Chapter 17

Challenges and Opportunities for Transforming Skills Development in Bangladesh: The Case of the Skills for Employment Investment Program

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Bangladesh's economy has grown by more than 6.0% annually during the past decade and recorded 7.9% for the recent Fiscal Year (FY) 2018. The growth has been driven by booming Readymade Garment (RMG) exports, increasing remittances from migrant workers, and steady public investments. Between FY2005 and FY2015, export earnings tripled from \$10.5 billion to \$31.0 billion; remittance inflows jumped from \$4.8 billion to over \$15.0 billion.¹ The gross national income per capita surged to \$1,751 by FY2018 from less than \$600 in FY2005, achieving lower middle-income status in 2015. The country envisages to become a developing country by 2021 and a developed one by 2041.

The country has also achieved significant progress in its human and social development indicators. The average life expectancy increased from 58.2 years in 1990 to 72.3 years in 2018, and the adult literacy rate (for those aged 15 and above) rose from 35% in 1991 to 73% in 2017.² As of 2018, near universal enrollment was achieved at the primary level, and net enrollment at the secondary level reached 69%. Gender parity improved significantly as well, with girls' enrollment now exceeding that of boys.

Despite these achievements, low levels of education and limited skills in the workforce pose significant challenges to the country's high growth path.³ To sustain and accelerate economic growth, Bangladesh needs to diversify its economic bases and

¹ Asian Development Bank (ADB). 2019. *Bangladesh Economic Indicators Update*. Dhaka.

² Bangladesh Bureau of Statistics. 2017. *Statistical Year Book Bangladesh 2016*. Dhaka.

³ Government of Bangladesh, Planning Commission. 2012. *Perspective Plan of Bangladesh 2010–2021*. Dhaka.

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move up the value chain in the global market. To realize this vision, the government has prioritized investments in human capital to build a competent, productive workforce and initiated a series of education and skills development reforms.

This article discusses the challenges faced by Bangladesh with its increasingly large workforce and highlights one of the government's flagship initiatives to tackle them, the *Skills for Employment Investment Program (SEIP)*. The SEIP introduced large-scale partnerships with the private sector to scale up the country's skilling capacity and impart job-ready skills to its youth, which in turn would enhance the employability and productivity of young workforce. The article describes SEIP's unique practices and discusses implications for future in the coming age of the Fourth Industrial Revolution or Industry 4.0.

Issues and Challenges

Bangladesh's high growth is often highlighted by its booming RMG industry, the share of which in total exports surged from mere 40% in 1990 to 80% by 2015.⁴ Much of its success is owed to low-cost production and surplus of low-skilled labor. The growth of RMG industry underpinned the growth of jobs in the manufacturing sector, especially for women. It is estimated that women's employment grew by 4.4% annually due to demand from urban industrial employment, well over twice the rate of growth in the overall working-age population.⁵ Yet, the majority of the labor force are still engaged in agriculture and allied sectors (41%), while about 20% are employed in the industry sector and 39% in the services sector. It is argued that the structural transformation during the past decade has moved mostly unskilled labor from rural and peri-urban areas to textiles and garments, but these unskilled workers have acquired few skills during the process.⁶ As a result, low labor productivity is a continuing challenge for Bangladesh, compared with other neighboring countries such as India and Sri Lanka.⁷

Low levels of education and skills in the workforce put significant constraints on labor productivity in Bangladesh. More than half of the labor force have at most primary education or no education at all; only about one-third have completed secondary education, and less than 10% have a higher secondary education. In addition, less than 4% of the working-age population has received any technical or vocational training.⁸ To place the country into the accelerated growth path, it needs to be transformed from low-productivity and low-wage development to high-productivity and high-growth models. The country also needs to diversify its economic bases, going beyond the garment sector. To achieve this vision, its growing workforce

⁴Bangladesh Bureau of Statistics. Various years. National Accounts Statistics. Dhaka.

⁵World Bank. 2018. *Bangladesh: Skills for Tomorrow's Jobs*. Washington, DC.

⁶ADB. 2016. *Bangladesh Looking Beyond Garments: Employment Diagnostic Study*. Manila.

⁷World Bank. 2018. *op. cit.*

⁸Bangladesh Bureau of Statistics. 2018. *Labor Force Survey 2016–2017*. Dhaka.

needs to be equipped with education and skills that can improve their productivity and meet the emerging skill needs, especially in the face of industry 4.0 requiring increasingly higher levels of technical and cognitive skills.

