

# AVI POLICY BRIEF

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# **Skills Gap and Mismatch in Cambodia: Causes and Implications for Economic Development**

CHUON Sophea \*

## **Executive Summary**

- ❖ The connection between and amongst stakeholders involving higher education governance is not well established at the system and implementation levels, negatively impacting skill development.
  - ❖ The job information system in Cambodia is not established yet. The absence of the system creates difficulties for the government, especially the Ministry of Labour and Vocational Training (MoLVT), to address the issues in the medium and long term.
  - ❖ These constraints associated with stakeholder interactions would make the labour issues a key binding constraint for the government in promoting and diversifying its economic development in the long term.
  - ❖ This article proposes policy options for the government, universities, students, and technical and vocational education and training (TVETs) to further calibrate skill development policies to address the country's skill mismatch and labour issues.

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- ❖ ទំនាក់ទំនងរៀង និងក្នុងចំណោមភាគីពាក់ព័ន្ធ ដែលពាក់ព័ន្ធនឹងអភិបាលកិច្ចអប់វឌ្ឍន៍ត្រូវសិក្សា  
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  - ❖ ឧបសត្វាទាំងនេះ ដែលទាក់ទងនឹងការប្រាស់យទាក់ទងរាងភាគីពាក់ព័ន្ធ និងធ្វើឱ្យបញ្ហាកម្មាំងពលកម្ម  
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ដែលកំពុងប្រលមនៅក្នុងប្រទេស។

\* **Chuon Sophea** is a Research Fellow at the Centre for Governance Innovation and Democracy, the Asian Vision Institute (AVI). He obtained a master's degree in public policy from the University of Auckland, New Zealand.

## Introduction

The skill mismatch and skill gap issues in Cambodia are not new. Yet, they need to receive greater attention and require a refreshing look into how these issues can be addressed. The government privatised the educational sector in the late 1990s, which has promoted further study among youth since then. The government has also made conscious efforts to diversify the economic pillar by implementing national policies and institutional reforms to produce skilled workforces for the labour market and promote the current investment climate. As a result, the inflow of foreign direct investments (FDIs) helped the Kingdom maintain economic growth of 7 per cent per annum, and the GDP per capita rose significantly to US\$1,561 as of 2018. This made the Kingdom become a low-middle-income country in 2015. The government set further ambitious goals to become an upper-middle-income country by 2030 and a high-income country by 2050.

Human resources are a critical key driver that helps sustain economic development in the long run by promoting the country's competitiveness at regional and global levels. However, in the face of skills mismatch and gap, only approximately 30% of youths completed high school (ADB and ILO 2015; NIS and MoP 2020). NIS and MoP (2020) also indicated that only 2.9% and 0.6% completed bachelor's and master's degrees, respectively. However, the graduates lack analytical, technical, and foreign language skills (Dash, Yem, and An 2021) and other necessary skills (NEA 2018). In addition, business owners/managers pointed out skills gap in the labour market (*Ibid.*).

Consequently, these issues will hinder Cambodia's economic development and industrial diversification, as stated in national policies (ADB and ILO 2015; Hang 2013; RGC 2017). Moreover, in the age of Industry 4.0, with new trade agreements, workers will require a more complex set of skills than in the past. This would make the labour issues a key binding constraint in achieving the goals for inclusiveness.

In this regard, higher education institutions (HEIs) play crucial roles in promoting economic growth and reducing poverty through human resource development. However, managing higher education and skills development is a complicated issue involving different actors. Thus, it requires better inter-governmental coordination and collaboration to manage the HEIs well.

Due to the importance of HEIs, this article examines higher education governance to promote an understanding of the underlying causes of the skills gap and mismatch generated by stakeholders' involvement and interaction and their implications for economic development. The study also proposes policy options for relevant actors, especially the government.

This article relies on existing secondary data for analysis to address the following research questions:

- (i) How do stakeholders contribute to skills gap and mismatch?
- (ii) What are the implications for the educational reform to promote skilled labour and attract more FDIs?
- (iii) What policy options could help address the skills gap and mismatch issue?

## Key Drivers Contributing to Skills Gap and Mismatch

This section examines the interaction between stakeholders in the governance of higher education. It also looks at key elements that contribute to skills gap and mismatch. The subsections below elaborate different angles of the governance-related issues.

