Labour Economics Conference 2025
Shaping the Future of Work: Skills, Employment, and Socia Protection for a Resilient Labour Market in Cambodia

15-16 December 2025
Sokha Phnom Penh Hotel

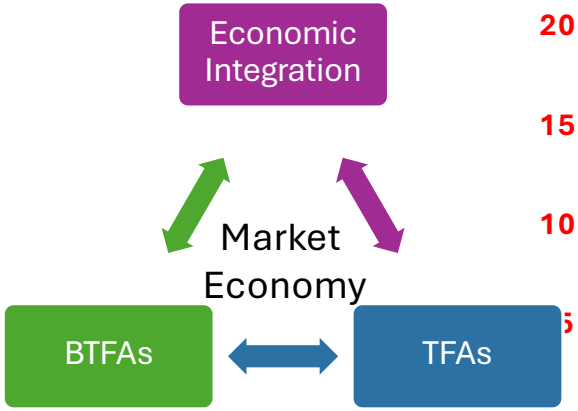
Global Value Chain and Industrial Upgrading: Positioning Cambodia's Labour Market in the Circular Economy Era

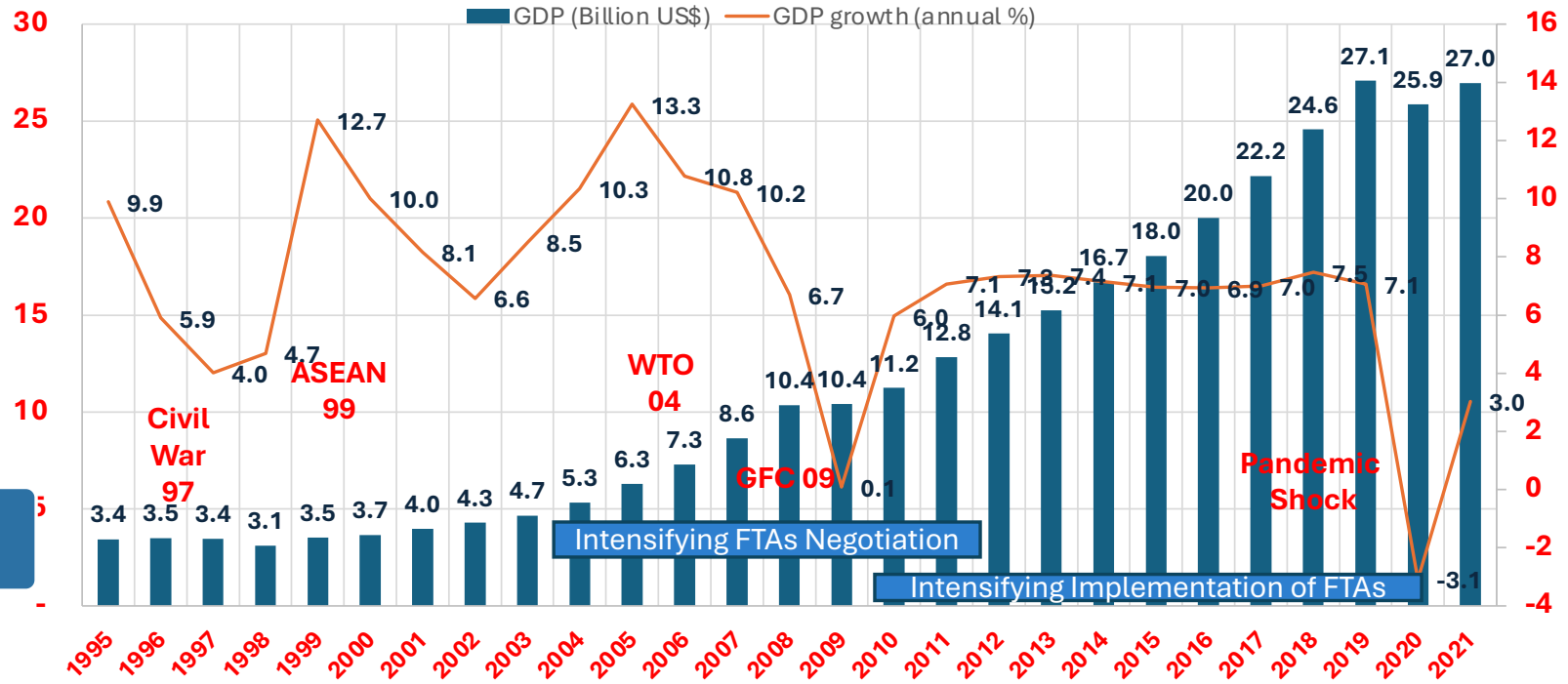
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Cambodia

- The Cambodian economy is one of the fastest-growing economies in ASEAN. The average annual growth of Cambodia has been around 7%–8% for the past decade.
- Cambodia is also in a transition and is transforming its economy into a lower middle-income growth economy in terms of its industrial transformation.
- Cambodia achieved lower middle-income country (LMIC) status in 2015 and aspires to become an upper middle-income by 2030 and a high-income country by 2050, along the pathway to graduate from the Least Developed Country (LDC) status in 2029
- There are other key factors affecting the structural transformation in the medium to long-term growth in terms of digital transformation, green transformation (ASEAN ESG taxonomy framework), and skills and human capital development – not mutually exclusive and reinforcing each other
- The key are the human capital development and Labour Market Policies (Thangavelu, Kuoch, Oum and Chheav, 2025)

