

SUMMARY SECTOR ANALYSIS: TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING

A. Sector Performance, Problems, and Opportunities

1. **Context.** Sri Lanka is a middle-income country with a per capita income of \$2,923 in 2012, which it aims to increase to \$4,000 by 2016.¹ Despite the long-standing secessionist conflict, the economy grew by 5.1% on average between 1980 and 2008, and by an impressive 8.0% in 2010 and 8.2% in 2011, reflecting a fast post-conflict economic recovery. In 2012, the economy grew at 6.4% despite the global economic downturn. These economic achievements provide a significant opportunity to invest in human capital to set the economy on a high growth trajectory and avoid the middle-income trap.

2. Sri Lanka's workforce is better educated than that of other countries in the South Asia region. However, the high education outcomes are not translated into competitiveness of the economy. According to the 2013 Global Competitiveness Index, Sri Lanka is now transitioning from the factor-driven to the efficiency-driven stage of development. Higher value-added production, increased productivity, technology usage, and efficient work organization are key factors affecting competitiveness and crucial in supporting the move beyond current production processes. While Sri Lanka is ranked 62nd out of 148 countries by the World Economic Forum in terms of quality higher education and training, it is ranked 135th in terms of labor market efficiency, with 35% of respondents noting the lack of skills as a constraint for trade (footnote 1). The World Bank also notes that many firms identify "inadequately educated labor" as one of the key constraints to their business.² Sri Lanka has a relatively low unemployment rate, 4.6% in first-quarter 2013, but youth unemployment is significantly higher at 20.1% (ages 15–24) and 7.5% (25–29).³ In 2012, of the almost 8.8 million workers, 57.4% were engaged in unskilled or low-skilled occupations where productivity is low and jobs are mostly in the informal sector. Informal sector employment accounts for 61% but varies across economic subsectors (86% in agriculture, 46% in tourism, 47% in industry). About 24% of the workforce is employed overseas, mostly as unskilled workers. In 2012, an additional 262,700 workers found jobs overseas, of whom about 70% were housemaids or unskilled workers.⁴

4. Increasing the competitiveness of the economy requires an efficient technical and vocational education and training (TVET) sector to support skills formation linked with movement up the value chain (footnote 1). The need for cutting-edge improvements in TVET is further promoted by the Ministry of Finance and Planning (MOFP) so as to curb (i) high youth dropouts from formal education without employable skills; (ii) high unemployment (17.3%) among educated youths, particularly women; (iii) shortages in skilled labor and low labor force participation rate (48.6%), which is the lowest in South Asia. The Government of Sri Lanka proposes through its Public Investment Strategy, 2014–2016 to improve the TVET system to better meet industry skills needs and support economic transformation through higher inclusive growth.⁵

¹ World Economic Forum. 2013. *The Global Competitiveness Report 2013–2014*. Geneva.

² World Bank, 2013. *Sri Lanka: Building the Skills for Economic Growth and Competitiveness*, Washington, DC.

³ Government of Sri Lanka, Ministry of Finance and Planning, Department of Census and Statistics. 2013. *Quarterly Report of the Sri Lanka Labour Force Survey, First Quarter*. Colombo.

⁴ Government of Sri Lanka, Tertiary and Vocational Education Commission. 2013. *Labor Market Information Bulletin Vol 02/11*. Colombo.

⁵ Government of Sri Lanka, Ministry of Finance and Planning. 2013. *Unstoppable Sri Lanka 2020: Public Investment Strategy 2014–2016 (Chapter 7: Knowledge and Skills for Excellence)*. Colombo.

5. **Sector constraints and challenges.** Several recent studies have highlighted the constraints and challenges of the TVET system, which underpin this sector assessment.⁶ The key challenges are:

- (i) Limited access and focus on middle-level skills training—in 2012, around 174,000 people were enrolled at public, private, and NGO training providers undertaking entry-level skills programs (footnote 5). Each year, about 326,000 students who enroll in secondary school will become available for skills training either as a result of dropping out of the school system or through graduating and not being able to secure a place in higher education locally or abroad. Annually, around 152,000 youths do not have access to TVET services to improve employability. Current capacity (staffing, workshop facilities, and equipment) needs to expand to train those additional students seeking TVET services. TVET courses should better reflect industry needs and provide opportunity for middle-level skills, particularly for students who graduate from the school system. Currently, only 2.2% of the workforce is trained in middle-level skills (compared with 23% in the Republic of Korea).⁷
- (ii) Low market relevance of TVET provision—employment outcomes for TVET graduates average about 50%, which is higher than in other countries in the region but uneven across different agencies. The National Apprenticeship and Industrial Training Authority (NAITA) performs well with some 70% of graduates securing jobs. Other training agencies only achieve 30% employment outcome.⁸ This indicates lack of relevance of skills training to actual labor market demand. Of total enrollments, computer, information technology, finance, and management courses account for 33% of public provision (78% of private provision), with full-time course delivery as the dominant method for more than 70% of training programs. The current system remains classroom-bound and inflexible with little emphasis on structured on-the-job training. Course content is not linked to known occupational outcomes or skills sets required by employers. A greater variety of training and more flexible delivery mechanisms would benefit the economy and increase access to TVET by disadvantaged groups, school leavers, and in-service workers who wish to upgrade their skills.
- (iii) Inadequate quality of TVET provision—the TVET system is constrained by limited availability of instructors, assessors, and training managers; and inconsistent quality in training provision. In addition to improving salaries and recruitment practices to ensure that qualified practitioners with industry experience are deployed throughout the TVET system, systemic improvements to strengthen teaching performance and quality should be implemented, such as (i) expanded use of contractual instructors and industry specialists; (ii) performance-oriented teaching provision with a greater emphasis on graduate employment outcome; and (iii) systematic professional development that links salary progression to completion of continuous technical upgrading by instructors through return-to-work programs and further education. Quality in training

⁶ These have been summarized from ADB. 2013. *Sri Lanka: Country Report on TVET*. Consultant's Report, Manila (RETA-6337); the reports from development partners including the Korean Government, the World Bank, and from several Sri Lankan studies such as the *TVET Task Force Report* of the Ministry of Youth Affairs and Skills Development, 2011.

⁷ International Labour Organization. 2013. *Labour Force Statistics*. Geneva.

⁸ Government of Sri Lanka, Tertiary and Vocational Education Commission. Tracer Study on TVET Graduates. Unpublished. Employment outcome varies across different agencies from over 70% (NAITA) to less than 30%. See S. Chadrasiri. "Effect of Training on Labour Market Outcomes", in *The Challenge of Youth Employment in Sri Lanka*, edited by Ramani Gunatilaka et al., World Bank, Washington DC (ISBN. 978-0-8213-8117-5, 2010).

provision is managed through the national vocational qualification (NVQ) system, which should be updated to ensure that training materials align with industry requirements, and standardized to ensure that users know what they are getting from the TVET system. Through regular maintenance of training programs, practitioners should be able to work with employers to adjust training materials and provision to ensure that they remain linked to employment and industrial development objectives. These reforms are critical to improving the quality, the results, and the efficiency of public expenditure in the sector.

- (iv) Weak quality assurance system—the Tertiary and Vocational Education Commission (TVEC) is the apex body for TVET and custodian of the NVQ system. While government providers have generally complied with TVEC requirements, many private providers operate outside the TVEC framework, including those recognized by industry and overseas training systems. About 1,119 TVET institutions have been registered with TVEC to deliver 5,950 training courses, of which 1,388 are accredited to NVQ status. NVQ certification is a requirement for employment in the public sector and, since September 2012, is a requirement to access overseas employment through the Bureau of Foreign Employment. However, only about 16% of TVET students have received NVQ certification. While expansion of the NVQ system is a key government policy priority, greater industry ownership will be required for the benefits to translate into relevant training and career pathways, with associated increases in income levels and improvement in productivity. There is no systemic monitoring system in place to track or report on the quality or relevance of TVET training in meeting industry skills requirements, particularly across middle- and higher-level skills. Limited staff within TVEC reduces its regulatory capacity and undermines its potential to inform policymakers. Current approaches to quality assurance are rigid as opposed to strategic and facilitative for continuous improvement. Assessment systems are driven by academic curriculum and examination, and are not linked with workplace requirements or demonstrated mastery over specified skill sets. While flexible service delivery approaches should be supported, consistent quality and performance standards should be applied to ensure that users have clarity on what skills result from training programs, with clear industry endorsement to improve graduate employability.
- (v) Sector management, coordination, and planning—skills development in Sri Lanka is delivered by a myriad of agencies within a complex web of governance systems (e.g., registration, accreditation and certification requirements, agency laws and regulations). While the government has transferred key TVET delivery agencies to the Ministry of Youth Affairs and Skills Development (MYASD), the benefits of (i) coordinated delivery nationwide, (ii) economies from shared resources, (iii) consistent outcomes from training provision, (iv) employer engagement, and (v) expansion of the quality-assured NVQ system have not been realized. An integrated and coordinated management information system (MIS), graduate tracking, skills-gap analysis, provision planning, teacher training, and linking agency performance to funding have not been implemented. Further consolidation is needed to remove duplication of regulatory systems and training programs offered by training agencies, particularly NAITA, Vocational Training Authority, and Department of Technical Education and Training (DTET). The absence of a unified national skills development strategy and plan has resulted in continuing duplication and fragmentation of functions between training agencies, with some resistance to MYASD's coordination efforts. Sector results continue to be driven by training agencies and are not well linked to industry or national