### *Skills Selection at Universities*

MoEYS is strongly committed to producing qualified human resources for country development. As a part of educational reform, in 2010, MoEYS divided the curriculum into two categories, social science and pure science, for high school students to choose from. The division was expected to help students pursue their university studies. Students will choose a speciality at a university based on the category they chose. Additionally, the ministry developed and improved the university guidebook, which illustrates skills provided by universities. Annually, the guidebook is distributed to high schools nationwide so that high school students can use it to choose a major skill at universities.

However, students still pay less attention. Approximately 50% of the university students interviewed continue to choose skills without following the category they chose (Kao, Chea, and Song 2022; Ung, Minami, and Chea 2021). Moreover, they do not receive a proper orientation about the skills they are enrolled in. Skills orientation gives students an understanding of employment opportunities after graduation but does not respond to the labour market demand.

Consequently, skills orientations, including those conducted by universities, have not helped students much in this respect. Instead, in choosing a major or skill at a university or a TVET, students rely on their trust, intuition and emotion (Peou 2017), while some follow their parents' advice (Peou 2017; Di Gropello 2011). This creates a skills mismatch or oversupply of skilled labour in the field of business, social science, and law, making the job market unnecessarily more competitive. Only 0.03% of youth, aged between 15 and 24, enrolled in technical and vocational education programmes in 2016 (MoEYS 2019). Lacking professional technical labour would create challenges for the government to attract foreign direct investments with high-value chains in the future.

### *Fragmented Coordination at the System Level*

Since HEIs became first prioritised in 1997 (Un and Sok 2018a), the number of HEIs has increased dramatically, rising to 125 with 77 being private HEIs in 2018 (MoEYS 2019), with 16 different ministries having been involved in higher education governance (Un and Sok 2018a). Cambodian higher educational institutions are classified into academic and vocational institutions. MoEYS manages academic institutions, while vocational institutions are under the administration of MoLVT (Rany, Zain, and Jamil 2012; Un and Sok 2018a). Consequently, they must work together to enhance the sector's development.

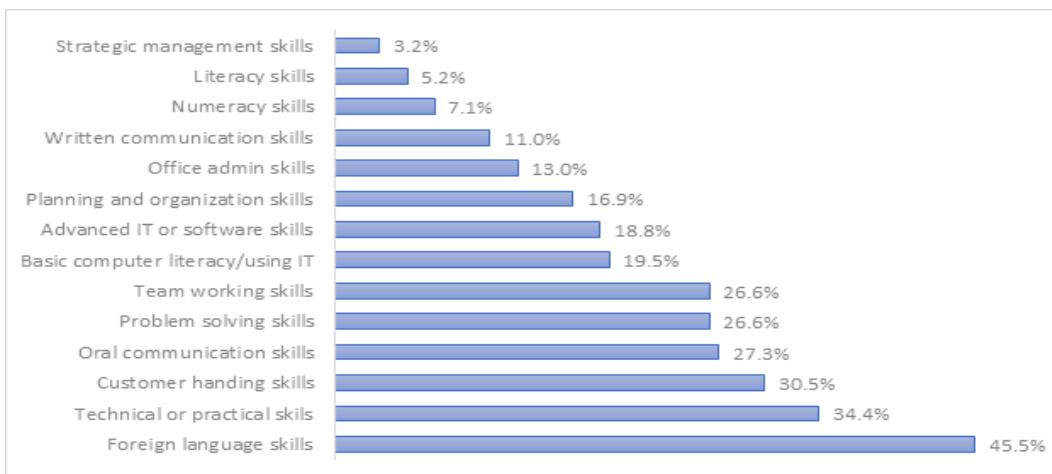
However, inter-ministerial coordination has not been well managed at the system level because a formal cross-sectoral coordination mechanism related to higher educational and vocational training has not been created yet (Un and Sok 2018a). The Supreme National Council for Education (SNCE) is a legal, permanent, ongoing mechanism for the overarching coordination in educational and technical training (Un and Sok 2018a; RGC 2009). Although the

government approved the establishment of SNCE (RGC 2009), it has not been established yet (Ngoy, Say, and Leang 2019). As a result, the coordination and cooperation between MoEYS and other ministries have been conducted through ad hoc inter-ministerial committees.

Decision-making process in higher education governance is also complicated. Each ministry holds decision-making power in its areas. Un and Sok (2018a) indicated that significant decision-making on the technical aspects of higher education is in the hand of each supervising ministry. Consequently, inter-ministerial cooperation and coordination are not well managed as stated in the government policies, such as the TVET policy (RGC 2017). The National Employment Agency (NEA), which is a key bridging actor between HEIs and the private sector (ADB and ILO 2015), focuses on professions/skills that are under MoLVT (NEA 2019). Thus, this suggests the need for a clear monitoring body to work on these matters.

