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SKILL DEVELOPMENT FUNDS: REVIEW OF ASIAN COUNTRIES
SHARING LESSONS FOR MYANMAR'S OCCUPATIONAL SKILLS DEVELOPMENT LAW

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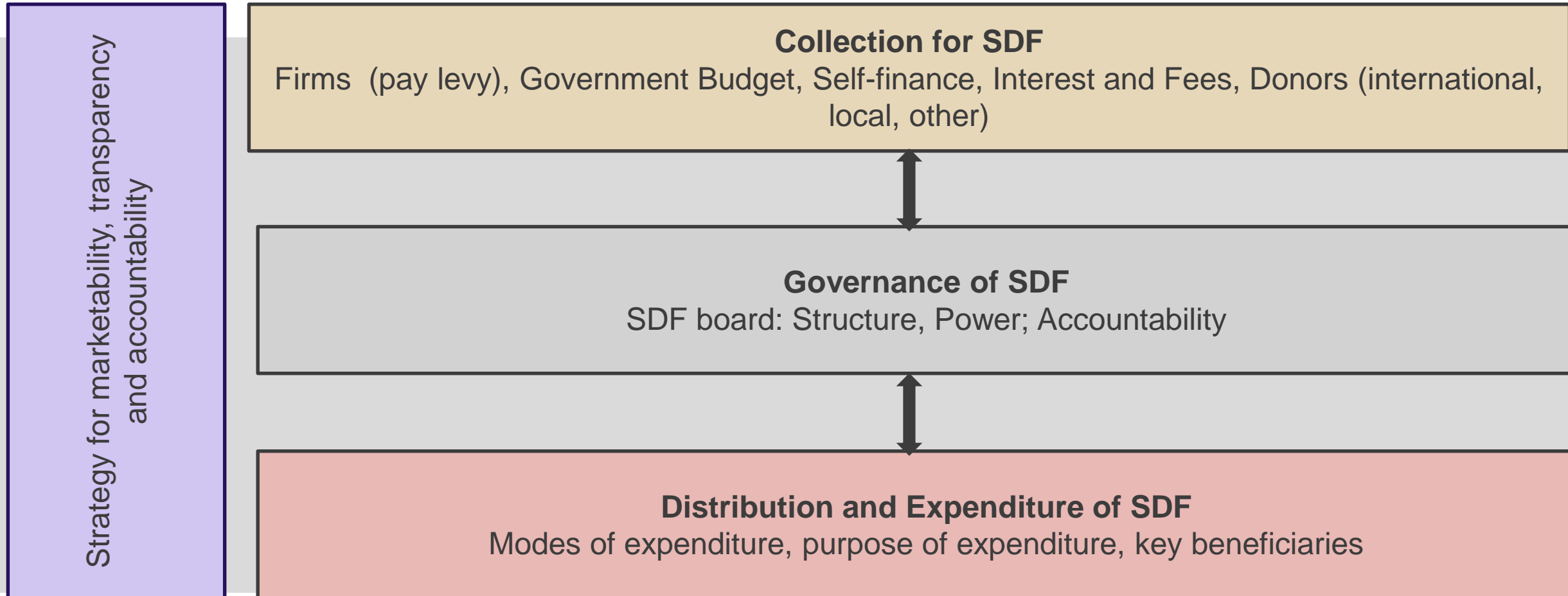
PURPOSE OF MEETING

- Discussion with MOLIP on their draft of the Skill Development Fund and related penalties (Chapter 12 and Chapter 13)
- Guide MOLIP on SDF collection, governance and distribution processes in other Asian countries: Sharing best practices and lessons
- We compare and contrast 7 Asian countries: to provide an overview of different country experiences
- Highlight key questions and points of intervention necessary for MOLIP to consider in their draft of the Skill Development Law

