

Introduction



Overview

A nation's economy runs on the knowledge and skills of its people. The requirements for skills evolve and deepen with external investment, technological advances, and global linkages. People, in turn, need to acquire skills to be productive and to earn a living. A majority of the population in many Pacific island countries (PICs) live in rural areas and work in the informal sector. Education development in PICs, as in other developing countries, cannot be limited to basic education. As countries develop and the demand for people with more advanced skills expands, the returns from higher levels of education increase. Students who complete basic education seek opportunities for further learning and skills development. Many want to continue their general education in upper secondary schools. Others want to enter technical and vocational programs. All need to be prepared to pursue their education throughout their working life. Countries need to facilitate skills formation through various ways to raise productivity and incomes.

Skills development is becoming a priority for countries in the Pacific, particularly as they progress toward meeting the Millennium Development Goals for basic education. Increasing numbers of entrants to the labor market—i.e., the surging numbers of youth who have completed formal schooling yet lack practical skills that are useful in the labor market—fuel, in part, the concern for skills formation.

Skills formation has also become a priority in countries of the Pacific where skills shortages exist owing to job growth and emigration. Making technical and vocational education and training (TVET) work requires a realistic understanding of labor markets and the population to be trained, and the generation of new approaches.

Rationale for Skills Development

A starting point for this review is to address the question: What is the purpose of TVET and skills development? Are the aims mainly political and social, as some suggest—reducing youth unemployment, serving academically less able students or changing youth aspirations? Alternatively, is the purpose economic—that is, to enhance performance in the workplace? This review starts from the view that economic and equity objectives are paramount. Training must serve wage employment or self-employment, including income generation and livelihood development. Experience shows that social objectives for training have generally not been cost effective.¹ Consequently, training is treated from an economic perspective throughout this review, with a focus on jobs for the wage economy or informal sector, with equity as a parallel concern. Political and social objectives of training may have their valid uses, but are not a primary focus of this review.

Why is skills development important from an economic perspective?² Several reasons are centered on productivity and incomes.

1 Middleton, Ziderman, and Adams. 1993.

2 For details, see Johanson (2004) and ADB (2004).

- **Productivity.** Skills enable individuals to be more productive and generate higher incomes. Workforce skills make enterprises more productive and profitable. Skills help national economies raise production and create wealth. When people acquire skills, they make themselves more productive, that is, able to produce more output for a given amount of time and effort. This applies both to wage employment and self employment in the informal sector.

- **Skills and poverty reduction.** Skills development for the informal sector should be at the center of pro-poor strategies,³ for reasons of economy and the environment. First, acquiring skills is crucial to raising productivity and incomes in the informal sector,⁴ where most new jobs in Pacific economies are being created. Training alone cannot guarantee employment or reduce poverty, but improved skills and knowledge are essential for the poor to access decent work or add value to existing subsistence employment. Second, evidence is mounting that skills training is essential for promoting sustainable livelihoods in the Pacific, where environments are fragile and informal economic activities often need suitable techniques and practices for resource management.⁵

- **Skills–physical capital complementarities.** Human capital (people’s skills and abilities) also help determine the amount of investment in physical capital in an economy. Skills and physical capital complement each other. A higher level of human capital enables plant and machinery to be used more efficiently, thereby raising the rate of return on investments. Similarly, insufficient investment in human capital skills leads to deficient investment in physical capital and hobbles economic growth.

- **Technological and structural change.** The acceleration of technological change requires higher-skilled workers. When people acquire skills, they generally also make themselves more adaptable. New technologies are knowledge and skill intensive, and impose a need to train people. Countries with skills can adjust more effectively to the challenges of structural adjustment because enterprises are more flexible and better able to absorb new technologies.

- **Changes in work organization.** Demand for skills within enterprises depends on how work is organized. Enterprises traditionally organized work around assembly-line methods that broke each task into its most elementary components and minimized the skills and training required. However, increased competition and the introduction of information and communication technology (ICT) have prompted many firms to undertake fundamental changes in their internal organization and work practices, including

3 For an early discussion of such strategies in the context of TVET reform, see Bennell (1999). For a more recent assessment of the role of skills development in poverty reduction, see King and Palmer (2006).

