too can be done to encourage stakeholders to shoulder a greater share of the costs of training.

#### Summary of policy recommendations for developing relevant skills over the life course

Policy directions	High-level recommendations
<b>Opportunity 1: Broadening access to skills development</b>	
Improving access to early childhood education and care and compulsory education for disadvantaged groups	1.1. Establish strong monitoring systems to detect children who have failed to enter the education system, as well as those who are at risk of dropping out 1.2. Support provision of learning materials parents can use at home 1.3. Strengthen digital infrastructure, digital education platforms, and digital literacy to broaden access to skills development opportunities, especially among disadvantaged groups and during times of disruption
Promoting access to skills development after compulsory education	1.4. Adopt a comprehensive policy strategy to address both supply- and demand-side barriers to technical and vocational education and training participation 1.5. Facilitate access to tertiary education by reducing the most significant financial barriers, both in terms of tuition fees and the cost of learning materials 1.6. Create a comprehensive national adult learning strategy that targets disadvantaged groups and facilitates their participation.
<b>Opportunity 2: Increasing excellence and equity in skills development</b>	
Improving the quality of human resources in schools	1.7. Invest in professional development opportunities for teachers to equip them with better pedagogical skills 1.8. Consult regularly with school leaders about their various needs in terms of resources and upskilling
Strengthening funding and student assessment in schools to improve equity	1.9. Improve the financial management skills of school leaders and personnel 1.10. Establish avenues for relevant stakeholders to collaborate on improving student assessment systems.
<b>Opportunity 3: Developing skills that matter</b>	
Improving the alignment between skills development offers and labour market demand	1.11. Increase the involvement of relevant government agencies and industry partners in reviewing the curricula of skills development offers in technical and vocational education and training and tertiary education 1.12. Increase the provision of on-the-job training opportunities, especially among workers in smaller firms and in the informal economy
Steering skills development choices towards labour market needs	1.13. Provide regular training to guidance counsellors and make updated labour market data more accessible to inform their work 1.14. Expand financial incentives for individuals and institutions to encourage the uptake of skills development in strategic industries, especially among disadvantaged groups.

# Dimension 2: Using skills effectively in work and society

Effective skills use occurs at work and in everyday life, and requires:



**Promoting participation in the labour market**

Reducing barriers to employment for disadvantaged groups  
Facilitating the transition from the informal to the formal labour market



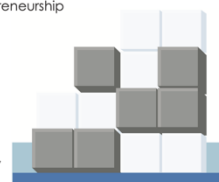
**Increasing the intensity of skills use**

Promoting HPWP adoption in workplaces  
Promoting civic engagement and leisure activities in everyday life



**Increasing demand for higher-level skills**

Promoting innovation to increase demand for higher-level skills  
Fostering entrepreneurship



The building blocks of developing and using skills, supported by strong governance arrangements.

To attain the full economic and social value from their considerable investments in developing skills, Southeast Asian countries need to ensure that their people have opportunities to use their skills fully and effectively in both workplaces and in society. By doing so, people are also able to maintain and further develop their skills, making the development and use of skills a virtuous circle of success. The greater use of skills is associated with higher wages, job satisfaction, higher levels of trust, strong political efficacy, and better health.

**Policies implemented to help ensure that people's skills are being used effectively in work and society have contributed to Southeast Asia's remarkable economic growth.** Governments in the region have improved employment services, fostered labour mobility throughout the region, and promoted civic engagement activities such as volunteering. Much policy attention has also been given to increasing the access of disadvantaged groups, such as women, youth, and migrants, to labour market opportunities and employment services. Moreover, Southeast Asian countries made efforts to reduce the prevalence of informal employment in the region.

