Reconceptualizing skills development for achieving inclusive growth: the horizon of a new generation of skills policy

Akiko Sakamoto

Decent Work Technical Support Team for East and South-East Asia and the Pacific, International Labour Organization, Bangkok, Thailand

ABSTRACT
Asia is known as an economic success story but for many people growth has not been inclusive. The increased mechanization of work and other trends are likely to deepen existing social inequalities. Skills can help address these challenges, but a new and broader perspective is needed in skills development policy. This article argues that while efforts to improve access and the quality of skills provision need to be revamped, greater attention should be focused on the impact of skills development in terms of improved employment and business outcomes. The extent to which skills are actually utilized and whether workers are rewarded for their skilling efforts are influenced by the context of work. A future skills policy aimed at achieving inclusive growth requires a more integrated perspective of enhancing the skills eco-system (both supply and demand) that goes beyond the traditional boundaries of skills policies.

KEYWORDS
Skills development; TVET; skills development/TVET policy; inclusive growth; future of work

Introduction
The recent increase in attention to skills development is unprecedented. While communicated in various expressions – whether it be human resource development, skilling of the workforce, or improving individual capabilities – the importance of developing the skills and knowledge of individuals forms one of the key pillars of practically all main national and regional development strategies in the Asia and Pacific. The heightened interest in Industry 4.0 and various discussions centering on the future of work have added to this momentum. While much of the debate focuses on preparing businesses and the workforce for the new era of technological development, making the growth process more inclusive is also an equally compelling agenda of national and regional development.

The expectation that skills will contribute to job enrichment and inclusive growth is becoming increasingly difficult to meet, however. Skills development systems need to
address existing issues on the limited accessibility to training by women and other marginalized groups while responding to emerging skills needs of those who are, or prone to be, negatively affected by labor market disruptions due to the increased mechanization of work. Future skills policy needs to equip individuals with skills and capabilities to navigate through increasingly uncertain job markets so as not to leave vulnerable groups further behind. Increased attention to inclusive growth in fact makes us confront the various inequalities that exist in society, such as persistent gaps between rural and urban areas, between formal and informal sectors, and in gender. Skills development has an important role to play in closing these gaps, but improving skills provision alone is not sufficient.

For skills to contribute to the achievement of inclusive growth, we need to ask whether skills efforts are making a difference in terms of improved employment and business outcomes. In part, this requires revisiting existing efforts to improve access and the supply of skills to be more future-oriented. What we also need is greater appreciation of the demand side of skills – how the context of work can be structured so that skills are better utilized, contribute positively to business upgrading, and reward workers for their skilling efforts (Sakamoto & Sung, 2018a). The context of work that influences the level of skills demand and utilization is as equally important as supply of skills, as it conditions skills contribution to business upgrading and quality job creation that are much needed for inclusive growth. We should not, however, consider the supply and demand of skills as standalone issues. A future skills policy that effectively responds to the challenge of achieving inclusive growth in the context of changing labor markets requires a more integrated and broader perspective that goes beyond the traditional boundaries of skills policies.

**Role of skills in achieving job rich and inclusive growth in evolving job markets**

Many countries in Asia and the Pacific have intensified efforts in improving the skills level of the workforce. Over the last 2 decades, the education level of the workforce has improved significantly. A significant part of skills mismatch in low- and middle-income countries in the region remains to be underqualification. This means a large proportion of jobs is held by workers whose education levels are less than those jobs normally require; even as the education level of the younger cohort is higher and the gap is fast narrowing (Matsumoto & Bhula-or, 2018; International Labour Organization & Asian Development Bank [ILO & ADB], 2014). Skills mismatch from overeducation has been reported in some ASEAN countries too (e.g. Malaysia and the Philippines). At a glance, the region has also made impressive progress in terms of poverty reduction. The proportion of the working population living below the extreme poverty line ($1.90 a day) has steadily declined from 37.6% in 1997, 20.5% in 2007, and to a nominal 7.5% in 2017 (International Labour Organization [ILO], 2018a).