Progressive Growth of Cambodia: 1995-2021

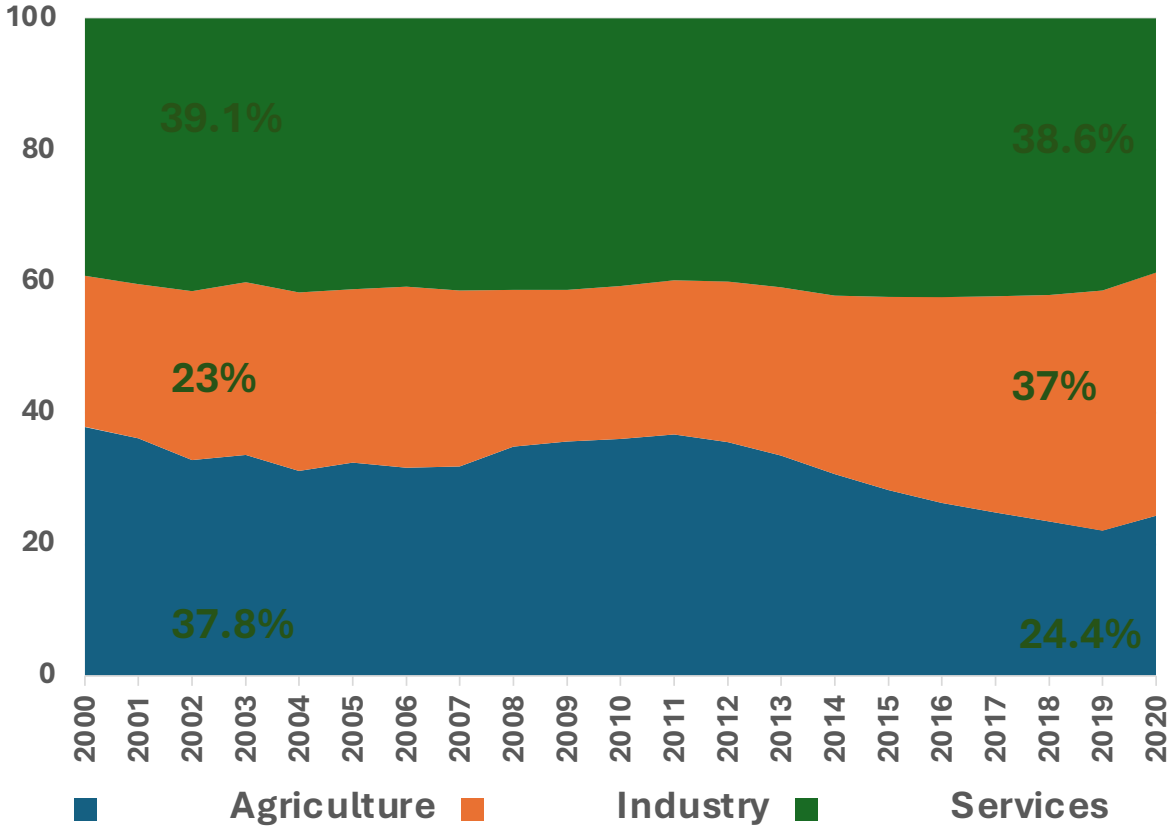




Cambodia Development and Industrial Strategies	2004-2008 Rectangular Strategy I	2009-2013 Rectangular Strategy II	2014-2018 Rectangular Strategy III	2019-2023 Rectangular Strategy IV

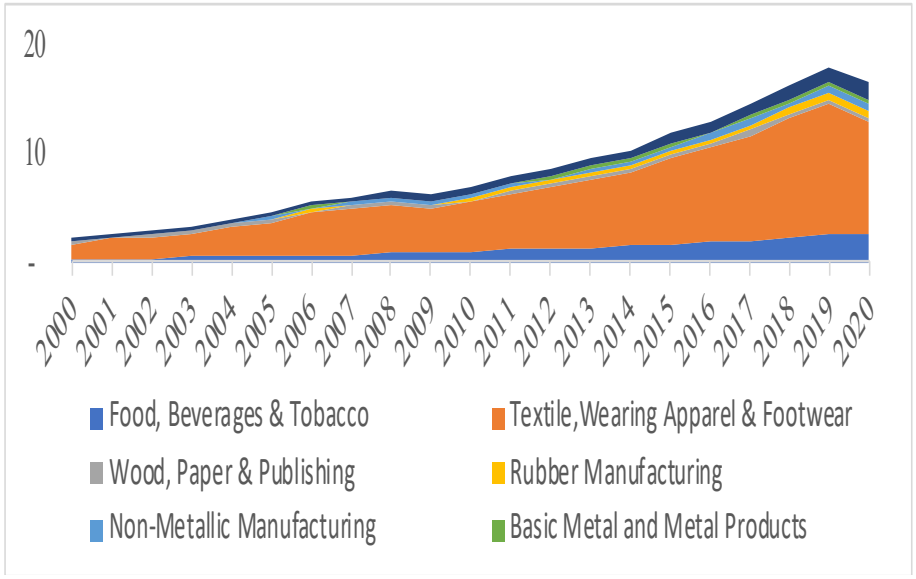
Source: Databank, World Bank, 2022; Samnang, 2024

Openness and Structural Transformation 2000-2020 (% Sector of GDP)



Source : Asian Development Bank, 2022

Figure 1. Cambodia's Manufacturing Subsectors (KR trillion)

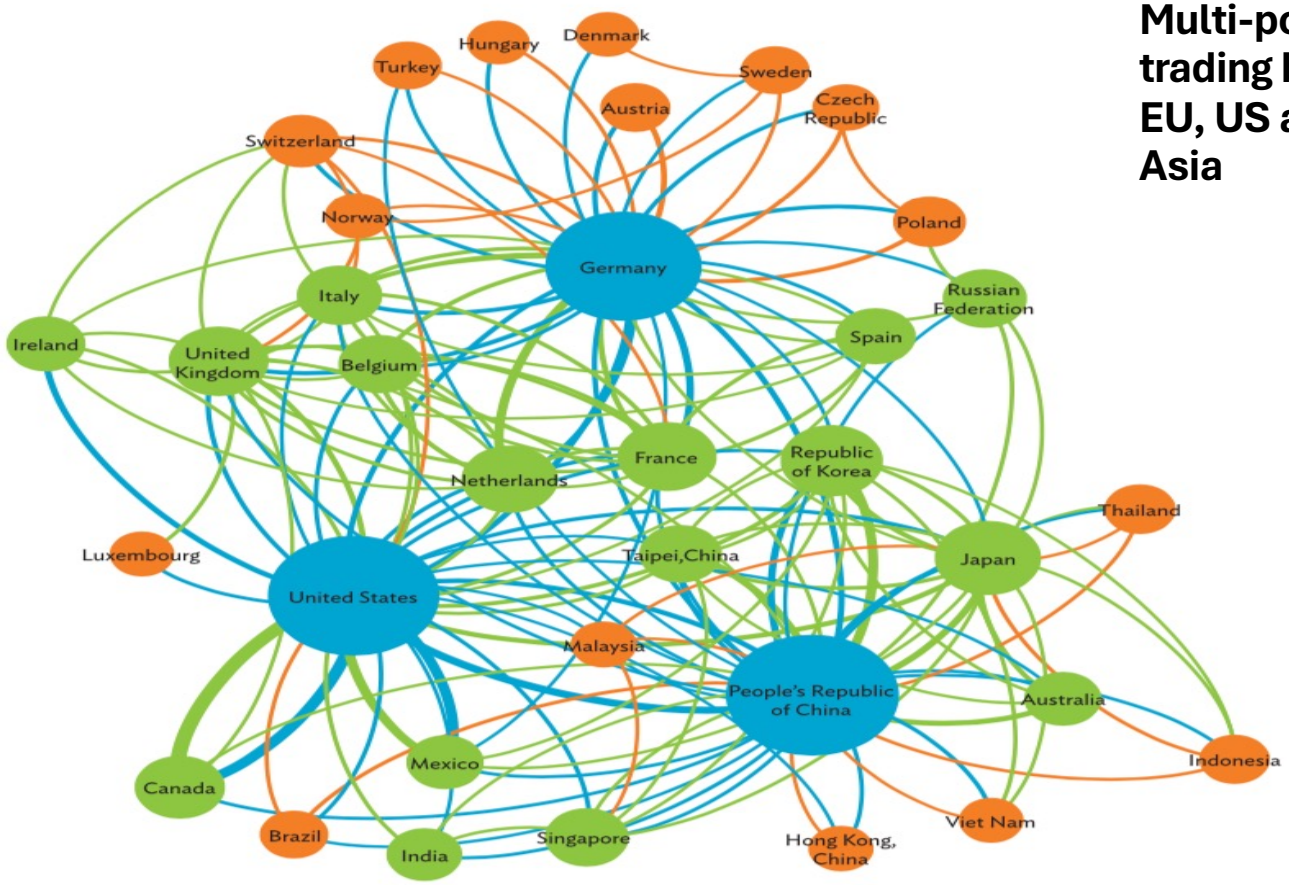


Source: National Institute of Statistics.