*Southeast Asian countries' performance on key labour market indicators has improved, but many challenges remain*

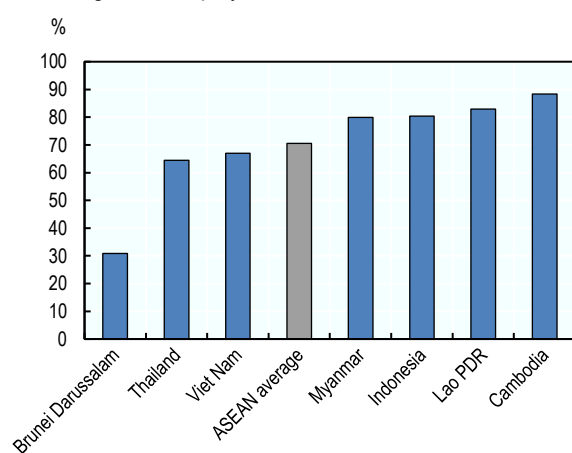
Labour force participation rates in Southeast Asia are generally high, owing in part to targeted policy interventions. The average labour force participation in ASEAN stood at 68% in 2021 and has remained relatively stable over the last ten years. Governments in the region have aimed to expand the workforce by improving employment support services and strengthening international labour mobility. However, full and effective participation remains a challenge for many disadvantaged groups, such as women, whose participation rate is 29 percentage points lower than that of men. Youth and migrants in the labour force are also more likely to be found in part time work and in low-skilled occupations.

**Widespread employment in the informal sector is a major policy concern in Southeast Asia.** The large size of the informal labour market in many countries in the region not only hampers economic productivity but also undermines individuals' well-being and overall social cohesion. On average, about seven in every ten workers in the region is employed in the informal sector, with informal employment rates reaching 80% or higher

in countries such as Cambodia, Indonesia, Lao PDR, and Myanmar (Figure 5). Informal employment is a key policy concern, as it is associated with poor working conditions, such as lower compensation, fewer employee benefits, and lack of access to skills development opportunities. Informal employment depresses overall productivity, and makes informal workers vulnerable to labour market changes associated with global megatrends.

**Figure 5. Rate of informal employment in Southeast Asia, 2021**

Percentage total employment



Note: Due to lack of data, the latest available year was used for the following countries: Lao PDR (2017); Thailand (2018); Brunei Darussalam, Cambodia, and Indonesia (2019); Viet Nam (2020).

Source: ILOSTAT (2021), Informal employment rate by status in employment (by sex) (%), <https://ilostat.ilo.org/data/>.

**Southeast Asian countries are already making efforts to reduce the prevalence of informal employment in the region.** Southeast Asian countries adopted the ‘Vientiane Declaration on Transition from Informal Employment to Formal Employment towards Decent Work Promotion in ASEAN’, and countries improved the provision of training and formal educational qualifications to informal workers, helping them find jobs in the formal sector.

**Disadvantaged groups face multiple challenges in fully and effectively using their skills**

**Women in Southeast Asia disproportionately face barriers to participating in the labour market.** Women in the region participate in the labour market at a much lower rate than men, and those employed are more likely to be found in the

informal sector and in various low-productivity and low-paying sectors, such as food, accommodation, and manufacturing. Women face many barriers to participating in the labour market, such as the heavy burden of unpaid care work that they are expected to provide, lessening the amount of time they can devote to economically productive activities. In Southeast Asia, women spend 4.2 times more hours than men on unpaid care work, in comparison to 2.2 times in the OECD. The COVID-19 pandemic and lockdown measures have also exacerbated the situation of women, who have assumed the extra work associated with children’s remote learning following the closure of schools.

**Certain other disadvantaged groups in Southeast Asia, such as migrants and youth, face challenges in securing productive and meaningful employment.** While migrants have higher labour market participation rates than native-born people in all countries with available data, they are more likely to have low levels of skills and to be employed in agriculture, construction, and domestic services. Youth also face many challenges in finding employment in Southeast Asia, with many experiencing challenges entering the labour market due to their lack of previous work experience. Youth often take about 12 months to find their first job, and an even longer (around 14 months) to find a job that is up to their satisfaction.