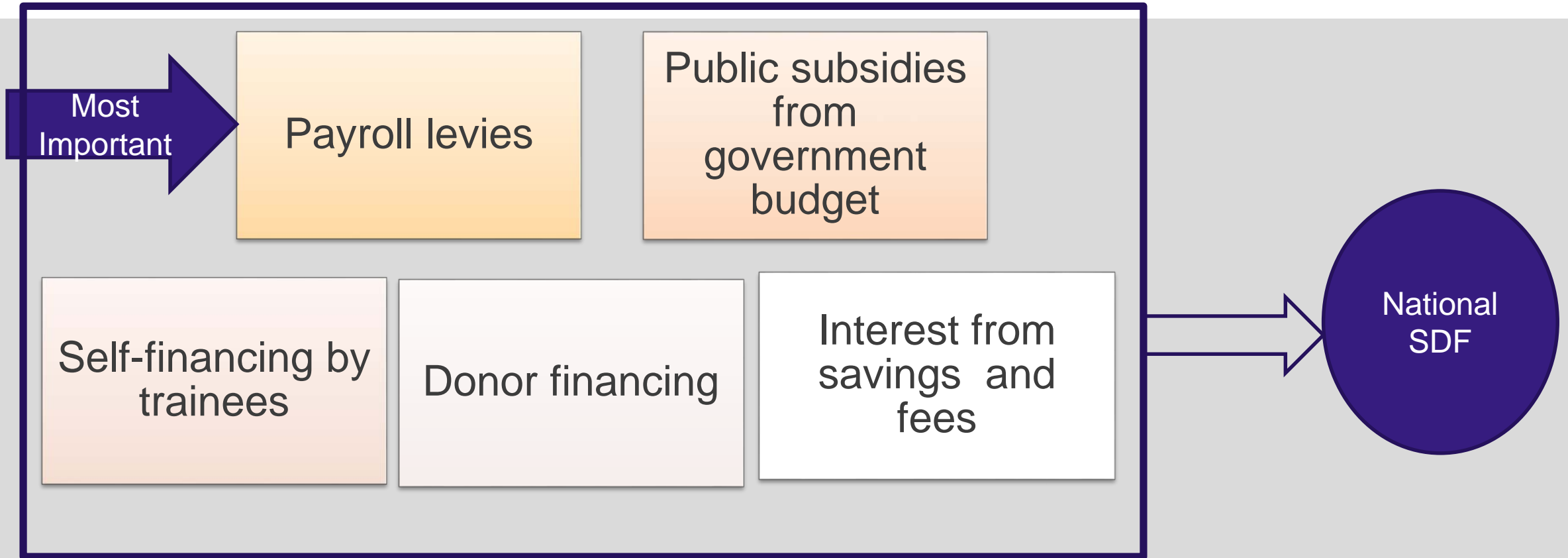
COUNTRY SDF STATUS

Country	Current SDF Status
Singapore	SDF <i>in practice</i>
Malaysia	Human Resource Development fund (SDF) <i>in practice</i>
Thailand	SDF <i>in practice</i>
Philippines	Proposed SDF discussion since 1994, still no clear indication on specifics of the fund
Cambodia	Proposed SDF, not yet operating and details unavailable
Vietnam	Proposed SDF, not yet operating and details unavailable
Bangladesh	Proposed Human Resource Development Fund (in 2016), not yet operating and details unavailable

