Kingdom of Cambodia
Nation Religion King

MINISTRY OF LABOUR
AND VOCATIONAL TRAINING

The Labour Economic Conference 2026
On
"Cambodia's Labour Market Transformation and Economic Transition in the ASEAN Context: Skills, Technology and Resilience amid Global Economic Uncertainty"

Date: 11th–12th November 2026

Venue: Shangri-La Hotel, Phnom Penh

Labour Markets and New Industrial Policy: Productivity, Skills and Structural Transformation

Shandre Mugan Thangavelu
Jeffrey Cheah Institute of Southeast Asia
Sunway University

Labour Market Resilience

- Creative-Destruction has accelerated in past decade
- Economic and Business Cycles: Booms and Busts
- Economic and Political Shocks: Geopolitics and Geoeconomic fragmentation
  - Trade weaponization
  - Geopolitics of Pollution and Haze
  - Border tensions
  - Middle-East War
- Technological changes and Digitalization:
  - Acceleration of digitalization after COVID-19 Pandemic shocks
- Impacts of Creation and Destruction are asymmetric
  - Creation to more skilled occupations: High value but less jobs
  - Destruction on unskilled and semi-skilled jobs: Large retrenchment and displacement
  - Rate of reemployment and tooling and retooling of skills is longer than rate of job creation: Industrial and Skills Mismatch and misalignment

Labour Market Resilience

- Technological changes and Digitalization:
  - Digitalization has direct correspondence to Services: Servicification and Individuals are servicified
  - Increasing the share of services in industrial activities within and between sectors
    - Lower transaction and entry barriers
    - Opens up activities for SMEs and MSMEs
    - Services adopts technologies and key for GVC activities
    - Services can drive productivity
  - Digitalization is a necessary and sufficient condition for AI adoption and innovation
    - Implications for industrial and sectoral transformation
    - Pre-conditions for AI: Human capital, Digital Infrastructure, Data Governance and Management, Connectivity

Labour Market Resilience

- Digitalization leads to rising inequalities:
  - Rural and Urban divide
  - Skills gaps: Widens the gap between skills and semi-skilled and unskilled
  - Polarizartion of skills: Semi-Skills Occupation – White-Collar Jobs
  - Deepens skills trap: Increases the vulnerability of unskilled and less educated – creates growth ‘drags’ and increase the transition cost and investment in human capital
    - Critical for LDC graduation and transition to middle and upper-middle income development
    - Affects sectoral and industrial transitions to higher value-added activities and position in the GVC

Industrial Policies: Framework

- Industrial Policy, when well designed and executed, can stimulate the structural transformation necessary for sustained economic growth (Reka, Lane and Rodrik, New Economics of Industrial Policy, 2024)
- Forward looking policies for economic restructuring: Dynamic and it should take account of transition (structural adjustment) cost
- Industrial policy consists of enumerating technological and other externalities and then targeting policy interventions on these market failures
- Governance and market and rule-based industrial policy is critical
- Industrial policies much complement other markets and fundamentals in the economy – education, R&D, labour market policies such as training, Openness and Export Strategies, Strong Institutions, Infrastructure, etc.

Alignment, Coordination and Increasing Externalities

- Industrial and Human Capital policies must complement and forward looking
- Industrial policies determine demand for skills
  - Derived demand from growth of sectors
- Educational policies is a flow to Human Capital
- Continuing Education and Training (CET)) is the manages the stock of human capital
  - Determines supply of skills and human capital
  - Lagging and accumulated over time
- Skill gap and mismatch
  - Rate of change in demand for skills is greater than rate of tooling and retooling skills (Supply of skills)
  - Workers do not have the necessary skills to meet the industrial demand for skills

Key Reforms of Korea (Successful)

