

Research Article

# Promoting Inclusive Growth Through Skills Development: The Experience of Tourism Industry in Sri Lanka

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## Abstract

This article delves into validity of skills development hypothesis in promoting inclusive growth in the context of a lower-middle income economy confronted with several macroeconomic problems and labour market challenges. The analytical outline is guided by the theory of inclusive growth (IG) and existing body of empirical literature on skills development. As debated in the literature, there is no single solution to foster inclusive growth. Each country approaches the inclusive growth challenge differently, based on its resource endowments and unique socio-economic circumstances. There is a major literature gap using skills development models to promote inclusive growth. Thus, industry and country specific studies contribute to ongoing theoretical debate on inclusive growth on one hand and enrich empirical evidence on interlinks between skills development and IG on the other. Here, we present a case study of a skills development project (2017-2024), designed to promote inclusive growth through skills development of the tourism industry. Its target beneficiaries include both formal and informal sector business owners and employees of tourism sector micro, small and medium scale enterprises (MSMEs) operating in economically backward regions. The study utilizes data from both primary and secondary sources and employs mixed methods approach for detailed analysis. The paper provides several interesting findings on key themes of inclusive growth. First, the evidence on skills development of employees in the tourism value chain reveals sharing of growth benefits by low-income earners and the unemployed including females and disabled persons. Second, the findings on employer capacity building and skills development demonstrate inclusive growth benefits through entrepreneurship development, incremental income, and new product development. Third, the findings on gender and disability inclusion demonstrate power of skills development in promoting inclusive growth through MSME development. Finally, the overall findings enable policy makers in developing countries to promote inclusive growth through skills development of MSMEs operating in the tourism sector.

## Keywords

Skills Development, Inclusive Growth, Human Development, Human Capital, Capability Approach, Tourism Value Chain

## 1. Introduction

This paper contributes to the academic and policy debate on promoting inclusive growth through skills development of tourism industry in the context of developing economies. The challenge of inclusive growth took on increased urgency

during the COVID-19 pandemic, which exacerbated almost every division in the world economy [16]. In the case of developing economies, inclusive growth has been a major issue even before the COVID-19 pandemic due to the high inci-

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dence of poverty and inequity and limited access to skills development. The primary purpose of this paper is to demonstrate relevance and validity of skills development in promoting inclusive growth in the context of a less developed economy faced with multiple economic challenges. Based on key arguments of human capital development theory [19], we hypothesize sector specific skills development interventions with a clear focus on gender and disability inclusion lead to sustainable inclusive growth in less developed regions of developing economies [18]. As argued in literature, skills development plays a key role in promoting both economic and social outcomes particularly in the context of developing economies [18, 21].

Empirical literature on skills development models for inclusive growth is limited. The findings of the paper delineate several focal points within the realm of inclusive growth, including innovative training models, inclusive labour markets, economic and social empowerment of vulnerable groups. Moreover, the study underscores the significance, characteristics, and potential avenues of inclusive training, alongside the imperative of gender and disability inclusion and its role in fostering sustainable inclusive growth. Additionally, it identifies key components essential for achieving sustainable development objectives, elucidating how inclusive skills development initiatives are intricately linked to reduction of poverty and inequity, disability and gender inclusion, and regional development.

## 2. Theoretical Background

The body of theory on economic growth includes classical, neo-classical, and modern (endogenous) growth theories offering different perspectives. Economic growth refers to increases in the production of goods and services through efficient utilization of factors of production. It creates jobs, improves factor income, reduces poverty, and improves living standards. However, growth itself does not guarantee equitable distribution of its benefits among different segments of society.

In contrast, inclusive growth (IG) focuses on the distribution and impact of economic growth across a population. IG represents a shift from previous theories on economic growth that dominated economic thinking and refers to broadly sharing improvements in living standards among all groups in society. Inclusive growth recognizes both the economy and society as indivisible and recognizes that the economy shapes society and society shape the economy [17]. Inclusion also involves access to public goods and services. It also includes having access to jobs that provide productive and meaningful ways of providing income and political empowerment. Promoting IG requires contributions from the government, private sector, non-government sector and the donor community. It is also closely linked with labor market inclusivity as it includes not only pay but also female participation, working opportunities for persons with disabilities (PWDs), flexible

working hours, decent work practices both in informal and informal sectors [5]. Skills development helps integrate women, individuals with disabilities, and other vulnerable groups into the workforce. It promotes sustainable, job-rich growth, benefiting informal sector businesses often excluded from training interventions organized by public, private, non-government organizations and the donor community.

