

SECTOR BRIEF

Vocational Training

BACKGROUND

Asia and the Pacific has witnessed a high pace of growth over the last decades, with an average annual growth rate at 5.7% – more than 2 points higher than the world average. By contrast, growth of employment has been a mere 1.8% per year – an indication of the challenges related to structural and transitional unemployment in high-growth economies in the region.

Asia-Pacific is confronted with a combined challenge of increasing

youth unemployment and a lack of skilled workers. Global youth unemployment has increased by 14.8% from 1995 to 2005, with Asia and the Pacific region experiencing an 85.5% increase in youth unemployment in the same period.

Unemployment affects women and youth disproportionately. Based on the statistics of UNESCAP, average unemployment rate for women from 1990 to 2010 was 7.1% while the figure for men was 5%. For youth aged between 15 and 24, the gender disparity is even larger.

SEs and Vocational Training

SEs can effectively target the demand for specific skills in the labor market as a financially sustainable business opportunity and improve the lives of underserved people by training them with skills to match this demand. There are two key models of SEs providing such vocational training: targeted SEs and integrated SEs. Targeted SEs offer vocational training as their main service. Some targeted SEs generate all their revenues from this service, whereas some targeted SEs subsidize the cost of providing vocational training by providing profitable, complimentary commercial services to a different set of clients. Integrated SEs offer vocational training as one of several services, often with the training as an integrated component of a broader social or economic development program.

Targeted SEs focus their services on vocational training and relevant education to improve the competency of one or more underserved groups in the labor market. These SEs design and deliver skill training in one or several industries to provide the targeted group a better chance for employment or a higher competency in their current position, or to achieve employment in the target industries.

Targeted SEs typically train poor or otherwise marginalized groups – including women specifically. By offering training that is linked to skills that are in high demand in specific industries, the marginalized groups get an opportunity to increase their income by acquiring the knowledge and skills demanded by jobs in the target industry. BagoSphere in Philippines and Koto in Vietnam typifies targeted SEs that train youth to become professionals for employment

in sectors that they were previously unable to enter – in this case business process outsourcing and the restaurant business, respectively. Larger SEs, such as Digital Divide Data, provide vocational training both for employment in targeted industries, as well as for employment within the SE itself. This permits revenue generating activities from business units to support the training; in the case of Digital Divide Data, their in-house IT services business process outsourcing provides both employment for some of their trainees, as well as revenues to support some of the costs of running the training program.

Other targeted SEs focus on training disadvantaged workers to enhance their competencies in their current position. Hapinoy in Philippines, which trains female shop owners, in an example of this type of targeted SEs.

Integrated SEs provide vocational training as part of a larger social and economic development initiative. Integrated SEs focus on enhancing or creating new employment opportunities as well as providing vocational training for underserved people to participate in these opportunities. As such, integrated SEs provide vocational training as part of a more comprehensive income generation or social development programs.

Integrated SEs sometimes focus on specific sectors such as the handicrafts industry or the hospitality services industry, such as Asha Handicrafts Association in India and Hoa Sao in Vietnam, respectively. Other integrated solutions include vocational training as part of large rural development programs, such as the Population and Community Development Association (PDA) in Thailand.

Figure 1 - Vocational training SEs overview

Type of Service	Business Model Highlights	Success factors	Impact Highlights
Targeted	<ul style="list-style-type: none"> Low barriers to entry Smaller players focus on targeted training, often with link to specific employers in knowledge intensive industries Larger players conduct vocational training tied to its own business lines 	<ul style="list-style-type: none"> High demand for skilled labor Strong link between demand for skilled employees on employers' side and training offering Affordable, short-term training courses that lead to higher earnings 	<ul style="list-style-type: none"> Increases income of target beneficiaries by training them for skilled labor High potential for linking vocational training with financial literacy and soft skills that increase social capital
Integrated	<ul style="list-style-type: none"> Greater barriers to entry Dominated by NGOs and larger entities that focus on livelihood development Longer-term focus, often with a focus on development of local businesses and entrepreneurs 	<p>Strong link between vocational training program and development of supply chain in local businesses</p>	<ul style="list-style-type: none"> Increases income of target beneficiaries by increasing their productivity and business acumen High potential for linking vocational training with financial literacy and soft skills that increase social capital