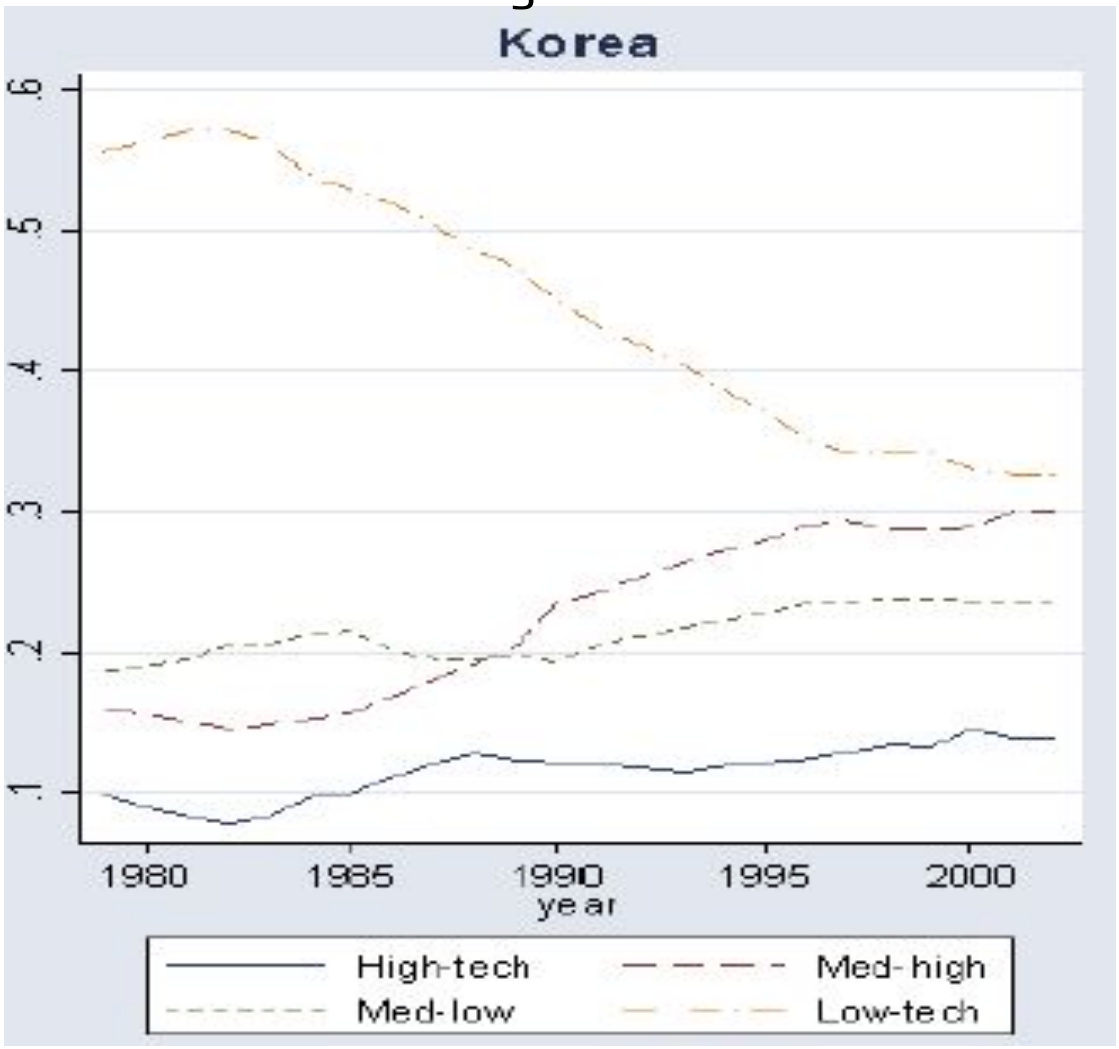
- The flexibility to shift from low-technology industries to medium and then high technology industries using human capital is quite strong
- Focus on human capital accumulation alignment to industrial policy and openness
- Investment in soft and hard infrastructure: Institutions that enhance human capital accumulation and PPP in human capital – Private sector in Universities
- Training and improving the quality teachers in technical, engineering and science
- Labour Market Information System (LMIS): Managing data collection, dissemination, increasing labour market intelligence, and increasing labour mobility within and between occupations and sectors
- Information management of occupations and reducing transaction cost: Career and Job Counselling
- Ecosystem of Education and Skills Training interface: Future Skills

Manufacturing Labour Productivity by Sector: Great Improvements in high-Tech since 1995