Despite significant efforts in skills development (and heavy expectation on skills in achieving inclusive growth), skills have not been able to bridge the equity divide, however. Even among middle-income countries, poverty persists. It may not be in terms of extreme poverty but moderate ($1.90–$3.10 per day) or near poverty ($3.10–$5 per day) is significant. In Southeast Asia, while extreme poverty dropped to 5.6% in 2017, 34.4% lived in moderate or near poverty (ILO, 2018a). The absolute number of
poor in rural areas is significantly higher than those of urban areas, and this is a serious
concern given the large size of the rural economy in many parts of Asia (Economic and
Social Commission for Asia and the Pacific [ESCAP], 2018).

Poor job quality remains a major challenge in the region. The problem is particularly
pronounced in the informal economy and rural areas. The share of vulnerable employment
(own account workers or contributing family workers) is as high as 71% in low-income
countries in Asia and the Pacific, and 50.6% (one in two persons) even among middle-
income economies (ILO, 2018a). Rates of informal employment are near 80% in Southeast
Asia and the Pacific on average, as rural employment is highly associated with informal
employment that is not covered by labor law protection (Huynh, 2018; ILO, 2018a).

Recent trends, such as skills polarization and prospects of potential job losses due to
a transition to greener economies and technology substitution, are making the aspira-
tion of achieving inclusive growth even harder to achieve. While the prospect of the
future of work presents opportunities for new businesses and ways of engaging work, it
can be a new source of widening inequality, if it is not managed well. The research
indicates that skills-biased technology advancement is indeed taking place and driving
skills demands to higher levels (El Achkar Hilal, 2018). There is a growing expectation for
workers to be able not only to operate technologies but also to understand how the
technology can help the work process. This expectation is increasing the demand for
higher levels of education (El Achkar Hilal, 2018). While this motivates some groups to
take up higher education, the trend can potentially leave other groups behind. Increased
skills polarization is a particular concern in this regard. The upward trend in high skills
demand is accompanied by a slowdown in job creation in the middle-skilled categories
and a faster increase in low-skilled categories of jobs in many ASEAN countries.

While the full impact of increased mechanization and technology and other trends on
employment is yet to be revealed, future labor markets are likely to be more fluid (with
rapid change), unsecure, and unforeseeable (Sakamoto & Sung, 2018b). The prospects
point to the importance of having multiple and a broader base of skills sets and
knowledge to enable career transition at least within the same job cluster, or to develop
a solid base for further learning and adaptability (Buchanan, Wheelahan & Yu, 2018). The
current skills systems are not yet prepared to respond to these trends in terms of
nurturing individual capabilities to navigate through uncertain labor markets, support
the transition, or promote lifelong learning for all.

Structural transformation to shift the base of the economy to one that is more high
value-added, high quality, and highly skilled is a significant challenge. In Thailand, for
example, technological sophistication, in terms of value and complexity of exports, has
taken place to some extent, but it is concentrated in a few sectors and there are signs of
progress tapering off and stalling (Vandenberg, 2019). Trends for shifting the production
base from one country to another in ASEAN where labor costs are lower is another factor
adding to the challenge of potential job losses. A number of middle-income economies
in the region seem to exhibit the features of the so-called middle-income trap where ‘[t]
he economy gets trapped between a move out of low-wage goods and an inability to
produce new high value goods’ (Vandenberg, 2019, p. 6).

In general, the impact of education on wage levels has been positive, and there is
a significant wage difference between those with tertiary education and those with
secondary education or lower (ILO, 2018b). However, there are signs of a slowing down
in general wage increases in some middle-income countries in the region, or wage increases that are concentrated in a few growing sectors. For example, a recent study on Malaysia suggests a declining trend of wage differentials by education levels over the last 20 years (Arshad & Ghani, 2015). According to this study, the trend is most pronounced between those with upper secondary and post-secondary education. While further investigation is required to pinpoint the reasons, one of the contributing factors may relate to a slow speed of business and economic upgrading that increases skills premium in wages.

These changing structures of the economy and the labor market suggest that despite the improved skills profile of workers, the impact of skills on employment outcomes and business performance is far from automatic or simple.

