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SKILLS DEMAND IN MONGOLIA

Main Findings of the Skills Module of the Barometer Survey 2022

ULAANBAATAR
2022

TRAINING, ASSESSMENT AND RESEARCH INSTITUTE
FOR LABOUR AND SOCIAL PROTECTION

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FOREWORD

The Ministry of Labor and Social Protection is implementing the 'Mongolia Emergency Relief and Employment Support Project' (2020-2023) with a concessional loan financing from the World Bank. As part of this project, a Skills survey has been conducted as a modular survey of the 2022 Barometer survey by incorporating international practices.

Addressing the mismatch between labor supply and demand is an important policy concern in Mongolia. The Skills survey has identified that there is a skills gap between the skills sought by employers and the skills possessed by the workforce. The skills gap affects employers as they struggle to hire workers with the requisite skills, contributing to long-term unemployment, particularly among the youth. The education and training system needs thus, to put more emphasis on the development of the workforce with the requisite skills demanded in the labor market.

Our previous studies that aimed at assessing short-term labor demand, have focused on identifying the most in-demand technical skills sought by employers. In contrast, the Skills survey is innovative and significant as it examines the skills demanded by Mongolian employers and the skills lacking in the workforce. In the future, this survey will be carried out periodically to provide necessary and relevant information to all players involved in the labor market.

We cordially thank the Social Protection and Jobs Team of the World Bank and Mr. Jan Rutkowski, a consultant from the World Bank, for their technical assistance and professional engagement in preparing the key findings and policy implications of the Skills survey presented herewith.

We hope the results presented in this policy note will be widely used to enhance education and training programs, improve training outcomes, and facilitate related studies in the future.

Director of Training, Assessment and
Research Institute for
Labor and Social Protection



B. Batbaatar

POLICY BRIEF

SKILLS EMPLOYERS SEEK ¹

Main Findings of the Skills Module of the Barometer Survey 2022

Are inadequate workforce skills an issue in Mongolia? What are the employee skills considered most important by employers? What are the skills that Mongolian workers are lacking? Does the education system in Mongolia produce people with the skills required by employers? Do Mongolian firms provide training to their workers to upgrade their skills? This note sets out to answer these questions using the results of the 2022 Barometer Survey with an added, specially designed, Skills Module.

Main Findings

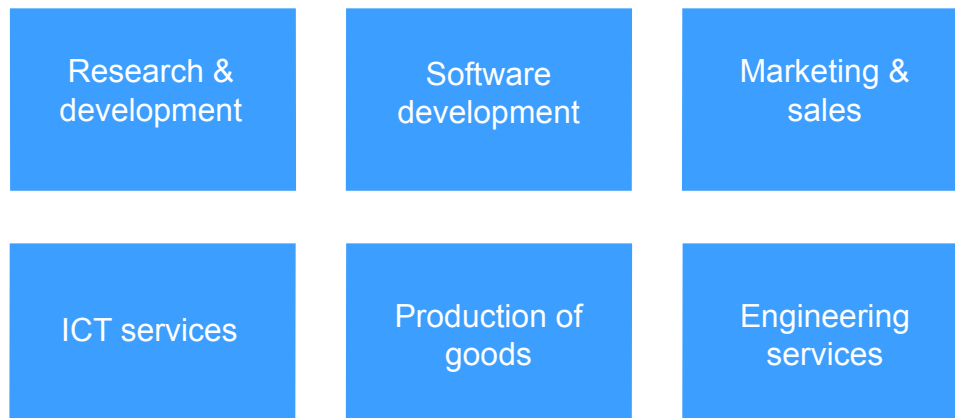
Hiring new workers in skilled occupations is difficult for many Mongolian firms. The two main reasons for this are: (a) there are few applicants, and (b) applicants demand wages higher than the firms could afford. In addition, many firms complain that job candidates lack the requisite skills.² All three reasons jointly point to the shortage of skilled labor. This shortage limits the growth potential of Mongolian firms.

Although hiring new workers is difficult, most employers do not regard inadequate workforce skills as a significant obstacle to the current operation of their firms. Yet, there is a non-negligible minority of firms for which inadequate workforce skills are a major constraint that hampers their operations and growth. These are largely “modern” (as opposed to “traditional”) firms, that include innovative, expanding, exporting as well as large firms. For example, among large firms six out of ten see inadequate workforce skills as at least a moderate obstacle. There is thus a skills gap in Mongolia, which has an adverse effect on the performance of modern, innovative firms. In particular, insufficient workforce skills entail difficulties in introducing new technologies, loss of business opportunities and lower profitability. Activities that are most strongly affected by the skills gap (reported by about 40 to 50 percent of employers) are shown in Figure 1. These are all high value-added activities, critical for the growth of the Mongolian economy.

¹ Note prepared by Jan Rutkowski, Consultant to the World Bank.

² Other, less often reported reasons hiring was difficult included lack of the requisite work experience and working conditions deemed unsatisfactory by job candidates.

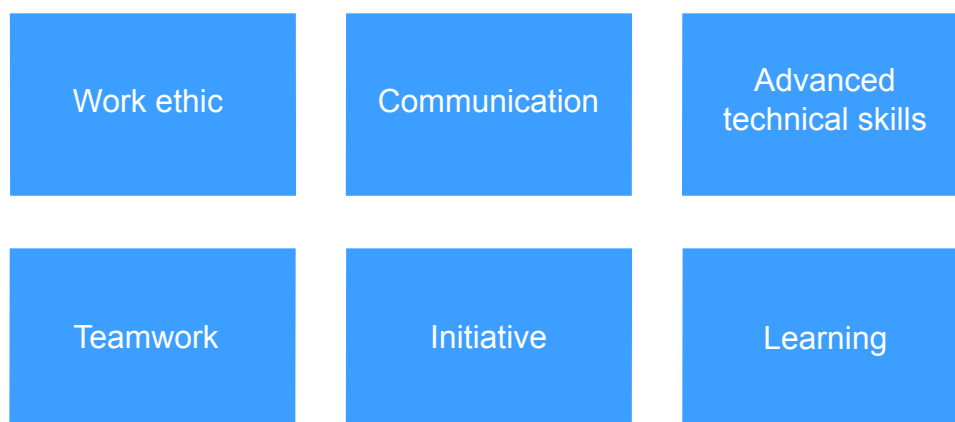
Figure 1. The six activities most strongly affected by skills gap



Most in-demand skills

Adequate workforce skills that match job requirements are key to the growth of the Mongolian economy. The top six skills that Mongolian employers value most are shown in Figure 2.³

Figure 2. The top six most in-demand skills



Other skills often deemed by employers as crucial are basic information technology (IT) skills, and self-management, i.e. the ability to work independently.

The skills that employers look for fall into three categories: (a) socio-behavioral skills (work ethic, communication, teamwork, initiative); (b) cognitive skills (willingness and ability to learn new things); and (c) job-specific technical skills.

Naturally, employers demand different sets of skills from different occupational groups. However, the above-listed six skills are common to the three broad

³ Respondents were asked to select skills they consider most important from a list of 25 skills falling into three categories: (a) cognitive skills (such as literacy, numeracy, critical thinking, and problem solving), (b) socio-behavioral skills, and (c) technical, job-specific skills.

occupational groups included in the survey: (a) professional workers, (b) non-manual (clerical, service and sales) workers, and (c) skilled manual workers.

Most lacking skills

Do Mongolian workers possess the skills that employers require? What are the skills that are insufficient among the workforce and thus in need of improvement? Figure 3 lists the top six skills that Mongolian employers consider insufficient among their workforce.

Figure 3. Top six skills most in need of improvement



Other skills often mentioned as insufficient include leadership or management skills, foreign language skills and advanced technical skills. Again, although the set of skills deemed insufficient varies somewhat among the three broad occupational groups, the skills shown above are viewed as in need of improvement in all of them.

The skills that are seen by employers as insufficient are basically the same skills that are seen as most important. In particular, workers often lack important socio-behavioral skills, including initiative, work ethic, willingness to learn new things, communication, teamwork skills, and the ability to work independently (self-management). There is thus a skills gap in Mongolia, and it refers primarily to socio-behavioral skills rather than to technical, job-specific skills.

Employers' assessment of the education system

Employers are critical of the performance of the educational system in Mongolia. Most of them (some 80 percent) think that the system fails to produce people with the skills relevant for their business. They are particularly critical of the performance of the TVET system and somewhat more positive about the performance of the higher education system. In particular, employers complain that the educational system does not produce people with adequate advanced technical, job-specific skills. Moreover, they complain about insufficient up-to-date knowledge of methods and technology, and about unsatisfactory work attitudes among the graduates of educational institutions.

Training by firms

Some firms are proactive in addressing the skills gap and train their employees. Overall, one firm in four provides training to its employees. But large firms, SOEs (which tend to be large), and innovative firms provide training more often than smaller, private, and traditional firms. This is probably because they require higher skills than small, traditional firms, and – at the same – time can afford to train their staff. Firms are most likely to train professional workers and least likely to train manual workers. Typically, the aim of training is to provide workers with basic or advanced technical, job-specific skills, and to foster personal development (develop socio-behavioral skills).

Conclusions and Policy Implications

For most Mongolian firms inadequate workforce skills are not a major obstacle to their operations. This is partly because most Mongolian firms are small and traditional. Firms that are bigger and innovative require higher skills and, consequently, more often see inadequate workforce skills as a constraint to their operations and growth. Moreover, insufficient level of skills has an adverse effect especially on business activities that require high skills, such as research and development, software development, and ICT services. It is not only the lack of technical, job-specific skills that is the problem. Employers value socio-behavioral skills as much as technical skills. And it is adequate socio-behavioral skills, such as work ethic, initiative, leadership, and self-management, that employers most often consider lacking among the workforce (besides job-specific skills). Not surprisingly, for the lack of requisite skills in the workforce employers blame the educational system, especially TVET. Some employers are proactive in addressing the skills gap and provide training to their employees. These are mainly large and innovative firms who need highly skilled employees and at the same time can afford to train them. An option not always available for small firms.