**Policies that promote higher-level skills and increase their use need to be strengthened in Southeast Asia**

**The skills of people in Southeast Asia could be used more fully and effectively in everyday life.** The use of information processing skills (reading, writing, numeracy, and ICT skills), in everyday life is lower in Southeast Asian countries with available data (Indonesia and Singapore) than in OECD countries on average. The use of these skills is associated with higher levels of social trust and greater participation in civic activities, and their underutilisation constitutes a key policy concern.

**Southeast Asian workplaces are characterised by a comparatively low intensity of skills use.** This stems from the lack of knowledge and fragmented information about high-performance workplace practices (HPWPs), especially among

SMEs, thereby limiting the extent to which the skills of employees are used. This is a concern as SMEs dominate the business environment in Southeast Asia, accounting for 97% of countries' total number of firms. Furthermore, the use of HPWPs is restricted by the limited management capacity of many Southeast Asian firms, where reliance on professional management practices (e.g. merit-based recruitment), is lower than firms in the OECD.

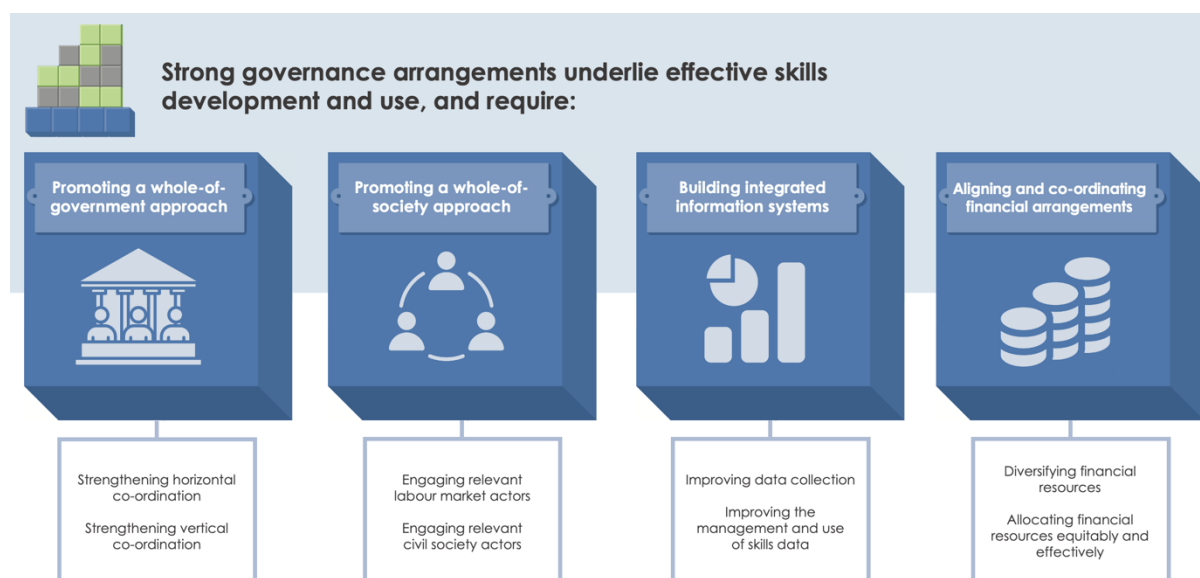
**Southeast Asian countries could benefit from policies that foster a higher demand for skills and that support innovation and entrepreneurship.** While enrolment in science, technology, engineering and mathematics (STEM)

programmes has risen in all countries in Southeast Asia over the last decade, average R&D expenditure (as percentage of GDP) in the region is only about a fourth of that of the OECD average, and all Southeast Asian countries score considerably lower than the OECD average on the Global Innovation Index, which measures how well various country-level factors (e.g. political and business environments) can support innovation. Moreover, while entrepreneurship has gained increasing policy attention in recent years, many barriers remain, especially among disadvantaged groups such as women, who have difficulty accessing finance, registering their businesses, and receiving mentorship support.