**Implications for existing efforts to promote inclusiveness in skills development**

The prospect of changing labor markets has significant implications for the skills policy as a driver for achieving inclusive growth. At a general level, it is important that the current efforts to make national systems more relevant, accessible, and quality-assured continue, so as to generate more and better skilled workers. This is particularly so for low and lower-middle-income countries where the education level of the workforce is low and significantly lags behind the availability of jobs that require a higher level of education. Developing a solid system for providing quality skills training itself is a huge task but it is a fundamental starting point in confronting mounting and multiple expectations on skills development.

**Stepping up inclusion-targeted measures**

Raising the general standard of education alone is not sufficient to improve skills levels for all. By and large, national skill systems in many developing Asian countries remain centered on institution-based formal training, largely managed and administered by governments. Systems have not yet been able to transform themselves to meet the diversified needs of workers and economies, and to expand beyond the government administrative framework. A problem of limited accessibility to training for women and disadvantaged groups, including workers in the informal economy and in rural or remote areas, is not new but remains largely unresolved. While improving access to skills and technical and vocational education and training (TVET) is only a part of the solution for achieving inclusive growth, it is an essential starting point (Sakamoto & Sung, 2018a). It is important to recognize that there is no level playing field to start with in terms of access to skills training for some groups, and the prospect of growing skills-biased technology advancement and skill polarization will deepen the existing inequality unless proactive measures are taken.

Notwithstanding existing efforts, there is a need to step up the provision of skills to be more inclusive. Inclusive skills and/or TVET is often one of the objectives of skills policy, but often lacks concrete implementation strategies supported by strong monitoring and evaluation. Gender and inclusion strategies need to be developed or strengthened, and applied throughout the skills system from planning for training intakes, recruitment of trainers and trainees, gender-sensitive
curriculum and training materials, delivery modes, and monitoring and evaluation. While a gender breakdown of TVET data is often available, monitoring and evaluation is not necessarily based on gender and/or inclusion baseline data and achievement targets to enable measuring of the progress on gender and the inclusive TVET agenda of a country. Identification of employment opportunities and career progression routes, especially in traditionally male-dominated occupations, including jobs related to science, technology, engineering, and mathematics (STEM), could also encourage more women to take up the related training (ILO, 2019). Performance appraisal of training institutions should take into account the effort and achievements for promoting inclusion in training. Good practices by training institutions should be widely recognized and promoted to create momentum.

While a detailed discussion of different measures for inclusive TVET is beyond the scope of this article, the potential of the recognition of prior learning (RPL) for promoting inclusive skills and/or TVET for workers in the informal economy has been highlighted and should be further explored (Mahrotra, 2018). Considerable skills training and learning takes place on the job but most of these skills are not officially certified. RPL enables the official certification of informally or nonformally acquired skills of workers, to increase their employability and marketability. This is helpful from the point of view of promoting their continuous skills upgrading, or retraining in the course of their working life, as certification provides the basis for their access to formal training opportunities. However, effective implementation of RPL requires further efforts, especially with greater involvement of industry.

**Improved capacity to respond to potential disruptions**

Future labor markets will be increasingly fluid, uncertain, and unforeseeable. This requires skills systems to nurture individuals who are more resilient and adaptable to change. One of the important perspectives that needs to be cultivated both in the providers and recipients of training, is not to see skills training as a one-off preparation for an occupation but as a stepping stone for developing a long-term career (Sakamoto & Sung, 2018b). This requires a life-course perspective of training in which ‘change’ is a basic premise for approaching skills and jobs. The role of the system then is to facilitate such career progression or change, by indicating different pathways for career progression, and the relevancy and proximity of the existing skills set to the requirements of a new career(s). The premise here is that skills training for one occupation can also be relevant to multiple related occupations within the same job cluster (Buchanan, Wheelahan & Yu, 2018). This is particularly relevant in the effort for inclusive growth, as those who are most vulnerable to job losses as a result of technology substitution are working at the lower rungs of the value chain, including women who are highly represented in operator and assembly jobs in the factory and/or those who have limited education.