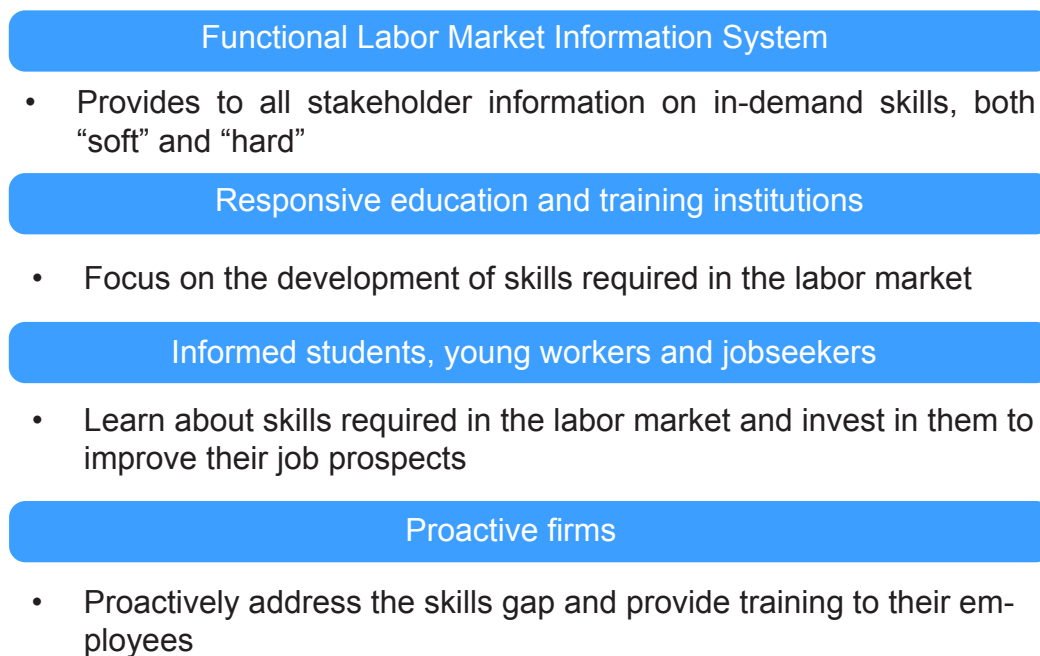
The policy implications of the above findings are quite straightforward. The skills gap must be addressed, and workforce skills must be improved to support the modernization and growth of Mongolian firms, and consequently growth of the whole economy. Four conditions are required for achieving this goal:

- Information on in-demand skills, both technical and socio-behavioral, should be actively disseminated to all stakeholders and publicly available on the Labor Market Information System
- Education and training institutions should put more emphasis on the development of skills demanded in the labor market, including the development of the core socio-behavioral skills. These skills are developed from the very beginning of the educational process, starting in kindergartens and elementary schools through secondary education.

- Students, young workers, and jobseekers should be made aware of skills demanded by employers so that they can invest in these skills to improve their employment prospects. In addition, internships are a useful way for students to gain work experience and develop job-specific skills.
- Firms should be proactive in addressing the skills gap by providing training to their employees, and possibly apprenticeships for young workers to help them develop job-specific skills useful for the firm. Small firms that could not afford training could potentially be supported by the government (e.g. through tax benefits).

The conditions required for reducing the skills gap are summarized in Figure 4.

Figure 4. Conditions needed for reducing the skills gap.



POLICY NOTE

SKILLS DEMAND IN MONGOLIA⁴

Main Findings of the Skills Module of the Barometer Survey 2022⁵

Using the results of the Skills Module of the 2022 Barometer Survey this Note aims to provide answers to two main questions:

- What are the skills that are most valued by employers, and
- What are the skills that are lacking in the workforce and therefore in need of improvement.

It finds that there are five skills that Mongolian employers deem most important and at the same time in need of improvement: (i) a work ethic, (ii) communication skills, (iii) teamwork skills, (iv) initiative and proactivity, and (v) learning skills.

The Note argues that there is a skills gap in Mongolia and that it affects modern (as opposed to traditional) enterprises particularly strongly.⁶ It also stresses the fact that skills that employees lack are not only job-specific technical skills, but also and equally importantly, socio-behavioral skills, such as those listed above.

The Note then shows the adverse impact of the skills gap on Mongolian enterprises and argues that if the skills gap is not addressed it may hold back economic growth in Mongolia. Finally, the Note recommends measures to reduce the skills gap and improve the match between skills possessed by the workforce and those required by employers.

The Note is divided into seven sections. Section I documents that inadequate workforce skills are a significant obstacle to the operations of modern Mongolian firms. Section II identifies skills that employers consider most important, and Section III identifies skills that are most in need of improvement. Section IV presents employers' evaluation of the quality of Mongolian education and its relevance for their businesses. Section V looks at the impact of the skills gap on enterprise performance. Section VI focuses on firm-provided training. Section VII concludes and proposes policy measures to address the skills gap.

⁴ The Note was prepared by Jan Rutkowski, Consultant to the World Bank.

⁵ The Policy Note complements a report prepared by the RILSP, which contains a detailed analysis of the Barometer Survey's results.

⁶ A skills gap refers to a situation such that the level of skills employees (or job seekers) have is lower than that required to perform their jobs adequately.

I. Is lack of skills a serious problem for Mongolian businesses?

Are inadequate workforce skills an obstacle to enterprises' operation in Mongolia? For most enterprises, the answer is no.⁷ For them workforce skills are either no or only a minor obstacle. Further analysis reveals that this is because most Mongolian enterprises are small and traditional and consequently most jobs do not require high or scarce skills. However, enterprises that are modern (large, growing, exporting, or innovative) are significantly more likely to view inadequate workforce skills as a major or even severe obstacle to their operations. Moreover, many modern enterprises find it difficult to hire workers with the requisite skills, which hampers their growth. These findings suggest that there is a skills gap in Mongolia that potentially has an adverse impact on the growth prospects of modern enterprises.

Most enterprises do not deem inadequate workforce skills as a constraint to their current operations. Figure 1, Panel A shows, that, for eight out of ten Mongolian enterprises, workforce skills are no or only a minor obstacle. However, there is a strong relationship between skills being perceived as an obstacle and the firm's size (Figure 1, Panel B). Large enterprises much more frequently view skills of available workers as a constraint than small enterprises. Importantly, the Mongolian economy is dominated by micro and small enterprises, which jointly account for 97 percent of all enterprises. Large enterprises represent a small minority. Therefore, the fact that most employers do not see skills of available workers as a constraint is largely explained by the fact that the bulk of Mongolian enterprises are small and presumably do not require highly advanced skills.

However, there are enterprises for which lack of skills is a serious problem. These enterprises include not only large enterprises, but also enterprises that are innovative, exporting and expanding, that is enterprises that could be considered modern, as opposed to traditional (Figure 2).⁸ This modern sector of the Mongolian economy is relatively small, but it is crucial for its growth. Thus, although the lack of skills affects only a minority of enterprises, it is likely to hamper modernization and growth of the Mongolian economy.

⁷ The term "enterprises" is used as a shorthand to represent various economic entities, including state-owned enterprises, private enterprises, and nongovernmental organizations.

⁸ To some extent these categories of enterprises may overlap, i.e. a firm could be simultaneously large, expanding, exporting and innovative.

Figure 1A. Most Mongolian enterprises do not deem inadequate workforce skills as a significant obstacle to their operations, but large enterprises are an important exception

Percentage of enterprises reporting inadequate workforce skills as an obstacle to their operations

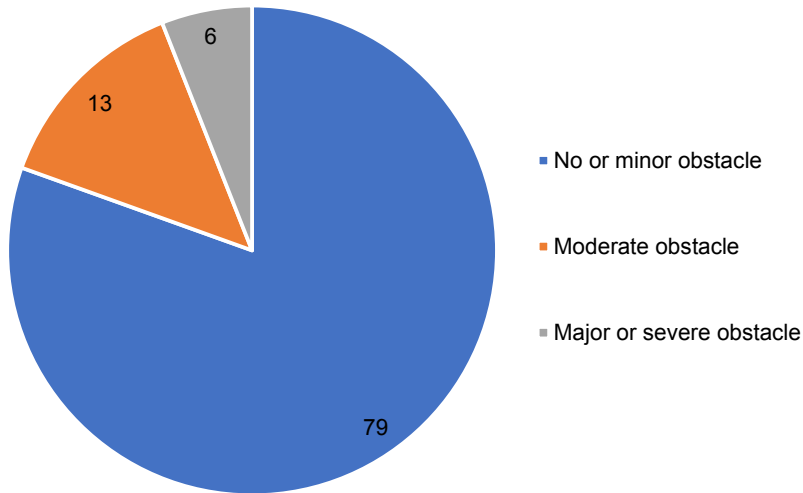
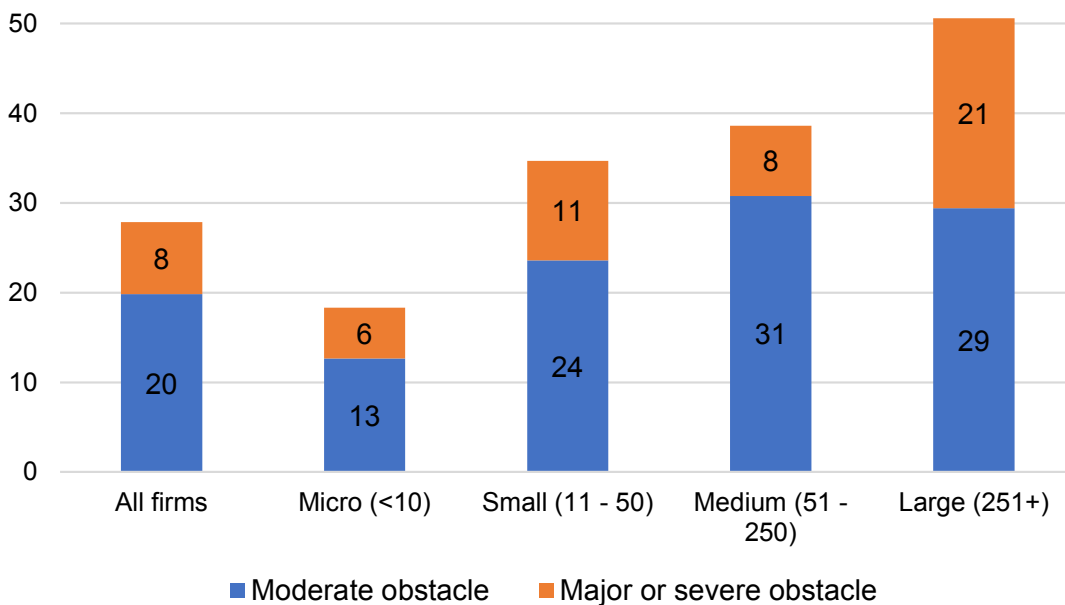