Technical and Vocational Education and Training (TVET) plays a critical role in developing a competent workforce with relevant technical skills and knowledge. However, the TVET system in Bangladesh as of the early 2010s was fragmented and inadequate in both quality and quantity. Skills training was delivered by more than 20 ministries, along with a number of nongovernmental organizations, which provided short-term basic training, vocational secondary school certificate, vocational higher secondary certificate, and postsecondary diploma levels. The main public providers included the Department of Technical Education under the Ministry of Education; the Bureau of Manpower, Employment, and Training under the Ministry of Expatriate Welfare and Overseas Employment; the Ministry of Industries; and the Ministry of Youth and Sports. In the early 2010s, fewer than 500,000 people were trained in TVET overall, and job placement was less than 40%. With weak linkages between the TVET system and industries, most training courses could not supply the skills demanded by the job market.

With increases in the total population (from 138 million in 2005 to 163 million in 2018), the working-age population is expanding fast from 87 million in 2011 to 119 million by 2026, producing nearly two million potential new entrants to the labor force every year. Preparing them to become a productive workforce with quality education and skills poses formidable challenges in the existing TVET system. Yet, a large young workforce—if well equipped with productive skills—is vital to drive the country's future economic growth and capitalize on the “demographic dividend.”

Proposed Solutions

The government has embarked on major educational and training reforms since 2010 to build a strong workforce that will ensure the demographic dividend for a dynamic economy. The National Education Policy, approved by Parliament in 2010, emphasized the overall importance of education and training. Significant investments by the government and development partners have resulted in sharp increases in primary and secondary school enrollments. For technical and vocational skills training, the National Skills Development Policy (NSDP) of 2011 has steered major institutional and policy reforms to create a highly skilled workforce across diverse industry sectors. In particular, the NSDP called for a more demand-oriented approach to TVET provision with greater involvement of industries.

Anchored in the NSDP, the government has set out to transform its skills development system both quantitatively and qualitatively. With financial support from the Asian Development Bank (ADB), the SEIP was developed in 2014 based on a long-term skills development roadmap. The main objective of the SEIP is to enhance the employability and productivity of the growing young workforce with industry-relevant skills training for the country's priority sectors. By initiating large-scale

private sector involvement in training, the SEIP aims to scale up the skilling of new entrants and upskilling of existing workers to meet emerging labor market demands in and outside the country.

The program initially targeted to train about 1.25 million young men and women over a 10-year period through multitranche financing facility. The focus areas are the following. First, it aims to expand the national training capacity by mobilizing the private sector (e.g., industry associations) and by revitalizing public training institutes to scale up quality skills training. The expanded provision is expected to assure that women and socially disadvantaged groups can also access the training. Second, the SEIP reorients the content of training to align with specific industry needs by fostering direct involvement of industries. Third, the quality of training is addressed by improving training infrastructure (i.e., training facilities and equipment), quality assurance mechanisms, trainers' qualifications, and assessment and certification procedures. Finally, the program supports the government's major reform initiatives: the establishment of the National Human Resource Development Fund to serve as a unified financing mechanism to sustain skills development over the medium- and long-term; and the establishment of the National Skills Development Authority to coordinate the highly fragmented training system in the public and private sectors.

The financing for this 10-year program was approved by ADB in 2014, consisting of three separate tranche loans. The total funding for three tranches is \$350 million.⁹ The program targets large-scale nationwide skilling efforts through public, private, and NGO training providers with a strong coordination unit. The executing and implementing agency for the program is the Finance Division of the Ministry of Finance, Government of Bangladesh. For overall project management, the Skills Development Coordination and Monitoring Unit (SDCMU) was established within the Finance Division.