### Summary of policy recommendations for using skills effectively in work and society

Policy directions	High-level recommendations
<b>Opportunity 1: Promoting participation in the formal labour market</b>	
Reducing barriers to employment for disadvantaged groups	2.1. Facilitate women's participation in the labour market through the promotion of a more equitable distribution of housework and encouraging flexible work arrangements 2.2. Support youth employment through tailored and online employment services 2.3. Enhance migrant employment possibilities through job search support, legal counselling and language training from specialised institutions for migrants
Facilitating the transition of workers from the informal to the formal labour market	2.4. Facilitate the registration of workers and businesses by making online business registration platforms more user-friendly and simplifying registration procedures 2.5. Improve the effectiveness and efficiency of labour inspection by adopting new technologies to ease the verification of workers' employment status.
<b>Opportunity 2: Making intensive use of skills in work and society</b>	
Promoting skills use in the workplace through the greater adoption of high-performance workplace practices	2.6. Create a single portal in each country to efficiently disseminate comprehensive information on high-performance workplace practices to firms, especially SMEs 2.7. Improve the managerial skills in SMEs by providing networking and mentoring opportunities
Promoting skills use in everyday life through civic engagement and leisure activities	2.8. Make volunteering activities available as part of the school curricula to encourage young people to contribute their skills to society from an early age 2.9. Raise awareness about the benefits of using skills in society and personal life 2.10. Provide financial incentives to encourage adults to use skills in civil society.
<b>Opportunity 3: Increasing demand for higher-level skills</b>	
Promoting innovation to increase demand for high-level skills	2.11. Increase expenditure on research and development through direct grant support and tax incentives 2.12. Foster collaboration between institutions of higher education and industry
Fostering entrepreneurship	2.13. Improve access to finance for female entrepreneurs by providing targeted financial services combined with financial training 2.14. Facilitate the transfer of entrepreneurial knowledge and skills to women by supporting unions for female workers and business associations for women.

## Dimension 3: Strengthening the governance of skills systems



**Effective skills governance systems are needed to help countries respond to megatrends and recover from the COVID-19 pandemic.** As climate change, demographic change, globalisation, migration, and technological change increase and change the skills needed for success in work and society, effective governance is needed to co-ordinate activities and foster collaboration across the many actors and entities that have an interest and role to play in skills outcomes. Given that skills policy is a composite policy domain – cutting across multiple policy areas such as education, employment, innovation, and entrepreneurship, among others – only through strong skills governance can countries ensure that collaborative action is taken to strengthen the performance of the skills system.

**Recognising the need for stronger governance systems, Southeast Asia has undertaken a range of reforms in recent years.** Many countries have established co-ordination mechanisms within government and strengthened partnerships with labour market actors and civil society organisations (e.g. NGOs, community-based organisations, religious groups). In these joint efforts within and outside of government, Southeast Asian countries have made progress in

building more integrated information systems that inform skills policies, as well as in establishing financing arrangements that strategically allocate resources towards equitable outcomes for all.

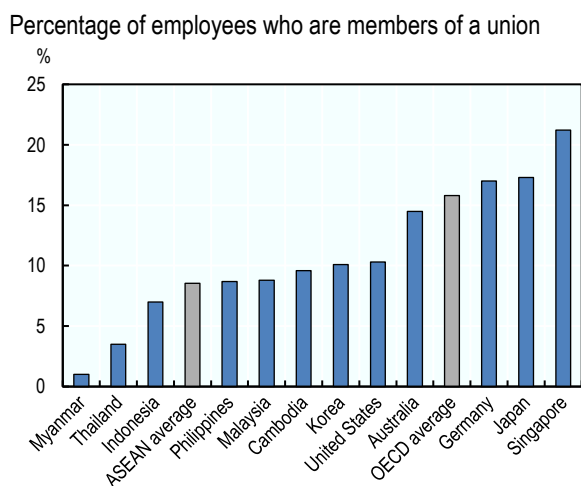
*Southeast Asian countries have mechanisms to co-ordinate skills policies inside and outside of government, but challenges remain*