KEY PILLARS OF A SKILL DEVELOPMENT FUND



COLLECTION OF SDF: DIFFERENT ALTERNATIVES



GOVERNANCE OF SDF

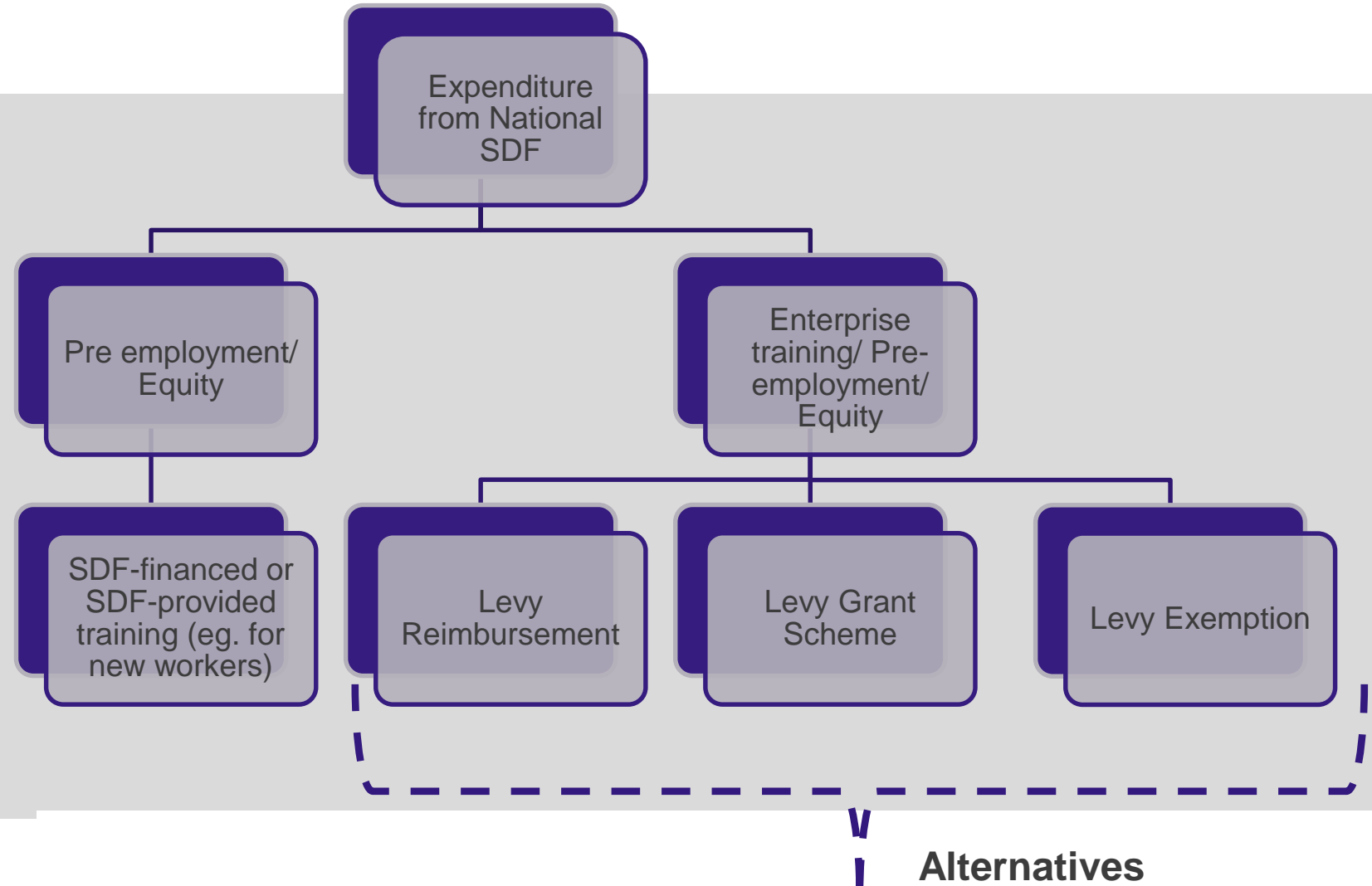
- Most countries SDFs are statutory bodies, semi-autonomous from government
- Run by their own administrative staff
 - Important SDF costs: incurred for salaries, transactions
- Run under general umbrella of the Ministry of Labour or Education
- Structure of the board- combination of stakeholders (private sector, government, associations, unions)
 - Representation (number)
 - Clear role of each representative
 - Power of board- who decides allocation?
- Accountability in decision making: Who are the board accountable to? Are they audited?

DISTRIBUTION OF THE SDF

- Distribution refers to allocation of SDF revenue to different target groups
 - **Enterprise training**: to increase the productivity/competitiveness of workers already employed
 - **Pre-employment training**: for new pool of workers to increase the capabilities
 - **Equity training**, opportunities to, disadvantaged, women, youth, and informal sector.
- The distribution of the SDF may or may not be pre-determined

EXPENDITURE OF THE SDF

- Different instruments/mechanisms through which the SDF's revenue is spent on training of the different target groups



DEFINITION OF EXPENDITURE PROCESSES

- *Levy reimbursement schemes*: these use payroll levy that are collected from firms and they are reimbursed up to a fixed percentage of their training costs
- *Levy grant schemes*: SDF directly provides grants to firms in direct relation to the amount of training they provide. Firms need to develop training programmes that fit with the grant conditions, set by the government.
- *Levy-exemption schemes*, allow companies to offset the cost of the training they provide through tax exemptions; or if firms have certified in-house training already, then they do not need to pay the levy

SINGAPORE: SCALE AND COLLECTION

Law: Skill Development Levy Act, 1979 (revised 2012)

Scale: National

Who pays	Source of funds	Collection Agency	How much is paid?	Penalties
<ul style="list-style-type: none">Formal enterprises Skill	<ul style="list-style-type: none">Payroll levy (all employees include foreign)-centrally collected	<ul style="list-style-type: none">Central provident fund (CPF), chaired by the Ministry of Manpower	<ul style="list-style-type: none">\leq S\$4,500 (4.7 Million Kyat), levy rate 0.25% of the monthly wage or S\$2 (2100 Kyat), whichever is greater;$>$ S\$4,500, the levy amount is S\$11.2 (12000 Kyat)	<ul style="list-style-type: none">A late payment penalty at 10% p.a of the outstanding fee

SINGAPORE: GOVERNANCE AND DISTRIBUTION

Management agency

- Skills Future Singapore Agency (SSG) under Ministry of Education and Manpower

Expenditure

- Levy reimbursement scheme through vouchers;
- Levy grant scheme

Key beneficiaries

- Firms;
- Registered government accredited training centres and institutes

Purpose of disbursement

- Enterprise training,
- Pre-employment
- Equity training

Committee members

- Private sector led (8 members),
- government agencies (4),
- Universities (2) and
- Trade Unions (1)

MALAYSIA: COLLECTION

- Law: Skills Development Fund Act 2004 (revised 2006)

Who pays

- Formal enterprises (SMEs <50 employees, Medium, Large > 50 employees)

Source of funds

- Payroll levies, held in individual accounts (pays into the HRDF)

Collection Agency

- Ministry of Human Resources

How much is paid?