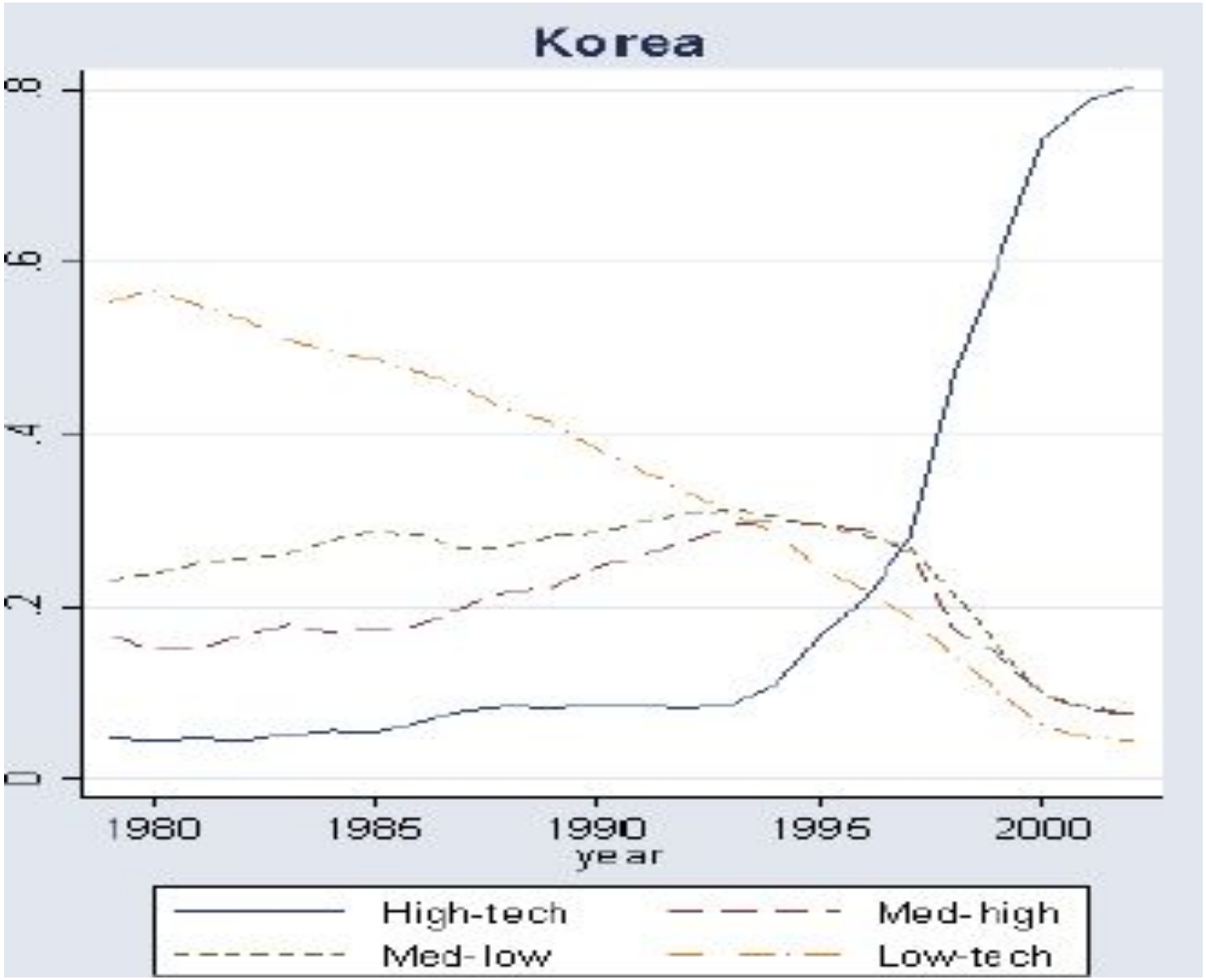


Source: authors' calculation using GGDC 60-Industry database

Employment Share by Sector for Korea: Shift from low-tech to medium-high



Value Added by Sector for Korea: Strong growth in high-tech as other sectors lose competitiveness