**Mechanisms for co-ordinating skills policies across ministries (i.e. horizontal co-ordination) and across levels of government (i.e. vertical co-ordination) have been established in many countries in Southeast Asia, but their implementation remains a challenge.** Governance mechanisms for horizontal co-ordination, such as oversight agencies, inter-ministerial bodies, and working groups, among others, exist as platforms to foster a common skills agenda across relevant ministries. However, Southeast Asia still scores poorly on measures of policy co-ordination, given that many barriers to effective collaboration remain, such as unclear roles among ministries involved. Furthermore, the importance of vertical co-ordination has increased given Southeast Asia's increasingly decentralised skills system, but

sub-national governments often lack the human and financial capacity to carry out additional responsibilities in implementing skills policies.

**Stakeholder groups are often not actively engaged in the development and implementation of skills policies.** It is important to co-ordinate with labour market actors, such as employer organisations, who can help to ensure that skills policies respond effectively to industry needs, as well as with trade unions, who can represent the interests and needs of workers. However, engagement with labour market actors is hampered by high rates of informality throughout the region, which limit the formation of employer associations and the ability of informal workers to join trade unions. For instance, only 9% of workers in Southeast Asia are members of trade unions, in comparison to 16% in the OECD (Figure 6). Moreover, while civil society organisations promote the interests of disadvantaged groups, only a few Southeast Asian governments formally recognise them in major skills policy documents and provide concrete avenues for their participation in skills governance bodies.

**Figure 6. Trade union density in SEA countries and selected OECD countries, 2016**



Source: ILOSTAT (2020), *Trade union density rate (%) | Annual*, <https://ilostat ilo.org/topics/union-membership/>; OECD (2020), Trade Union Dataset, <https://stats.oecd.org/Index.aspx?DataSetCode=TUD>.

**The collection, management, and use of skills data in Southeast Asia could be improved to inform skills policies**

**There are many barriers to collecting high quality, up-to-date and comprehensive skills data in Southeast Asia.** While there are several international surveys that assess skills proficiency,

as well as the extent to which skills are put to use, participation in such surveys remains low in Southeast Asia. For instance, while most Southeast Asian countries now participate in PISA, Lao PDR and Myanmar still do not, and only Indonesia and Singapore participate in the OECD's Program for the International Assessment of Adult Competencies (PIAAC). Moreover, only four countries (i.e. Indonesia, Malaysia, Singapore, Thailand) participated in recent cross-country studies on skills use, such as the World Economic Forum's Future of Jobs Survey in 2020. At the national level, most Southeast Asian countries have few measures in place to facilitate access to government data to inform skills policies. Among data that is available, there are still significant gaps remaining, particularly in the development of skills among disadvantaged groups, namely out-of-school youth, learners from remote areas, and children with disabilities. There is also limited data collected on the demand for and effective use of skills, such as what skills firms need and what employer initiatives are being implemented to facilitate the full and effective use of skills in the workplace.

**Data on education and labour market outcomes could also be better managed and used in Southeast Asia to inform skills policies.** Central to the management of skills data is a reliable digital infrastructure, but many countries in the region still do not have the IT hardware and software needed to manage and process data. In addition to managing data, it is equally important for countries in the region to use data to understand evolving skills supply and demand trends. However, the use of data to support skills assessments and anticipation exercises remains limited in Southeast Asia, although some countries, such as Malaysia, Singapore and the Philippines have notable initiatives.

**Southeast Asian countries could diversify their funding for skills and allocate resources more equitably**

**Households and governments shoulder most educational costs in Southeast Asia, and employers remain a relatively untapped source of financing.** Household spending on education as a percentage of GDP per capita is higher in most Southeast Asian countries than in OECD

countries with available data, which may serve as a significant financial burden for households with limited resources. While governments in Southeast Asia allot a substantial portion of GDP per capita to education, it is still significantly lower than the OECD at the primary, secondary, and tertiary levels. Government investment in TVET as a percentage of GDP is also significantly lower in the region than it is in the OECD. Financing from employers could be better leveraged to increase investment in skills. While several types of employer-driven financing mechanisms exist, such as levy-sponsored skills development funds in Malaysia, Singapore and Thailand, their use in other countries remains limited.