The connection between skills suppliers and the private sector is not well established. The private sector's involvement (i.e. the skills demand side) is limited (Sam and Dahles 2017), while the higher education system disvalues broader involvement from non-state stakeholders (Ngoy, Say, and Leang 2019). This limited involvement is associated with a history of centralisation and top-down decision-making and the influence of the neo-liberal order (Un and Sok 2014). Consequently, the lack of effective mechanisms for the private sector to raise concerns to HEIs make the knowledge and skills learnt amongst graduates not responsive to the private sector's needs (NEA 2018; RGC 2017). The graduates' employability does not respond to the demand side (i.e., private companies). They lack analytical skill (62%), technical skill (57%), and foreign language skill (44%) (Dash, Yem, and An 2021). Other capacity gaps are indicated in Figure 2 below.

**Figure 1: Skills gap among graduates**



Source: NEA 2018.

Moreover, current mechanisms, such as internship and volunteer work programmes, which can help address skills gap and mismatch, are not implemented effectively yet. Each university has an academic office which helps students in the private industry. The internship programmes provide benefits beyond the working knowledge (Phyrom et al. 2020). However, the two actors have not properly prepared and organised the internship programmes (*Ibid.*). Apart from work experience, fresh graduates are not qualified for the requirements of the skills demand.

### ***Weak Management and Coordination at the Implementation Level***

#### ***Teacher Management and Teaching Issues***

Teacher management and teaching are essential to produce good human resources with proper skills for the labour market. However, they are complicated in the Cambodian educational system. The management is weak in practice. Lecturing staff management has been decentralised to HEIs (Un and Sok 2018b). The HEIs are required to report teaching staff-related information to MoEYS. However, MoEYS rarely receives that information from the HEIs (Un and Sok 2018a). As the management of higher education institutions is not strict (Hayden 2019), those HEIs do not properly follow the guidelines and consult with MoEYS (ADB 2012).

Teaching is another area contributing to the skills gap. Faculty members can establish courses and methods of instruction themselves (ADB 2012). Traditional teaching methods, especially the teacher-centred approach, are still practised widely at universities (Peou 2017), and non-academic staff also involves with teaching (Un and Sok 2018a). Un and Sok (2018a) also indicated that insufficient staff have proper competency and qualifications to support research. These made those traditional methods not collaborative and lacking a depth of understanding (Andreas et al. 2018). According to Hayden (2019) and Ros and Oleksiyenko (2018), teaching skill development is not well, and there is less support in this respect. These have contributed to the skills gap among graduates, which requires the private sector to provide more training or reskilling (Sam and Dahles 2017).

#### ***Development of Study Curriculum***

Apart from teacher-related issues, study curricula are another area that needs improvement in the educational system. HEIs have significant academic freedom, including curriculum design, while their curricula have to gain approval from supervising ministries (Un and Sok 2018b; ADB 2012). However, Hak (2016) indicated that HEIs develop their study curricula with available capacities and resources. Some higher education institutions, especially private HEIs, allowed lecturers to establish the curriculum with approval from the school, not from MoEYS. According to Kitamura (2016), most HEIs lack qualified staff to develop their study curricula. Therefore, their curricula are not standard (Hak 2016). As HEIs are disconnected from the private sector (Di Gropello 2011), the study curricula could not meet the private sector's needs.

#### ***Connection Between HEIs and Research Institutions***

Teaching and research are complementary, so there needs to be a link between higher education and research to provide high-quality teaching (Di Gropello 2011). Research-based instruction can help higher education institutions perform their roles well. However, the relationship between the two actors is still weak. Di Gropello (2011) found that conventional teaching approaches remained disconnected from research. There are two contributing factors in this respect. One of these is low capacity. Few incentives exist for universities and research institutions to work collaboratively on joint projects (*Ibid.*). Besides, administrative staff who have proper competency and qualifications to support research are in short supply (Un and Sok 2018a).

Another reason is a weak incentive. At many universities, conducting research alone or with research institutes has little incentive. Pursuing productive research is not incentivised, since it needs resources (Di Gropello 2011). Consequently, higher education institutions lack employment information to update their study programmes regarding the required skills. Thus, skills gap and mismatch will continue its disparity, leading to a further increase in unemployment among graduates.

