



Improving Labor Market through Higher Education Reform Project in Mongolia

Mismatch between Higher Education and Labor Market Demand

Mongolia is currently rebounding well from the global economic crisis, with gross domestic product growth forecast at 6.5% in 2011,¹ a distinct contrast from the early 1990s when the country was plunged into deep recession and the subsequent government privatization, transformed the country's centrally planned economy into a market economy. Prior to the transition, Mongolians had free access to education and social services, such as pension and insurance, with access to employment guaranteed. Presently, the labor market is faced with a threefold challenge—unemployment, lack of job security, and skills mismatch in labor market demands. Major cuts were made in government health expenditures and subsidies in social welfare programs.

The liberalization of the economy and the legalization of private higher education, among other factors, have made it possible to increase the number of higher education institutions (HEIs) in the country to more than a hundred; only 40% of graduates are employed.² The current higher educational system of Mongolia suffers from low competitiveness because of rural–urban inequalities and systemic constraints, such as low-cost, low-quality programs designed to yield quick profits for schools, highly bureaucratic governance and weak management of HEIs, inadequate government financing, and limited opportunities for the poor and

people living in rural areas because of socioeconomic and gender disparities. There are fewer men compared to women with access to higher education, contributing to unrealized labor productivity. Conversely, women have lower labor force participation at the national and decision-making level.

The current labor market in Mongolia is plagued with untapped human capital, low-productivity jobs, and lack of skilled workers. Harsh winters and summer droughts have contributed to the growing rural–urban migration patterns. About 60% of young workers are employed informally and data from the Labor Force Survey (2002–2003) reveal that 27% of non-agricultural employment is in informal activities.³ Also, none of the unemployed in the informal sector have access to unemployment insurance benefits. About 71% of most informal employment (work not regulated by a contract) is often found in urban areas, with women holding 45% of these jobs.⁴

The changing economic needs resulted in demand for skills that include thinking skills (critical and creative thinking), practical (English and information technology),

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and technical knowledge. Graduates of technical and vocational school, and training are in high demand. The rapid expansion of the industry and service sectors has made it increasingly difficult for business enterprises to meet labor force requirements, particularly for higher-level education and skills, such as engineers and middle managers. Thus, supporting higher education has made it imperative to produce a workforce that meets the need of Mongolia's changing economy.

Government Reforms

Labor market policies are currently in place to promote productive employment, although coverage is still low. The system is comprehensive and includes job mediation and training, entrepreneurship services, public works, and wage subsidies. Prior to the 2006 amendment to the Labor Law, labor market programs have been limited to those registered with the Labor and Social Welfare Assistance Division as unemployed, which is only 54% of the total unemployed in 2002.⁵ The amendments improved labor market relevance and increased the coverage of these programs. The major change in the law is the support to small business, which is the focus of labor market programs. Entrepreneurship services are also available to informal workers, herders, and the handicapped, and offer microcredit and information and training through business incubator centers.⁶

In 2008, the Government of Mongolia launched the National Development Strategy until 2020 and identified higher education reform as a priority for the country's long-term competitiveness. The government's Education Sector Master Plan (2009–2015) is the primary planning and policy framework for Mongolia's education sector. The government seeks to establish a higher education system that is globally competitive conforming to international standards and can propel Mongolia into a technology and knowledge-based economy. There has been a considerable improvement in enrollment in the past decade, with the gross enrollment ratio for higher education increasing from 27% (in 2000) to 47% (in 2007). In 2007, 17.3% of the labor force benefited from higher education.⁷

Other government reforms in Mongolian higher education include the creation of the Campus Development Plan (2010–2021) for HEIs to achieve global standards and competitiveness, the development of the road map for higher education reform (2010–2021) to guide long-term policy development of the Ministry of Education, Culture and Science (MECS) in reaching international standards, and the current proposed amendment to the Law on Higher Education, which

includes provisions to strengthen the governance and management of HEIs by granting them administrative autonomy.

Government objectives to address higher education reform are in line with ADB's Country Partnership Strategy with Mongolia and ADB's Strategy 2020 in developing relevant workforce skills development and equitable education sector-wide reforms to meet labor market needs. In terms of social protection, the project will address labor market programs by providing skills training to rectify the mismatch in the labor market, as well as social assistance in the form of scholarship funds to promote access for rural students.

Improving Labor Market Program

The ADB loan⁸ to Mongolia for higher education reform aims to deliver outputs on improving (i) quality and relevance of higher education programs; (ii) effectiveness of higher education management, financing, and governance; and (iii) equity and access to higher education. The project impact will be an increase in the number of globally competitive higher education graduates that are adequately skilled to the needs of the labor market. The eventual project outcome will be an improved, well-managed, and equitable higher education system.

In addressing the skills mismatch of higher education graduates in the labor market, the project will include (i) labor market survey; (ii) tracer study; (iii) information campaigns on social development issues in higher education, including training manuals and programs for HEI teachers and administrators; (iv) curriculum review to address gender and social bias; (v) industry training programs through public-private partnerships and collaboration with foreign HEIs; (vi) improvement of modern research facilities and establishment of e-learning centers; (vii) distance education outreach for rural students; and (viii) improvement of the national accreditation system and establishment of mechanisms to monitor performance of higher education graduates in the labor market.

The project will also assist the government to improve financial assistance schemes. There will be regular project monitoring reports by the State Training Fund, including gender-related data. MECS will implement project activities and funding of development initiatives. Competitive grants will be channeled through the Higher Education Endowment Fund. These project components will help strengthen the management, financing, and governance of the higher education sector and eventually improve Mongolia's labor market conditions.

Endnotes

- ¹ ADB. 2010. *Asian Development Outlook Update 2010*. Manila.
- ² ADB. 2011. *Project Administration Manual. Mongolia: Higher Education Reform Project*. Manila.
- ³ International Labor Organization. 2008. *School-to-work Transitions in Mongolia*. Geneva.
- ⁴ Endnote 3.
- ⁵ World Bank. 2007. *Mongolia: Building the Skills for the New Economy*. Washington, DC.
- ⁶ Endnote 5.
- ⁷ ADB. 2010. *Technical Assistance to Mongolia: Reforming Higher Education for a Knowledge Society*. Manila.
- ⁸ The amount of \$20 million will be disbursed from the Asian Development Fund (ADF) for the Higher Education Reform Project. The ADF loan will fund 90% of the proposed project, with the Government of Mongolia contributing to the remaining 10%.

About the Asian Development Bank

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