

ASEAN FOR BUSINESS

Monthly Bulletin

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In Focus: Addressing Skill Mismatch through Collaboration with Industries in TVET



About the Bulletin

ASEAN for Business is a bulletin published by the Enterprise and Stakeholder Engagement Division of the ASEAN Secretariat.

This monthly bulletin provides quick updates on specific topics related to the ASEAN Economic Community (AEC) for businesses operating in the region.

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Global megatrends such as digital transformation, climate change, and the Covid-19 pandemic have significantly changed the way business operates and, therefore, the skills demanded by the industries. The fast-changing world of work can cause skill mismatch, or the imbalances between skills supplied and skills needed in the industries. This becomes a concern as skill mismatch may result in underemployment of skilled workers, low productivity due to workers' under-performance and high worker turnover, and the need for more investment for business employers to factor in the training period to equip workers with the right skills. Unfortunately, skill mismatch is already prevalent in ASEAN. Data from World Bank Enterprise Surveys in 2015 showed that between 10% and 18% of employers in the Philippines, Indonesia, Laos, Malaysia, and Cambodia already have difficulties finding workers with the right skills for their business operations.

Providing intervention in educational institutions, as the skill producer and supplier, becomes crucial to ensure the education can equip graduates with the relevant skills and reduce the risk of skill mismatch. In this regard, Technical and Vocational Education and Training (TVET) could be a powerful tool for addressing the skill mismatch. Studies showed that TVET tends to result in faster school-to-work transitions than general education and thus could timely provide the necessary human capital to empower business and the economy in ASEAN.

ASEAN's Initiatives on TVET to Address Skill Mismatch

Through the ASEAN Declaration on Human Resources Development for the Changing World of Work, ASEAN stated its commitment to equip ASEAN's human resources with the competencies to enable them to be future-ready and actively contribute to the sustainable development, competitiveness, and resilience of ASEAN. To this end, promoting TVET is included as one of the strategies in the declaration.

At the regional level, ASEAN is developing TVET through several means. First, ASEAN works toward enhancing access to quality TVET that is responsive to changing labor market demands, as stated in the ASEAN Work Plan on Education 2021-2025. Second, ASEAN established the ASEAN TVET Council (ATC), the regional and cross-sectoral body consisting of Ministries of Education, Ministries of Labor, Ministries of Commerce, tripartite partners, and academia in ASEAN, that serves as a platform for coordination, research and development, and monitoring of regional education programmes that supports the advancement of TVET in ASEAN. Additionally, ASEAN is finalising the Regional Study on "Enhancing the Competitiveness of Human Resources through Responsive TVET Curriculum Supported by Involvement of Industries and Labour Market Information". The study measured the TVET system's responsiveness through the examination of the labour market information system vis-à-vis the curriculum development, implementation, and delivery of TVET system in AMS.

At the National Level, Cambodia, Malaysia, and Lao PDR have established their National TVET Council. The councils' role ranged from promoting TVET, strategising National Human Resource Development, dealing with issues of curriculum development, and harmonisation of demand and supply in the labor market.

Importance of Industries' Engagement in TVET

ASEAN places high importance on fostering closer public-private partnerships to enhance TVET. The involvement of the private sector is essential to provide the perspective of skill demand in developing TVET curricula to ensure TVET graduates have the relevant skills for industries.

Additionally, the private sector could provide knowledge, technologies, and training for teaching personnel, and become a partner in dual TVET programmes. ASEAN is working to engage industries to support TVET in planning, program development, implementation, and resource mobilisation. This is implemented through expanding and improving the quality of apprenticeship, teachers, and in-company trainers to increase the relevance and effective transfer of skills and industry cooperation.

Nonetheless, the cooperation between business and the education sector remains scarce, and the gap between educational institution and industries persists. As a result, in 2021, Asian Development Bank (ADB) reported that 90% of employers in Cambodia and 68% of employers in Indonesia perceived graduates were inadequately educated and/or trained before being hired. This suggests that collaboration with the private sector needs to be intensified to address this matter.

Mutually Beneficial Collaboration of Industries' Engagement in TVET

The industry's participation in TVET is crucial and beneficial for business. Dato Palaniappan Joseph, the Chairman of ASEAN Future Workforce Council (AFWC), stated that by providing business perspective and support for TVET development, business could find TVET graduates with the relevant skills for their business and enjoy greater returns driven by the employee's higher productivity. Stephen Yee, the Deputy Executive Director of Corporate Training and Workforce Transformation at the Singapore National Employers Federation (SNEF), further echoed the argument through the experience of Singaporean business communities. Enterprises in Singapore contributed to TVET by providing input during the development of the workforce skill qualification system, working closely with the government to develop an apprenticeship model 'the Work and Study Programme', and championing sectoral initiatives in TVET in Singapore. In return, participating private sectors received some incentives and supports from the government in their TVET-related program, had the opportunity to influence the educational institution to produce the skill needed and aligned with the standard set by the business, and eventually got the required workforce with the relevant skills for their business.