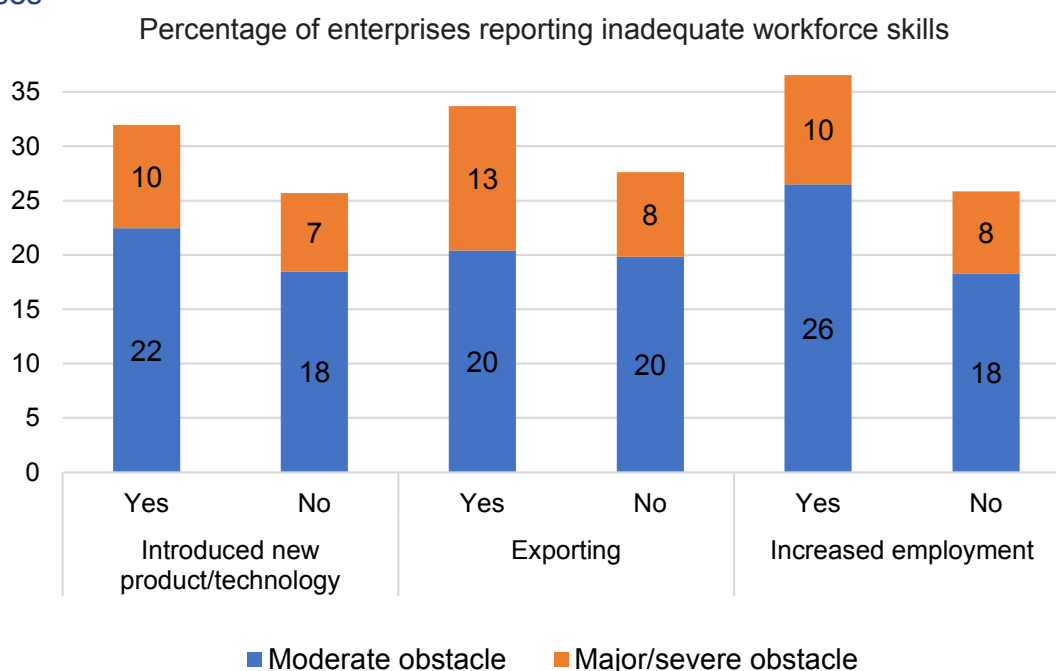
Figure 1B.

Percentage of enterprises reporting inadequate workforce skills as major or severe obstacle to their operation by firm size



Source: Barometer Survey 2022; World Bank staff calculations.

Figure 2. Modern enterprises suffer from lack of skills more than traditional enterprises



Source: Barometer Survey 2022; World Bank staff calculations.

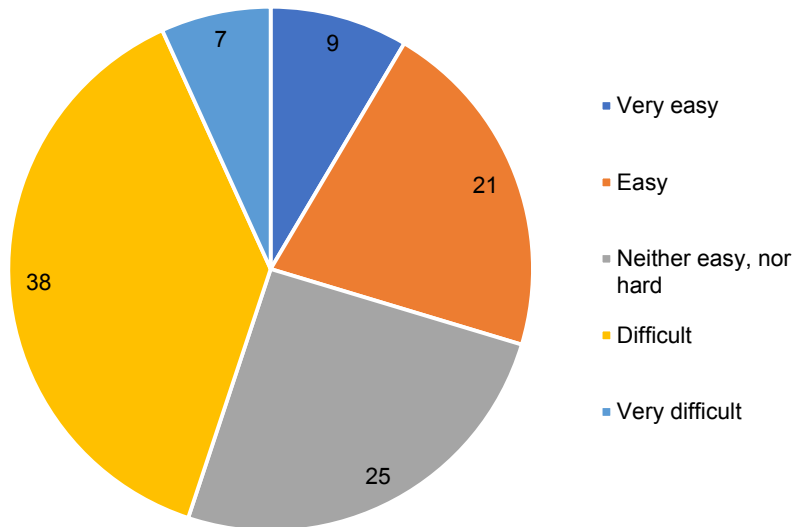
Hiring new workers is difficult for many Mongolian enterprises. Among enterprises that tried to recruit workers 45 percent reported that it was either difficult or very difficult (Figure 3, Panel A). There were two main reasons hiring was difficult: (a) there were no or few job applicants, and (b) applicants demanded wages higher than the enterprises could offer (reported respectively by 38 and 33 percent of enterprises that tried to recruit workers, Figure 3, Panel B). Both reasons indicate that there is an acute shortage of skilled labor in Mongolia. When job applicants turned up for interviews, they often lacked requisite skills (12 percent of enterprises reporting). They were mostly lacking technical, job-specific skills, but also socio-behavioral skills and in some cases adequate cognitive skills (understanding questions, communicating clearly, thinking logically).⁹ Altogether, there is clear evidence that the shortage of skilled labor is a constraint to the growth of many Mongolian enterprises.

⁹ Among enterprises that found recruitment difficult because job candidates lacked requisite skills 72 percent pointed to lack of technical skills, 20 to lack of socio-behavioral skills, and 8 percent to lack of cognitive skills. These percentages are approximate due to the small size of the sub-sample.

Figure 3. Hiring workers is difficult for many Mongolian enterprises mainly because of shortage of skilled labor

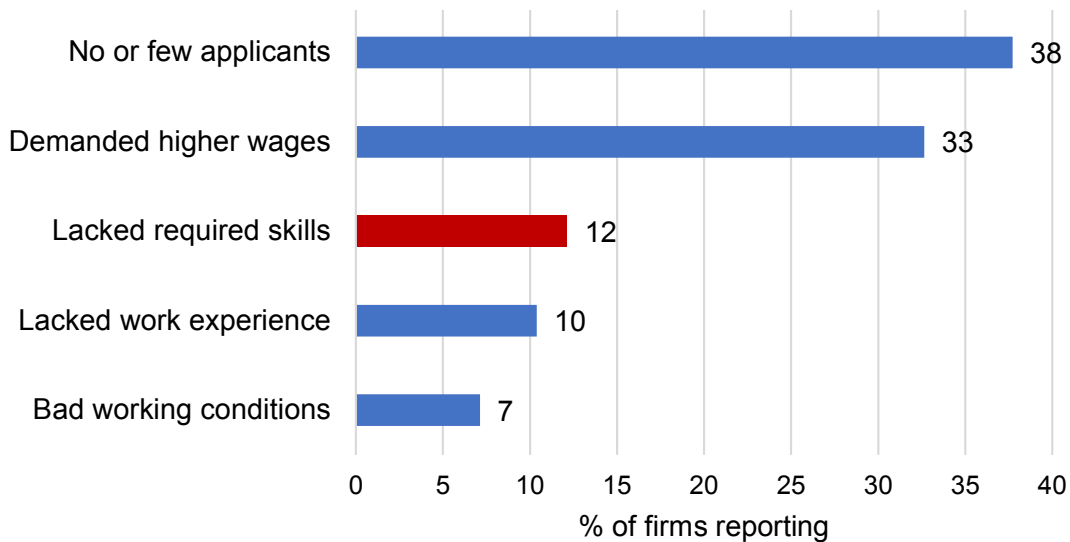
Panel A

Percentage distribution of enterprises by the degree of hiring difficulty



Panel B

Reasons hiring was difficult



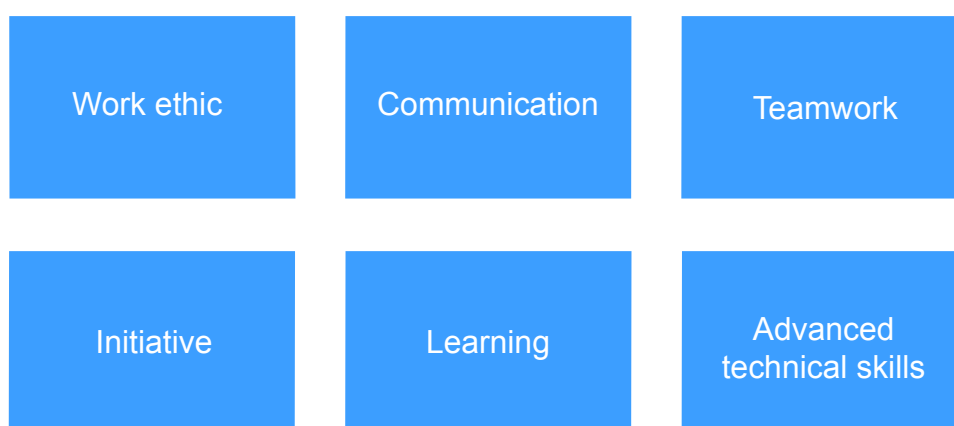
Source: Barometer Survey 2022; World Bank staff calculations.

To conclude, there is evidence that many Mongolia enterprises, especially modern ones, are affected by a skills shortage. Inadequate workforce skills are an obstacle to their operations, and hiring workers with the requisite skills is difficult. The shortage, if not dealt with, may have a negative impact on the growth prospects of the Mongolian economy.

II. What are the most in-demand skills?

Information on in-demand skills is important for two reasons. First, it helps education and training institutions to design curricula so as to best respond to labor market needs. Second, it helps students and jobseekers to make informed decisions and invest in skills that are sought after by employers, so that they can improve their employment prospects. The top six most in-demand skills are shown in Figure 4. These skills are highly valued by employers regardless of occupation. They are equally important for professionals, non-manual as well as skilled manual workers.

Figure 4. The top six most in-demand skills



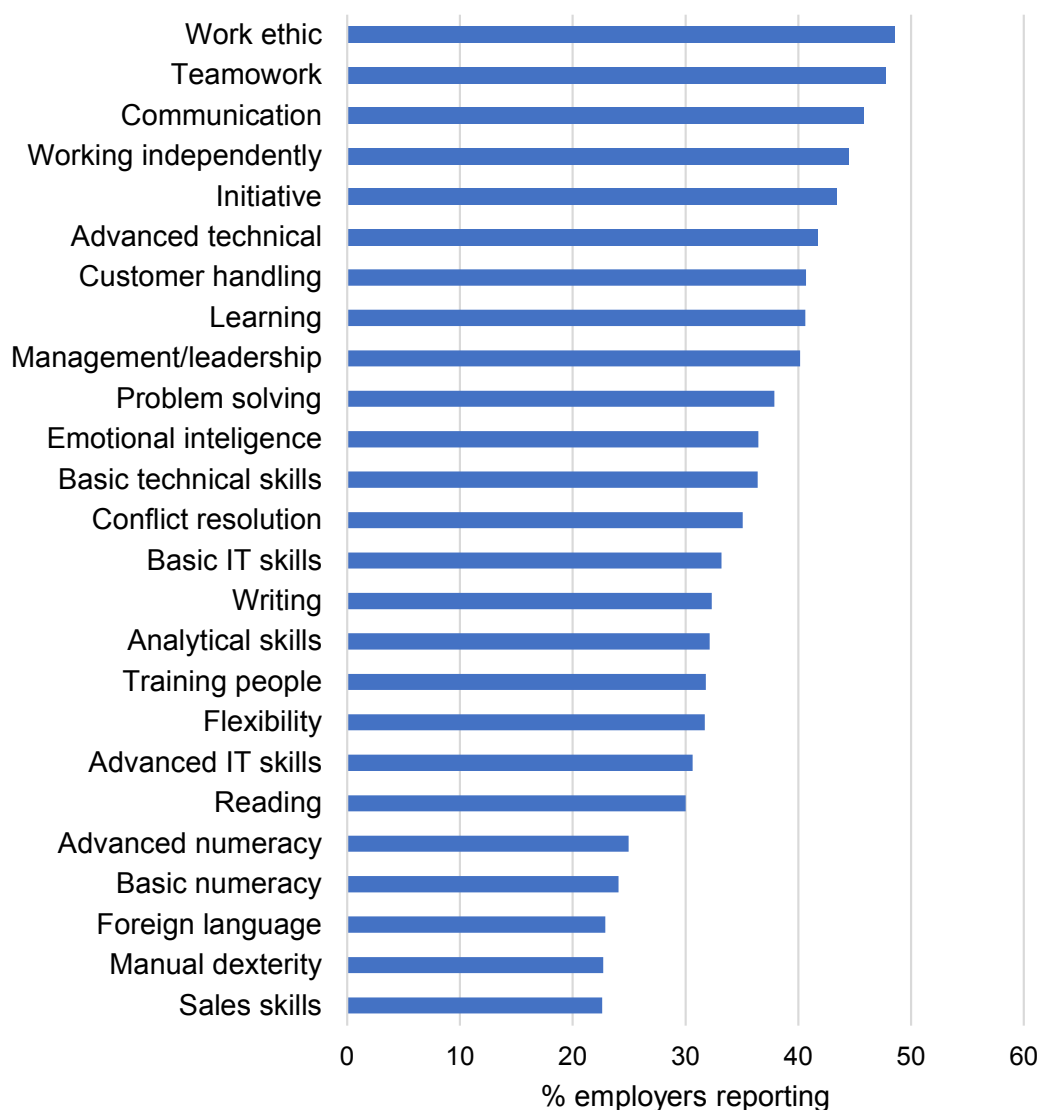
Source: Barometer Survey 2022.