The tier global value chains and Skills: Participation Vs Positioning

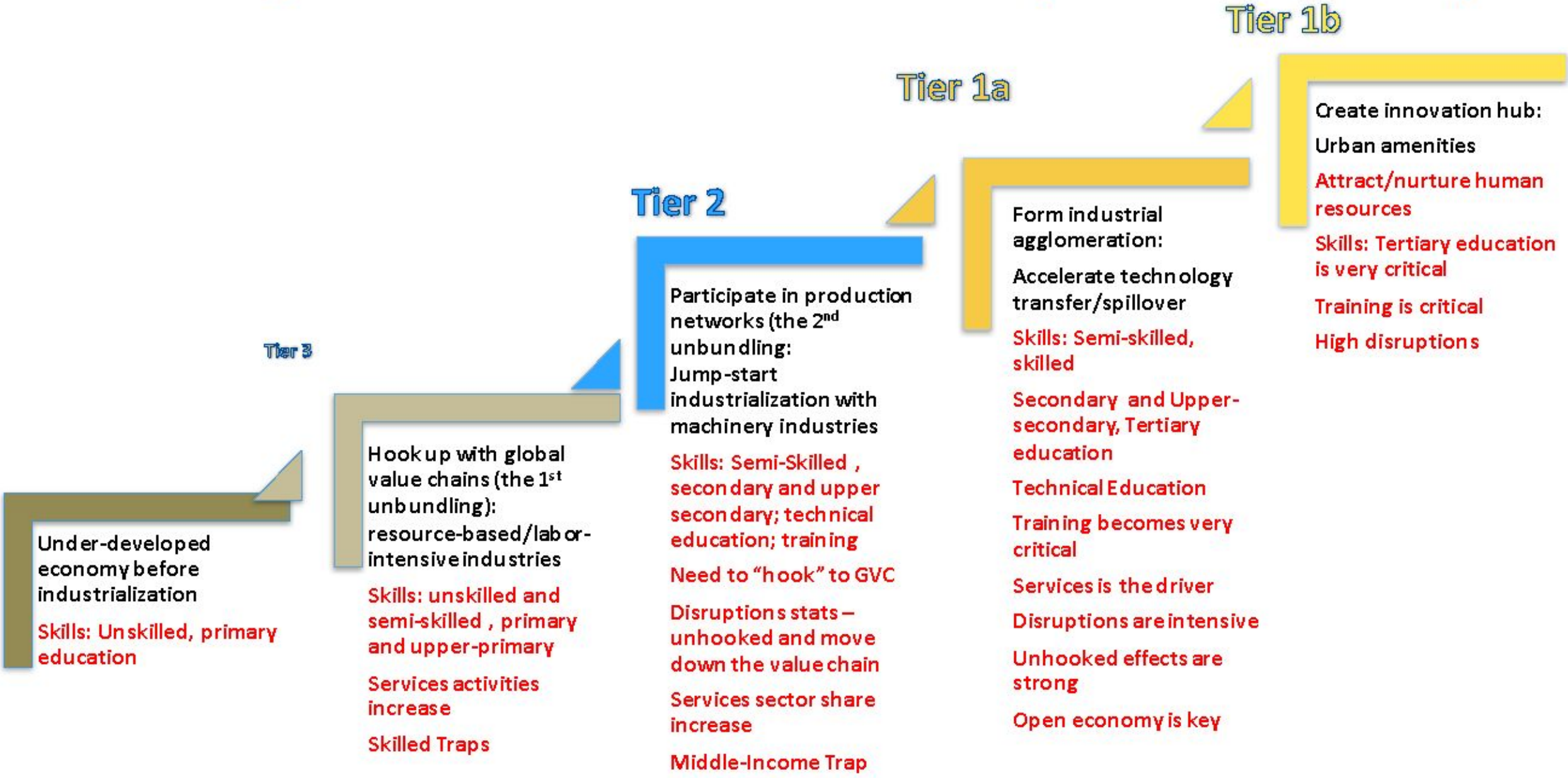
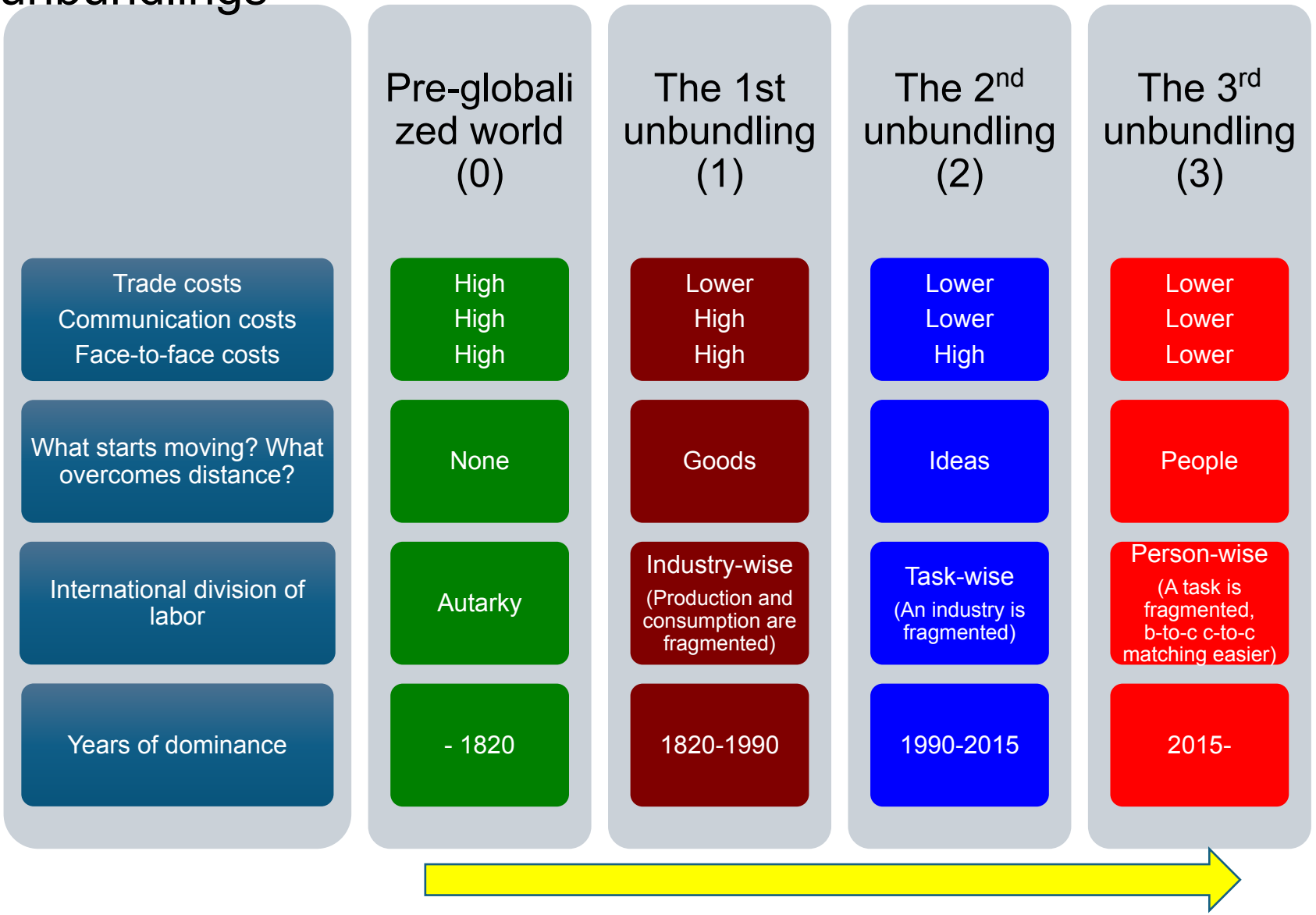