For the skills system, this may mean indicating the relevance of one qualification to take up other related occupations (with less additional training than would be required otherwise), or to broadening the existing qualifications to train individuals for multiple related job roles. For example, in the construction sector, workers who can handle multiple job roles such as bricklaying, plastering, and masonry are adapting better to
changes in demand for any of these occupations (Sakamoto & Sung, 2018b). As more routine and manual jobs are prone to be substituted by technologies (e.g. Asian Development Bank [ADB], 2018; ILO, 2016a), those categories of jobs should be prioritized for the above initiatives.

**Improving employability in the time of uncertainty**

Another important perspective is that if jobs of the future are difficult to foresee, the skills system needs to not only equip individuals with skills as the economy demands but also develop individuals with strong capabilities that who can take their career development in their own hands (Sakamoto & Sung, 2018b). It points to the importance of developing strong learnability and adaptability to navigate through increasingly uncertain labor markets. Buchanan, Wheelahan, & Yu (2018) indicate that solid basic education and a strong learning disposition are key attributes for successfully navigating a career. The importance of emotional and noncognitive skills, such as curiosity and persistence, has increasingly been highlighted, among others in the recent Programme for International Student Assessment (PISA) and Programme for International Assessment of Adult Competencies (PIACC) study (OECD, 2018). This takes the existing efforts on soft skills, such as communication, teamwork, and problem solving, to a new level with increased appreciation on personal attributes and learning disposition that underlie the development of individual capabilities such as learnability and adoptability.

How can these skills and capabilities be best nurtured? The prevailing approach centers on the 21st century skills (World Economic Forum & Boston Consulting Group, 2015) and competency-based training. However, an emerging approach stresses that the development of human capabilities is more complex as they are closely linked with health including psychological, physical and emotional development, and cannot be based on a set of limited, often narrowly defined units of predefined competencies (Buchanan, Wheelahan & Yu, 2018). The new approach also highlights that the development of those capabilities are more contextualized and different from one occupational context to another. This indicates that nurturing these capabilities takes place over a relatively long time span, and in a contextualized environment. The emerging perspective suggests that combined with solid basic education, generic skills are often best acquired in the context of mastering specific disciplinary, trade or professional expertise (Buchanan, Wheelahan & Yu, 2018).

The increased importance of individual capabilities, beyond the common notion of skills sets, thus brings the school education and training much closer. Skills policy is required to take a life-cycle approach, building upon school education. The fact that those who are most vulnerable to potential labor market disruptions tend to be those with a low level of education requires urgent action. This requires strengthening the education sector on one hand, and further integrating basic education and skills as part of a broader training effort to nurture a trade, or profession (as opposed to acquisition of narrowly defined sets of generic competencies). However, taking a broader approach to skills training potentially competes with the demand for narrowly defined but specific and short skills training that prepares individuals for immediate jobs. The latter is particularly important, in fact, for those who cannot afford to be on long-term training on a full-time basis. Not to leave these workers further behind, it is critical that a future
skills policy can bridge short-term training for immediate jobs with a program for developing broader capabilities that support long-term employability.

From national to local: strengthening capacity at the subnational level

One of the key elements in promoting inclusive growth through skills training relates to a structural issue, and a country’s ability to strengthen implementation capacity at the subnational level. Many countries in developing Asia, especially those at the upper middle-income level, have developed a sound policy framework and management structure for their skills systems. However, the actual implementation of policy is widely acknowledged to be a challenge. Weak capacity at the local level, both in local government and training institutions, has been highlighted as a key challenge for many years. It is important that decentralization and local capacity building form part of the skills policy for inclusive growth, given the persistent rural–urban gap, in terms of poverty, wage levels, and limited employment opportunities that perpetuate a vicious cycle.

While the central government continues to play a vital role in coordination and management of the system, including policy and priority setting, quality assurance, coordination, information management, and monitoring and evaluation, in order to maintain coherence of the system, significant capacity building at the local (subnational) level should be given priority. It is important to recognize, however, that improved capacity of the local administration and training institutions in delivering quality training alone is not sufficient to generate improved employment outcomes and living standards in local areas. The effort needs to be linked and coordinated with local economic and employment development plans. This takes us to explore how skills policy needs to deal with the issue of the ‘demand’ for skills.