The skills most valued by employers among professional workers are shown in Figure 5A. The top five most important skills are: a work ethic¹⁰, teamwork, communication skills, self-management (ability to work independently), and initiative. All these are socio-behavioral skills, also referred to as “soft” skills. It is noteworthy that advanced technical, job-specific skills, often referred to as “hard” skills, come after the socio-behavioral skills. This obviously does not imply that technical skills are not important. They are necessary, but they are not sufficient. Mongolian employers value “soft” skills at least as much as “hard” skills.

¹⁰ A work ethic consists of a number of traits, including motivation, hard work, diligence, perseverance, reliability and honesty.

Figure 5A. Skills most valued among professional workers

Skills considered very important among professional workers



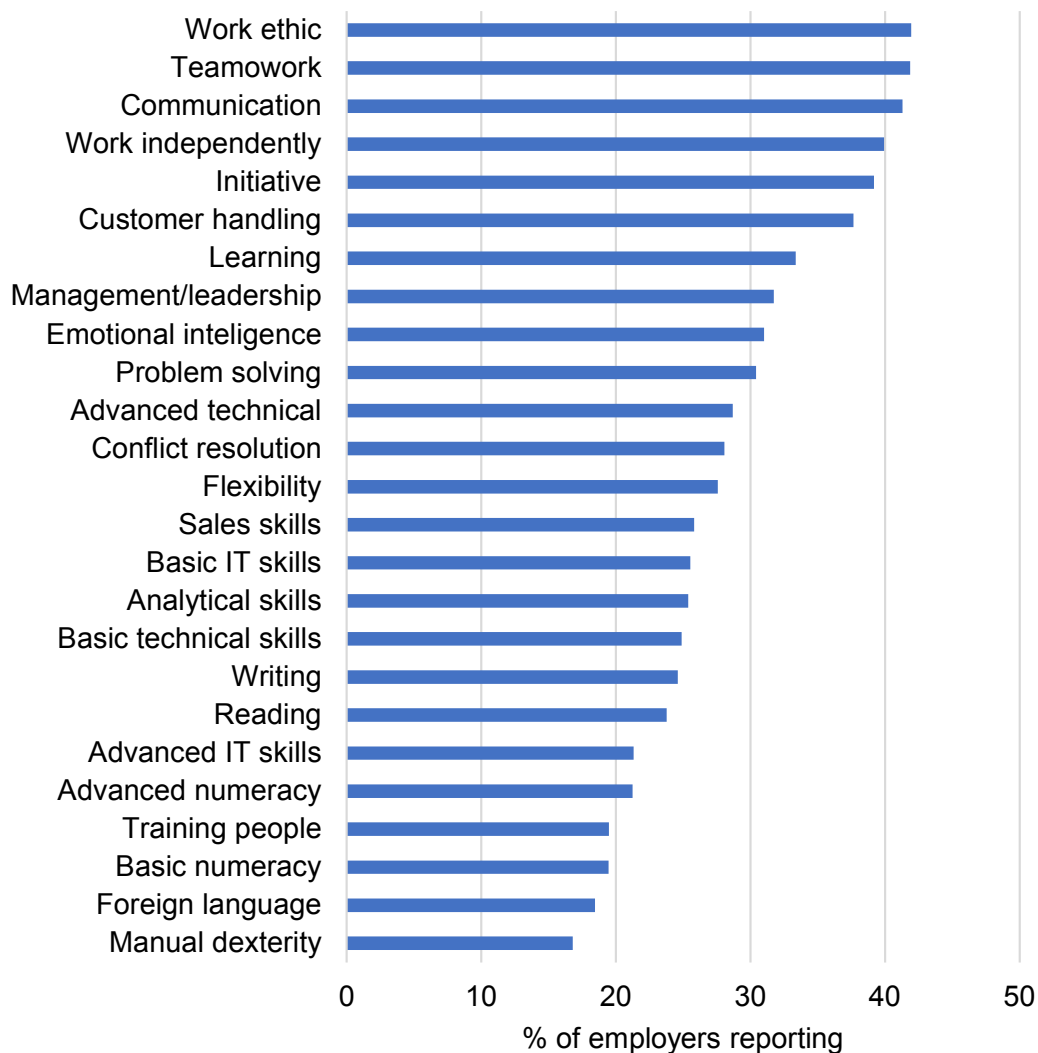
Note: Professional workers are persons who work in fields of specialty that require advanced education.

Source: Barometer Survey 2022, World Bank staff calculations.

The skills most valued by employers among non-manual workers are virtually the same as in the case of professional workers. These are, again, the key socio-behavioral skills: a work ethic, teamwork, communication, self-management, and initiative (Figure 5B). Customer handling – a crucial job-specific skill for service and sales workers – is deemed very important, but in complement with adequate socio-behavioral skills.

Figure 5B. Skills most valued among non-manual workers

Skills considered very important among non-manual workers



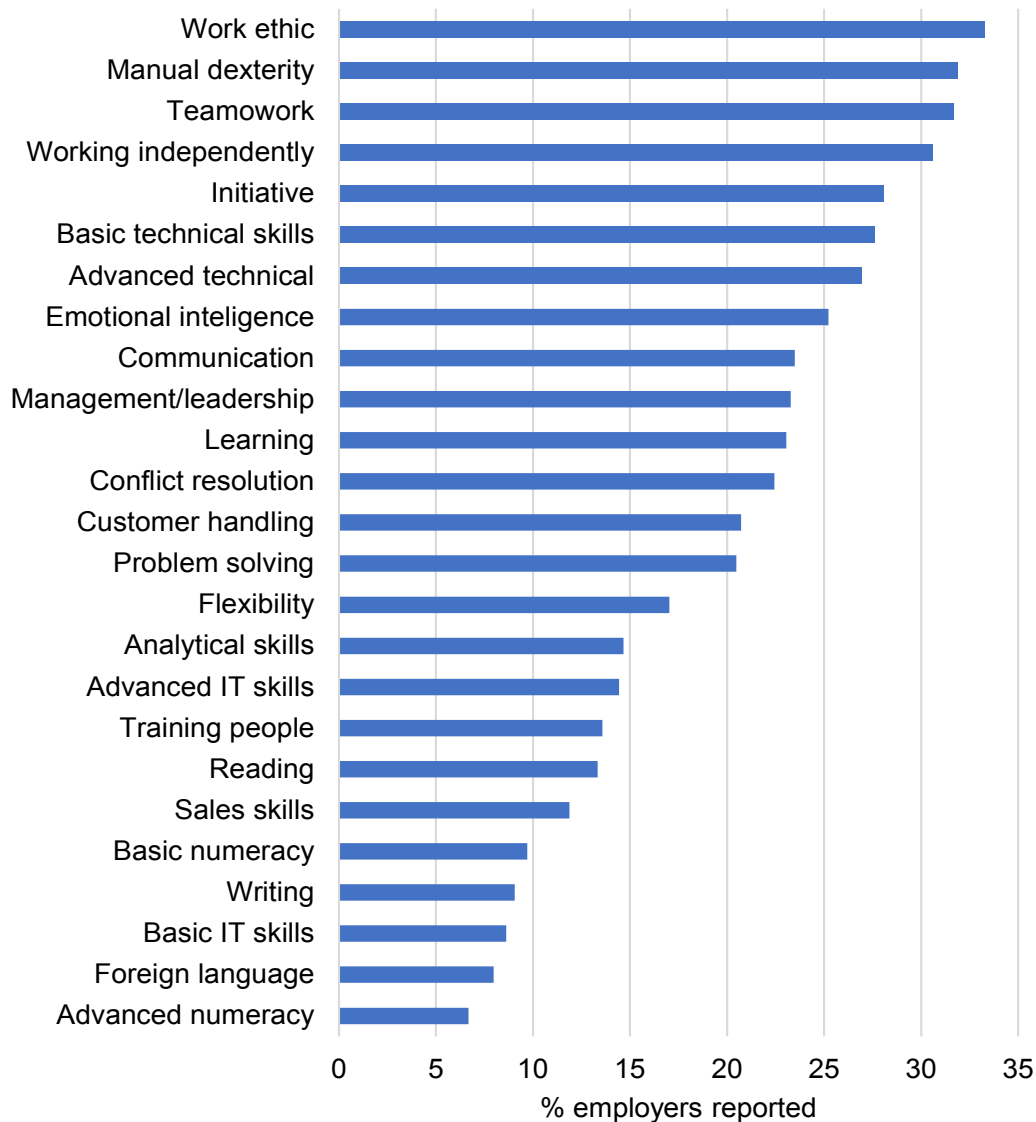
Note: Non manual workers include service, sales and clerical workers.

Source: Barometer Survey 2022, World Bank staff calculations.

As to skilled manual workers employers put emphasis on manual dexterity in addition to a work ethic and other socio-behavioral skills. The top five most valued skills are: a work ethic, manual dexterity, teamwork, self-management (ability to work independently), and initiative. Next come basic and advanced technical skills (Figure 5C). Thus, as in the previous two cases, the key to employability is a combination of technical and – equally important – socio-behavioral skills.