Geo-economic fragmentation and Economic Policy Uncertainty

- Three key elements of Economic Policy Uncertainty:
  - Technological changes and 'creative-destruction' of GVC activities affecting firms and skills: Information (agglomeration effects) and Communication (fragmentation effects) technologies
  - Impacts of openness and trade are uneven: increasing the vulnerability of unskilled, old and SMEs; vulnerability of rural and urban centres
  - Reciprocal tariff is intended to create economic fragmentation, and it also increases the economic and policy uncertainty
- Economic policy uncertainty is weakening the 'market-based' and 'rule-based' trading activities that drive the efficiency of GVC and greater regional integration.
- Economic policy uncertainty also increases the decoupling effects of both the backward and forward linkages of the GVC activities and worsens the vulnerability of the supply chains and domestic firm activities.
- Implications are significant for developing country such as Cambodia: Need to create more GVC resilience for Cambodia
  - At domestic level, there is need to strengthen human capital development and increase infrastructure connectivity in the region
  - At regional level, ASEAN centrality is the key to mitigate the impact of the reciprocal tariffs

Figure 2: Global Production Chains



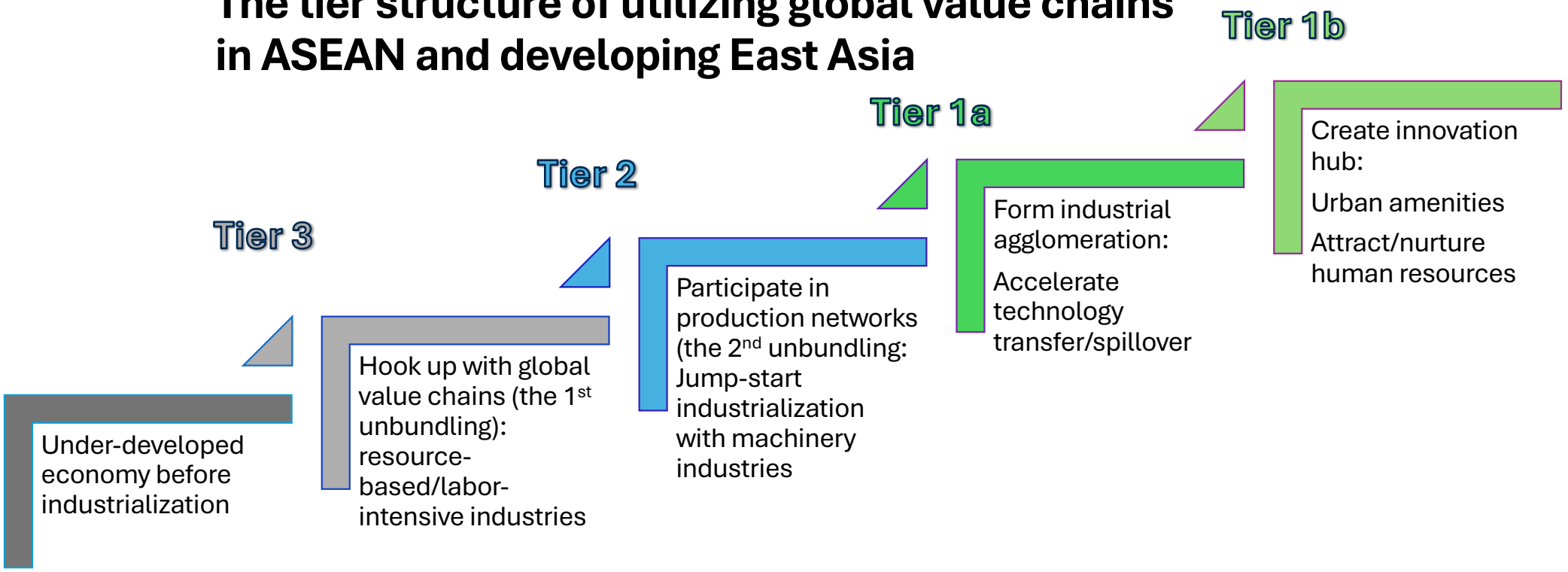
Notes: Chart shows the top 35 economies in the Multiregional Input–Output Table in terms of global value chain (GVC) participation. Node size is based on GVC participation, measured by the sum of backward and forward participation.[1] Blue nodes are the top three economies in terms of GVC participation; green nodes, the next 16; and orange, the following 16. Line thickness indicates the size of bilateral intermediate goods exports, where lines are only shown when these exports exceed $10 billion. The line color is based on color of source node.
Source: Authors' calculations.

Source: ADB 2019

Emergence of Multi-polar trading blocks: EU, US and East Asia

- Emergence of Multi-polar trading blocks:
- Complex GVC network effects of trade and linkages.
- Driven by Demand and Supply-side of GVC: New technologies and Institutions (inward-looking and protectionism; and forward-looking)
- US-China trade war and Reciprocal Tariffs have intensified the consolidation of the trading blocks and increase the frictions across blocks

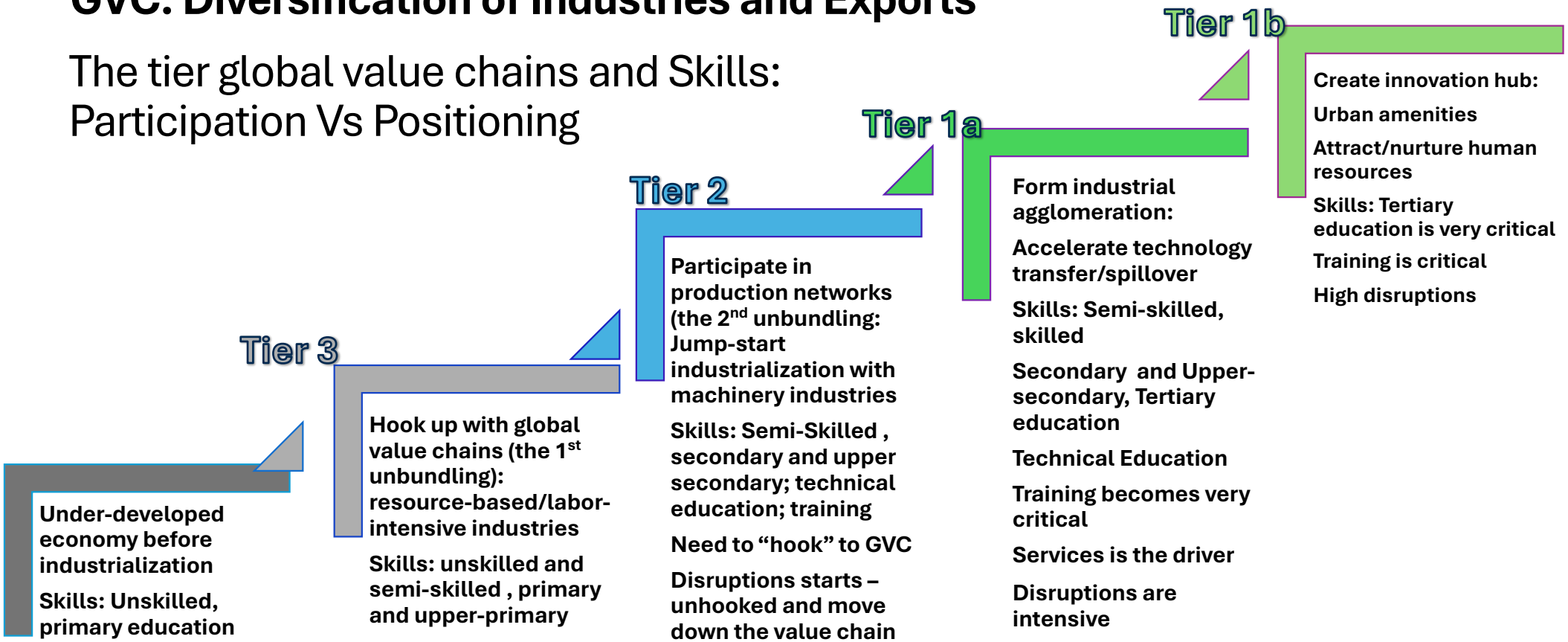
The tier structure of utilizing global value chains in ASEAN and developing East Asia