Examples of Good Practices

Expansion of Skills Training through Partnerships

The government has forged large-scale partnerships with the private sector, especially industry associations, to ensure that young people acquire industry-relevant, job-ready skills. Given the government's strategic focus on diversifying economic bases, six sectors were selected for training for the initial tranche 1 project: (i) readymade garments and knitwear, (ii) textiles, (iii) leather goods and footwear, (iv) information technology, (v) construction, and (vi) shipbuilding. The tranche 2 project since 2017 expanded its scope into additional sectors that included hospitality and tourism, agro-processing, and nursing and caregiving. Nationally recognized industry associations were selected for training partnerships of each priority sector to organize and

⁹The tranche 1 loan (\$100 million) was approved in 2014 for implementation during 2014–2019; the tranche 2 loan (\$100 million) was approved in 2016 for implementation during 2017–2021; and the tranche 3 loan (\$150 million) was approved in 2019 for implementation during 2020–2023.

implement training courses. As of 2019, the government had established partnerships with 13 industry associations. The SEIP has also partnered with major public training institutes across four ministries to deliver training courses associated with the priority sectors. Currently, more than 40 public training institutes are implementing the SEIP training programs.¹⁰

The industry associations identify and organize 3–6 month training courses to serve the needs of their own respective industries. Courses are delivered in their own training institutes, training centers attached to companies, or outsourced training centers. To ensure the quality of training courses, industry associations adopted existing national competency standards or developed new competency standards with expert support from SDCMU. As of mid-2019, about 140 training courses were being delivered nationwide through more than 600 public and private training providers.¹¹

Focus on Training Outcomes

With specific sector-oriented skills training, SEIP aims to provide market-responsive, job-ready skills and to place at least 60% of trainees in jobs after training completion. The government's partnerships with industry associations are built on performance-based contracts, in which milestone payments are tied to training results: (i) enrollment, (ii) completion of training and certification, and (iii) at least 60% job placement within three months of training completion. Industry associations are paid based on performance in each of these milestones, according to a unit cost per trainee, which varies across training courses. This emphasis on achieving training results, especially job placement, encourages the industry associations to identify training courses that are in demand from their businesses to absorb trainees upon training completion.

In performance-based contracts, monitoring and verifying the performance of training providers is crucial. The SDCMU developed an online Training Management System (TMS) to track and monitor real-time progress in training delivery, with mandatory data inputs on individual trainees from training providers. Such data inputs are prerequisites before making any payments to the industry associations. Data inputs in the TMS records also go through verification procedures by SDCMU before making payments.

As of mid-2019, SEIP had enrolled more than 300,000 trainees, of whom about 270,000 had received a certificate and nearly 200,000 were placed in jobs, achieving over 60% job placement rate. Of the total enrollees, about 30% were females. A tracer study for a cohort of graduates in 2016–2017 shows that the majority of those who found a job after training—about 78%—were still employed at the end of 2018.

¹⁰The government agencies partnering for SEIP training include the Ministry of Education, Ministry of Expatriate Welfare and Overseas Employment, Ministry of Industries, and Ministry of Youth and Sports. In addition, Palli Karma-Sahayak Foundation—an umbrella organization for nongovernmental organizations—and Bangladesh Bank, Small and Medium Enterprise Department deliver SEIP training courses, with focus on self-employment opportunities.

¹¹The courses range from basic to mid-level skills courses in the priority sectors, such as machine operators and quality control (for garments and knitwear); yarn manufacturing and wet processing (for textiles); welding and plumbing (for construction); web-design and mobile applications (for information technology); and metal fabrication and welding (for shipbuilding).

Job placement success tends to vary across the industries. Those industries that have set up training centers attached to companies expectedly have a higher job placement rate, as most courses are directly aligned with what is needed in these companies. For instance, textile and leather goods companies have set up training centers within their companies and absorb trainees in their own companies or other related companies. In the case of the agro-processing industry association, they adopted a model of “recruit, train, and deploy,” which led to near 100% job placement. These are the companies that previously hired workers without proper training and relied mostly on on-the-job training. With SEIP, companies now offer more structured training sessions, particularly to new labor force entrants. Employers acknowledge that job-ready workers have become more productive, and production processes have become more efficient. The trained workers are also paid a higher starting wage than those who have not undergone training.