Figure 5C. Skills most valued among skilled manual workers

Skills considered very important among manual workers



To conclude, the most in-demand skills include both technical, job-specific skills and main socio-behavioral skills, such as a work ethic, teamwork, communication skills and initiative. In other words, Mongolian employers deem “soft” skills equally important as “hard” skills. It is noteworthy that this pattern, whereby employers emphasize the importance of socio-behavioral skills, is observed all over the world and Mongolia is no exception in this respect. “Soft” skills matter for employability as much as “hard skills”.¹¹ The implication of this finding is that students and jobseekers must acquire and possess both sets of skills in order to improve their chances of getting (and holding on to) a productive job.

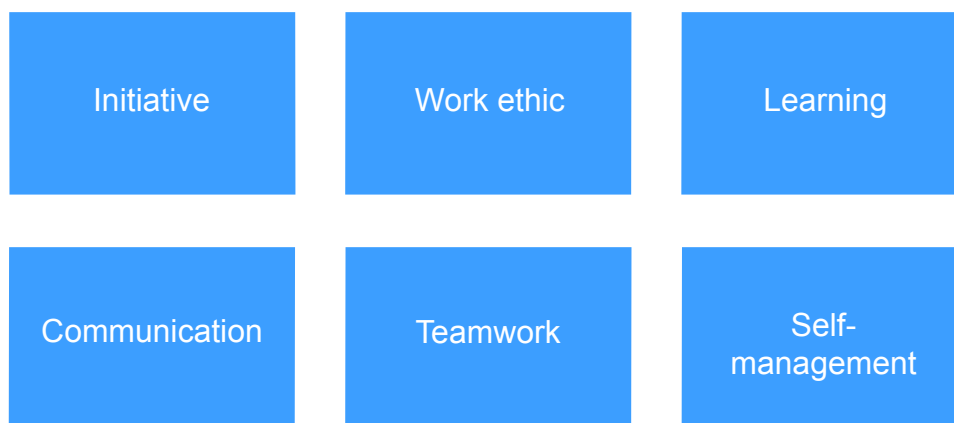
¹¹ The following quotes illustrate the importance of “soft” skills. “Hard skills get you hired, poor soft skills could get you fired (The Irish Times, <https://www.irishtimes.com/business/work/hard-skills-get-you-hired-poor-soft-skills-could-get-you-fired-1.2859688>).

“[Software] Developers are hired for their IT skills and fired for their social skills” and “The level of social skills available within an IT team is the main predictor of it’s performance over the long run” (linkedin, <https://www.linkedin.com/pulse/developers-hired-skills-fired-social-jo%C3%ABI-tendon/>)

III. What are the skills most in need of improvement?

We have shown that inadequate workforce skills are a major obstacle to modern enterprises in Mongolia. The natural next step is to identify the skills that the employees lack, and are thus in need of improvement in order to support the growth of Mongolian enterprises. Figure 5 shows the top six socio-behavioral skills that employers have identified as most lacking among their workforce regardless of occupation. It is worrisome that skills that are deemed most lacking are simultaneously the skills that are deemed most important by employers. In other words, Mongolian workers often lack the key skills employers require, and that are necessary for the efficient performance of Mongolian enterprises.

Figure 6. The top six socio-behavioral skills most in need of improvement



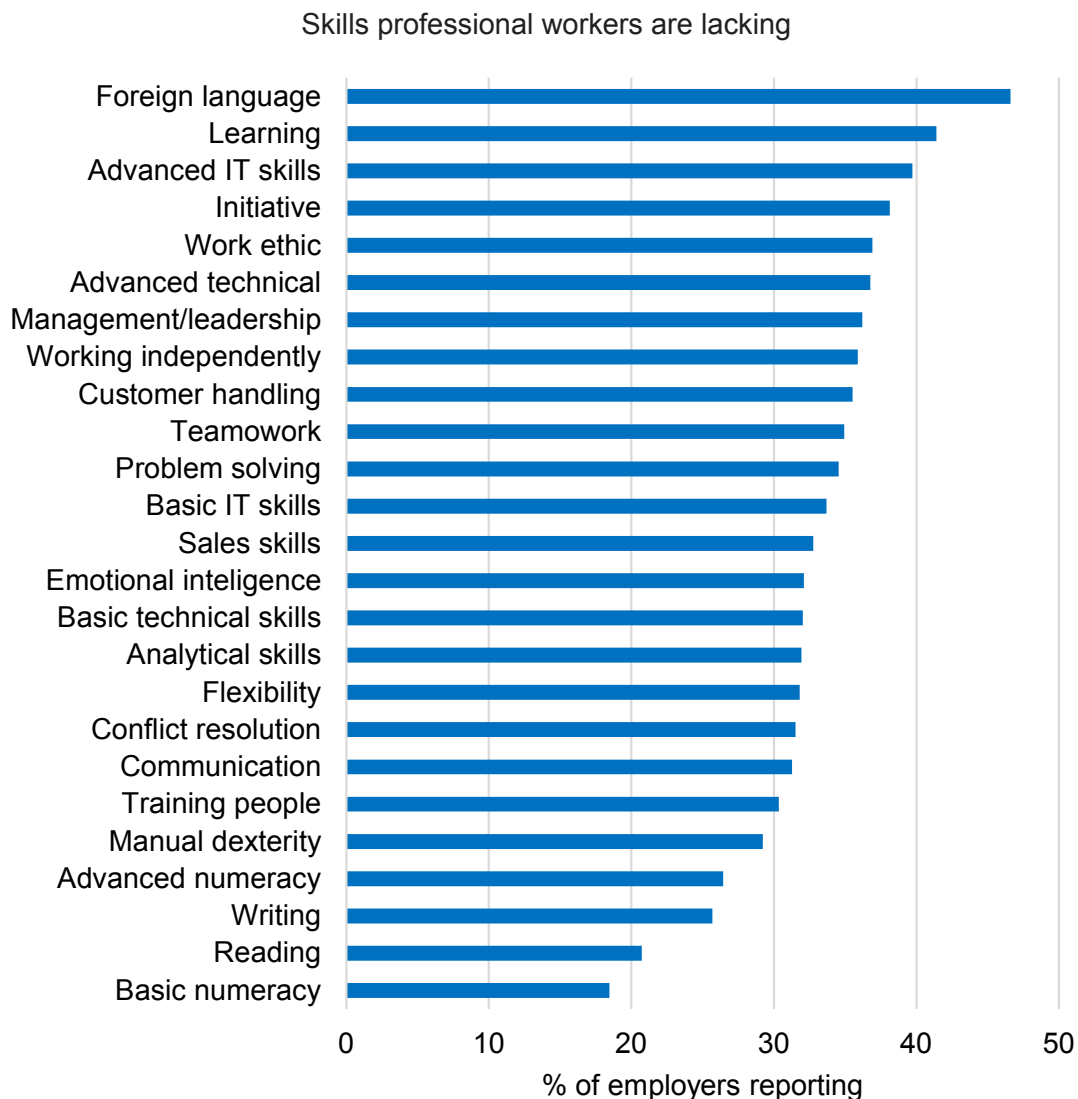
Source: Barometer Survey 2022.

Let's take a closer look at skills that are in need of improvement for each of the three broad occupational groups: professionals, non-manual and skilled manual workers.

Foreign language is the skill most often mentioned as lacking among professional workers. Close to 50 percent of employers say that this skill is in need of improvement.¹² Other skills that professional workers often lack include willingness to learn new things, advanced IT skills, initiative and proactivity, a work ethic, as well as advanced technical, job-specific skills (Figure 7A). Thus, professional workers often lack both technical skills (foreign language, advanced ICT skills and job-specific skills) and key socio behavioral-skills (learning, initiative, work ethic).

¹² It is not possible to identify which foreign language the respondents have in mind.

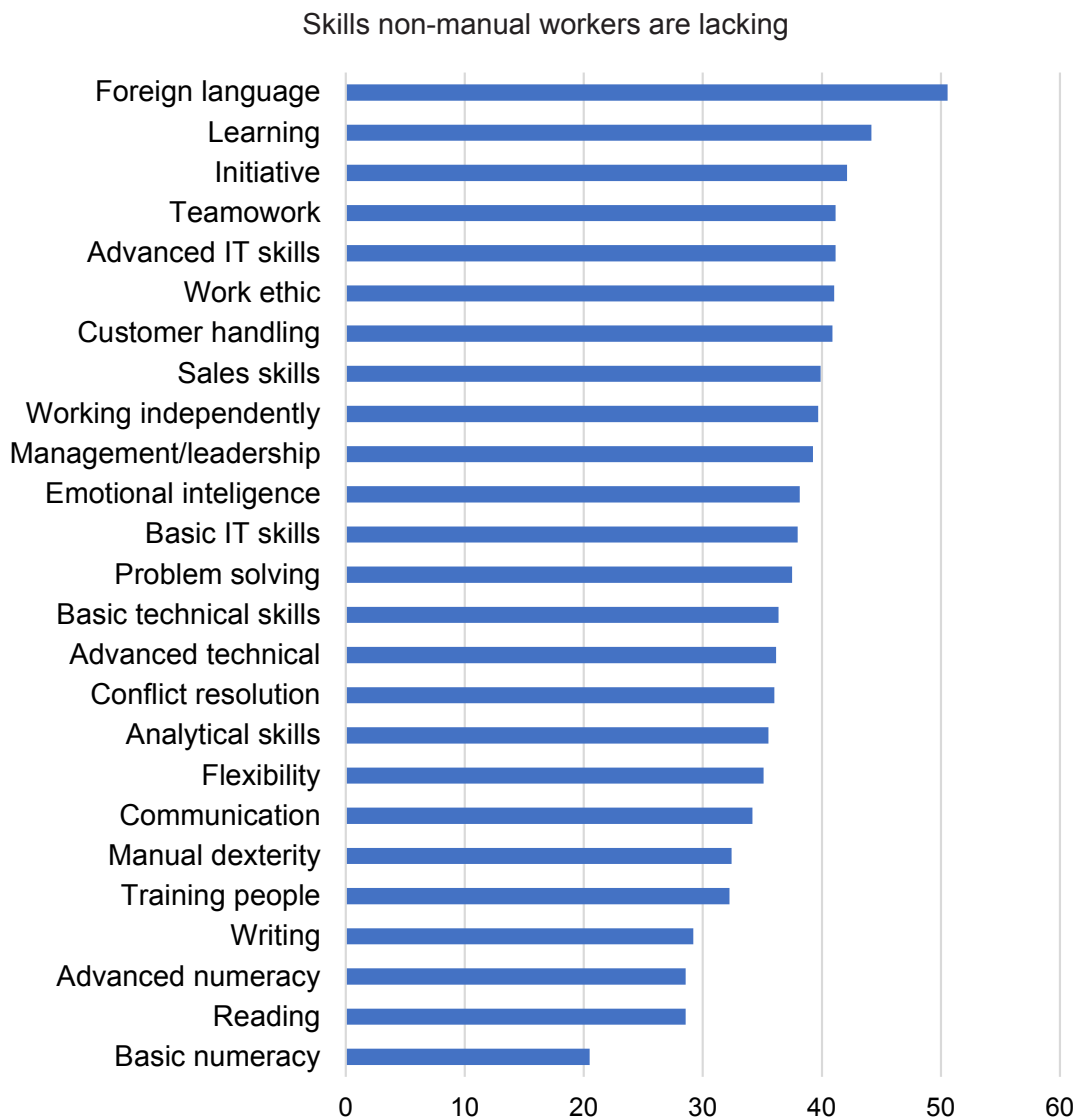
Figure 7A. Skills in need of improvement among professional workers



Source: Barometer Survey 2022, World Bank staff calculations.

