



AID-FOR-TRADE: CASE STORY

WORLD BANK



Improving the skills of workers

Lesotho



A program supported by the World Bank has increased the number of skilled workers in Lesotho, potentially strengthening that country's export-oriented industry base.

One of the initiatives supported by the Private Sector Competitiveness and Economic Diversification Project was to increase the skills levels of the workforce in the Lesotho economy. The effort established worker training centers in Lesotho's capital, Maseru, and in Maputsoe, to the northeast.. The initiative had both public and private sector participation with the management councils in both centers being led by the private sector. While there has been private sector participation in the two centers, the initial idea was to wean these centers off from government funding and to be fully funded by the private sector.

However, economic conditions have slowed the private investment in the program that had been expected. At the same time, though, the program is seen as having provided previously unskilled workers the opportunity to work and move up in the industry, and as having spread the benefits of foreign investment in the industry more widely in Lesotho.

The Bank is looking at ways to increase private-sector participation in the program, which it is running to train workers at the two centers for Lesotho's textile and garment industry.

The country's textile industry blossomed in recent years, with exports to the United States and other markets increasing by almost five-fold in six years, reaching \$456 million in 2004. Following a drop caused by factors including the expiration of the Multifiber Arrangement, the industry

started to pick up again in terms of companies and jobs in 2005 and 2006 - although it has suffered since because of world economic conditions.

The Bank found that one constraint on development of Lesotho's private sector was low labor productivity compared to Africa's most productive countries, and compared to key textile and garment competitors China and India.

"While reasons for this are numerous, worker education and availability of training seem to be important aspects," the Bank said in a 2007 document on the Lesotho project.

One element of the Bank's Lesotho project has been the \$1.06 million skills development component of the project, setting up the two training centers.

The training-center component is aimed at increasing the competitiveness of the country's garment industry through higher productivity, at meeting buyers' demands to add more value to "commodity"-type products and at supporting new investors' efforts to differentiate products. The program was also designed to slow down Lesotho's shrinking market position and increase penetration of South African and European Union markets. Finally, the program was aimed at stemming the withdrawal of investors and loss of employment, and at encouraging new investors.

Maseru has a concentration of garment factories, most of which are geared to the U.S. market - producing, for example, for Levi Strauss, Gap and Walmart - and are owned and managed by Taiwanese and firms; Maputsoe has a smaller number of garment factories - mostly owned and managed by South Africans - as well as some light manufacturing factories whose skills needs are similar to those of the garment factories.

"Deepening and widening the skills base of the workforce is central in increasing overall competitiveness, shifting towards higher quality and value added products and improving compliance with labor and social standards," the Bank document said.

In addition to directly production-related goals, the Bank wanted to increase the number of supervisors, technicians and middle managers from the country. Training ranges from pre-employment training in such areas as basic sewing machine operation to more advanced areas such as quality control, merchandising, and export documentation and marketing. However pre-employment training makes up the bulk of the training provided.

In the two years it has been in operation, the center at Maseru has trained 625 workers, of whom 491 were women; the one at Maputsoe has trained 401 students, including 225 women. This latter number includes 58 supervisors trained, including 40 women. Three line managers who were women and who participated in the training were promoted. While the placement rates for those trained have been good (at 75%), there is a need to scale up the training provided in these centers.

Private support for the centers, though, has been hurt by the economic downturn as the number of textile factories has been dropping and manufacturers' ability to pay for training is not what it was. Moreover, there have been other problems in such areas as matching the training offered to the industry's needs.

A Bank team member, however, noted that the program has "been training all these people who have had no training whatsoever."

"And there have been cases that some of them have actually started something on their own, while others have found jobs," she said.

The original plan was for the training centers to be weaned off government support and to be self-sustaining with the private sector paying more for the centers.

That has not happened because of the global recession leading to the lack of willingness of industry to pay for these trainees. The proposed action plan for the training centers is to set them up as public-private partnerships. The partnership would introduce private financing and possibly more advanced training programs, potentially allowing diversification into other industries. Most of the firms in Lesotho are in textiles and garments, but, for example, Philips has a light bulb operation there.

Three firms, from Lesotho, South Africa and Malaysia, have expressed interest in participating in the partnership, according to the Bank specialist. These training providers would need to submit detailed technical and financial proposals clearly specifying what they would bring to the table. While the government will provide infrastructure, the private providers would provide inputs into training materials and reorganization of the centers to improve the program.

Nevertheless, the bank specialist praised the program's existing accomplishments in providing a way for otherwise unqualified people - unskilled trainees with little education - to work in the industry.

This program, she said, is "building a base of skilled workers," with the tools to move up within firms, start something on their own or move to another industry.

It is also, she said, "increasing the backward linkages to the local economy" that the foreign investment in export industries is bringing in.

As a result, she said, "you leave something with the local economy that is theirs completely."