

EXECUTIVE SUMMARY

Governments, firms, individuals all seek to develop and operate in an environment with incentives that stimulate growth and national economic development. To create such an environment, governments must pursue macroeconomic policies that promote growth in investments and improved social infrastructure. Firms must operate in ways that maximize their efficiency to be competitive within the framework of incentives created by government. Individuals must take advantage of incentives that encourage them to upgrade education and skills that maximize their income, and supply skills in demand by firms. Failure of government, firms, and individuals to meet these objectives almost certainly dooms the national economy to low productivity, low wages, and low savings and investment, which benefit no one. Nations must work toward balancing growth in labor and capital, and toward adopting new technologies that complement their competitive advantages in the global economy. Understanding how stages of economic development shape labor force policies can offer insight into the formation of a well-educated and skilled population.

Clearly, policies that encourage investment as a means of adjusting the supply of education and training to demand represent the best approach for ensuring harmony in the education and training market. Asian policymakers need to understand the relationship between demand-driven education training and economic development.

This paper discusses the process of economic development, and the evolution of the structure of the labor market from dominance by the agriculture sector toward dominance by industry and service sectors. The need for investment in labor and capital to accommodate these changes is examined. Case studies of two Asian countries leading the current rush to develop manufacturing are highlighted. The following sections look at a typology of development and education and training requirements; the theoretical underpinnings of skills development, and issues and trends in technical education; the institutional architecture of skills, evaluation of recent ADB skills development projects, and implications for DMCs.