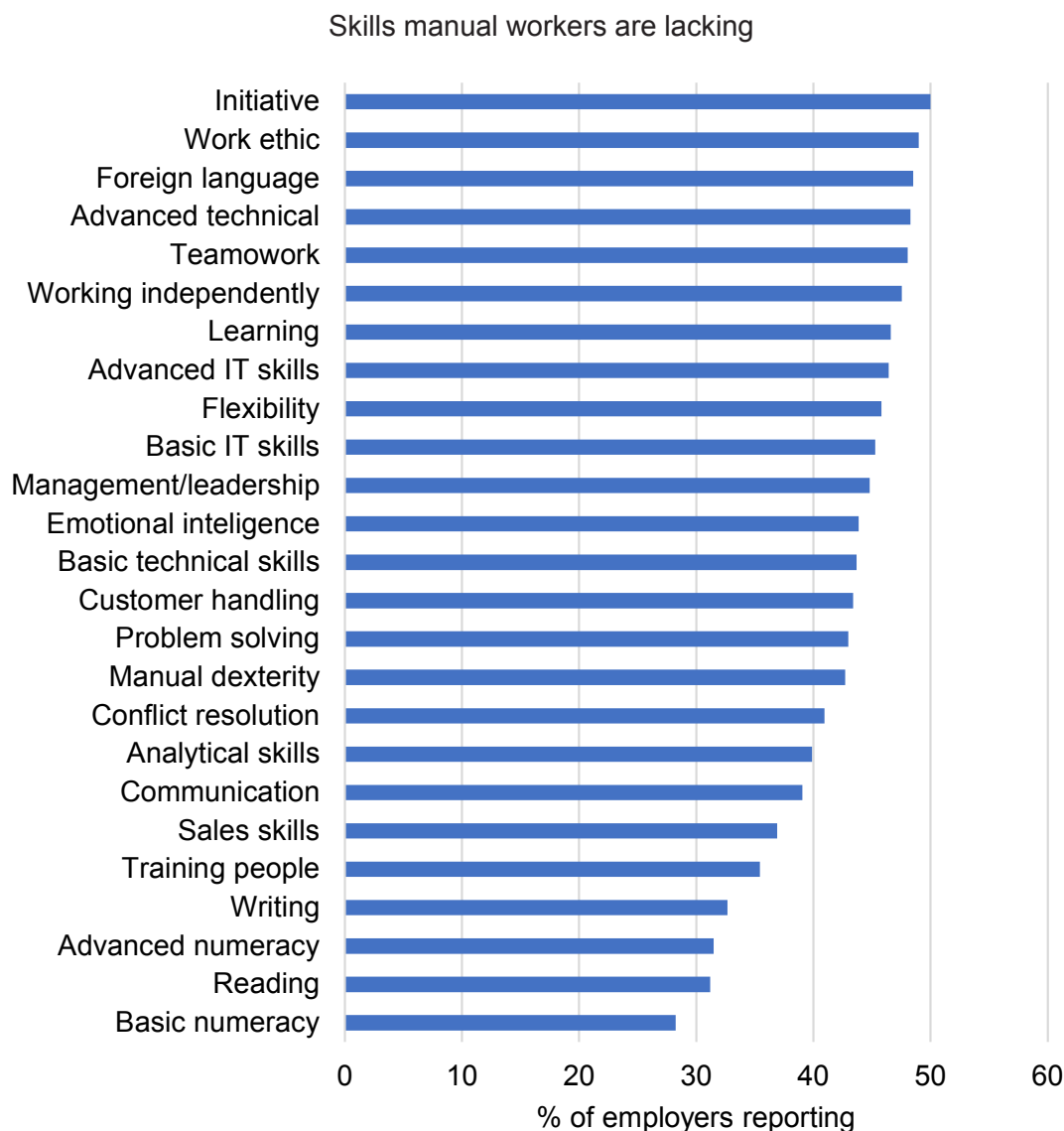
Foreign language again stands out as the skill most often lacking among non-manual workers. Every second employer claims that language skills are in need of improvement. Non-manual workers also lack key “soft” skills, including learning skills, initiative, teamwork skills, and a work ethic as well as job-specific skills, including advanced IT skills, customer handling and sales skills (Figure 7B). The lack of these skills is reported by about 40 percent of employers.

Figure 7B. Skills in need of improvement among non-manual workers



Skilled manual workers lack initiative and a work ethic. Every second employer claims that these socio-behavioral skills are in need of improvement among craftsmen and machine operators. Other skills that are often mentioned as lacking include foreign language, advanced job-specific skills, teamwork skills, and the ability to work independently (Figure 7C). Again, manual workers often lack not only technical, but also critical socio-behavioral skills.

Figure 7C. Skills in need of improvement among skilled manual workers



Source: Barometer Survey 2022; World Bank staff calculations.

In conclusion, employers often claim that workers lack both key technical as well as important socio-behavioral skills. The main socio-behavioral skills that are in need of improvement include: a work ethic, initiative, communication, teamwork, ability to work independently, and learning skills. It is noteworthy that skills that were identified as the most lacking were also identified as the most important. A clear policy implication is that the educational system should place more emphasis on the development of skills demanded by the labor market. In the next section we show that employers claim there is much room for improvement in this respect.

IV. Does the education system produce people with the right skills?

Employers are critical of the quality of the education system in Mongolia. In their view the system does not produce people with the skills relevant for their businesses.

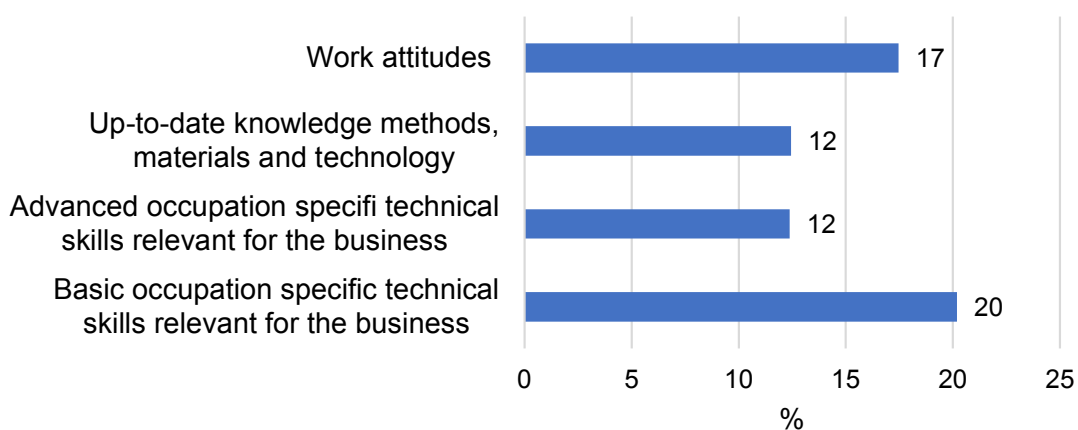
This critical evaluation refers to both the technical and vocational education and training (TVET) system, and to the higher education system.

Figure 8, Panel A shows that the majority of employers disagree that the TVET system equips students with the skills needed by their enterprises. Only 12 percent of employers agree that the TVET system produces people with adequate advanced occupation-specific technical skills relevant for their businesses and that it produces people with up-to-date knowledge of methods and technology. As many as 80 percent of employers disagree that the TVET system equips students with basic occupation-specific technical skills relevant for their businesses. This is concerning.

Figure 8. Most employers are critical of the quality of education

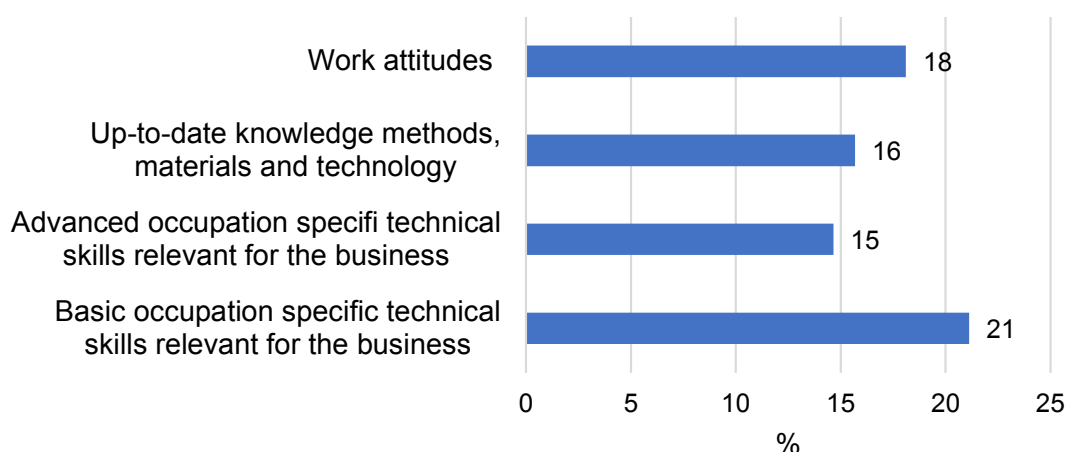
Panel A. TVET

Percentage of employers who agree that TVET produces people with adequate:



Panel B. Higher education

Percentage of employers who agree that higher education system produces people with adequate:



Employers' evaluation of the quality of the higher education system is only slightly more positive. Figure 8, Panel B shows that only 15 percent of employers agree that the higher education system equips students with adequate advanced technical skills, and only 21 percent agree that it equips students with adequate basic technical skills relevant for their businesses. Thus, the overwhelming majority disagrees that the higher education system provides students with the skills required in the existing – as well as future – jobs.

To summarize, the vast majority of employers have a negative view of the quality and relevance of the education system in Mongolia. In their assessment, the system does not provide students with the skills needed in the labor market. This assessment might be unduly critical. Employers could be biased, and their expectations could be excessive. Even the best-educated students must learn firm-specific technical skills on the job or by participating in firm-provided training (an issue addressed in Section VI). Nonetheless, the findings are concerning. Making the education system more responsive to labor market needs is apparently a serious challenge facing the education policy in Mongolia.