Figure 1 Overcoming distance and the evolution of unbundlings



Source: The ERIA-IDE-JETRO

Education and Industrial Policy: Malaysia			
Stage	**Economy**	**Major Industry/ Exports**	**Education policy mix**
1960s – 1970s	**Agriculture and Mining**	**Agriculture, Mining, Construction**	**Expansion of primary and lower secondary education;** **Malay as National Language** **Standardization of education system** **3 year vocational and Secondary education route**
Mid-1970s -- late 1980s	**Take-off & Export-driven** **Import-Substitution Strategies**	**Agriculture and Commodities: Rubber, tin, Iron ore, Oil Palm, timber** **Light Manufacturing (12% share)** **Tourism and Travel** **Government Linked Corporations – Sime Derby (Bhd), Petronas, etc**	**Expansion of upper secondary education;** **Tertiary Institutes:** **National University of Malaysia** **Malaysian Technological University** **University of Agriculture** **Ungku Omar Polytechnic**
1990s	**Export-Driven** **FTAs – AFTA, ASEAN +1s**	**Gradual shift to manufacturing in Electronics and Electrical** **Science Parks at Penang;** **Multi-Media Super Corridor (Infrastructure - Putra Jaya)**	**Curriculum to emphasize basic reading, writing and arithmetic skills** **Diploma in Teaching (PGDT) to meet demands for graduate teachers**
2000-Present	**Modern Technology**	**Agriculture development: Synthetic Rubber, Iron Ore, Oil Palm – bio-fuel** **Electrical and Electronics**	**Private Institutions and foreign Universities (only after 20 years of growth)** **Free or low cost of Education for 11 years** **Government responsible for secondary education** **Expansion of Vocational Training with government support** **Skills Development:** **Alignment of formal education with TVET with accreditation** **Labour Market Information System**