4 ILO. 2003.

5 Tyler. 2006. See also Pound et al. 2003. Perhaps the most extensive and up-to-date information resource on sustainable livelihoods is the livelihoods connect on-line forum of the Institute of Development Studies, University of Sussex, United Kingdom. Available: www.livelihoods.org.

changes in factory layout, flow of production, quality assurance, and use of inventory. High-performance work organizations typically use self-managed work teams, multiskilling, job rotation, and cross training with devolution of decision making. These changes can only work if employees acquire new technical skills.

- **Trade openness, competition, and foreign direct investment.** Globalization places a premium on skills. Economic openness causes a demand shift in skills through induced capital deepening and technological change. Globalization raises capital flows that, in turn, raise demand for skilled labor. Skills establish a pull factor for foreign direct investment. Alternately, lack of human capital may deter foreign investment. Thus, the skill level and quality of the workforce will increasingly provide the cutting edge for successful international competition.

- **Effect of skills shortages on productivity and wages.** Skills shortages add to the cost of employing skilled workers since a firm must wait longer than usual to fill its vacancies and loses productivity during that period. Firms may substitute unskilled for skilled labor, thereby reducing productivity. Additionally, skills shortages improve skilled workers' outside options, contributing to poaching, job turnover, and wage increases unrelated to productivity.

In view of the economic importance of skills, a central issue for countries is therefore how to improve training systems and raise skills.

Background

In 2001, the Pacific Islands Forum Education Ministers developed the Forum Basic Education Action Plan, which covered a broad range of areas in formal and informal education including skills development. The action plan refocused skills education to support the private sector's needs for trained workers. In April 2004, the leaders of the Pacific Islands Forum endorsed in their Auckland Declaration the development of a Pacific Plan for "deeper and broader" regional cooperation. The Pacific Plan emphasizes the importance of strengthening vocational and technical training and its links with the labor market.⁶ Similarly, one strategic objective of the education and training sector strategy of the Asian Development Bank (ADB)⁷ is to formulate education strategies that are relevant and responsive to national development objectives and client needs. ADB identified the need for implementing a regional technical assistance (TA) project for its Pacific developing member countries (DMCs) in collaboration with the Pacific Islands Forum Secretariat

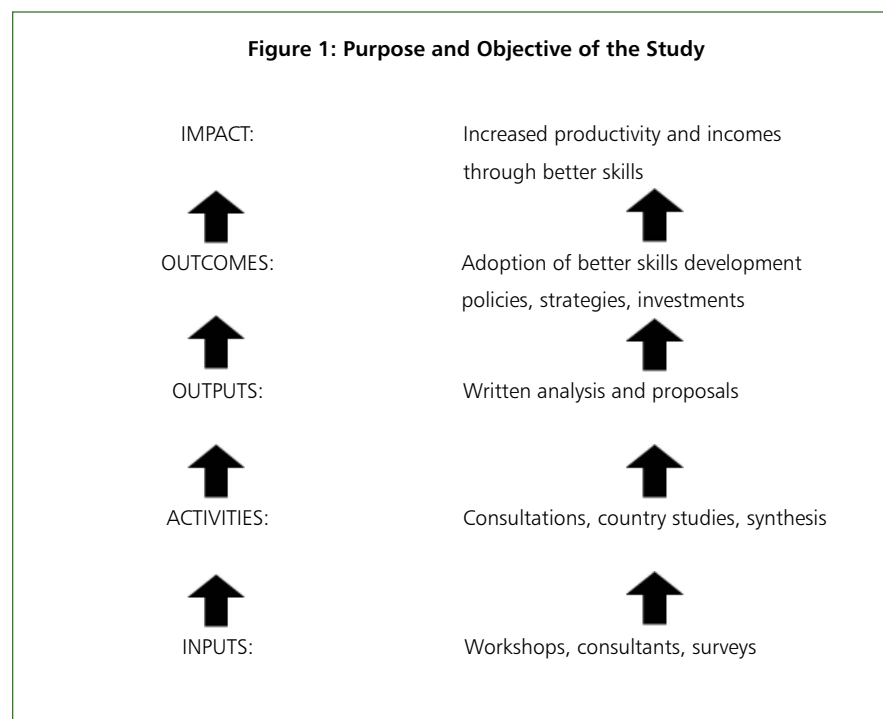
⁶ Pacific Islands Forum. 2004 and 2005. The Pacific Plan (2005) assigns importance to improved education and training. Under sustainable development, the plan calls for the following as an immediate priority: "Investigation of potential for expanding regional TVET programs to take advantage of opportunities in health care, seafaring, hospitality/tourism, peacekeeping, etc; for enhancing and standardizing regional training programs; and ensuring the portability of technical qualifications."