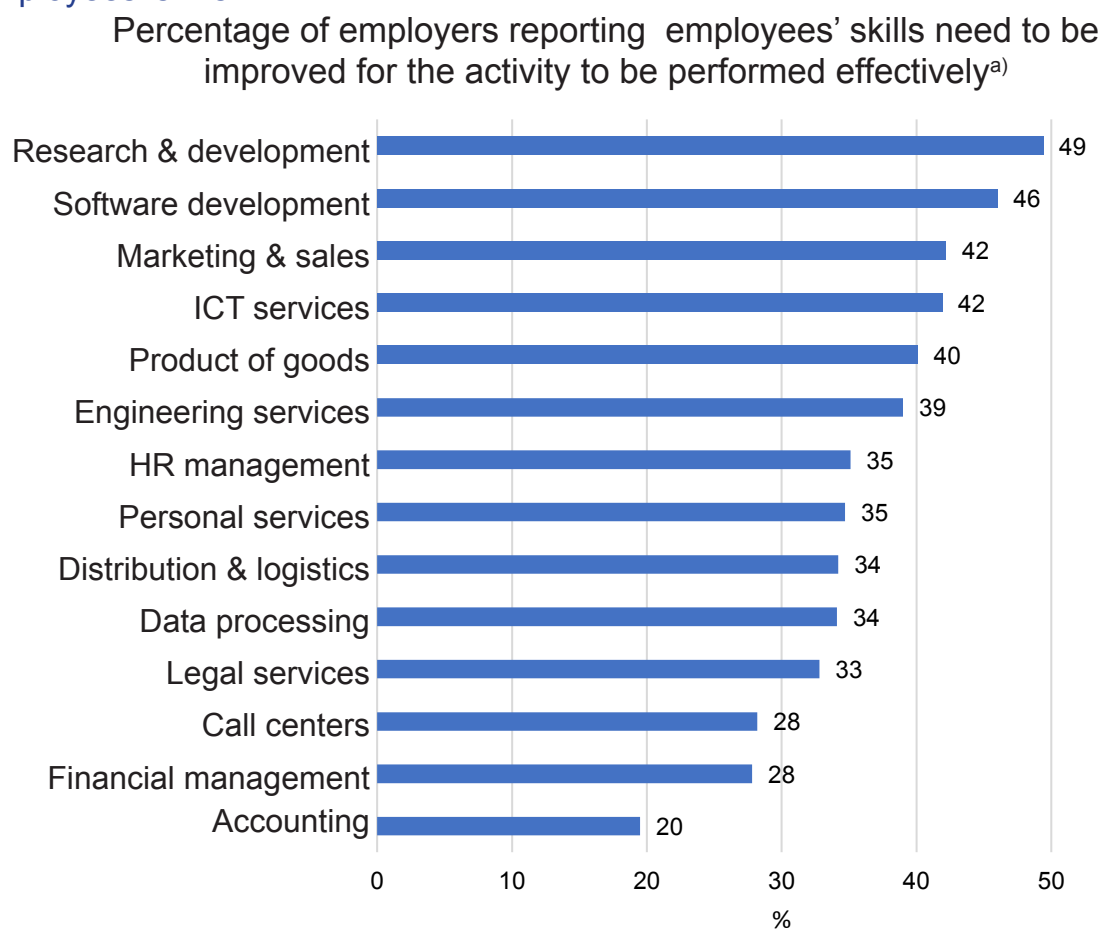
V. What is the impact of the skills gap on business?

We saw that many Mongolian employers claim that workers often lack crucial skills, both technical and socio-behavioral. There is thus evidence of a skills gap. As could be expected, the skills gap has an adverse impact on Mongolian enterprises. Many important business activities are not performed effectively because employees' skills are insufficient. The skills gap also has a negative impact on enterprises' profitability and their ability to innovate.

Insufficient workforce skills have an adverse impact on many key business activities. The activities most strongly affected are research and development, software development, marketing and sales, ICT services and production of goods (Figure 9). These are high-value-added activities requiring advanced skills, and as such are critical for enterprises' successful performance. The percentage of employers who assert that employees' skills need to be improved to efficiently perform key business activities is high. For example, nearly 50 percent of employers assert so in the case of research and development (R&D) activities and 40 percent in the case of production of goods.¹³

¹³ These percentages refer to enterprises in which the activities mentioned are needed. These enterprises represent 40 percent (R&D) and 38 percent (production of goods) of all enterprises.

Figure 9. Business activities adversely affected by insufficient level of employees' skills



a) The percentage refers to enterprises in which the activity is needed.

Source: Barometer Survey 2022; World Bank staff calculations.

Insufficient workforce skills also negatively affect enterprises' performance.

Especially, the skills gap leads to lower profitability due to lower productivity, causes difficulties with the introduction of new working practices or products, as well as the loss of business opportunities (each reported by about 30 percent of employers).¹⁴ This is yet another indication that the skills gap is likely to hinder the growth of Mongolian enterprises, and consequently the whole economy.

¹⁴ The problem is worse among modern enterprises. For example, 44 percent of innovative enterprises experienced difficulties in introducing new working practices or products due to the lack of skills in workforce, compared with 23 percent non-innovative enterprises.

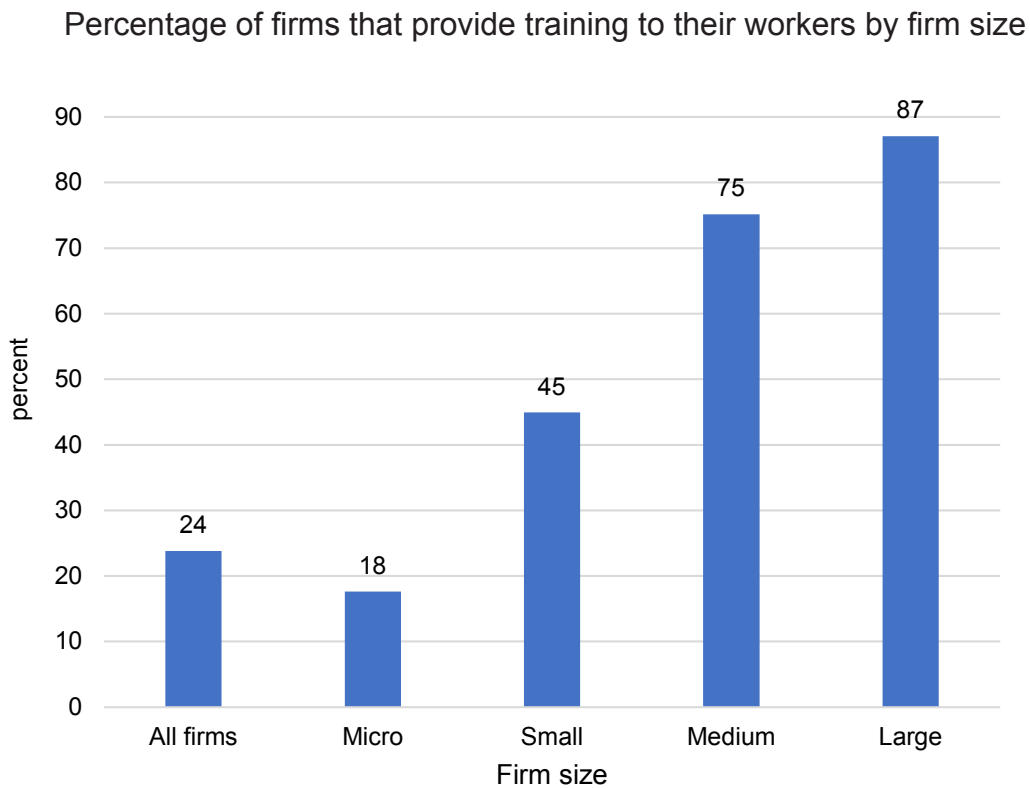
VI. Are Mongolian enterprises proactive in addressing the skills gap by training their employees?

Enterprises could and should be proactive in addressing a skills gap by providing training for their employees, particularly training that equips employees with firm-specific skills. But the majority of Mongolian enterprises do not train their employees, mainly because they are small and traditional. They either cannot afford training or simply do not need to upskill their workforce to be profitable. In contrast, Mongolian enterprises that are large and modern are more likely to train their workforce. Training is provided mainly to professional workers, less often to non-manual workers and least often to skilled manual workers. In terms of content, training usually focuses on equipping workers with basic and advanced technical, job-specific skills, as well as socio-behavioral skills (teamwork, communication, leadership, etc.).

Relatively few Mongolian enterprises train their employees. This is accounted for by the fact that most enterprises are micro-enterprises, which – in contrast to larger enterprises – rarely provide training to their workers. Figure 10 shows that the incidence of training increases with the firm’s size. Overall, one in four Mongolian firms trains its employees. But while 87 percent of large enterprises provide training, only 18 percent of micro-enterprises do. There may be different reasons why micro and small enterprises seldom train their workers. They may not be able to afford to spend resources on training. Or they do not require advanced skills and therefore do not need to upskill their workforce. As was shown earlier, small enterprises less frequently see inadequate skills as an obstacle than larger enterprises. We see a similar pattern when we compare traditional with modern (innovative) enterprises. The latter train their employees more often than the former (training is provided by 43 percent of modern and 17 percent of traditional enterprises). This is related to the fact that inadequate workforce skills are a problem for modern enterprises, but they are not for the traditional ones representing the bulk of Mongolian enterprises. Accordingly, enterprises that face a skills gap are more likely to train their employees than enterprises that do not, a pattern documented in Figure 11.¹⁵

¹⁵ One possible explanation why training is more often provided by firms that view skills as a moderate obstacle than by firms, which view them as a major/severe obstacle is that firms which train their employees may be less inclined to view skills as major obstacle.

