End of project popular science description: VIETSKILL

Introduction

During the past 30 years, Vietnam has become one of the main success stories of economic development. Thanks to market-oriented reforms and inflows of FDI, Vietnam reached middle-income status in 2009 and medium-term growth projections remain optimistic. However, to sustain its rapid development, the country will need to upgrade its position in global value chains, from just being a source of cheap labor to higher value-added activities. This will be a formidable challenge. Although Vietnam has an abundant labor force, there is an extreme shortage of skilled labor. The foreign-invested firms in Vietnam are mainly engaged in labor-intensive operations with low value-added and weak linkages to the local economy. To avoid a middle-income trap where simple assembly operations constitute the main link to the global economy, it will be necessary to invest heavily in technical and vocational education training (TVET) and higher education.

Vietnamese authorities have recognized this need, and various decrees, decisions, resolutions, and laws have been issued over the past two decades to reform the sector. However, the implementation of reforms has been weak. The number of universities and students has increased, but neither the autonomy nor the quality of education have improved much. Vietnam has not been able to converge towards international and regional standards, and many university and TVET graduates still lack the skills demanded by the market. The status of TVET programs is low and there are weaknesses related to relevance and skill mismatches.

The overall objective of VIETSKILL has been to strengthen and upgrade Vietnam's TVET system to help it meet the requirements of the next stage of industrialization. The specific goals have been to understand the medium-term skill upgrading requirements in the electronics and food products industries, to assess the current state of development in Vietnam's TVET sector, to identify public investment priorities, and to design strategies to strengthen the TVET system. The intention is to help Vietnamese TVET programs deliver the skills and capabilities needed to raise domestic value-added in foreign as well as local firms, and to raise local participation in GVCs. To this end, the project has aimed to identify opportunities and develop strategies for partnerships between educational institutions, authorities, foreign investors, and other stakeholders in the relevant TVET programs.

A first step in the process has been to assess skill gaps and skill needs in the two target sectors. For electronics, we developed a methodology based on a disaggregated product space model where we identified relevant targets for export upgrading. The requirements were that the targeted products should be reasonably closely related to Vietnam's current export portfolio, so that existing skills and capabilities can be leveraged, and that the target products should be more sophisticated than existing export products. Once target products were selected, we consulted with experts from academia and industry to understand what additional skills the Vietnamese labor force would need in order to manufacture these products. For food processing, the methodology to identify the skills needed for value chain upgrading was based on surveys and interviews with stakeholder groups – the product space approach was less appropriate, since upgrading is often connected to improvements in quality and value of existing products rather than development of new products. The skill gaps identified this way formed the base for proposed training curricula. In the final part of the project, we formulated proposals for new TVET programs addressing these skill gaps, with emphasis on strong links and collaboration between industry and training institutes at all stages of the programs. These were validated in public workshops targeting industry, education providers, and other stakeholders.

Our approach adds to earlier studies in two ways. First, the use of a disaggregated product space model allows upgrading within existing value chains. Earlier analyses have looked at industry upgrading, which is a more challenging task and often requires the establishment of new networks or entry into new value chains. Second, recognizing that product space models do not generate causal or predictive results, we have explicitly focused on what Vietnam should do in terms of TVET in order to raise the likelihood that foreign and domestic investors choose to upgrade to the new export products. Third, in our analysis of the state of Vietnam's TVET sector, we have added to the understanding of why reforms are not implemented. Earlier analyses have not paid attention to the role of the *commanding body* structure as a reform obstacle.

Results

The first Work Package of the project resulted in several academic articles outlining how product space models can be used to identify export upgrading targets, the nature of the skill gaps (and the related training needs) in the electronics and food products industries, and the role of FDI and global value chains in the Vietnamese economy. Overall, five academic manuscripts were prepared in the WP. Jointly, these serve to highlight the urgent need for investment in education and some potential concerns regarding Vietnam's reliance on FDI as an engine of growth and development. The second WP produced two policy reports on the weak implementation of education reform in Vietnam and learnings from TVET reforms in other countries. In addition, it contributed an academic article comparing education reform to SOE reform – the sectors are similar because the former "owners" within the state have felt threatened by and opposed and obstructed reforms that have called for stronger market orientation and transparency. While WP1 identified themes for new TVET programs, WP2 was forced to conclude that it is not realistic to expect that broad-based reforms of the TVET sector will be implemented in the short term. Instead, reforms have to be gradual and focus on those individual TVET institutions that are willing to experiment with pilot programs and not likely to be obstructed by their commanding bodies. WP3 produced three policy reports focusing on partnership models, the validation of the proposed models, and a synthesis incorporating the feedback from Vietnamese stakeholders. An important insight from the validation process – which has been incorporated in the final proposal for education reform – was the perceived urgent need for investment in reskilling and lifelong learning. The first cohorts of assembly line workers recruited to the country's Special Economic Zones in 2008-2010 are now returning to their home provinces, because they are no longer able to meet productivity targets. Most of them are below 40 years of age and have little formal education, and it is unclear how they will earn their livelihoods and contribute to society during the coming 20 years, until their retirement. To make the Vietnamese variant of FDI-based industrialization socially, politically, and morally sustainable, it is imperative that investments in reskilling and adult education programs are carried out now.

Conclusions

The overall findings of the project are mixed. We believe that the methodology developed to identify potential export upgrading targets linked to specific skill upgrading requirements and training programs is a valuable policy tool that can be used also outside the specific Vietnamese context. It is already demanded for province level analysis by Vietnamese authorities, highlighting the value of the analytical capacity created through the program. At the same time, we are pessimistic about the prospects for broad reform of the Vietnamese TVET system. Existing interest groups that benefit from the commanding body system are likely to slow the implementation of general nation-wide reform. Hence, what is needed is a targeted approach where interested stakeholders – progressive education institutes, enterprises, development partners – can come together for specific pilot projects. These could focus on areas with particular Danish interests, such as green transition, where the creation of a skilled workforce is a prerequisite for successful progress and upgrading. Such pilot programs are likely to have important demonstration effects, and it is possible that they could attract national attention, even when the initial focus is at a sub-national level. Simultaneously, targeted investments in life-long learning, addressing the needs of workers leaving the export manufacturing industry, should be a priority. This is an area where support from Vietnamese authorities is likely to be strong, including both the central government, which is aware of the possible political consequences of the formation of a new vulnerable social group, and local authorities in the provinces that are seeing larger inflows of former factory workers.

Recommendations

Drawing on the findings from VIETSKILL, it will not be efficient at this time to introduce broad reforms aiming to change the Vietnamese education system. Instead, the next steps should be made up of a number of selected interventions that have immediate positive effects and can contribute to increased support for more fundamental reform in the medium term. These include a) reskilling programs for former factory workers, b) pilot TVET programs developed through collaborations between Danish investors and Vietnamese education providers, focusing on specific employee categories, and c) short-term training programs / executive training programs for specialists and managers in the food processing industry.