⁷ ADB. 2005.

(PIFS). The TA was approved by the ministers of education of the Pacific Islands Forum during a meeting on 23–24 May 2005, in Apia, Samoa, and was subsequently approved by the ADB Board in November 2005. This approved TA is for the implementation of the Pacific education strategy, which is skills development or less clumsily known as the regional technical assistance on skills development.

The study aims to achieve increased productivity and incomes through more effective public and private investment in skills development. The immediate outcome envisaged is strategies for skills development with equity that are responsive to the emerging demands of economies and local communities in both formal and informal sectors. Three broad outputs were planned for the study.

- An assessment of the relationship between skills development and economic development, labor market demand, and outward migration within the sample countries.
- Policy options for skills development that governments of Pacific DMCs may wish to consider based on an in-depth analysis of issues and alternatives.
- Based on the assessment and the options, identifying project concepts at the national and regional levels for skills improvement and income generation.

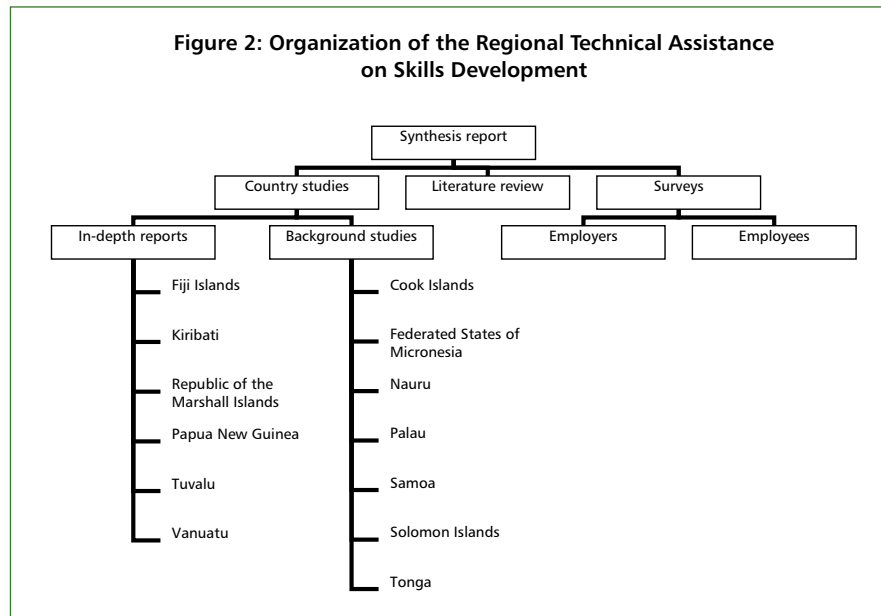


Scope, Audience, and Financing

The scope of the review technically covers all aspects of TVET below degree level and in all sectors except health.⁸ Geographically, the regional technical assistance on skills development covered all 13 Pacific DMCs that are PIFS members.⁹ The main audiences for the review are policy makers in Pacific governments and TVET practitioners. Development partners in the region constitute a secondary audience. The Japan Special Fund, funded by the Government of Japan, made a grant of \$975,000 for the implementation of the study.