- priority areas. The sector will benefit from better planning, coordination, and management capacity to remove duplication and accelerate skills development activities that support business development and focus on graduate employment.
- (vi) Limited private sector engagement—the role of the private sector has been limited to being consultative in the largely supply-driven system. Employers are not encouraged to drive policy, guide service delivery, or monitor quality. Due to low job placements, lengthy delays in securing employment and limited availability of higher skills training programs to acquire skills in demand, public perception of TVET as a credible alternative to formal education at a post-secondary level remains low. The lack of middle-level skills training available for employers continues to feed perceptions that TVET is for low skills only. Employers are increasingly frustrated by the lack of attention to meeting their skills requirements, particularly in the area of middle-level skills. There is little provision for industry to deliver training or assess skills. Industry bodies have not been supported to guide the setting of training standards or approve training courses. The lack of formal and coordinated industry engagement will undermine efforts to better align the TVET system with industry development.
- (vii) Low and inefficient sector financing—in 2012, public expenditure allocated to the TVET sector through MYASD was SLRs7 billion or 0.45% of total government expenditure (5.2% of total education expenditure).⁹ More investment is required in the Northern and Eastern provinces, and efforts should be made to increase enrollment of women and the poor in areas where employment opportunities are high. Overall efficiency of the TVET system in getting the students into jobs is around 35% of total enrollment, based on a completion rate of around 70% (footnote 8). Budget allocation has not been linked to performance or achievement of results. Innovation in TVET provision has not been funded and agencies continue to deliver existing services. There are no incentives for employers to engage in the public TVET system, to upskill the existing workforce, or to create opportunities for new entrants to gain skills. Government incentives for students to consider TVET choices is also not incentivized, unlike financing provisions provided to students who can access the higher education system.

B. Sector Strategy

6. **The Skills Sector Development Plan.** The government's development vision up to 2020, *Mahinda Chintana*, and the National Human Resource Development and Employment Policy (NHREP, 2012)¹⁰ stress the importance of, and the government's commitment to TVET sector expansion and improvement. To operationalize such commitment, the SSDP has been developed in 2013, coordinated by the National Planning Department (NPD) of MOFP. The government began preparing a sector road map in 2011 with the release of the MYASD Taskforce Report in late 2010.¹¹ Restructuring and repositioning of the TVET system to better meet the needs of the industry and national development objectives began in 2012 and resulted in a clear reform agenda and sector development strategy. A TVET Sector Development Plan

⁹ Government of Sri Lanka, Ministry of Finance and Planning. 2012. *Annual Report 2012 (Chapter 8: Expenditure Review)*. Colombo.

¹⁰ Government of Sri Lanka, Ministry of Finance and Planning, Department of National Planning. 2010. *Sri Lanka: The Emerging Wonder of Asia. Mahinda Chintana—Vision for the Future*. Colombo; Government of Sri Lanka, Secretariat for Senior Ministers. 2012. *The National Human Resources and Employment Policy for Sri Lanka*. Colombo.

¹¹ Government of Sri Lanka, Ministry of Youth Affairs and Skills Development, 2010. *Taskforce Report on Future Directions of the TVET Sector in Sri Lanka*, Colombo.

was completed in August 2013 to guide the future activities of MYASD as the central provider of TVET services in Sri Lanka. This was then subsumed into the broader SSDP, incorporating the activities of key ministries in November 2013 and reflected in the 2014 budget.