Mid-level Managerial Training

At the earlier phase, SEIP training focused mostly on entry-level skills and some mid-level skills (e.g., sewing machine operators, quality assurance workers). Yet, both the government and industries became increasingly concerned about the “mid-level management gap.” Many export-oriented industries—such as RMG, textiles, and leather goods—face difficulty in finding capable supervisors and managers who have both production and business management skills; hence, many rely on managers from overseas, such as India, the Philippines, Sri Lanka, and Viet Nam. This leads to a situation where significant amounts of hard-earned foreign currency by migrant workers are sent back to abroad: as of 2016, foreign managers in Bangladesh were reported to have remitted \$4 billion annually to their home countries. The SEIP tranche 2 project designed an intervention to cultivate quality mid-level business managers. Customized training programs—called “executive development program”—were developed for four industries (i.e., knitwear, leather goods, RMG, and textiles) through close collaboration between universities and industries. Partner universities were selected for each of the industries.¹² The partner universities conducted an extensive assessment of training needs in each industry among mid- to higher-level business managers to set up a postgraduate diploma or certificate program. The curriculum consists of three modules for a nine-month long program: (i) generic business management courses such as human resource management, leadership, and business communication skills; (ii) industry-specific courses such as industrial engineering, production management and merchandising, and product development and designs; and (iii) industry attachment or internship program. The participants are drawn from both industries and university graduates. The courses are run on the weekends or outside of regular working hours. As of mid-2019, more than 700 people had completed the training programs.

¹²The partner universities are Bangladesh University of Textiles, BRAC University, East West University, Institute of Business Administration at the Dhaka University.

Challenges and Implications for the Future

The SEIP has been successful in expanding national training capacity and offering quality training to young men and women entering the labor market. The SEIP's partnership with industry associations, wherein industries are directly involved in identifying training courses, imparting basic and mid-level job-ready skills, and facilitating employment, has been key to the success. With the advent of Industry 4.0, technological advances offer opportunities to spur productivity and amplify economic development, while at the same time bringing new challenges in skilling the workforce.

In Bangladesh, garments and other light manufacturing industries have traditionally relied on labor-intensive and mass production models. Adoption of technologies such as automated production lines, high-speed sewing machines, and computerized designing and manufacturing can enhance productivity and make production processes more responsive to global trends in the apparel industry. Yet, adoption of technologies in production processes needs to be accompanied with further investment in human capital, especially in higher technical skills. It requires efforts from both industries and training providers to properly diagnose new emerging skill sets in changing industrial contexts. Some industries in Bangladesh, like large textile companies, have already adopted a large-scale automation process, where fewer numbers of workers perform routine and nonroutine tasks. These companies increasingly rely on highly technology-based production processes, requiring workers to be equipped with advanced cognitive and technical skills. The national training system, as well as company-based training, should be sufficiently agile and responsive to newly emerging skills demands.

Many workers will find out that their skill sets are no longer adequate for new emerging tasks involving advanced skills such as computer programming and problem-solving abilities. The workers need to relearn and acquire new skills, which may include not only technical skills but also higher-order cognitive skills (e.g., critical thinking, analytic thinking, and problem-solving skills). This calls for an expansion of opportunities for relearning and retraining of the existing workforce so that they continue to be productive for the changing nature of work. Such reskilling opportunities are particularly critical for women and those from disadvantaged backgrounds in Bangladesh, who have been engaged in low-skilled routine jobs that are more prone to displacement with adoption of technologies.

The increasing demand for higher-level cognitive and technical skills, combined with soft skills, suggests that the workforce should be equipped with strong foundation competencies including digital skills. Strong foundational skills will enable them to learn new skills effectively and adapt to the changing work environment. It has been argued that routine jobs are likely to be absorbed into automation, while nonroutine jobs requiring critical thinking and creativity are likely to increase in the coming years.¹³ Still, rapid technological advances and new business models make

¹³ ADB. 2018. *Asian Development Bank Outlook 2018: How Technology Affects Jobs*. Manila.

it increasingly unpredictable for the nature of upcoming jobs and their skills requirements. For both existing workers and future labor entrants, strong foundation and soft skills will be essential for relearning and retraining themselves while flexibly adapting to evolving work environments.

Conclusion

The SEIP in Bangladesh initiated large-scale skilling opportunities for young men and women and helped to fill the gap for a semiskilled and skilled workforce in the country's priority industries. Since 2015, it has enhanced employment and income-earning opportunities for more than 300,000 men and women. To tackle potential challenges arising from technological advances, both the government and industries need to further harness partnerships for the development of a highly skilled workforce. The nation's workforce development strategies also need to foster opportunities to continuously train or retrain and take advantage of newly created jobs.

Link to the presentation: <https://events.development.asia/materials/20151201/bangladesh-skills-employment-investment-program-opportunity-transform-skills>.

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