Source: ERIA (2015).

Education and Skills Policy matters for Positioning in GVC: Diversification of Industries and Exports

The tier global value chains and Skills: Participation Vs Positioning



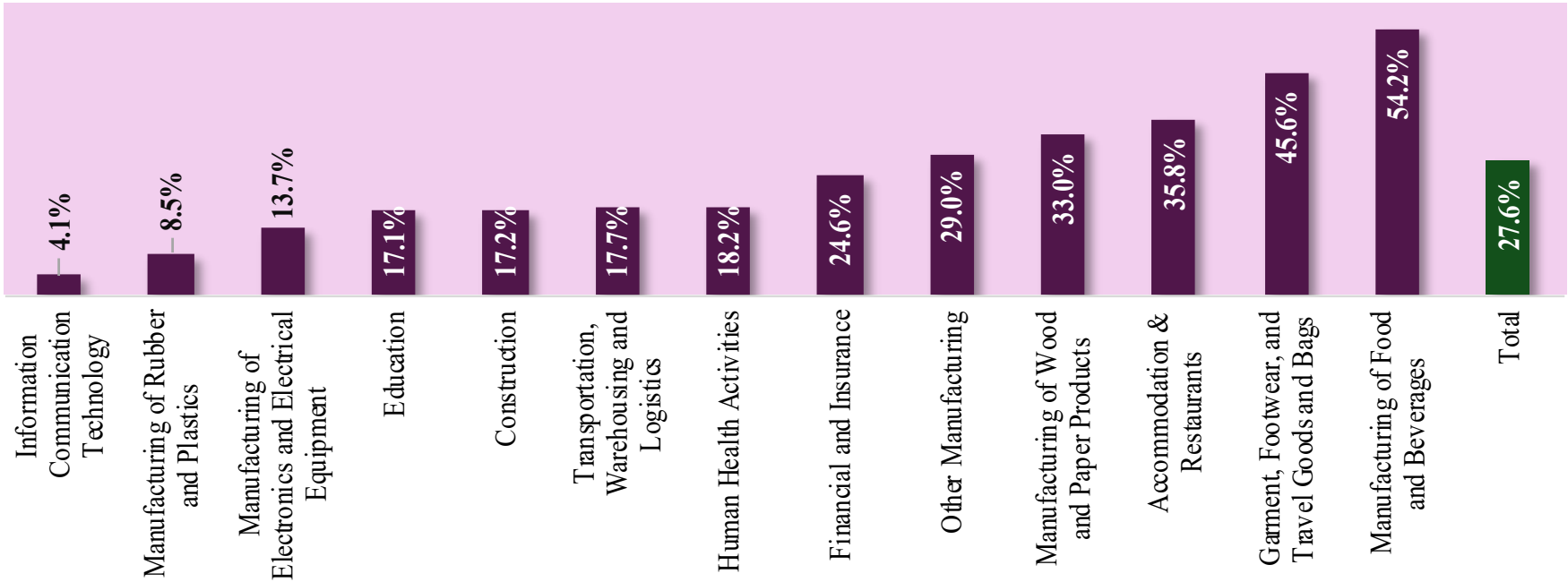
Thangavelu and Wang, 2021

Skills Gap and Future Skills

- The impact of Information and Communication technologies have increased the pact of digitalization and the demand for skilled workers:
  - The transition to higher value-added activities has increased the demand for skilled jobs that complement the new technologies.
- We are observing different skills and human capital development in ASEAN. The pace of industrialisation is much faster than the rate of accumulation of human capital through the polytechnics and universities, resulting in a labour market mismatch in skills and hence the "skills-gap" in developing AMS of Indonesia, Malaysia, Singapore, Thailand, and Vietnam (Thangavelu, Kuoch, Oum and Chheav, 2025).
  - We also observe skills gap in Cambodia
- This indicates that the demand for new skills has outpaced the supply of workers with relevant skills to participate in the labour market.
- Labour market policy shift from Demand-driven to Supply-driven model: Shifting to a "learning for all" model, for example the Singapore Government is introducing through different initiatives, among which the SkillsFuture initiative stands out strongly that gives individual learning fund to train workers
  - Giving more autonomy for Workers to participate and invest in their skills