### Absence of a Job Information System

An employment information system, which helps the government manage labour demands, is vital in addressing skills gap and mismatch (Hong nd). While the job information system is unavailable, the government established the National Employment Agency in 2009 to provide job placement services. The National Employment Agency is a key actor bridging HEIs and the private sector (ADB and ILO 2015). The agency determined ten potential sectors (NEA 2018), including accommodation and construction; education; food and beverage; health; logistics; warehousing and transportation; finance and insurance; ICT; garment, footwear, and apparel; and rubber and plastics.

Nonetheless, under the management of the Ministry of Labour and Vocational Training, the agency covers professions related to technical and vocational training only (NEA 2019). Because it focuses mainly on technical and vocational skills, information about needed skills and the number of jobs in each sector has not been estimated. Estimating skills produced and skills demanded by the labour market can help the government understand the labour market and supply the right skills. Therefore, a job information system should be established.

Due to the absence of this system, the skills gap and mismatch would become a strong binding constraint obstructing Cambodia from moving quickly to a knowledge-based society and promoting economic development in the medium and long term. According to ADB and ILO (2015), more and better skills are essential for Cambodia's economic growth and diversification. In addition, qualified human resources are a key element which helps promote the competitiveness of Cambodia in the region in attracting further foreign direct investments.

### Conclusion and Policy Options

This article shows that the connection among stakeholders involving higher education governance is not well established at the system and implementation levels, negatively impacting skills development. The weak relationship between HEIs and the private sector contributes to the skills mismatch and gap. On the one hand, the current teaching approaches at universities promote less in-depth understanding and less collaborative content with students. On the other hand, involvement from research institutions is necessary to link the curriculum to the practical world. Internship programmes, which are key to equipping students with working knowledge, are not consistent and managed well.

Besides, the job information system is not established yet. The absence of the system creates difficulties for the government, especially MoLVT, to address the issues in skills gap and

mismatch. The constraints caused by the skills gap and mismatch would create difficulties for the government in diversifying the industrial sector under the Industrial Development Policy 2015–2025. The oversupply of unskilled labour would continue to attract low-value chain productions.

If the issues continue to receive less attention, they will become binding constraints for the government in implementing other policies in the age of Industry 4.0, where digital skills and a more complex set of skills than in the past are needed. Therefore, the labour issues are a key binding constraint for the government in promoting and diversifying its economic development in the long term. Consequently, Cambodia would continue to stay behind other countries in the region.

To address these problems, relevant stakeholders should review the policy actions and consider the following policy options.

**1. For the government.** Strong inter-governmental coordination is needed to address issues in higher education governance. Below are some policy options requiring strong coordination among ministries, especially MoLVT, MoEYS, and MoC.

- MoLVT should lead and coordinate with other ministries, especially with MoEYS and MoC, and engage research institutions to develop a job information system that stakeholders and the public can access. MoLVT should identify key information for the public, especially high school students, to access online. That information includes skills needed by the labour market and employment in different sectors and predicts skills needed in the next few years. There should be a balance between skills supplied by TVETs and skills produced by universities under MoEYS.
- MoEYS should meet with MoLVT and other ministries every three months to discuss human resources development and the labour market. The discussion should also identify areas for collaboration and coordination to keep and build stronger relationships.
- MoC should work with MoEYS and MoLVT to discuss with new investors the available skilled labour needs or expectations of the investors related to skilled labour.
- MoEYS should improve the quality of the university guidebook by giving more precise information about skills provided by HEIs. For instance, knowledge and skills learned should be included.
- MoLVT and MoEYS should work together to encourage the private sector to contribute further to reskilling and upskilling in the face of the skills gap.

**2. For universities and TVET.** A robust connection between HEIs, research institutions, private companies, and the concerned ministries is fundamental to producing qualified human resources for market demand. Below are some interventions for consideration.

- HEIs should engage research institute(s) with curriculum development and monitoring so that the curriculum can respond to the market demand and development needs.
- All HEIs, in collaboration with private companies, should develop an internship programme for their faculties and colleges.

**3. For students.** Students face at least two major problems. Many students face difficulties with skill selection after finishing grade 12. For those who graduated from HEIs, they face

challenges because they could not get and/or perform a job well, as the skills learnt do not meet market demand.

- Students who have just completed high school should consult with HEIs through course orientation and available job information and follow their talent before choosing a skill at any university. They can also use the university guidebook of the Department of Higher Education distributed to high schools and shared on its Facebook page.
- Students studying at HEIs should seek an internship programme or volunteer work after completing the first two years of their study to gain some practical working experience and other knowledge, as required by private companies.

*The opinions expressed are the author's own and do not reflect the views of the Asian Vision Institute.*

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