Figure 2 – Vocational training services value chain

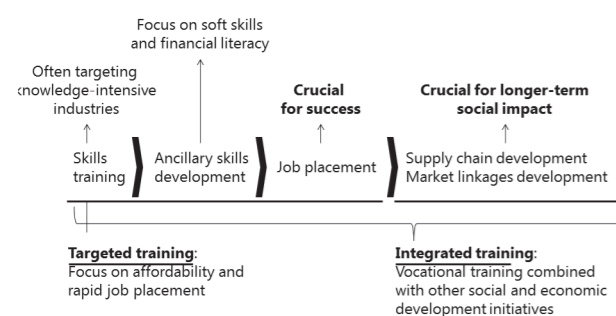


Figure 3 - Sample vocational training SEs

Business Model	Targeted	Integrated
	Digital Divide Data, Perfexcom (Cambodia); BagoSphere (Philippines); Koto, Reach (Vietnam)	Asha handicrafts, Azad (India); Myanmar ceramic society (Myanmar); Hapinoy (Philippines); PDA, Silk Magic (Thailand); Hoa Sao (Vietnam)

Social Impact

Affordable and effective vocational training that targets demand for specific skills in the labor market increases personal income for the individuals trained, and has tremendous potential for promoting inclusive growth and increased productivity in an economy.

Basic education and literacy has been the target of many successful governments and concerted international development initiatives as a means to improving the quality of life and human development. Vocational training provides a complimentary, affordable solution for

increasing the income of underserved populations that are otherwise unable to obtain the skills and knowledge needed to adapt to rapidly changing demands for skills in the workforce.

Obtaining the knowledge and skills to participate in the skilled labor force also has spillover effects on other aspects of human well-being, including the ability to increase one's assets, improve one's health, and obtain increased social capital. Increased income is often also associated with improved security and mobility.

Figure 4 - Impact of vocational training SEs

Impact of vocational training services	
Increased assets	Vocational training is often paired with financial literacy skills that teaches participants how to save and invest in productive assets
Increased income	Increases income by providing skills targeted at employment in higher paying jobs and/or the development of skills and business acumen to scale up your current business
Increased knowledge	The knowledge imparted in vocational training courses is directly linked to the increased income and assets
Improved health	Increased assets and income from vocational training is often linked to improved health as a result of improved working conditions and/or additional benefits from new employment, such as health insurance
Increased social capital	Vocational training is often linked with improvements in soft skills. This is either a direct result of combining vocational training with education targeting confidence and personal psychology and/or an indirect result of increased self-confidence as a result of newly acquired skills and improvements in income, health, and knowledge

Innovation and Sustainability

Both targeted and integrated SEs display a variety of innovative funding models. Overall, targeted training has a higher prevalence of for-profit and financially self-sustained SEs than the integrated model – which is dominated by NGOs and not-for-profit organizations. Both targeted and integrated initiatives display a range of hybrid funding models.

Some targeted SEs, such as BagoSphere, provide vocational training with a for-profit model, generating revenues by providing training against a small up-front commitment fee combined with downpayment of the balance of the training costs that takes place after the trainees have secured new, higher-income employment. Other for-profit SEs, such as

Perfexcom in Cambodia, generate revenues from the target industry, taking a commission against their commitment to train a workforce in the skills demanded by the industry.

Integrated models with hybrid funding structures often cross-subsidize the cost of providing vocational training for groups that are not able to pay. The training is typically subsidized from profits generated elsewhere in the integrated SE, such as products and services delivered by the trainees after completing their course. Digital Divide Data is an example of such a funding model, where the trainees work during and after their training, delivering IT services to external clients that provide revenues for the SE.

Figure 5 – Vocational training highlights by funding models

	For-profit		Not-for-profit
	Direct charge	Hybrid	
Targeted	Charge tuition fee from trainee, sometimes with down payment schemes or credit-financing options	Charge target employer a fee against commitment to deliver employees with skills demanded by the industry	Charge subsidized tuition fee; attract donations to cover certain costs, such as capital expenditure
Integrated		Provide free training for trainees; cover training costs with profits generated in other business units	Provide free training for trainees; cover training costs with private donations or development assistance

Market Size and Trends

More than 90 million people stand to benefit from vocational training in South and Southeast Asia along, illustrating the tremendous demand and potential for job training in the region.