Skills Gap by Sectors in Cambodia, 2024

Figure 3.10. Share of establishments affected by skills gaps by sector

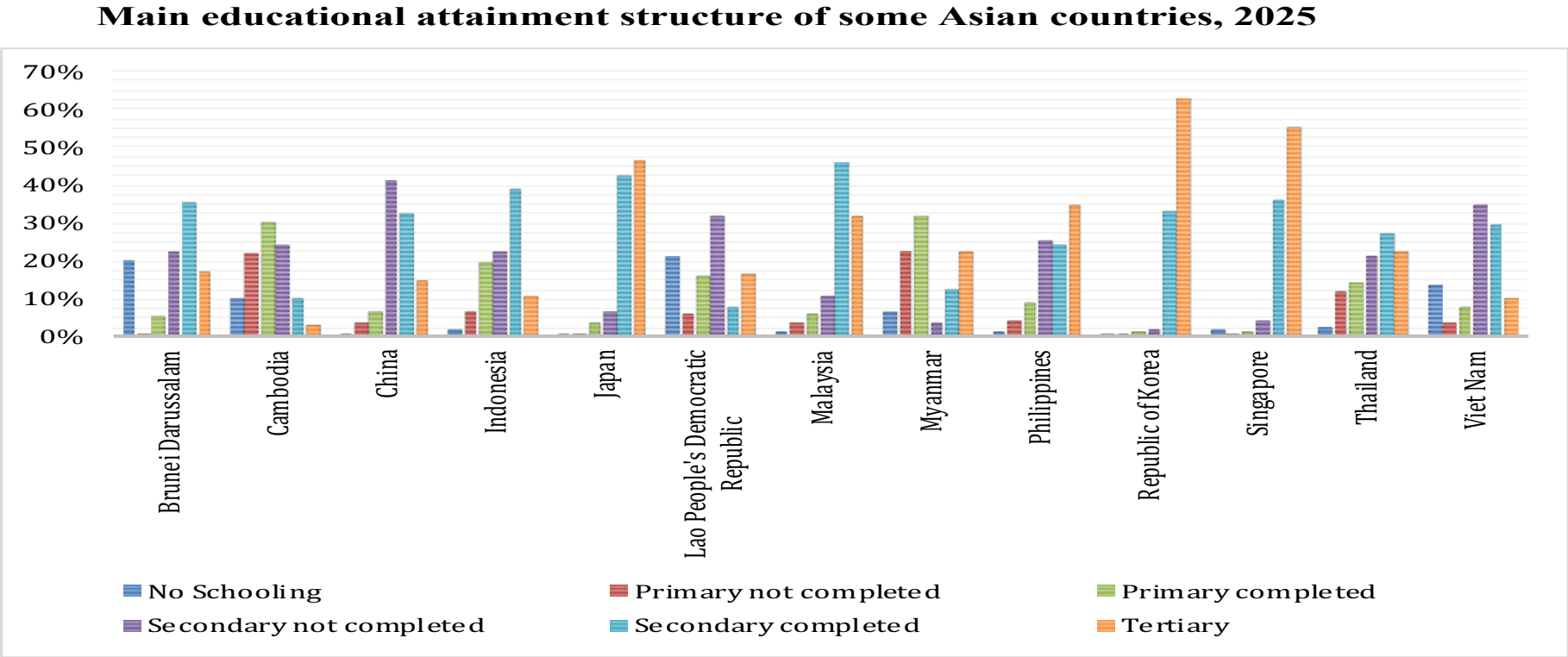


Source: Ministry of Labour and Vocational Training, 2024

Skills Trap: The ‘drag’ factor in the Cambodian Economy

- ‘Skills-trap’ where unskilled workers could not reach the key threshold level of human capital in education and industrial skills to transit to higher level of training in technologies and competencies.
  - Implications of ‘Skills-Trap’ is that the average and median wages of workers are at or near minimum wages
- This has implication for GVC positioning to higher value-added activities and sustainable development of Cambodia
- These unskilled workers are ‘trapped’ in low-skilled jobs with low wages and gradually shift to the informal labour market.
- The ‘skills-trap’ equilibrium also indicates a ‘wage-trap’ equilibrium, where the wages of these vulnerable workers will stagnate with very low productivity.
- The bi-polar equilibria of ‘skills-gap’ and ‘skills-trap’ are occurring concurrently in the domestic economy as it participates in the regional and global production value chain (Thangavelu, 2023).

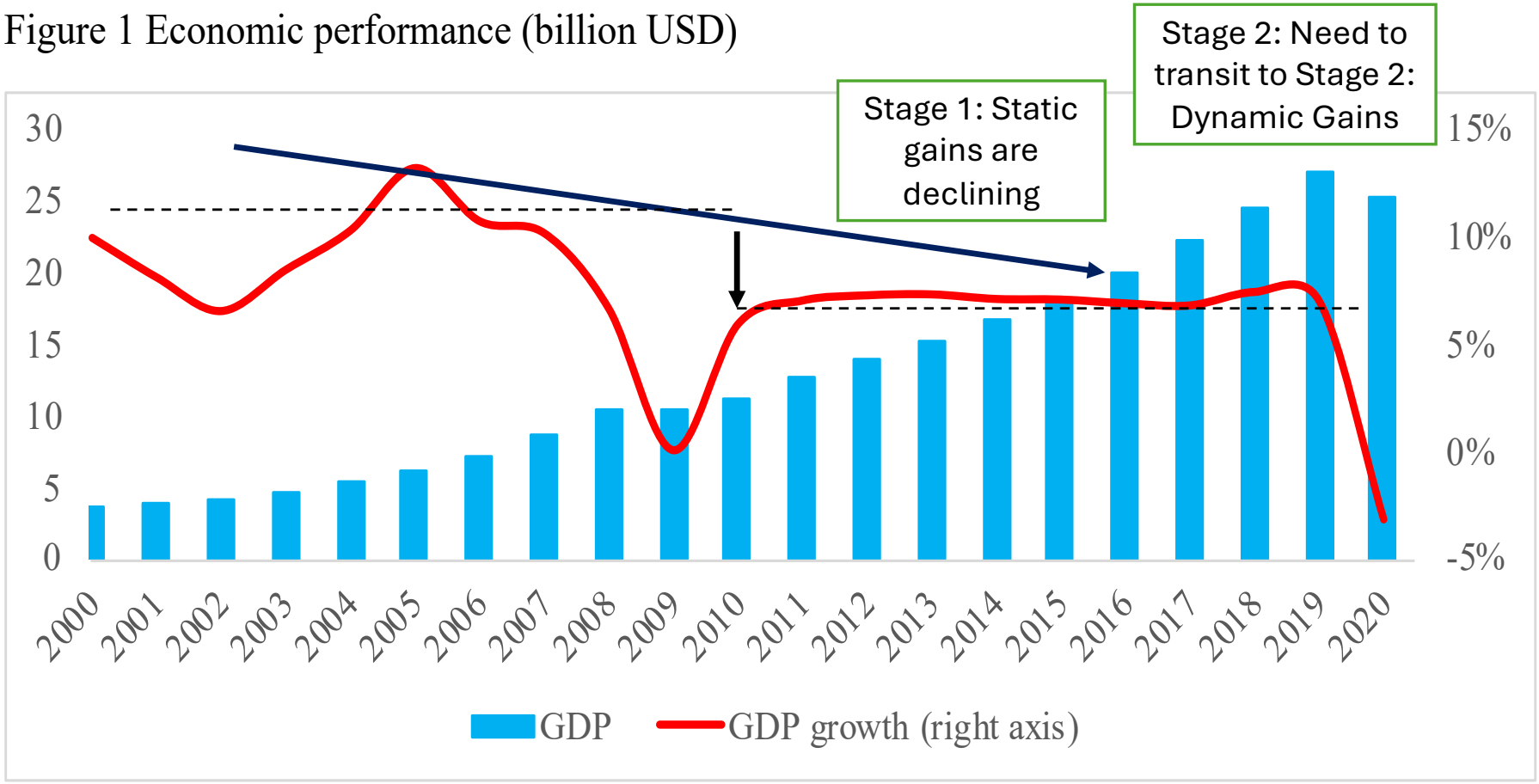
Average Educational Attainment is Primary and Lower for Cambodia: Sustained period of time



Source: Barro, Robert and Jong-Wha Lee, April 2010, "A New Data Set of Educational Attainment in the World, 1950-2010." Journal of Development Economics, vol 104, pp.184-198. Updated: 2021 September.

