Education and Workforce Skills in the Federated States of Micronesia

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Pacific region development

• Pacific island countries seeking to develop more robust private sector
  – competitive enterprises that can compete domestically and regionally

• Opportunities are niche export markets, along with tourism
  – and traditional sectors (fisheries, farming, mining)

• Need to maximize what they have:
  – geography (for tourism)
  – human resources (for all sectors)

• But heavy out-migration
  – creates negative externalities
  – country invests to educate young people but they migrate

• How to invest in education and how to/hope to retain skilled workers
FSM Economic overview

- Pop. 103,000
  - 6 bigger, 5 smaller, 2 same size
- GDP p.c. $2,900
  - Lower-middle income
- 6th largest in land area
  - out of 14 in Pacific
- Fishing (tuna) is key industry, and services
  - tourism has promise
- Compact of Free Association with U.S.
- U.S. provides $130 m. in aid per year
  - phased out by 2023
  - Supports education sector
- Geographically spread out
  - Four main islands/island groups
Education sector

- Education compulsory to end of primary school
  - thus, high school not compulsory
- 65% of children aged 14-18 years in school
  - but captures repeaters, others still in primary school
- School population: 36,902 children ages 4-18
  - about 1/3 of total population (2010 Census)

School Enrollment by Age Group (%), SY 2012-2013

Source: FSM Department of Education 2013
Secondary school enrollment

- Secondary education enrollment is uneven geographically.
  - Chuuk has the highest population, accounting for half of FSM, so its low rate of enrollment limits the national average.
  - Meanwhile, Kosrae is the least populous state and has high enrollment rate.

![Gross Secondary School Enrollment Rate (%), FSM SY 2012-2013](source: FSM Department of Education 2013)
Regional comparison

- FSM secondary school enrollment rate lags behind most other countries in the region.
- This negatively impacts the education level of its workforce.

Gross Secondary School Enrollment Rate (%), Selected Countries

FSM (author's calculations, FSM Department of Education 2013)
Fiji, Palau, Samoa, Tuvalu, Solomon Islands, Tonga (World Bank Development Indicators, 2012)
Timor-Leste (World Bank Development Indicators, 2012)
Progression rates

- Low progression rate from primary to secondary school (37%)
- Partly due to compulsory enrollment ending at primary
- Of the small cohort of the age group that not only enters but completes secondary school, a further small share continue to tertiary education (27%)
- Results in low level of education and skills among the workforce

Share of Grade 8 graduates who enter secondary school
- Enter secondary school, 37%
- Do not enter secondary school, 63%

Source: FSM Department of Education, 2013

Share of secondary school graduates who enter tertiary education
- Enter tertiary education, 27%
- Do not enter tertiary education, 73%

Source: FSM Department of Education, 2013
Teaching standards

• 17% of FSM primary and secondary school teachers have no formal credentials

• 66% have Associate Degrees

• 16% have Bachelor or higher degrees

• FSM struggles to increase the BA/BS proportion as the nation offers only one such program domestically

Source: FSM Department of
• FSM produces a small number higher education graduates

• Many study overseas or leave the country after studying in FSM

• Online courses provide access to degree programs; the effect is noticeable in the precipitous increase of MA/MSc graduates in 2012-2013

• Many students to not finish their degrees: Graduation rates: 45% for AA, 55% for BA/BS, and 25% for MA/MSc
Vocational and college education

- FSM has one college and a vocationally oriented high school
- Over one-quarter of students at College of Micronesia are enrolled in education
- Programs offered, with a few exceptions, are Associate Degree level or shorter
- Only one bachelor degree program offered, which is jointly with the University of Guam, it is also in education
- FSM students are increasingly using distance education to access education from universities in the region
Enterprise-based training

- Low pre-employment training can be offset, in part, by in-service enterprise-based training.

- Indication of both the intent and the capacity of enterprises.

- In FSM, such training is low, less than 5% of enterprises offer formal training programs to their permanent workers.

- This below the level in most countries in the region or elsewhere, although similar to Indonesia.

- Expanded in-service training can be supported through government initiatives or subsidy.

**Share of Enterprises Offering Formal Training, %**

Source: World Bank
Labour migration

- FSM population fell from 107,000 to 104,000 between 2000 and 2010.
- FSM migrants abroad totaled 29,000 in 2013, with most in the U.S. (19,000) and most of the remainder in other Pacific island countries.
- Remittances received by FSM reached $22 million in 2013. Nearly all of this came from the U.S. ($16 m.) and Guam ($5 m.).
Private sector constraints

- What are main constraints private sector faces in operating and growing?

- Globally, access to finance is the main constraint.

- In FSM, inadequately educated workforce is identified by enterprises in FSM as their top constraint.

- More important than access to credit, electricity, competition from the informal sector and other constraints.

- Skilled workers also important in other island countries (Bahamas, Trinidad and Tobago) but not the key constraint in other Pacific countries.

<table>
<thead>
<tr>
<th>Possible private enterprise constraints surveyed</th>
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<tbody>
<tr>
<td>Access to finance</td>
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<tr>
<td>Access to land</td>
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<tr>
<td>Licenses and permits</td>
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<tr>
<td>Corruption</td>
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<tr>
<td>Courts</td>
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<tr>
<td>Crime, theft, disorder</td>
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<tr>
<td>Customs/trade regulations</td>
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<tr>
<td>Electricity</td>
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Biggest Obstacle in the Business Environment, FSM

- Inadequately educated workforce: 24%
- Electricity: 15%
- Transport: 12%
- Tax rates: 9%
- Access to finance: 7%
- Tax administration: 6%
- Access to land: 4%
- Business licensing and permits: 4%
- Labor regulations: 4%
- Practices of competitors in the informal sector: 4%
- Others: 3%

Note: 7% of enterprises indicates "Does not apply (spontaneous)". Number of enterprises surveyed is 68. Source: World Bank Enterprise Surveys 2009
Major or Very Severe Obstacle in the Business Environment, FSM

<table>
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<th>Obstacle</th>
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Source: World Bank Enterprise Surveys 2009
Policy recommendations

• Raise secondary school enrollment and completion rates
• Encourage more students to take vocational training courses
• Link skills offerings to emerging sectors
• Support in-service training
Thank you!

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Asian Development Bank Institute
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ADBI is the think tank of the ADB and based in Tokyo, Japan.
It conducts economic research on the Asia-Pacific region and provides capacity building and training for government officials from developing countries.
Background slides

Importance of skilled workforce for enterprises in island states
**Biggest Enterprise Constraint: Pacific**

**Tonga**

- Note: Number of enterprises surveyed is 150.
- Source: World Bank Enterprise Surveys 2009

**Samoa**

- Note: Number of enterprises surveyed is 150.
- Source: World Bank Enterprise Surveys 2009

**Timor-Leste**

- Note: Number of enterprises surveyed is 150.
- Source: World Bank Enterprise Surveys 2009

**Fiji**

- Note: Number of enterprises surveyed is 164.
- Source: World Bank Enterprise Surveys 2009
Biggest Enterprise Constraint: Caribbean

The Bahamas

Note: Number of enterprises surveyed is 150.
Source: World Bank Enterprise Surveys 2010

Trinidad and Tobago

Note: Number of enterprises surveyed is 370.
Source: World Bank Enterprise Surveys 2010

Dominican Republic

Note: Number of enterprises surveyed is 360.
Source: World Bank Enterprise Surveys 2010

Jamaica

Note: Number of enterprises surveyed is 376.
Source: World Bank Enterprise Surveys 2010