Policy Recommendations: Management of Information and Data

- Labour Market Resilience is developed by management of information and data
- Coordination of labour demand and supply at the National Level (National LMIS Steering Committee with Ministry of Industry, Ministry of Labour and Vocational Training, Ministry of Education): Reducing the transaction cost and increasing labour mobility between occupations, sectors and regions
- Industrial and Labour Market Information System is critical
  - Labour demand is derived from industrial activities:
    - Need Labour demand and industrial level projections and forecasting
    - Forecasting at 5-digit or 3-digit industrial classification
    - Demand forecast by skills: Defined by occupations
  - Labour supply is derived by household and labour market conditions
    - Forecast Labour supply by skills
    - Need a mapping of skills by occupation to education, age, and gender: Entrepreneurs as defined as Managers not necessarily have high education
  - Undertake gap analysis to identify structural, institutional, and policy gaps

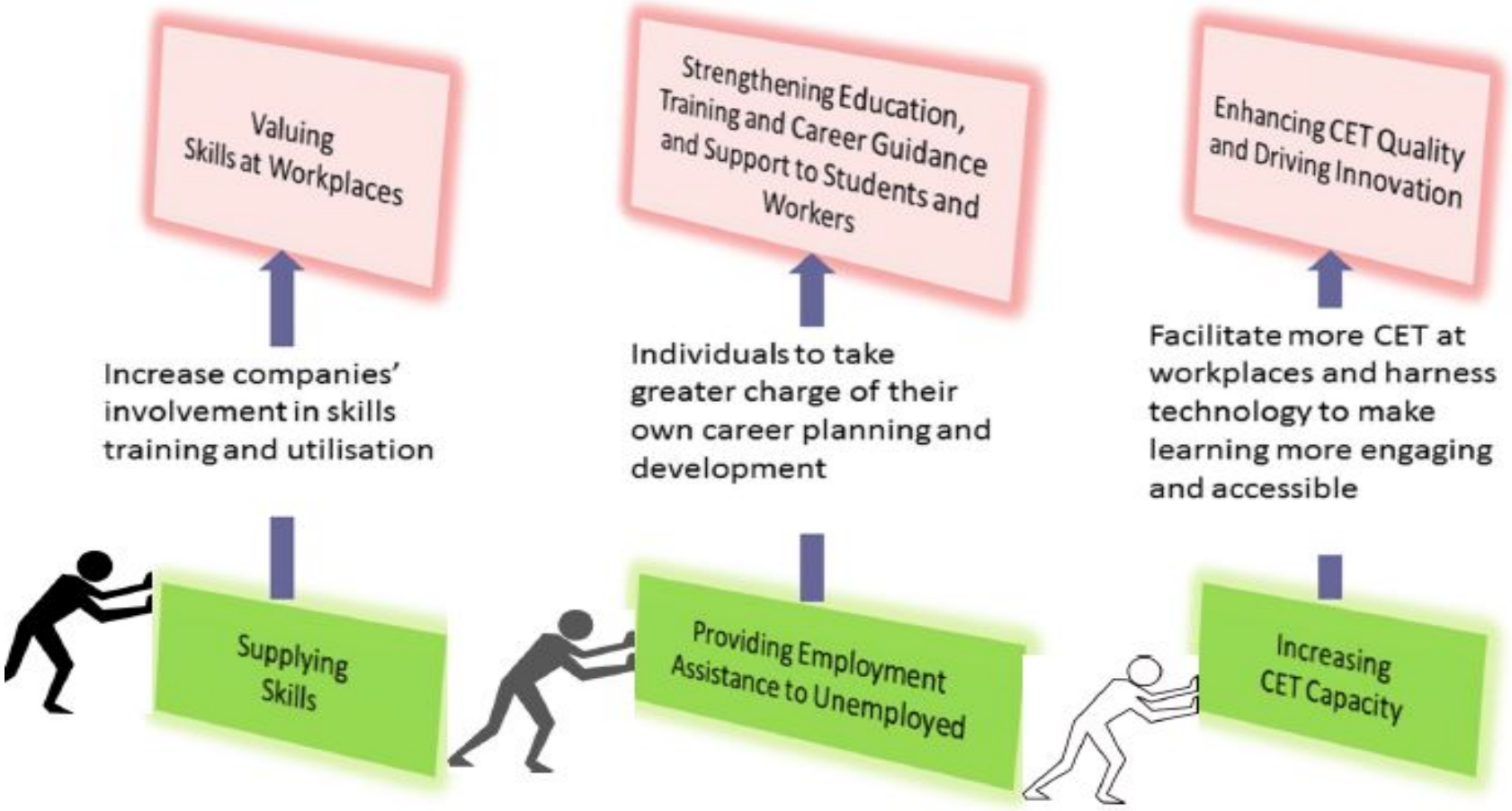
Policy Recommendation: Recognition of Skills

