

Skill Development and Policy Implications in East Asia and Australia

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The last decade has witnessed a rapid increase in student enrollment at the postsecondary level worldwide. In Asia, postsecondary enrollment rose by 76 percent from 2000 to 2007. There was a 30 percent increase in Oceania during the same time period (National Center for Education Statistics 2009). As the number of college students grows, the number of college graduates in these regions has also increased significantly. In countries like China, Indonesia, and Thailand, the percent of college graduates has doubled from what it was two decades ago, comprising about 20 percent of the entire workforce in these countries (World Bank 2010).

Anecdotal evidence suggests that expanding the tertiary education may not be well matched with the rapidly changing needs of the economy (Dahlman, Zeng and Wang 2007). One concern that arose from the expansion is that “demand for high-level skills is increasing faster than the institutions are able to deliver them” (Sarvi 2008). Some evidence shows that skill mismatch between the job market and the higher education institutions is indeed worthy of attention.

On the one hand, the increasing demand for professional, managerial, and technical services has raised the quest for skilled labor in developing countries in Asia (Asian Development Bank 2003). On the other hand, higher education institutions are not ready yet to cope with the changing market demand. For example, as the new market economy takes over the old planned economy, institutions in China are experiencing a growing demand for skilled workers, and more specifically for workers equipped with a set of skills distinct from those

who were trained under the old command economy. Programs of study used to be very narrow and overspecialized (Wang 2001; Min 2004), producing graduates that were tightly bound by the subject matter. Jobs were assigned to all the college graduates within a highly controlled job allocation system and job mobility was extremely limited. To acquire transferable skills was neither an explicit goal in higher education nor a motivator for working college graduates. Nevertheless, operating under a regime of a socialist market economy requires a more diverse and transferable set of skills for college graduates, such as computer and internet skills, and the ability to think creatively in order to constantly adapt to changing job needs and skill mixes (Dahlman and Aubert 2001). In India, more than half (56 percent) of the disciplines offered in higher education institutions are non-technical disciplines, such as arts, science and commerce (Palit 2009). Students obtaining degrees in these fields of study often have difficulty finding appropriate employment opportunities partly due to the fact that the institutions seldom develop skills that are essential in the workforce.

Skills misalignment has a negative impact on the transition from higher education into work, which directly affects the vitality of individual graduates. First, the lack of diversity in the curriculum (Bai 2006) and instructional approaches does not allow the graduates’ flexibility and competence as they adapt to the market. For example, the rate of private return for a Chinese college graduate used to be much higher than students graduating from a senior high school or a junior high school. In recent years, the return to higher education relative to secondary education has been narrowed thanks to the increasing number of college graduates, which is associated with a climbing unemployment rate and lowering starting salaries (Dahlman et al. 2007). Second, skills misalignment raises the question of external efficiency of higher education. The external effi-

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ciency of education is improved when more education outcomes are produced at given education resources or fewer education resources are used in producing the same amount of education outcomes. For graduates, skill misalignment is related to less-paid and lower-skilled jobs after graduation. Skill mismatch affects efficiency and further economic growth by preventing the labor market from using the available human capital to its fullest potential (World Bank 2007). Consequently, the misalignment is detrimental to external efficiency and potentially reduces graduates' career choices.

To tackle the problem of skill mismatch, a few countries in East Asia, such as Cambodia, Indonesia, Malaysia, Mongolia, the Philippines, Thailand and Vietnam have published policy reviews on national skill development, and generated measures to help higher education become more responsive to the labor market needs (World Bank 2010). A number of similar policy proposals have been made across these countries. All countries except Mongolia are expected to provide incentives to improve university-industry linkages to design more relevant curriculum, to strengthen consultative mechanisms between industry and academia, as well as to encourage resource sharing to achieve long-term benefits for national innovation capacity. All countries except Malaysia and Thailand are suggested to conduct graduate tracer studies and/or use other supplemental research strategies to help establish a feedback loop between the workplace and the institution. Cambodia, Indonesia, Malaysia, and the Philippines are expected to work on accreditation and quality assurance processes based on well-developed evaluation frameworks.

In a national workforce development report released recently, Skills Australia¹ proposes twelve recommendations in great detail, three of which directly address policy implications of skill development in higher education. The report suggests that the Australian government promotes partnerships between tertiary education and industry that align training with business strategies. It delineates a strategic investment plan to enhance the capacity of tertiary education and training providers to meet future skill needs. The report also suggests a cumulative amount of US\$600 million to be channeled by 2025, to allow a 3 percent annual growth of enrollment in higher education and vocational education and train-

ing (Skills Australia 2010). Finally, Skills Australia put forward a proposal of investing US\$40 million each year in a six-year period to develop and implement a workforce development strategy for the post-secondary sector (Skills Australia 2010). This will allow opportunities for creating joint industry/university faculty and staff appointments and sabbaticals, and other flexible strategies that mobilize industry and university personnel.

High-level skill mismatch is a common phenomenon as higher education expands, particularly among countries in economic transition. The mismatch has a negative impact on college graduates' career development and higher education institutions' efficiency. Several countries in East Asia and Australia have embarked on making policy recommendations to mitigate the consequences of skill misalignment, including but not limited to improvements on university-industry linkage, external funding, and institutional accreditation, as well as graduate tracer studies.

Note

1. Skills Australia is an independent statutory body, providing advice to the Minister for Education, Employment and Workplace Relations on Australia's current, emerging, and future workforce skills needs and workforce development needs.

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