Organization of the Study

The regional TA comprises four main components—country studies (seven background reports and six in-depth reports); a literature review; surveys of employers and employees; and a synthesis of all the findings into one report, as presented in this publication. (References are listed in the bibliography at the end of the main text.) The following diagram shows the organization of the regional TA.



⁸ The Pacific Islands Forum Secretariat in this sector excluded health because of separate analytical work underway.

⁹ Cook Islands, Fiji Islands, Kiribati, FSM, Republic of the Marshall Islands (RMI), Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

ADB implemented the project and PIFS was the executing agency. The work started with an initial workshop, held on 31 May–1 June 2006, attended by stakeholders, and was continued with guidance from periodic meetings of an advisory steering committee made up of representatives of international organizations based in Suva. A concluding review of the draft synthesis was made at a workshop attended in early May 2007 by 20 Pacific island country (PIC) representatives from 10 countries and regional organizations.

Uniqueness of the Review

This review has brought unique contributions to bear on skills development in the Pacific. It is the first systematic review of TVET systems in most of the countries; it carried out the first comprehensive literature review of skills development in the region; and it included the first comprehensive survey of employers and employees on skills requirements in 12 Pacific countries. Finally, it makes the first synthesis of analysis and prescriptions of TVET in the region.

Limitations

The review marked the first time that TVET systems had been analyzed in several countries in the region. It also has the first comprehensive literature review and the first regional survey of employers and employees. In addition, in view of the regional knowledge base on TVET, the review represents the first comprehensive analysis and synthesis of TVET in the region. However, the study has limitations. It is “macro”—aimed at a broad-brush overview of TVET systems. It was not possible to carry out a “micro,” or detailed, review, e.g., of TVET curricula. The fieldwork for the six in-depth country reports was limited—lasting from one week (Tuvalu) to 17 days (PNG). Individual local experts in the countries produced the seven background country reports. The survey of enterprises by correspondence yielded a relatively low-response rate (15% overall), and not all countries took part (enterprises in Vanuatu, for example, did not respond).

Finally, data limitations were encountered throughout the work. The literature review found a paucity of information in three areas: labor market, the lack of reliable and comparable statistics made it difficult to compare and contrast the experiences of different PICs in employment and skills shortages; informal sector and nonformal training, the literature is thin in the entire region, and data were available only for the Fiji Islands and Solomon Islands; and evaluation of TVET policies and systems at either the country or regional levels, there is essentially no literature.

Similarly, writing the background and in-depth country reports met obstacles, including a lack of information about the performance and operation of TVET systems, such as flow statistics (dropout/repetition), and expenditures and outputs (graduate performance on tests and in the labor market). These gaps underscore the importance

and timeliness of the current review. Several examples of good practice were identified in the review, and these are presented in the text.

Key Questions

The review set out to answer the following questions:

1. What is the balance between supply and demand for skills in the labor market? Unmet demands can lead to bottlenecks that impede growth. Oversupply can lead to unemployment and waste of scarce resources.
2. How can economically relevant supply of skills be built?
3. Where should training be provided? What is the most effective mode of training?
4. How can training quality be improved?
5. Who should be trained, and are they being trained?
6. How should skills development be organized?
7. Who should pay for training and how can resources be used more efficiently?
8. What are the priorities for training by country group?
9. What interventions could make a broad impact on skills development at reasonable cost?

The answers to these questions are summarized in Chapter 6.

Organization of the Report

The review is presented according to the following sequence: Socioeconomic Background (Chapter 1); Skills Gaps in the Labor Market (Chapter 2); the Landscape and Architecture of TVET (Chapter 3); Analysis of TVET Systems in the Pacific (Chapter 4); Priorities and Strategic Options (Chapter 5); Conclusions and Recommendations from the Analysis (Chapter 6); and Regional TVET Project Proposals (Chapter 7).

The reader seeking just the main findings without the detailed background should look at the chapter summary (above) and Chapter 6.

The publication starts by explaining some defining characteristics of countries in the Pacific (Chapter 1).