## 3. Background Information

### 3.1. Country Background

Sri Lanka is a lower-middle income economy with a population of 22 million and per capita income of US\$ 3500. Following economic mismanagement for more than a decade and the COVID-19 pandemic, Sri Lanka economy plunged into a deep socio-economic crisis in 2022. Its economic growth during pre-conflict period (2009 and 2018) was 5.5 percent per year as against an average growth of 6.7 percent in South Asia during the same period. Since 2018 growth performance of the economy continued to deteriorate and average growth performance between 2018 and 2024 was 1 percent per year. Labour force participation reduced from 54.1 in 2017 to 46.9 in 2024Q3 and female labour force participation reduced from 36.6 to 29.4 percent during the same period. Job losses between 2019 and 2023 were around 171,000 and drop in enrolment and graduate output of technical and vocational education and training (TVET) were 29 and 53 percent in 2023 relative to 2019. Sri Lanka is also an economy which has been experiencing serious skill gaps and shortages as a major constraint on growth and development [1].

Both the COVID-19 pandemic (2020-2021) and macroeconomic crisis (2022-2023) have doubled the poverty rate from 13.1 to 25.6 percent between 2021 and 2022, increasing the number of poor people by 2.7 million [23]. The Gini index has increased from 37.7 in 2019 to 39.9 in 2022, suggesting an increase in inequity during this period. Sri Lanka is one of the countries exhibiting the highest wealth inequality, as measured by the wealth share of the top 10 percent, [18]. The shared prosperity indicators reveal a declining trend of consumption by 9.5 percent per year between 2019 and 2022, for the bottom 40 percent of the population, while it only declined by 7.1 percent per year for the top 60 of the population [22].

Tourism has been recognized as one of the thrust industries in Sri Lanka for the past one and half decades and continues its role as the best growth performer (25%), third highest foreign exchange earner, and major contributor to job creation and regional development despite negative growth (-68%) performance during COVID-19 pandemic period (2020-2021). In 2024, tourist arrivals exceeded 2 million and foreign exchange earnings reached \$ 2.6 billion. It is expected that the tourism sector will provide an impetus for post-2023 economic recovery of Sri Lanka despite the negative impact of geo-political tensions at global level and the challenging domestic socio-politico-economic environment.

### 3.2. TVET System in Sri Lanka

The TVET system in Sri Lanka is complex, involving multiple training providers representing public, private, and non-government sector organizations. There are about 1300 training providers, and 45 percent belong to the public sector, which accounts for 73 percent of student enrolment. The Ministry of Skills Development leads public sector skills training, supported by other ministries responsible for tourism development, industrial development, and provision of health, power, and electricity services. The Tertiary and Vocational Education Commission (TVEC) oversees policy formulation, planning, quality assurance, coordination, and development of TVET. Despite reform efforts over the past three decades, the TVET system in Sri Lanka is highly fragmented, underfunded, poorly coordinated, and misaligned by political economy factors. An assessment of the largest donor funded TVET project in Sri Lanka (e.g. Skills Sector Development Program 2014-2020) concluded that although the program increased access to TVET, it failed to make training institutes more efficient [20].

About 80 percent of training in tourism is delivered by public institutes and most of the TVET providers concentrate on formal sector jobs, which make up 32 percent of total employment. The training mix covers occupations like Cookery, Room Attendant /Housekeeping, Waiter, Guest Relation Officer, Front Office, Tourist Driver, Tour Guide, Restaurant & Bar Service, Pastry & Bakery, and Hotel Reception. Nearly 70 percent of industry demand is for Cookery (47%) and Room Attended (22%) programmes.

### 3.3. Project Background

The primary objective of Skills for Inclusive Growth (S4IG) project (2017-2024) was to promote sustainable and inclusive economic growth through skills development. It was funded by the Government of Australia and implemented in partnership with the Ministry of Skills Development and Vocational Training, Tourism Authorities, Provincial and District Level Government, and Community Organisations. The tourism sector was selected to explore and demonstrate successful models of skills development, through showcasing coordinated, demand-driven, flexible, and inclusive skills development that leads to prosperity for all.