Rebalancing as 'surplus labour' is used up the growth process (Lewis's Turning Point)
Need to capture the Dynamic Gains: alignment of domestic and regional policies

Figure 1 Economic performance (billion USD)



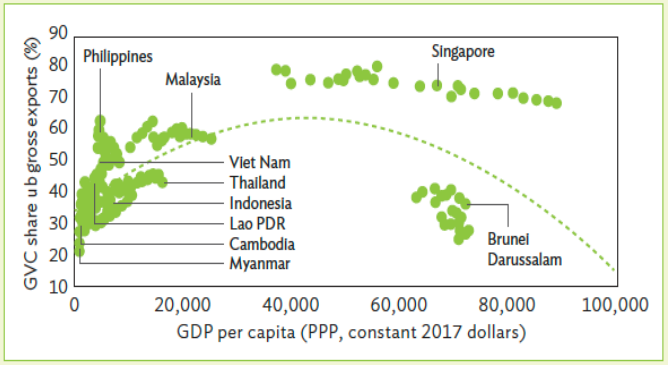
Source: World Bank

ASEAN is Managing the 'Creative-Destruction' with Skills Development Strategies

Country	Key Skills Focus	Programs and Policies	Outcomes	Skills Gaps/Challenges
Malaysia	Digital skills, technical skills	**Industry4WRD**, **TVET Reforms**	Increased Industry 4.0 readiness	Persistent skills mismatch in ICT
Vietnam	STEM skills, technical skills	**National STEM Day**, **TVET Reform**	Improved participation in STEM sectors	Lack of infrastructure in rural schools
Singapore	Adaptability, lifelong learning	**SkillsFuture**, **ALP**	Globally competitive workforce	Access barriers for low-income workers
Philippines	Vocational skills, ICT skills	**TESDA Programs**, **K to 12 Reform**	Increased TVET participation	Skills mismatch in healthcare and ICT
Thailand	Vocational skills, technical skills	**DVT**, **STEM Integration**	Higher employability in manufacturing	Digital infrastructure limitations

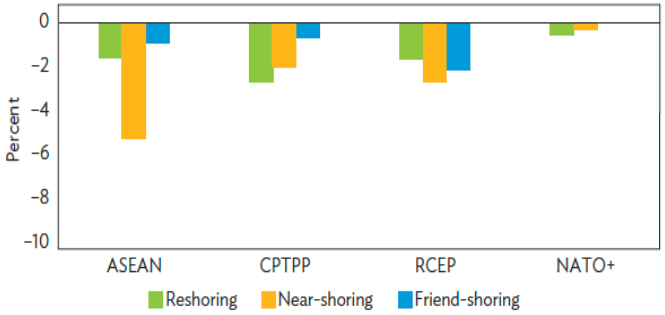
GVC Growth, Geopolitical Intervention, and Economic Cooperation (ADB, 2023)

Figure: GVC Participation in ASEAN Has a Nonlinear Relationship with Per Capita GDP



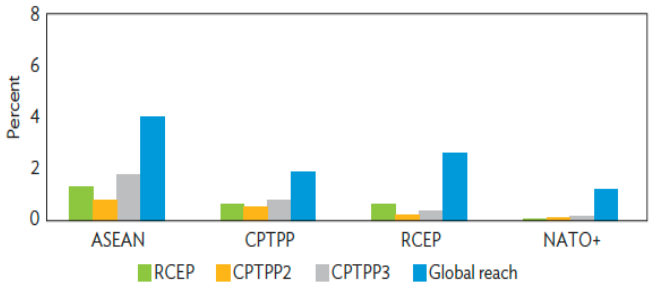
GDP = gross domestic product, GVC = global value chain, Lao PDR = Lao People's Democratic Republic, PPP = purchasing power parity.
Source: World Bank (2020), World Development Indicators.

Figure 1.2: Geopolitical Interventions: Real Income Changes, 2035
(%)



ASEAN = Association of Southeast Asian Nations, CPTPP = Comprehensive and Progressive Trans-Pacific Partnership, NATO+ = North Atlantic Treaty Organization members and their allies, RCEP = Regional Comprehensive Economic Partnership.
Source: Authors' simulations as cited in Figure 6.2, chapter 6.