7. **Key features of the government's development program.** The SSDP is a comprehensive 7-year road map that articulates the skilling strategy of the government and features a series of policy reforms, key sector result indicators, and performance objectives to be monitored by a national TVET committee chaired by MOFP. Achievement of result indicators and targets will be linked to sector financing. Five key result areas established in the SSDP are: (i) improving quality; (ii) improving relevance; (iii) improving access; (iv) improving recognition of vocational education and training; and (v) improving supportive policies, systems, and structures. To support achievement of the specified targets in each result area, the government has aligned investment to underpin implementation of the SSDP through (i) introduction of a technology stream in the secondary schooling system, which is being supported through the ADB Education Sector Development Program;¹² (ii) recruitment of qualified trainers and a system for ongoing professional development linked to salary progression; (iii) establishment of industry working groups to determine training standards and improve curricula; (iv) provision of modernized equipment aligned to identified skill needs; and (v) improved sector management, i.e., planning, monitoring, and delegation of responsibility with greater autonomy to training agencies and providers to achieve sector results. Student tracking and MIS will be implemented to ensure sector-wide data availability and enable performance monitoring and reporting of progress in meeting specified SSDP objectives and targets. The SSDP builds on policy initiatives within the Ministry of Education, where foundational skills are being improved and a technology stream is being introduced to prepare students for post-school TVET to access skills and employment opportunities that result from middle-level vocational training programs. In the education sector, the government has already moved toward a sector-wide approach and is supported by ADB, the World Bank, and bilateral development partners from Australia and other countries.

8. The government has established a modern TVET foundation,¹³ a nation-wide network of public and private training providers, and well-running delivery mechanisms such as apprenticeships. However, TVET agencies and development partner projects have focused on narrowly defined objectives resulting in a high degree of fragmentation, inefficient resource allocation, duplication of functions and services, and inconsistent quality of outcomes related to industry growth, improved productivity, or employment outcomes for graduates. Previous projects were implemented in the absence of a sector-wide plan or perspective that would integrate key national development strategies. Having adopted the SSDP, the government now aims to transform TVET into a more industry-responsive, performance-oriented, flexible system primarily concerned with supporting graduates into gainful, productive employment. With high vacancies for skilled workers in key sectors of the economy, there is a good opportunity for Sri Lankan workers to access better-paying jobs and share benefits from stronger industry performance.

¹² ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loans to the Democratic Socialist Republic of Sri Lanka for the Education Sector Development Program*. Manila.

¹³ These include the institutional setup with an integrated supervising ministry (MYASD) and an apex body (TVEC), establishment of an NVQ system, conversion to competency-based training, and establishment of registration and accreditation of non-state providers.

C. ADB Sector Experience and Assistance

9. ADB has supported TVET since 1982 through a series of investment projects. The most recent ADB projects—(i) the Skills Development Project (SDP) and (ii) the Technical Education Development Program (TEDP)—have provided the building blocks for the proposed SSEP.¹⁴ SDP was implemented between 2000 and 2007 with the goal of enhancing youth employment. The project had four components: (i) improving quality and relevance of skills development, among others by introducing a competency-based training system—this included developing 45 NVQs for levels 1–4; (ii) upgrading facilities and the capacity of institutions and training centers or colleges; (iii) ensuring efficient resource mobilization and sustainability; and (iv) strengthening NGO and public sector participation. A validation report on this project concluded that significant progress had been made toward a national TVET sector with the development of frameworks and competency standards. TEDP was implemented in 2006–2011 and focused on developing and implementing NVQs for levels 5 and 6. Nine technical colleges under DTET—one in each of the nine provinces, including three with funds from Japan International Cooperation Agency (JICA) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)—were upgraded to offer NVQ 5 and 6 programs and were classified as colleges of technology. The existing instructor training and curriculum development institution, the National Institute of Technical Education in Sri Lanka, was upgraded to offer degree-level programs and renamed University of Vocational Technology. TEDP identified gaps in training quality, particularly the quality and effectiveness of training delivery. TEDP implementation was hampered by (i) lack of trained teachers with industrial experience or technical skills; (ii) lack of student and employer participation in middle-level skills programs; (iii) reluctance of DTET to delegate powers to the colleges of technology to work with industry and support job placement services and on-the-job training systems; (iv) lack of consolidated data between training agencies necessary to monitor performance in meeting policy objectives; and (v) lack of monitoring and evaluation (M&E) of the performance and effectiveness of systems adopted and implemented by training agencies and providers in meeting policy objectives.

10. The SSDP aims at systematically solving these issues through policy reforms designed to improve the link with industry and employment, establishment of public–private partnerships, and strategies to improve TVET quality and relevance. With the SSDP, the government will be able to establish the necessary MIS and M&E processes to monitor progress in meeting targets. Performance in meeting policy objectives will benefit from increased financing that has been linked to staff salaries, training equipment and expansion of training capacity, and increased levels of delegated authority to work with industry to meet skills needs. The establishment of university colleges is designed to meet the middle-level skill requirements of industry. In 2013, the government signed two partnership agreements with an industry association and a private sector provider in the construction and health sectors to manage and cost-share skills development through custom-built facilities to meet industry skill requirements under the university college program.

¹⁴ ADB. 1999. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Skills Development Project*. Manila; ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Technical Education and Development Project*. Manila.