Skills as part of economic upgrading and quality job creation

Another major challenge in promoting skills to achieve inclusive growth relates to the rather limited scope of the existing skills policy, which focuses heavily on the supply side of skills. While there is still significant work needed to strengthen the system to generate more and better skilled workers, as discussed above, there is a little attention given to the impact of skills development, i.e. whether and to what extent the skills that the system generates actually get used and are rewarded (Sakamoto & Sung, 2018a). This is an important question for the pursuit of inclusive growth through skills development, because unless investment in skills gets translated into better jobs and stronger businesses, there is little impact of skills in raising living standards and working conditions (which is a main part of sharing the fruits of economic growth).

There is a tendency to assume that investment in skills leads to improved employment and business performance when in fact how skills are utilized and rewarded are influenced, or conditioned by the specific business context, and thus cannot always be assumed (Sakamoto & Sung, 2018b). If the business is competing at low cost, low price, and not high value production, there is a little prospect for the company to improve working conditions or to require higher skilled workers (Sung, 2018). Skills will have little influence toward improving wages if the nature of the job is as such that it does not require higher skills.
Sung (2018) highlights a curious lack of attention to business models in attempting to understand the level of skills utilization. Skills utilization varies depending on the nature of the business, business strategy, and type of product and services. This means that the skills contribution to business performance is highly variable even though workers have similar qualifications and job title. For example,

Financial services where a business can be conducted with customers offered identical (or narrow range of) financial products, such as housing mortgages, lifestyle loans . . . . This business is relatively standardized, treating each customer more or less the same. The opposite approach is to treat each customer as unique with the service provider devising a bespoke financial service package to suit a customer’s needs (such as high-net worth banking). (Sung, 2018, pp. 28–29)

More innovative value-added business models (products and services) thus tend to be associated with a higher level of skills utilization.

In addition to business models and strategies that companies adopt, the broader business environment, including the position of the company, or unit, within the structure of the business network can also influence the levels of skills utilization and benefits to individual workers as a reward of higher or improved skills. By analyzing the network business model of Japanese companies, Yamazaki (2018) highlights that the more a company is positioned on the periphery of the network (in short, as suppliers or subcontractors), the heavier the pressure for cost reduction and the more limited the room for new product development or diversification. This diminishes the need and opportunity for skills upgrading and the full utilization of skills. Even though workers may increase their skills, the position of the company in the network is such that it prevents the company from improving wages and working conditions.

The situation depicted above is in fact familiar and mirrors those of subcontractors and suppliers in the supply chains operating in many developing Asian countries. However, the situations there outside of Japan are far more challenging. Yamazaki notes that in the case of Japan, the negative impact of this corporate hierarchy had been somewhat mitigated in the past, as there was a social consensus that the parent company (or core part of the business network) took responsibility for the overall growth and welfare of all companies (and their employees) that were members of the network.

Within the company, the level of skills utilization also varies depending on the quality of jobs. The ‘quality of jobs’ here is defined not only by the wage level, working time, or job security but also broad (as opposed to narrow) scope of the job design and the level of autonomy granted to the job holder (Freebody, 2016). Sung (2018) finds that the features of poor quality jobs (narrow scope of the job, limited autonomy and poor working conditions) are closely associated with those of low-skilled jobs, whereas the features of better quality jobs as described above are more present in higher-skilled jobs.

A key issue for many middle-income countries in the region is creating more quality jobs to achieve inclusive growth. A large informal economy and rural economy in developing Asia indicates a large number of poor quality jobs, which poses a significant challenge to inclusive growth. The economic competitive strategy centering on foreign direct investment for offshore production based on low labor cost has led to massive job creation and rapid economic growth in the region in the past. However, the limitation of such a growth model has been highlighted (e.g. El Achkar Hilal, 2018; ILO,
Policy makers in low- and lower-middle-income countries in the region are acutely aware of the need to diversify and upgrade the economy to move up value chains and compete with high value-added goods and services. A challenge of pursuing inclusive growth requires upgrading a significant part of the economy, especially employment-intensive sectors, to compete on value-addition and high skills. If skills are to contribute significantly to inclusive growth, investing in skills needs to be part of economic upgrading and creation of better quality jobs. Except export-oriented and large competitive companies, skills are not yet part of the business competitive strategy.