Vocational training is designed to benefit underserved people by increasing their professional skills and competency in the labor market. The emphasis of the sector is on capacity building, vocational training and employment provision for disadvantaged group that lack access to quality education and essential training for entry-level jobs. The market for vocational training targets unemployed and underemployed people. As such, the number of unemployed people is a proxy for the minimum potential market size for vocational training.

Vocational training has great potential throughout Asia; a combined population of more than 90 million people is unemployed in Bangladesh, Cambodia, India, Indonesia, Philippines, Sri Lanka, Thailand, and Vietnam alone.

Figure 6 - Potential demand for vocational training services¹

Country	Population	% Unemployment	Population Unemployed
Bangladesh	150,494,000	5.0%	7,524,700
Cambodia	14,305,000	1.7%	243,185
India	1,241,500,000	4.4%	54,626,000
Indonesia	242,325,000	7.1%	17,205,075
Philippines	94,852,000	7.4%	7,019,048
Sri Lanka	20,869,000	4.9%	1,022,581
Thailand	69,517,000	1.2%	834,204
Vietnam	87,840,000	2.4%	2,108,160
Total	1,921,702,000	4.71%	90,582,953

¹Data from World Bank, 2010. <http://data.worldbank.org/>

Government and international development efforts promoting education and structural changes to create employment have largely focused on work towards achieving the education goals enshrined in the Millennium Development Goals (MDGs), and thus on expanding primary schooling and basic literacy for all. This is achieved via a series of measures, such as constructing physical infrastructure to improve accessibility to the formal education system and providing incentives for school attendance. The private sector complements these initiatives and is playing a particularly important role in vocational training.

Unemployment and underemployment, in particular for young individuals, persist despite positive economic growth in most of Asia.

Unemployment has not gone down in parallel with economic growth in the last two decades, in particular due to a mismatch between demand and supply of skills in a rapidly changing economy. Private vocational training targets this demand for skills both as a business opportunity and social and economic development initiative. In parallel, integrated, longer term development initiatives, such as PDA in Thailand, have gradually realized the need for skills development in addition to basic education and have increasingly incorporated vocational training in their service offerings. By providing underemployed and otherwise underserved communities with skills that match the demands of the growing economies in Asia, vocational training enables wider participation in the overall economic growth.

Figure 7 – Unemployment in SE Asia²

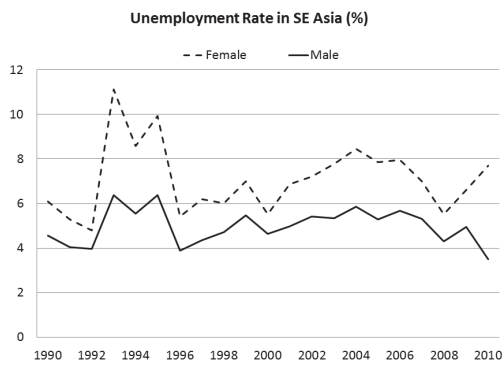


Figure 8 – Youth Unemployment in SE Asia²

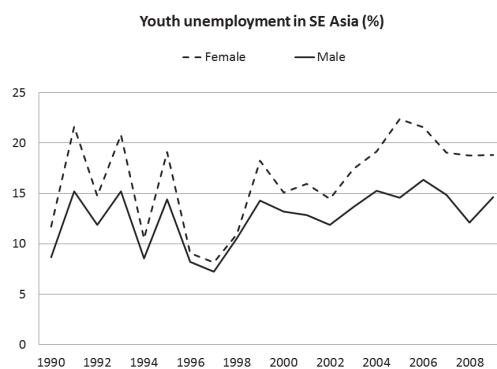
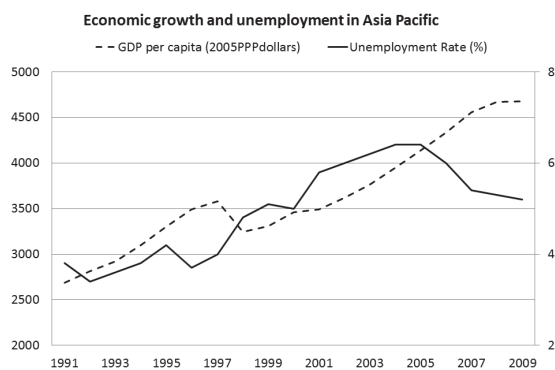


Figure 9 - Economic growth and unemployment²



²Data from World Bank, 2010. <http://data.worldbank.org/>