Figure 1.3: Enhancing Trade Cooperation, Change in Real Income in 2035

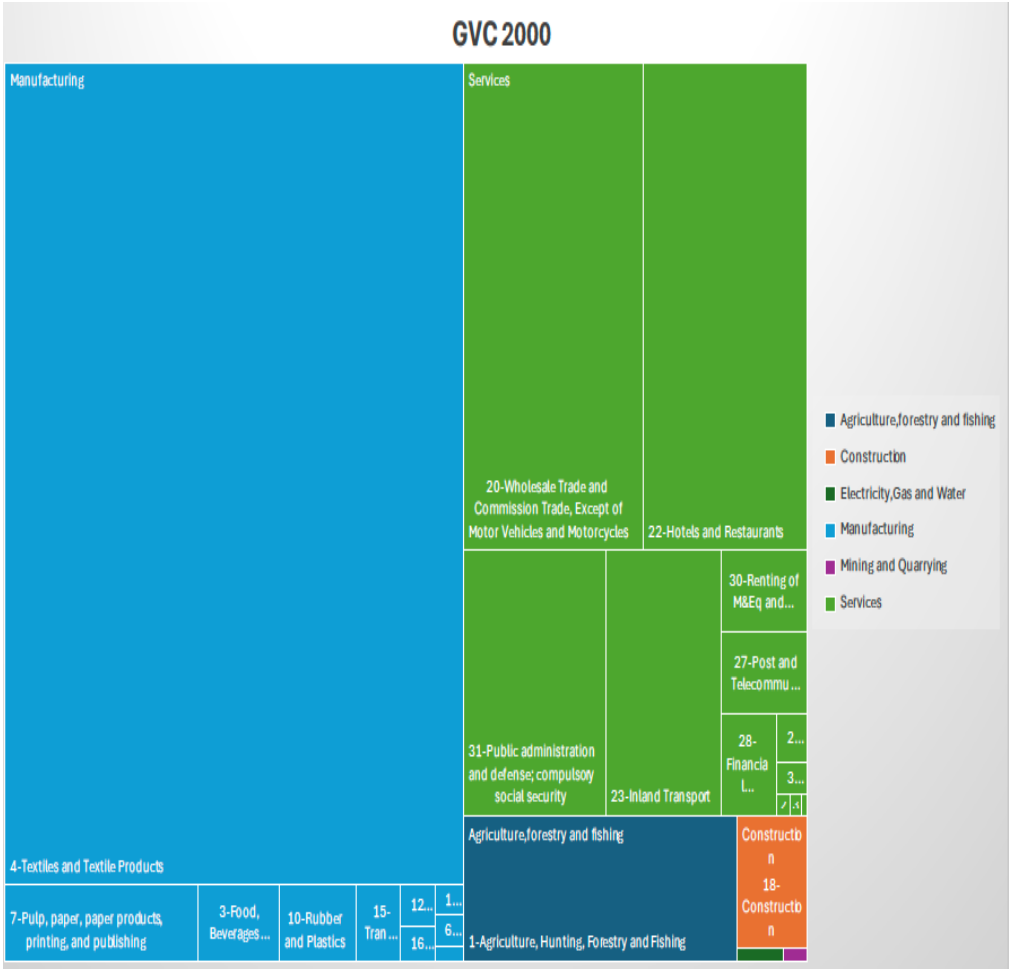


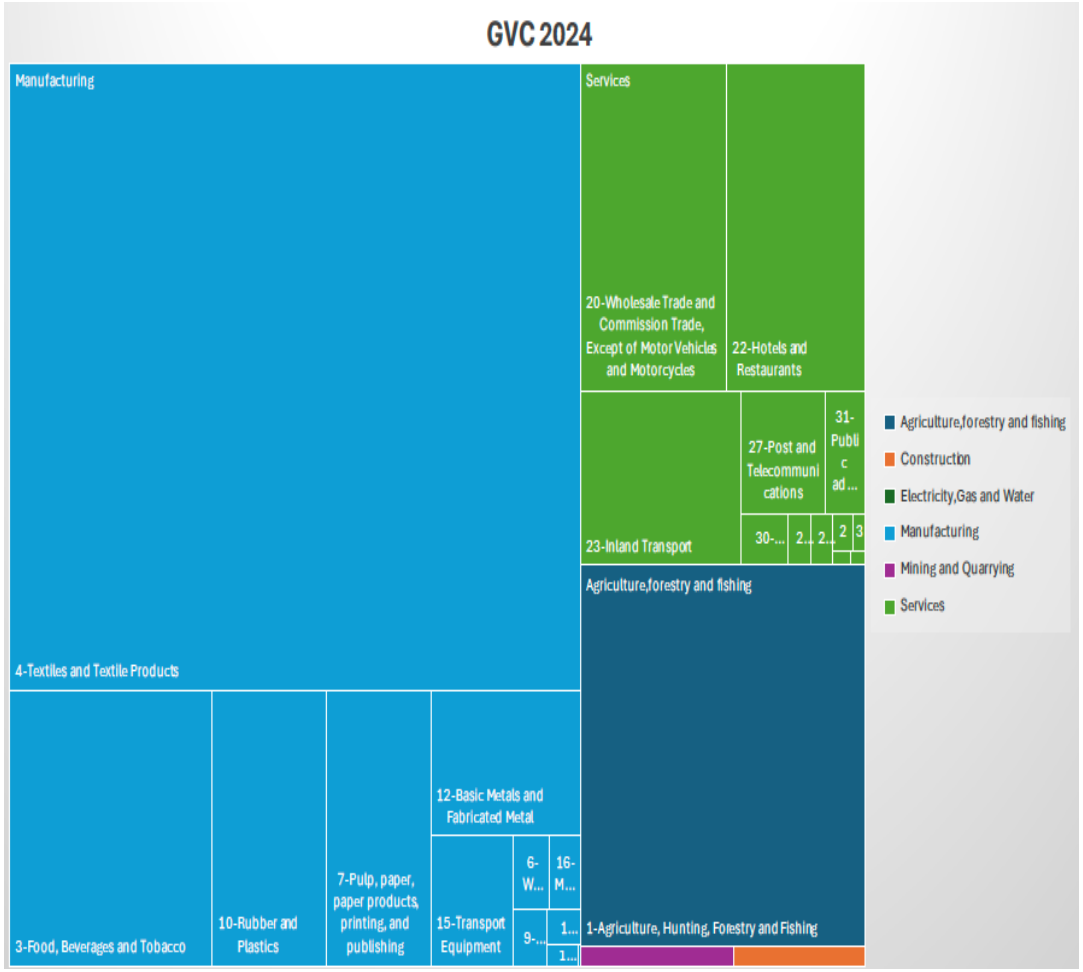
ASEAN = Association of Southeast Asian Nations, CPTPP = Comprehensive and Progressive Trans-Pacific Partnership, NATO+ = North Atlantic Treaty Organization members and their allies, RCEP = Regional Comprehensive Economic Partnership.
Source: Authors' simulations; Macro tables (accessed 23 August 2022) as cited in Chapter 6, Figure 6.3.

1. GVC Participation and Growth not linear but higher GVC activities leads to growth
2. Geopolitical Intervention leads to lower growth
3. Economic Cooperation and Shared Vision leads to higher GVC resilience

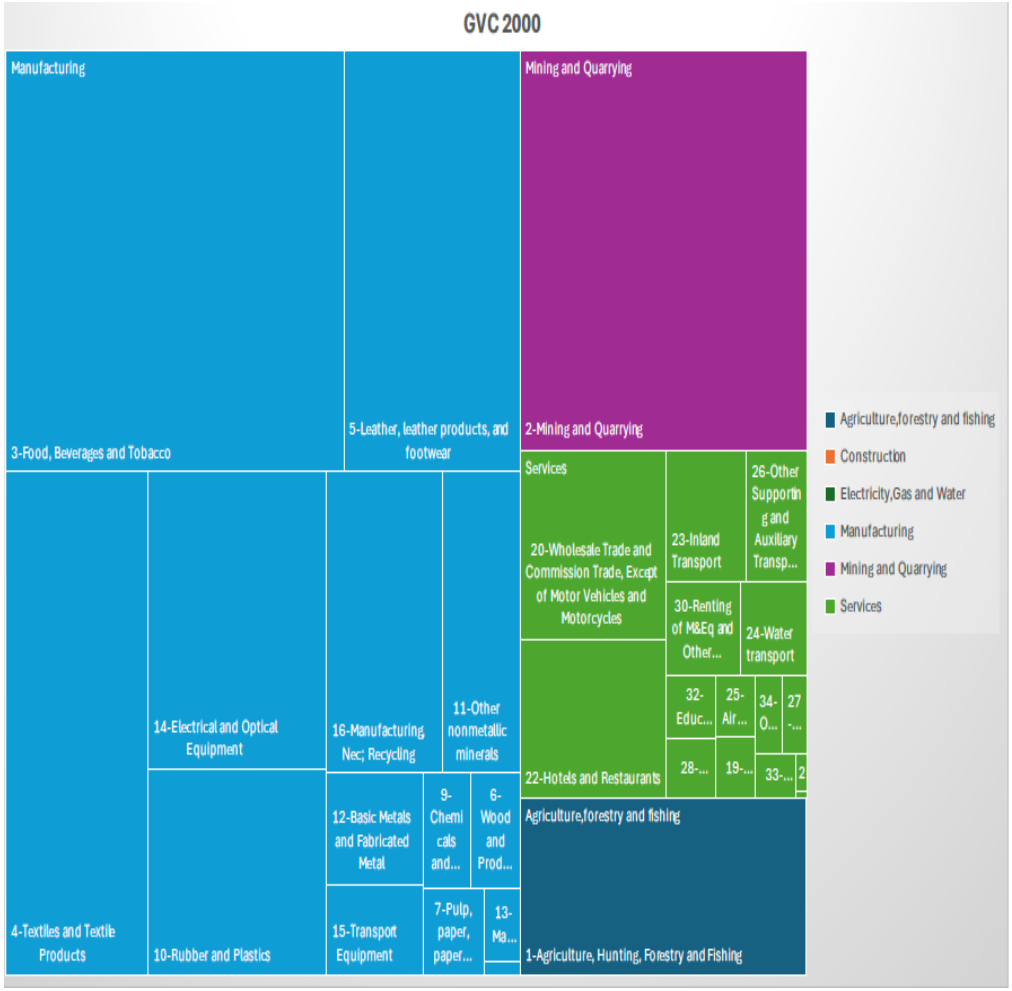
Mapping of GVC for Cambodia: Transformation from 2000 to 2024