In Conversation with Indonesia National Power Utility Company (PT PLN Persero - PLN)

The ASEAN Secretariat (ASEC) spoke with **Wisnoe Satrijono**, the Executive Vice President of Human Capital Strategy at **PT PLN Persero (Indonesia National Power Utility Company - PLN)**, to further encapsulate the business' experience in contributing to TVET in Indonesia and its benefits for their business operation.

ASEC: *Could you tell us briefly how PLN has contributed to TVET and the driving motivations behind this engagement?*

PLN: PLN has collaborated with TVET Institutions at secondary and tertiary levels in Indonesia since 2015. At the secondary level, PLN contributes to developing and aligning curricula to include more industrial subjects, training teachers to master industrial skills, and standardising laboratory equipment in secondary vocational schools for their studies and examinations. Meanwhile, for tertiary vocational schools, we provide certified internship opportunities to provide hands-on industry experience and make students more prepared to enter the job market. As of now, our programs have benefited 154 teachers and 878 students in 14 secondary vocational schools and 1,591 students in 58 tertiary vocational schools across Indonesia.

These programs are driven by two main motivations. First, we see that there is a mismatch between the skills taught in schools and what is needed by the industry. For example, while vocational schools are supposed to be more work-oriented, industry-related subjects only contribute 20% of their curriculum. As a result, vocational school graduates lack the necessary industrial skills and are thus unprepared to enter the job market. Second, we strive to make our Corporate Social Responsibility (CSR) more sustainable. We believe that investing in human resource development through our CSR will create a more sustainable impact for both program recipients and PLN.

ASEC: *How has the megatrend in the digital transformation and energy transition changed PLN's skills demand? Does the change in skill demand impact PLN's strategy and practice in its engagement with TVET?*

PLN: The impetus given by the digital transformation and energy transition agenda is

indeed massive. This impacts our business operations and, therefore, our skill demands. PLN's Human Resources Strategy Department identified several skill gaps in digital and renewable technology, including skills in data science, scrum masters, blockchain, geothermal generation, inventor technology, et cetera. Today, we are addressing this challenge through retraining and upgrading the skills of our employees. At the same time, we also include this skill development in our partnerships with several tertiary vocational schools in Indonesia.

ASEC: *How has PLN's engagement in TVET benefitted PLN's operation so far?*

PLN: We are proud to say that our programs have empowered more than 750 TVET graduates. More than 125 TVET graduates in our program have successfully become employees in PLN's subsidiaries, and some others have started their own electricity-related businesses. These graduates increase cost and time efficiency in our recruitment for we can get employees with the right skills two years in advance. In addition, the presence of more electricity-related companies enhances and expands our business ecosystem. This also increases community participation in our business processes, which is beneficial for generating community support in our work to provide access to electricity in Indonesia. A study conducted by our external partner identified that every one Indonesian Rupiah (IDR) we invest in this program generates IDR 0.12 in terms of Social Value or Social Return on Investment (SROI).

ASEC: *What are incentives or facilitation that companies, such as PLN, need to increase their contribution and engagement in TVET?*

PLN: We expect more support and cooperation from Academic Institutions, Businesses, and Government. Academic institutions must be more forward-looking and open new departments that focus on renewable energy. Other business, including those from the manufacturing sector, can contribute by providing laboratory equipment for practice, examinations, and standardisation of student skills. Finally, the government needs to implement supportive policies and systems that encourage vocational teachers to master and teach industry skills and subjects.*

Recent Updates

ASEAN Economic Community Fact-Finding Mission to Timor-Leste

[The ASEAN Economic Community \(AEC\) Fact-Finding Mission \(FFM\) to Timor-Leste was conducted on 19-21 July 2022.](#) The mission was led by Rath Saravuth, the Director General of International Trade, Ministry of Commerce of the Kingdom of Cambodia, in his capacity as the Chair of the Senior Economic Official Meeting (SEOM) for 2022. During the AEC FFM, ASEAN Delegation exchanged views with relevant Timor-Leste Ministries involved in the accession to the ASEAN Economic Agreements. ASEAN Delegation also met the Chambers of Commerce and Industry of Timor-Leste, and business representatives of Timor-Leste. ASEAN further encouraged Timor-Leste to continue participating in ASEAN non-policymaking activities for capacity-building purposes. The assessment report of the AEC FFM will be incorporated in the *In-depth Assessment on the Implications of Timor-Leste's Accession to ASEAN's Economic Agreements*, which will be submitted to SEOM and ASEAN Economic Ministers prior to submission to the ASEAN Coordinating Council Working Group on Timor-Leste's Accession to ASEAN, and to the 40th and 41st ASEAN Summit for further consideration by the ASEAN Leaders.