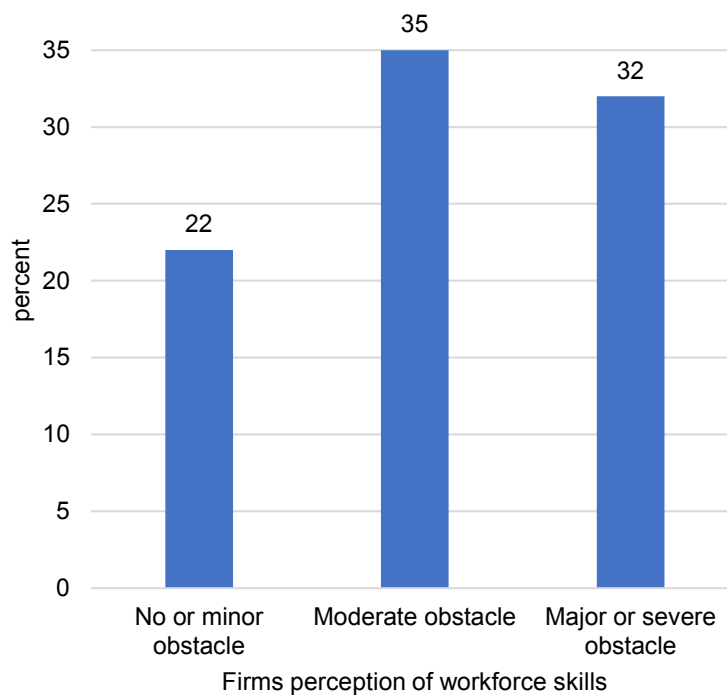
Figure 10. Incidence of firm-provided training increases with firm size



Source: Barometer Survey 2022; World Bank staff calculations.

Figure 11. Enterprises deeming inadequate workforce skills as an obstacle are more likely to train their employees

Percentage of firms providing training depending on assessment of workforce skills



Source: Barometer Survey 2022; World Bank staff calculations.

Few enterprises hired and trained young workers who lacked job-specific technical skills. Only 17 percent of enterprises did so in the last 36 months, which may suggest that Mongolian enterprises are reluctant to hire young people (recent school graduates) who lack requisite job-specific skills and instead prefer to hire experienced workers who do not need to be trained to meet job requirements.¹⁶

Enterprises are most likely to train professional workers and least likely to train skilled manual workers. Among enterprises that did train their employees, almost 90 percent trained professionals, 45 percent trained non-manual workers, and only 20 percent trained skilled manual workers. Put differently, twice as many enterprises trained professional workers than trained non-manual workers, and more than twice as many enterprises trained non-manual workers than trained skilled manual workers. It should be noted, however, that these figures are influenced by the occupational structure of employment in the sampled enterprises (biased towards professional workers) and therefore should be treated as rough estimates and thus interpreted with caution.¹⁷

Training provided by enterprises aims primarily at developing employees' basic and advanced job-specific skills. As regards professional and non-manual workers, focus is placed primarily on improving advanced job-specific skills, while in the case of skilled manual workers it is placed on improving basic job-specific skills. For illustration, in the case of professional workers 34 percent of all training courses were focused on developing advanced job-specific skills, whereas in the case of manual workers 36 percent of all training courses were focused on developing basic job-specific skills (Figures 12A and 12B, respectively).¹⁸ There are additional differences between the content of training courses received, by professional and non-manual workers on the one hand, and manual workers on the other. The former group more often than the latter receive training in personal development (socio-behavioral skills). Conversely, skilled manual workers more often than professional and non-manual workers receive ICT training.

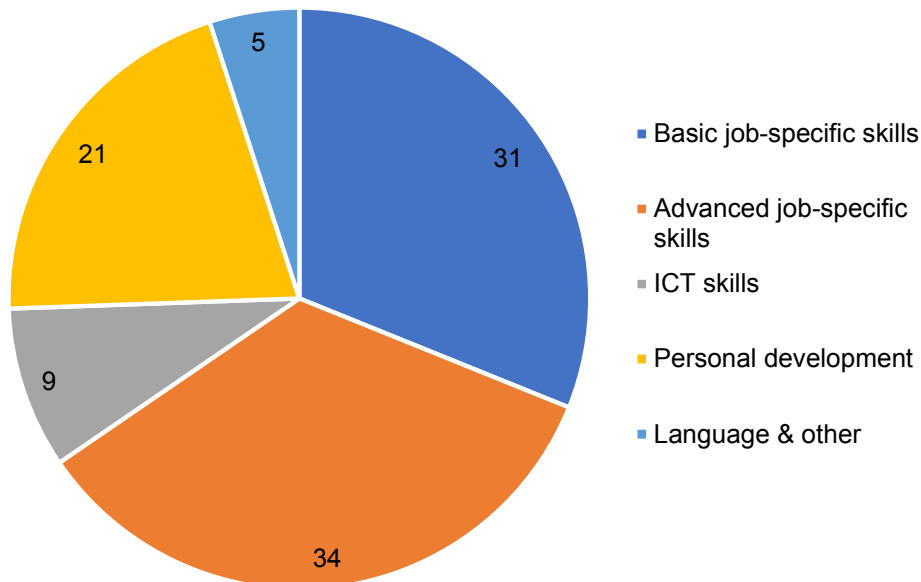
¹⁶ This low figure may be due to the fact that some enterprises did not hire at all in the last 36 months. Unfortunately, it is not possible to determine to what extent this was the case.

¹⁷ Professionals and associate professionals (technicians) account for 42 percent of employment in the sampled enterprises, and managers account for additional 8.5 percent. Middle-skilled workers account for 29 percent of total employment, and the rest are laborers.

¹⁸ The content of training courses received by non-manual workers was very similar to that received by professional workers and for this reason is not shown separately.

Figure 12A. Content of training courses: Professional workers

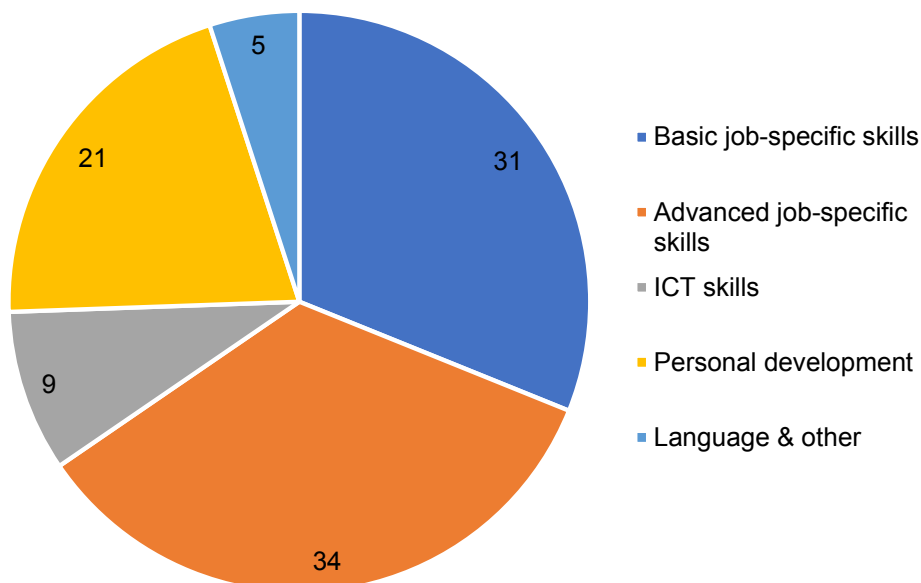
Percentage of all selections of the type of training provided



a) Enterprises could have selected three different types of training they usually provide.

Figure 12B. Content of training courses: Skilled manual workers

Percentage of all selections of the type of training provided
Manual workers



a) Enterprises could have selected three different types of training they usually provide.
Source: Barometer Survey 2022; World Bank staff calculations

Most training courses are short-term. Their duration ranges from just one day to one month. Professional workers tend to attend courses that last slightly longer than those attended by non-manual and manual workers. Specifically, typical courses last from three days to two weeks in the case of professionals, from two to ten days in the case of non-manual workers, and from two to seven days in the case of manual workers. The relatively short duration of training courses suggests that the objective of firm-provided training is mainly to upgrade existing workforce skills to minimize the skills gap, rather than to build entirely new skills.

Employers provide a mix of internal, work-based and external, classroom training. However, the proportions between both types of training differ among occupational groups. Professionals are much more likely to participate in external training than non-manual and skilled manual workers. Specifically, nearly 70 percent of firms that provide training to professionals provide external training, while less than 50 percent of firms provide external training to non-manual and manual workers. The latter group is more likely to receive work-based training.

To conclude, some Mongolian enterprises address the issue of the skills gap by providing training to their employees. Training programs are aimed to build and improve both job-specific technical skills and socio-behavioral skills, such as teamwork, communication, and leadership skills. However, training is provided by relatively few enterprises. They primarily include modern enterprises, enterprises that are larger and innovative, and which are more likely to require more advanced skills, and thereby are in need of upgrading the skills of their employees. These enterprises are also more likely to afford to spend resources on training in comparison with small, traditional enterprises.

VII. Conclusions. The challenge of bridging the skills gap

For many modern Mongolian enterprises inadequate workforce skills are a major obstacle to their operations. They face a skills gap: the disparity between the skills employers expect their employees to have and the actual skills employees possess. Mongolian employers expect employees to have not only job-specific technical skills, but also adequate socio-behavioral skills, among which a work ethic figures prominently. From the employers' perspective adequate socio-behavioral skills are as important as technical skills. Unfortunately, many employers claim that their employees lack some of the crucial skills, both technical and socio-behavioral.

A work ethic is disturbingly often mentioned as a key skill that workers lack. Employers are also critical of the quality and relevance of education and claim that it does not meet their business needs. In their view the educational system does not produce people with the job-specific technical skills relevant for their enterprises, nor with adequate job attitudes. The skills gap has a negative impact on the performance of Mongolian enterprises, especially the modern ones. It particularly strongly affects high-value-added activities, such as research and development, software development and ICT services. The consequences of the skills gap also include lower profitability due to lower productivity, and difficulties in introducing new technologies and products. Ultimately, the skills gap hinders the growth of Mongolian enterprises, and – as a consequence – of the economy at large.

The skills gap must be thus addressed, and workforce skills must be improved to support the modernization and growth of the Mongolian economy. Four conditions are required for achieving this goal:

- **Information on in-demand skills**, both technical and socio-behavioral, should be actively disseminated to all stakeholders and publicly available on the Labor Market Information System.
- **Education and training institutions** should put more emphasis on the development of skills demanded in the labor market, including the development of core socio-behavioral skills. These skills are developed from the very beginning of the educational process, starting in kindergartens and elementary schools through secondary education.
- **Students, young workers, and jobseekers** should be made aware of skills demanded by employers so that they can invest in these skills to improve their employment prospects. In addition, internships are a useful way for students to gain work experience and develop job-specific skills.
- **Enterprises** should be proactive in addressing the skills gap by providing training to their employees, and possibly apprenticeships for young workers to help them develop job-specific skills useful for the firm. Small enterprises that could not afford training could potentially be supported by the government (e.g. through tax benefits).

Figure 13. Conditions needed for reducing the skills gap

Percentage of all selections of the type of training provided

Functional Labor Market Information System

- Provides to all stakeholder information on in-demand skills, both “soft” and “hard”

Responsive education and training institutions

- Focus on the development of skills required in the labor market

Informed students, young workers and jobseekers

- Learn about skills required in the labor market and invest in them to improve their job prospects

Proactive enterprises

- Proactively address the skills gap and provide training to their employees