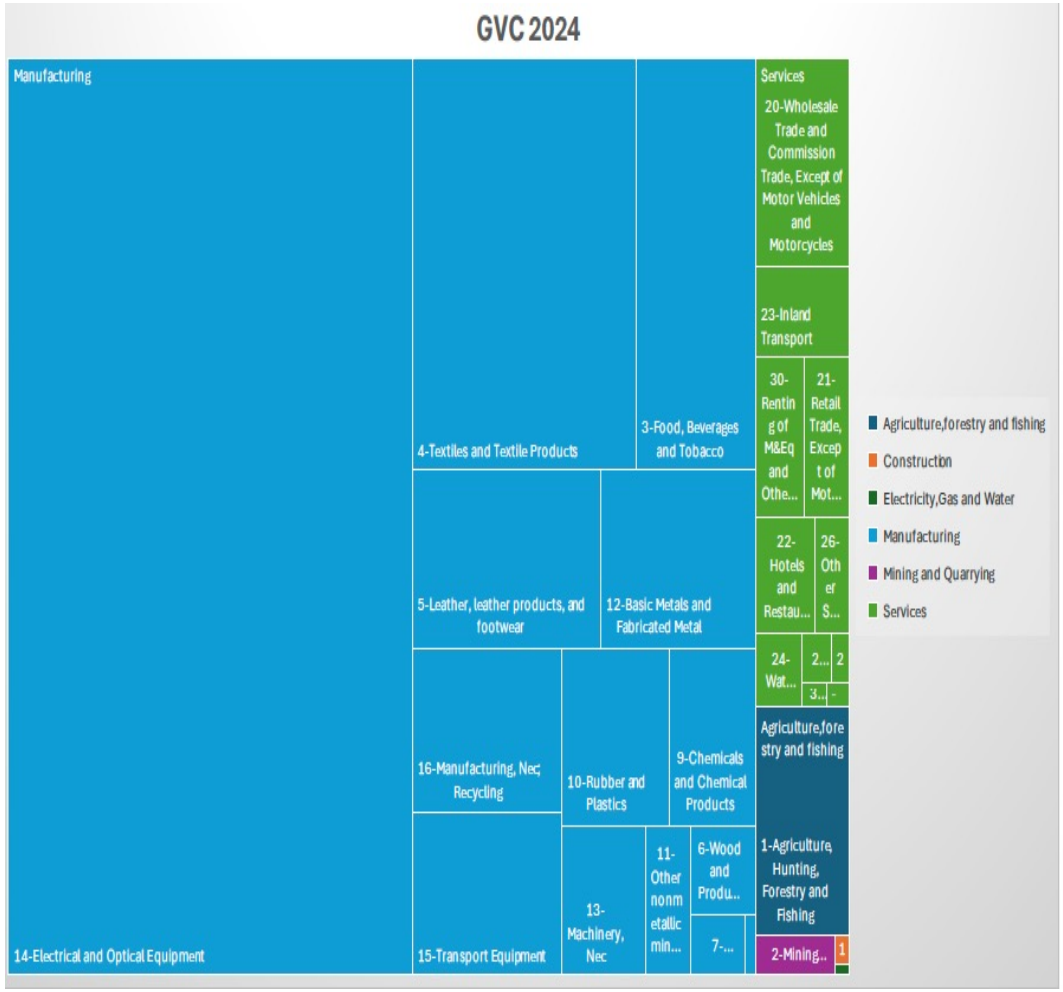
Slow diversification to basic metals, transport equipment, chemicals, machinery; services to higher value-added, increase in agricultural value added (WITS)





Mapping of GVC for Vietnam: Transformation from 2000 to 2024
Stronger diversification to electrical and optical equipment, transport equipment, chemical and chemical products, basic and fabricated metals, material recycling, textile and textile garments; low service sector diversification, lower agricultural value added (WITs)





Policy Discussions to Accelerate Skills Training

- Strengthen TVET Governance and Coordination: Establish a clear legal framework for TVET, consolidating oversight and responsibilities under a single authority, fostering better coordination among relevant ministries and stakeholders. Consider a national TVET council to guide policy and strategy.
- Improve TVET Quality and Relevance: Implement a competency-based curriculum aligned with industry needs and future labour market demands. Establish a robust quality assurance system, including accreditation and certification mechanisms, to enhance the credibility of TVET programs.
- Identify '**sunrise**' and '**sunset**' industries to '**recycle**' skills and training: (a) within occupational mobility, (b) within sectoral mobility, (c) between sectoral mobility
- Increase Access and Equity: Expand access to TVET, particularly in rural areas and for marginalized groups, addressing geographical barriers and financial constraints through scholarships, subsidies, and flexible training options. Promote lifelong learning opportunities.

Policy Discussions

- Enhance Teacher Development: Invest in training and professional development for TVET instructors, equipping them with modern pedagogical skills, industry expertise, and competency-based assessment techniques. Establish clear career paths and incentives to attract and retain qualified teachers – work with leading Regional Training Institutes to enhance new curriculum and cooperation in training.
- Strengthen Industry Engagement: Foster strong partnerships between TVET institutions and the private sector through internships, apprenticeships, and collaborative curriculum development. Establish Sector Skills Councils or similar bodies to bridge the gap between education and industry needs – establish a **Training Data Bank** to accredit and certify public and private sector training (see Singapore WSQ national credential system)
- **Shift from Minimum wage model to Progressive Wage model** with training accreditation and certification (related to Training Data Bank): incentivize the training by workers and align the wage increments to training and productivity improvements and target specific industries

Policy Discussions

- Diversify TVET Funding: Develop a sustainable and diversified funding model for TVET, incorporating government budgets, private sector contributions, and innovative financing mechanisms like skills levies, to ensure adequate resource allocation.
- Improve Labor Market Information: Develop a comprehensive and reliable labour market information system to anticipate future skill demands and inform TVET planning and curriculum development.
- It is critical to evaluate the 'returns to skills' and mapping of skills to current and emerging occupations in the Cambodian labour market to increase the implementation, monitoring and evaluation of policies as the economy emerges from LDC graduation.
    - The tracer study will be undertaken to evaluate the pre- and post-outcomes of the skills training to identify the relevance of training in the Cambodian labour market.
- Promote Public Awareness: Conduct targeted public awareness campaigns to enhance the perceived value and quality of TVET, addressing misconceptions and attracting skilled students and employers.

Thank you

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