- Medium/large or with over RM2.5 million (900 Million Kyat) paid up capital) payroll levy of 1%
- 0.5% of payroll, for SMEs

Penalties

- Fined up to an amount not exceeding RM10,000 (3.6 Million Kyat) or face imprisonment up to a year, or both

MALAYSIA: GOVERNANCE AND DISTRIBUTION

Management agency

- Pemganguana Sumber Manusia Berhad (PSMB) under Ministry of Human Resources

Expenditure

- Levy Reimbursement of training cost (upto 80%) through registered external and local agencies

Key beneficiaries

- Firms

Purpose of disbursement

- Enterprise training
- Some equity training

Committee members

- Manufacturing and business associations (9),
- government (2)
- private sector (3)

THAILAND: COLLECTION

- Skills Development Promotion Act B.E.2545 (A.D. 2002)

Who pays

- Large private sector firms (>100 employees)

Source of funds

- Payroll levies,
- Government Budget
- Centrally collected

Collection Agency

- Ministry of Labour and Social Welfare and remitted from Ministry of Finance

How much is paid?

- Large firms contribute 1% of yearly wages paid or 480 baht per head per year (21000 Kyat) for the number of untrained employees (whichever is more)

Penalties

- Surcharge of 1.5% per month of the amount of contribution remaining

THAILAND: GOVERNANCE AND DISTRIBUTION

Management agency

- Department of Skill Development through the National Vocational Training Coordination Committee (NVTCC) and Provincial Vocational Training Coordination Committee (PVTCC)

Expenditure mode

- Levy Exemption-tax on training expenses is calculated at twice as much as the actual training expenses.
- Exemption on expenses incurred on training machines, bringing experts or trainers to train workers, free water and electric fees

Key beneficiaries

- Large private enterprises

Purpose of disbursement

- Enterprise training

Committee members

- Government led (6 representatives);
- Associations (Bankers, Chamber of Commerce, industrial (3) representatives)
- Experts appointed by the Prime Minister (2);
- Employers and employees (2)

PHILIPPINES: COLLECTION

- Proposed SDF discussion since 1994, no specifics published

Who pays

- Formal enterprises (SMEs, large)
- National Budget

Source of funds

- National budget
- Donor funding
- Firms: possible levy for provision of in-house training, apprentice

Collection Agency

- Department of Labour and Employment

How much is paid?

- Opposition from firms and congress to SDF, around levy-grant scheme it is uneconomical

Penalties

- No specifics on the SDF are published

PHILIPPINES: GOVERNANCE AND DISTRIBUTION

Management agency	Expenditure mode	Key beneficiaries	Purpose of disbursement	Committee members
<ul style="list-style-type: none">• The Technical Education and Skills Development Authority (TESDA),• Other local agencies	<ul style="list-style-type: none">• Levy-grant scheme proposed, but never took off the ground due to bureaucratic delays;	<ul style="list-style-type: none">• Private enterprises• TESDA regional offices and local government units,• Training institutions, NGOs	<ul style="list-style-type: none">• Enterprise training;• Equity training	<ul style="list-style-type: none">• Government led (Education, Culture; Trade and Industry; Agriculture; Interior and Local Government-5);• (2) employer/ industry organization;• (3) labour sector (CSOs);• (2) national associations of private TVET

CAMBODIA: COLLECTION

- Proposed, not yet operating

Who pays

- Formal enterprises
- National Budget

Source of funds

- The proposed SDF does not explicitly state what type of levy system will be used or discuss in detail any of the other collection mechanisms

Collection Agency

- Ministry of Economy and Finance (MEF), Ministry of Labour and Vocational Training (MoLVT)

How much is paid?

