

OF SINGLE MIND

BY MINDY TAN

As AEC aspires towards becoming a single market and single production base, there is a more fundamental problem of manpower and skills gaps that exist in different forms and degrees across the 10 Asean countries



MUCH has been said of the Asean Economic Community (AEC) and its vision to transform the 10-nation grouping into a single market and single production base. What has largely hogged headlines however, when you turn talk to the challenges that the bloc faces, is the region's resistance to free-flowing trade and imports. It has largely overshadowed a more fundamental problem - that of manpower and skills gaps.

After all, whether Asean countries realise their growth potential to become a significant player in the global economy depends crucially on their abilities to provide a sufficiently large number of workers with relevant skills to meet the changing needs of the growth industry.

The supply of adequately trained workers must be able to meet the demand for them in industries that are deemed to be growth drivers. Without the right skill sets, it would be difficult for the workers in Asean countries, especially the

young ones, to play a meaningful role in the restructuring and upgrading of these economies," notes Tan Kim Song, associate professor of economics (practice) at Singapore Management University (SMU). Prof Tan led the SMU study team in a study on the skills gaps faced in the Asean-5 economies.

TACKLING SKILLS GAPS

Not that small and medium-sized enterprises (SMEs) have been idle. In Singapore, businesses have negotiated the stress of reduced foreign labour through a mix of mechanisation and upgrading of the workforce to increase their productivity.

DP Information's chief operating officer Lincoln Teo notes that SMEs are finding it easier to train and develop their employees - 51 per cent say that they face no major obstacles, an increase from 39 per cent last year.

According to the *SME Development Survey* which was released last November, on-the-job (OJT) training is the more common training option for SMEs. Six in 10 (62 per

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– SMU REPORT



cent) of SMEs currently conduct their own OJT; of the companies that are conducting their own OJT, 63 per cent have a structured programme in place.

Training – specifically training that is tailored to what businesses need – is something that Nicolás Aguzin, CEO of JP Morgan, Asia-Pacific feels strongly about. There is a disconnect, he says, between the excitement that people feel about Asia's potential and growth, and the fact that youth unemployment seems to be going up even though economic activity is strong.

“Globally the education system seems to be lagging the industry and technology advance that are taking place. That, combined with massive demographic shifts, is creating an environment where some risks start to emerge, which could end up affecting economic growth,” he says.

One of the ways where education systems need to change is the need to be more flexible. Depending on the subject matter, curriculum should be able to adapt to allow for hands-on training or research.

Adds Diana Tsui, head of global philanthropy, Asia-Pacific, at JP Morgan: “The current education system in many countries does not necessarily provide future employees with the practical or required skills employers are looking for when they are hiring talent into their businesses.”

Mr Aguzin and Ms Tsui were speaking at the sidelines of the One Step Ahead Series which was jointly organised by JP Morgan and Asia Society. The symposium was titled “Workforce Readiness in Asean Member States: Implications, Opportunities and Challenges of an Asean Economic Community”. It was at this symposium last November that the initial findings from the Skills Gaps in Asean-5 Economies was revealed.

DIFFERING STANDARDS AND GAPS

One of the issues highlighted during the symposium is that the skills gap exists in different forms and degrees across the 10 Asean countries. Singapore, for instance, has identified five future growth clusters: advanced manufacturing; applied health sciences; smart and sustainable urban solutions; logistics and aerospace; as well as Asian and global financial services.

As efforts are being made to reduce the reliance on foreign workers and to retrain local workers to meet the demands of the five growth sectors, the thrust of education is being re-oriented towards lifelong learning and adaptability, with increased emphasis on school-industry collaboration to enhance the relevance of education and training in the workplace.

Across the border, Malaysia is facing a significant outflow of experienced and skilled professionals, managers, executives and technicians (PMEs) which has made it more difficult to address the skills gap issue.

Malaysia is pursuing a two-pronged strategy for economic growth: a move towards knowledge-based services sector activities; and a transit from low value-added labour-intensive to high value-added skill-intensive and technology-intensive manufacturing activities. There is, however, an overall need to improve the workforce's English language proficiency and analytical and cognitive skills,

according to the initial findings in the SMU report.

A large network of higher education and skills provision institutions – both public and private universities – are key skills training providers. However, despite the well-structured system for education and training, there are concerns about the outcomes, especially with regard to the competency and employability of graduates in the information and communications technology (ICT) sector. In PIKOM's ICT job market outlook in its Malaysia June 2014 report, it was noted that only 10 per cent of new entrants to the workforce are directly employable, while the remaining workers require further training before they can undertake work.

“The skills that are seen as crucial for the key growth industries vary widely across the region, reflecting the diverse structures and development stages of the member economies. The approaches that national governments have taken to tackle the issue also differ significantly among the member countries, as do the roles played by the public sector and the private sector in addressing this issue,” says SMU in its report.

“Designing the right policy and the right incentives for the various stakeholders (government, employers and employees) to narrow, if not close, the skills gap will be a fundamental challenge for policymakers in Asean countries in the years to come. Failure to resolve this issue will in turn make it difficult for Asean countries to move successfully to the next level of development.”

SMEs that are looking to leverage the opportunities presented by the AEC not only have to be cognisant of the different levels of skills of the workforce in the different countries that they enter, they will also have to be more versatile in their management styles.

Points out Chan Chong Beng, chairman of the Workforce Advancement Federation (WAF): “The whole HR (human resource) perspective would have to be managed carefully because you are managing people from different cultures and languages and different understanding. So it's a challenge.”

Even as countries and companies grapple with upskilling their workers, the free flow of labour and capital to encourage change is expected to accelerate economic expansion. It is thus imperative that SMEs in Singapore move faster, be more adaptable to market forces, and quickly embrace technological advancements to rapidly scale or optimise productivity and raise their capabilities to compete aggressively on a regional arena, says Lim Chu Chong, head of SME banking at DBS Bank.

In May last year, DBS launched a new series of events, dubbed “Disrupt @ the Bay”, to bring together SMEs and innovators and other “disruptive” startups to allow them to learn from each other and encourage the adoption of new business models, processes, and operations. The industries that it has reached out to include food and beverage, and retail.

WAF's Mr Chan adds: “For a lot of SMEs, I think a lot of them are still not aware of how things will change. A lot of business models will have to change with the AEC. Singapore has always been a very strong trading platform for neighbouring countries. With integration, a lot of SMEs may lose their middleman role. SMEs particularly have to be mentally ready and adjust themselves to this.” ■