ASEAN kickstarted the ASEAN SME Policy Index 2024 Development

[ASEAN small and medium enterprises \(SME\) officials conducted the Regional Kick-off for ASEAN SME Policy Index 2024 on 26-27 July](#) in Jakarta, Indonesia. The updated edition, scheduled for publication in 2024, will revisit the assessments presented in the [2018 edition](#) and examine recent developments and new trends impacting the micro, small and medium enterprise (MSME) policy landscape in ASEAN. The ASEAN SME Policy Index 2024 is a joint effort of the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME), Organisation for Economic Co-operation and Development (OECD), and Economic Research Institute for ASEAN and East Asia (ERIA), funded by the Federal Republic of Germany through the Deutsche

Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ).

ASEAN Reaffirmed Solidarity at ASEAN 55 Celebration: Stronger Together

[The ASEAN Secretariat held a hybrid celebration at its headquarter in Jakarta to mark ASEAN's 55th anniversary.](#) The celebration was graced by the Foreign Minister of Indonesia, H.E. Retno Marsudi, the Secretary-General of ASEAN, H.E. Dato Lim Jock Hoi, and the diplomatic community in Jakarta. The anniversary's theme "Stronger Together" is in line with Cambodia's ASEAN Chairmanship 2022 theme of "Addressing Challenge Together". In their respective keynote remarks at the celebration, SG Dato Lim, FM Retno, and Deputy Prime Minister (DPM)/FM of Cambodia H.E. Prak Sokhonn, as Chair of ASEAN, mutually reinforced and underlined the importance and relevance for ASEAN to stay united and cohesive and for the ASEAN Centrality principle to be upheld as the driving force behind ASEAN's substantive dialogue and cooperation with its external partners. In addition, as in previous years' practices, ASEAN, in collaboration with its member states, also hosted the third edition of the ASEAN Online Sale Day from 8-10 August 2022, which connected consumers to regional e-commerce.

14th Dialogue between the Secretary-General of ASEAN and Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA)

[The Secretary-General of ASEAN, H.E. Dato Lim Jock Hoi, participated in the 14th Dialogue with the Federation of Japanese Chambers of Commerce and Industry in ASEAN.](#) The dialogue discussed Japanese business recommendations and proposals to support the implementation of the ASEAN Comprehensive Recovery Framework (ACRF) in 2022. Secretary-General Dato Lim also highlighted ASEAN's strategies to attain economic resilience in the post-pandemic world and welcomed closer engagement with Japanese businesses to increase trade and investment activities and strengthen cooperation in technology transfer, digital up-skilling, and reskilling for MSMEs, as well as the introduction of green technologies in ASEAN.

Upcoming Events

54th ASEAN Economic Ministers (AEM) and Related Meetings

Siem Reap, Cambodia

11-18

September 2022

40th ASEAN Ministers on Energy Meeting (AMEM) and Associated Meetings

Virtual

13-16

September 2022

43rd Maritime Transport Working Group (MTWG)

Nha Trang, Vietnam

20-22

September 2022

Save the Date – 8th ASEAN Economic Community (AEC) Dialogue

The ASEAN Secretariat, in collaboration with the ASEAN Business Advisory Council (ASEAN BAC) and Tech for Good Institute, will conduct the 8th ASEAN Economic Community (AEC) Dialogue on **Wednesday, 5 October 2022**. The dialogue will be convened in a hybrid mode and the physical event will take place in Jakarta, Indonesia.

The 8th AEC Dialogue will discuss how to unlock ASEAN's entrepreneurial potential in the digital economy through enhancing infrastructure, regulatory framework, connectedness, talent, education, and funding. Furthermore, it will address how this economic growth may translate to progress for society. The dialogue will benefit from multiple perspectives, including start-up enterprises of various funding series, venture capitals, business councils, and ASEAN Digital Senior Officials. The dialogue will feed into the development of the Framework for Promoting the Growth of Digital Start-Up Ecosystems in ASEAN, which is part of the Priority Economic Deliverables (PED) under Cambodia's chairmanship in ASEAN in 2022.

The public audience is welcomed to participate in the meeting, and interested participants are encouraged to register their interest through this [link](#).