For Immediate Release

The Philippines Should Prioritize Bridging Skills Gaps to Maintain Robust Economic Growth Momentum: J.P. Morgan-SMU Study

To help address skills challenges, J.P. Morgan, in partnership with Education Development Center, launch workforce readiness program.

November 1, 2016 – As one of ASEAN's fastest-growing economies, the Philippines needs to address skills challenges in crucial industries like business process outsourcing, tourism and electronics and electrical manufacturing, in order to keep up the growth momentum.

These are among the key findings from a year-long study conducted by the Singapore Management University (SMU), in partnership with global financial services firm J.P. Morgan, on the skills challenges faced by the ASEAN economies of Singapore, Malaysia, Indonesia, the Philippines and Thailand.

The Philippines' strong economic growth in recent years has been the result of structural reforms and increased investment in infrastructure. But to elevate the economy to a middle-income country, it needs to place priority on addressing its skills challenges, the study shows.

A key challenge is equipping graduates with industry-relevant skills, especially in sectors related to science and technology. According to the study, both public and private schools are seen to be facing challenges in producing graduates who can meet industry standards. In the Asian Development Outlook 2016, it was found that Filipino college graduates took about a year to find work and up to three years for high school graduates. This has contributed to high youth unemployment, which currently stands at 14 percent.

The challenge is exacerbated by the lack of technical and vocational education and training (TVET) offered by educational institutions. These institutions often struggle to develop their curriculum at the necessary speed, primarily as a result of outdated training facilities and equipment, and unqualified teachers, the study shows. Poor funding is an issue – the Philippines has the second lowest fiscal spending on education among the five ASEAN countries, at 14 percent of state budget in 2015.

The outflow of skilled and semi-skilled Filipino workers overseas, including graduates and TVETs, further compounds the issue. An estimated 2.4 million Filipinos work overseas, of which 11 percent are professionals.

"The Philippines enjoys a strong comparative advantage in its young workforce and low-skilled industries in manufacturing and services. But it needs to place more emphasis on education and relevant skills training, as well as encourage more private sector-led training programs, if it wants to elevate its economy to a middle-income status," said Arnoud De Meyer, President, SMU.

The study recommends that the Philippine government prioritize spending on education to raise the standards of teaching facilities and the quality of teachers and trainers. With more resources, the Technical Education and Skills Development Authority can expand its work at the regional and provincial offices and develop competency standards not just for entry-level but also mid-level workers.

There should also be a mechanism for regular consultations between industry and educational institutions to help bridge the school-industry gap, which is the disconnect between the skills that educational and training institutions are imparting and what the industry is seeking. The government should consider encouraging private sector-led training by offering incentives to large companies or multinational companies (MNCs) to play a more significant role in training workers, the study says.

Encouraging more foreign direct investment into the Philippines will see the setup of more MNCs, which not only creates jobs but also roles that offer higher wages. This could keep local talent meaningfully employed, reduce the outflows of skilled Filipinos and encourage some of them to return from abroad. A more focused strategy to re-integrate returning professionals into the labor force should also be part of the centerpiece in the country's long-term skill development plan, the study notes.

In response to the findings, J.P. Morgan and global nonprofit research and development organization Education Development Center (EDC) today launched a workforce readiness program that aims to bridge the skills gap. The Accelerated Work Achievement and Readiness for Employment 2 (AWARE2) project is an innovative program that helps young people in the Philippines, Thailand and Indonesia gain the technical and employability skills that employers are demanding in the region's dynamic digital economy.

"EDC's goal is to develop a new model for demand-driven education that will prepare ASEAN youth for lifelong careers in the digital economy," said David Offensend, EDC President and CEO. "We know that technology will create new jobs as well as replace them through automation. By preparing students with higher-level cognitive skills such as creativity, design thinking and applied analysis and problem solving we can ensure they will have the adaptive ability to anticipate and respond to the shifts in demand in the evolving technology sector."

The Philippine program is in partnership with the Regional Directors for Cebu and the National Capital Region and industry partner Globe Teleco, and will focus on foundational IT skills, including systems engineering.

"While the Philippine economy remains robust and resilient, a long-term plan in resolving the skills gap will be critical to maintaining the growth momentum. At J.P. Morgan, we are funding 14 workforce-readiness programs across the Asia Pacific region focused on the high-growth ICT sectors, four of which are in Philippines," said Roberto L. Panlilio, J.P. Morgan's Senior Country

Officer for the Philippines. "Our commitment to supporting economic growth and inclusion in this market is stronger than ever."

Media contacts:
Li Anne Wong | +65-9677-4574 | lianne.wong@jpmorgan.com
Corinne Kang | +65-6808-5238 | corinnekang@smu.edu.sg
Alison Cohen | +1-617-875-1240 | acohen@edc.org

About JPMorgan Chase & Co.
JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of $2.5 trillion and operations worldwide. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, and asset management. A component of the Dow Jones Industrial Average, JPMorgan Chase & Co. serves millions of consumers in the United States and many of the world's most prominent corporate, institutional and government clients under its J.P. Morgan and Chase brands. Information about JPMorgan Chase & Co. is available at www.jpmorganchase.com.

About Singapore Management University
Established in 2000, Singapore Management University (SMU) is recognised for its high-impact multi-disciplinary research that addresses Asian issues of global relevance, and for its innovations in experiential learning. With 9,300 students, SMU offers bachelors, masters and PhD degree programmes in Accountancy, Business, Economics, Information Systems, Law and Social Sciences, and executive development programmes. Through its city campus, SMU enjoys strategic linkages with business, government and the wider community in Singapore and beyond. www.smu.edu.sg

About Education Development Center
EDC is a global nonprofit organization that designs, implements, and evaluates programs to improve education, health, and economic opportunity worldwide. Collaborating with both public and private partners, we strive for a world where all people are empowered to live healthy, productive lives. Visit www.edc.org.