**The monitoring and evaluation of financial expenditure in Southeast Asia could be strengthened to better assess the achievement of equity goals.** Countries in the region have

funding arrangements in place to allot financial resources specifically for disadvantaged groups, such as students from low-income households, out-of-school children, students with disabilities, members of indigenous communities, and learners in rural areas. However, while such financial mechanisms are important to fostering equity, monitoring and evaluation measures are also important to ensure transparency and accountability. Although school-level measures have been established in some Southeast Asian countries, many implementation challenges remain, such as inadequate infrastructure for monitoring school expenditure, weak planning and budgeting practices among school personnel, and lack of clarity on processes that check for accountability and school budgets.

#### Summary of policy recommendations for using skills effectively in work and society

Policy directions	High-level recommendations
<b>Opportunity 1: Promoting a whole-of-government approach</b>	
Strengthening horizontal co-ordination	3.1. Support skills-related inter-ministerial governance bodies in their engagement of all relevant ministries 3.2. Promote a shared skills goal among relevant ministries through strategic documents, such as national development plans and skills-related policy documents
Strengthening vertical co-ordination	3.3. Support subnational governments in implementing skills policies by providing additional human and financial resources and capacity-building support.
<b>Opportunity 2: Promoting a whole-of-society approach</b>	
Identifying and engaging relevant labour market actors	3.4. Establish legal frameworks to strengthen engagement with actors in the labour market 3.5. Strengthen the effectiveness of governance bodies engaging labour market actors
Identifying and engaging relevant civil society actors	3.6. Provide financial, technical and networking resources to facilitate the participation of women, as well as the organisations that represent them, in governance 3.7. Strengthen youth's input in official governance bodies and development of youth strategies 3.8. Support migrant organisations' active participation in governance bodies and influence in skills policies.
<b>Opportunity 3: Building integrated information systems</b>	
Improving data collection	3.9. Implement robust national data collection processes to address data gaps 3.10. Support participation in international surveys to generate internationally comparable data
Improving the management and use of skills data	3.11. Establish the institutional and legal groundwork for integrating data management systems 3.12. Regularly conduct skills assessment and anticipation exercises to design and update skills policies.
<b>Opportunity 4: Aligning and co-ordinating financial arrangements</b>	
Diversifying financial resources	3.13. Promote the use of levies among employers to encourage skills development and mobilise financial resources for training
Allocating financial resources equitably and effectively	3.14. Design a funding formula that allocates adequate financial resources to disadvantaged learners 3.15. Establish strong monitoring and evaluation systems to ensure the effectiveness of allocation arrangements.

**OECD Skills Studies**

# **OECD Skills Strategy Southeast Asia**

**SKILLS FOR A POST-COVID RECOVERY AND GROWTH**

## **HIGHLIGHTS**

Skills are the key to shaping a better future, enabling countries and people to thrive in an increasingly interconnected and rapidly changing world. Megatrends such as globalisation, technological progress, demographic change, migration, and climate change, and most recently COVID-19, are reshaping work and society, generating a growing demand for higher levels and new sets of skills.

The OECD Skills Strategy offers a strategic and comprehensive approach to assessing the skills challenges and opportunities of countries and regions for the purposes of helping them build more effective skills systems. The foundation of this approach is the OECD Skills Strategy Framework, which allows for an examination of what countries and regions can do better to: 1) develop relevant skills over the life course; 2) use skills effectively in work and in society; and 3) strengthen the governance of the skills system.

The report, *OECD Skills Strategy Southeast Asia: Skills for a Post-COVID Recovery and Growth*, applies the OECD Skills Strategy framework to assess the performance of countries in Southeast Asia, identifies opportunities for improvement and provides recommendations based on in-depth desk analysis and consultations with stakeholder representatives.