- Recognition of skills and training by public and private sector
  - Accreditation and Professionalism
  - Create training database
  - Monitor the training and graduate outcomes
  - Stackable training programmes
  - Acceleration of skills and its recognition by private sector
- Quality of trainers
- Integration of Training and education in an ecosystem: Future skills
- Future Skills integrate education system with training system into an ecosystem
  - Life-long learning framework: Allow training credentials to be banked into formal education system (creating occupational and educational interface)
  - Allows for older and education workers to tool and retook their skills

Policy Recommendations: Bundling and Unbundling of Skills

- Digitalization and AI will accelerate the shift from skills to tasks
- Workers must understand how to bundle and unbundling of skills to task to create resilience for their skills
- To remain relevant in the labour market and industrial activities
- Career and Job Counselling is important to understand the interface between education and training
  - Secondary Schools: Upper Secondary level
  - Universities
  - Training Institutes
- It is important to mitigate and manage future risks in creative-destruction

SkillsFuture: Three Key Shifts in Workforce Development



SkillsFuture Vision of a Vibrant Training Landscape



Individuals
empowered to take ownership for acquiring new skills and deepening skill sets throughout their careers



Employers
invest in employee training and developing career progression pathways, and benefit from pipeline of skilled **employees**



Government
as **key enabler**

SkillsFuture Messages

SkillsFuture is a national movement to provide Singaporeans with the opportunities to develop their fullest potential throughout life, regardless of their starting points. Through this movement, the skills, passion and contributions of every individual will drive Singapore's next phase of development towards an advanced economy and inclusive society.

Students	Educators	Employees	Employers	Training Providers
Make more informed learning and career choices	Inspire joy of lifelong learning	Prepare for tomorrow's jobs today Embrace lifelong learning	Recognise skills and mastery Skills will be your edge	Deliver quality industry-relevant training

SkillsFuture for Individuals

Improved systematic Education and Career Guidance (ECG) for students
Help individuals make better informed education and career choices

Enhanced internships
Provide students with a more meaningful internship experience and better support for structured workplace learning



Young Talent Programme
Help young talent have a meaningful international immersion experience and to better prepare them for future global careers



Starting in the schooling years

Taking learning into Careers

Study Awards
Help those in their early and mid-career to develop and deepen their skills in future growth clusters

Mid-career Enhanced Subsidy
Enhanced subsidies for WDA-funded courses, and additional reduction in MOE-funded diploma and degree courses



Fellowships
Develop individuals with deep skills expertise or mastery in growth and priority sectors.

SkillsFuture Credit
Empower Singaporeans in their learning and development and to deepen and broaden their skills



Earn and Learn Programme
Provide fresh graduates from polytechnics and ITEs a head-start in careers related to their discipline of study

Leadership Development Initiative
Support aspiring Singaporeans in developing necessary capabilities to take on increased roles and responsibilities

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ABOUT THE BOOK

How can labour markets adapt to structural change, technological disruption and economic shocks? Focusing on ASEAN and Cambodia, this volume examines the links between skills, employment, productivity and economic resilience.

Eleven chapters explore human capital, skills mismatch, trade and wage inequality, alongside the labour market and household welfare effects of LDC graduation, tourism shocks and return migration. Regional experience, including Singapore, informs the discussion of future skills and changing work.

The book considers how TVET, lifelong learning, formalization, social protection and stronger employment institutions can support adjustment and inclusive growth. It offers insights for policymakers, researchers and practitioners concerned with workforce development and resilient economies.



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ISBN to be assigned

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Shandre Mugan Thangavelu
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Thank you