A natural question then is how can skills be part of this process of business and economic upgrading? There is a persistent division between business and the training sector. Skills are too often discussed in a dichotomy of demand or supply, at least in the policy arena. A more helpful perspective is to see skills as an integral part of the demand creation – i.e. business upgrading and/or competitive strategy. In Singapore, there are 23 industry sectors that have developed industry transformation maps. Each map is drawn based on the vision of the sector’s future growth, in light of the plans on technology upgrading and export orientation, and includes workforce skills as the key element of the map to indicate what and how the workforce’s skills will assist in the realization of the sector’s vision (Future Economy Council [FEC], Singapore, 2019). As part of the effort to retain ‘talent’ in the sector, some maps elaborate on how workers can achieve progress in their careers in the sector, the required levels of skills and qualification, and how that can help to improve remuneration. This career progression map helps facilitate not only the retention of high-caliber employees within the sector but also motivates them to pursue skills upgrading or retraining. Indicating increased pay for higher skills also encourages employers to commit to upgrading of the jobs (and business) to make best use of the higher skills. In Singapore, the above ‘integrated’ approach to skills development is supported by a solid supply side of the skills system under the Skills Future Programme (SkillsFuture Singapore Agency, 2019). A useful insight from the experience is the importance of a balanced policy approach to skills development that takes into account both demand and supply perspectives.

Need to take a societal approach in managing transition

Anticipating the future of work presents us with both new opportunities and challenges. Some of the challenges are linked with issues related to the transition in seizing the new opportunities. As noted earlier, transition to a greener economy and technology advancement are part of the broader megatrends that are shaping the future of work, as a source of both job creation and job losses (ILO, 2016a, 2016b, 2017). As a result, the overall number of jobs available in the economy may not change drastically as a result, and the impact of the transition on existing employment is in fact still being debated. However, it is important to note that persons who have gained a new job are not necessarily those who have lost a job (e.g. El Achkar Hilal, 2018), and how well we can support the employment of those who are negatively affected by the transition is critical for addressing the objective of inclusive growth (Sakamoto & Sung, 2018b).

This leads to the importance of retraining and the skills upgrading of workers, although the issue is not simple. Those who are most vulnerable to job loss are workers at the lower rungs of value chains, and those who have limited educational
qualifications. A study that examines enterprise restructuring and employment resettlement in the steel sector in the People’s Republic of China highlights that older workers and those with limited education had difficulty in employment resettlement while those who are relatively highly skilled remained to take up a reprofiled higher skills job after additional training (Zhang, 2018). Support for finding a new job and shifting career requires a holistic approach that combines the recognition (and if possible certification) of existing sets of skills; career guidance with information on employment opportunities and the applicability of the current skills sets to a prospective job; transitional financial support including training fees; and peer groups support, to name a few. These supports would be in addition to specific retraining and skills upgrading.

In minimizing job losses in the first place, social dialogue between employers and workers plays a most critical role. It takes time to prepare for a career shift. A dialogue over enterprise restructuring, including mechanization and technology upgrading, is critical to explore the possibility of job reprofiling and provide workers with necessary time for skills upgrading and retraining, or other preparations either for the reprofiled jobs or jobs outside of the current company.

Managing the transition well thus requires an approach that is holistic and involves multiple stakeholders, which include governments, employers, workers’ organizations, as well as individual workers. The adjustments should be treated as societal and institutional and not just as the problems of individuals (Sakamoto & Sung, 2018b). This is important for inclusive growth, because ‘[t]he burden of change that benefits everyone should not be placed disproportionately on a few’ (Labour Network for Sustainability, 2018).