- No specifics on the SDF are published

Penalties

- No specifics on the SDF are published

CAMBODIA: GOVERNANCE AND DISTRIBUTION

Management agency	Expenditure mode	Key beneficiaries	Purpose of disbursement	Committee members
<ul style="list-style-type: none">• MoLVT, along with Council for the Development of Cambodia (CDC),• Support from the National Training Board	<ul style="list-style-type: none">• Allocation on a result-based funding mechanism for training institutions- wherein allocation is done via measuring performance of institutions on indicators such as effectiveness of training disbursed, productivity	<ul style="list-style-type: none">• Firms• Training institutions• NGOs	<ul style="list-style-type: none">• Enterprise training;• Equity training	<ul style="list-style-type: none">• Unclear-we can try find out

VIETNAM: COLLECTION

- Proposed, not yet operating

Who pays

- Government;
- Formal enterprises

Source of funds

- State budget: paying for recurrent expenditures
- Payroll levies

Collection Agency

- Ministry of Labour, Invalids and Social Affairs (MLIS);

How much is paid?

- No specifics on the SDF are published

Penalties

- No specifics on the SDF are published

VIETNAM: GOVERNANCE AND DISTRIBUTION

Management agency	Expenditure mode	Key beneficiaries	Purpose of disbursement	Committee members
<ul style="list-style-type: none">• MLIS, People's Committee of central-affiliated cities and provinces, vocational education authorities in the central government	<ul style="list-style-type: none">• Public subsidy• Type of levy scheme to be used is not mentioned.• Instrument: Sponsorship, grants, unclear	<ul style="list-style-type: none">• Firms• Training institutions, (Firms and training institutes need to MLIS)	<ul style="list-style-type: none">• Enterprise training• a small extent equity training	<ul style="list-style-type: none">• Vietnam Chamber of Commerce and Industry,• Enterprise Associations,• Socio-professional Organizations,• Unions

BANGLADESH: COLLECTION

- Proposed Human Resource Development Fund (in 2016), not operating

Who pays

- No specific information on who will pay

Source of funds

- Expected to have donor financing at the outset, no details available

Collection Agency

- Ministry of Labour and Employment

How much is paid?

- The National Skill Development Council Secretariat in collaboration with ILO are designing the fund.

Penalties

- No specifics on the SDF are published

BANGLADESH: GOVERNANCE AND DISTRIBUTION

Management agency

- National Skill Development Council,
- Industry Skills Councils

Expenditure mode

- Decentralization of training delivery by various ministries, training institutions at the Divisions and Upazillas (village) levels

Key beneficiaries

- Firms
- Training Institutes
- NGOs

Purpose of disbursement

- Enterprise training
- Pre-employment
- Equity training

Committee members

- Not specified, will try to find out

POINTS OF INTERVENTION: CHECKLIST

- **Collection:**

- Which sectors to target and prioritise for fund collection? (possibly pilot on few sectors and then expand to other sectors)
- What should the calculation of the levy based on - sector/firm performance, number of employees, wages earned etc?
Who sets the levy rate?
- Should it be a national or sectoral fund?
- Is the levy collection by tax authorities or by different Ministries or by the same Ministry managing the SDF?
- Where are funds held- in own funds bank accounts?

- **Management:**

- What the management board (executive committee, working committee) representation should ideally look like? (number)
- What are their duties and how are they connected? Are they clearly defined?
- Who do they report to?
- Who has final power to make decisions on allocation?
- Is the management of the collection done by an organization that is autonomous or semi-autonomous from MOLIP?

POINTS OF INTERVENTION: CHECKLIST II

- **Distribution and Expenditure**

- Which sectors to target for firm allocation?
- What is timeline for disbursement of the fund? What to do in case of delays?
- Finding instruments that work to disburse to firms?
- Who delivers training? Is it independent training centres or those directly attached to the fund?
- How is the selection of the training centres and government institutions to deliver last mile training?
- What incentives does the government need to provide to encourage set up of accredited training centres? (both independent and private-for firms)
- What is the % of training costs that will be reimbursed to firms?
- How are the SDF costs calculated? (salaries, assessing/ approving training expenditure, collect fees)
- Within the SDF is there a component kept for pre-employment training?
- What alternative mechanisms are available for government to support firms to train?

POINTS OF INTERVENTION: CHECKLIST III

- **Transparency and accountability**
 - How to promote accountability measures?
 - Who monitors the levy collection and allocation?
 - Who form part of the review board- for the levy rates and functioning of the fund?
- **Cross Cutting**
 - Which sectors are growing and therefore need more high/low skilled workers?
 - Need for coordination across Ministries for collection and management across scales
 - What are the necessary infrastructure needed? (e.g. tax collection infrastructure in place, mechanism for checking progress)

THANK YOU FOR YOUR TIME

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SCALE OF SDF

- *National* level, meaning that firms in every industry contribute to a single fund,
- *Sectoral*, or industry-specific, level, where firms in each industry contribute to a fund which is used only for training that particular industry's workers
- The sectoral scale means that there are many SDFs in the country, each managed separately