**Addressing the underlying issues for inequality**

The pursuit of inclusive growth reminds us of the role of prevailing values and norms that structure the context of work today. These values and norms, consciously or unconsciously, condition certain social groups to engage in employment. As a result, they give different prospects for utilizing and getting rewarded for their skills (Sakamoto & Sung, 2018b). Gender bias is one of the prime examples of a norm that continues to underlie occupational segregation and career progression among women. While STEM-related jobs have strong prospects for expansion in the future, women are underrepresented in the STEM field of education and training. Even in those few cases when gender parity has been achieved in education outcomes in the STEM field (e.g. Thailand), this has not been translated into parity in employment outcomes as many women opt not to pursue careers in the STEM field (Dahlquist, 2018; United Nations Educational, Scientific and Cultural Organization [UNESCO], 2016). Their STEM skills and knowledge thus remains underutilized and return on investment untapped. Gender inequality in pay continues to be an issue, regardless of the parity in education and skills qualifications (ILO, 2018b).

As some countries are heading toward an aging society, older workers are another group that is struggling with prevailing values and structures that condition the opportunity for employment. One of the main motivations for older workers to continue working is economic vulnerability (Ko, 2018). While the importance of retraining and upskilling tends to be highlighted as a support for their continuous employment, Ko (2018) argues that the
issue is more deeply imbedded in the existing ‘rules’ of the workplace that condition and value their skills. These include the prevailing age structures in the workplace and negative perceptions of older workers’ ability to learn and apply new skills.

The above discussion indicates that prevailing values and norms continue to mediate, and often limit, the inclusion of certain social groups and undervalue their skills. Changing these values and norms, especially if they are unconscious, is certainly no easy task; however, it is critical if skills are to make a significant impact on creating better employment outcomes and are to be a key driver of inclusive growth.

**Conclusion: towards the horizon of a new skills policy**

The labor market of the future will provide new opportunities and challenges, and skills development policy must adapt. The prospects of ever advancing technology combined with the challenge of making economic growth more inclusive indicates that policy needs to respond to both competitive and high-end needs of skills, while addressing the need of those with low-to-middle education and skills levels. Addressing the need of inclusive growth requires multifaceted interventions, including stepping up the efforts for inclusive skills and/or TVET, mitigating the negative impacts of labor market disruptions, reorienting the approach to skills development for increasingly uncertain labor markets, and increasing the capacity of and emphasis on subnational level actions.

This article has emphasized the importance of paying greater attention to the impact of skills development efforts and whether the skills that the system generates are effectively utilized and are positively contributing to the upgrading of business and to improved wages and other working conditions. These are key goals for achieving inclusive growth. The positive impact of skills on employment outcomes and business performance is often assumed but does not always hold. The article indicated how skills impacts are influenced and sometimes conditioned by business strategies; types of products, services, work organization and corporate structures; as well as underlying values and norms that condition structures and practices of employment.

Creating or improving the quality of jobs is the key for achieving inclusive growth in the region. For that, this article has argued that the persisting division between business and the formal training sector is not helpful, and that an effective skills strategy needs to be an integral part of demand creation.

Thus, the ability to respond to the above policy challenges, to a large extent, hangs on the extent to which policy makers in skills development can step out of the traditional boundaries and framework of skills development and TVET. It requires overcoming the persisting divides or gaps that exist in skills efforts today between formal and nonformal or informal training, between national and subnational levels, and between business and formal training. We also need to go beyond approaching skills development through a dichotomy of demand and supply. Increasing the impact of skills on creating better employment and business performance calls for demand and supply to be more integrated.
Note

1. This article draws on Sakamoto, A & Sung, J. (eds.), Skills and the future of work: Strategies for inclusive growth in Asia and the Pacific ILO (2018a).

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Notes on contributor

Akiko Sakamoto is Senior Skills and Employability Specialist at the International Labour Organization (ILO) for Southeast Asia and the Pacific and is currently based in Bangkok, Thailand. She has undertaken policy advisory, project formulation, and project implementation work, covering a wide range of skills-related issues over nearly 20 years mostly in the region. These include: formulation of national policies on skills development; reform of skills/TVET systems; skills for enhanced productivity and employability; anticipation of skills demands; qualifications framework and skills recognition; skills for green jobs; and skills for the informal economy workers and disadvantaged groups. She holds a doctorate in Education with a focus on workforce skills development.

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