The target beneficiaries were defined to include vulnerable groups and employees of tourism sector MSMEs operating in six districts characterized by low per capita income, high poverty (11.2% to 2.2%), inequity (Gini coefficient of 0.39 to 0.46), unemployment (2.2% to 4.3%), underemployment (0.4% to 5.6%), low household income, dominance of informal sector employment (61% to 76%), low female labour force participation (18.5% to 28%), and limited access to training. These six districts account for 16 percent of the gross domestic product (GDP) and 15 percent of total employment. The project hypothesized that sub-sector specific skills development planning and coordination at district level would

ensure sustainable and inclusive growth of tourism industry with active involvement of key stakeholder groups [15]. It was also assumed that flexible, demand-driven skill supply may improve productivity and income in tourism, aiding both formal and informal economies and disadvantaged groups.

The target beneficiary districts have attractive beaches, surfing spots, historical sites, and wildlife. Its market share in the tourism industry is 13 and 27 percent in foreign and local guest markets respectively. The tourism industry in these districts operates below optimal level due to institutional and market failures. It suffers from skill gaps, low-quality service, absence of new product development, low wages, low productivity, and limited investment in training. These are key characteristics of sub-optimal level operations and hence belong to the 'early stages' of tourism development [3].

## 4. Materials and Methods

We carry out the assessment using both qualitative and quantitative methods. The data sources for Phase I include project management reports, baseline surveys [12, 14, 10], completion reports [9, 11], independent assessments, and progress monitoring reports. The assessment of Phase II skills development work is based on primary data generated through structured questionnaires administered among trainees of five training programmes: professional cookery, multi-tasking, tour guides, Tuk Tuk drivers, and business coaching. It also includes case studies, tracer studies, and interviews with key stakeholders such as district administrators, MSME owners, and industry representatives. In addition, secondary data from national statistical authorities were also used as supplementary material for evaluating inclusive growth effects of the case study project.

## 5. Impact Assessment

### 5.1. Review of Phase I and Phase II Activities

The skills development interventions of S4IG over a period of eight years is summarized in Appendix 1 covering four major beneficiary groups: employees of tourism value chain, tourism sector MSME owners, trainers, and officials engaged in planning and skills development work at district level. The first, skills development of tourism sector MSME workers is the major training component representing eight occupation categories with heavy concentration on accommodation, food & beverages and tourism related services sub-sectors (Appendix 1). These training programmes belong to Becker [2] type "specific" training and aimed at improving job-specific skills for various businesses such as hotels, guest houses, spas, beauty salons, tour guides, and tour operators. Second, the skills development of employers involved subject specific training, and business coaching and mentoring to support personal and professional growth for MSME owners in the

tourism value chain e.g. guest houses, homestays, tour operators, beauty salons, food and beverage outlets, tuk-tuk drivers/tour guides, and surf clubs. The third, training of trainers focused mainly on instructors engaged in skills development of disabled persons, career guidance officers and individuals interested in gaining skills in business coaching. Finally, capacity building of officials engaged in planning and development both at national and district level covered skills development in labour market surveys, rapid assessments, skills gap assessments, stakeholder consultations, inclusive growth, skills planning, sources of funding and interinstitutional coordination.

Enhancing access and improving labour market outcomes of skills development is closely linked with training methodology. In Sri Lanka, TVET delivery is heavily concentrated on traditional type teacher centered classroom teaching methodology and less oriented towards using online teaching methods, practical workbooks, use of training guides, application of reasonable adjustment tools for assessing learning achievements of PWDs and providing facilities for PWDs. Thus, the integration of innovative teaching methods is crucial in promoting inclusive training. By incorporating modern training methodologies, TVET service providers can create engaging, relevant, and effective learning experiences that develop the essential skills and competencies required by industry.

Development planning is one of the key functions of district administration in Sri Lanka. The planning division of district administration performs this task under the direct supervision of the District Secretary who is a senior official of Sri Lanka Administrative Service. However, skills development is not considered as a priority item in the development agenda of district development and receives limited funds

from line ministries. S4IG worked out a strategy to fill this gap and ensure long-term continuity of skills planning by introducing strategic skills action planning at district level. It was an innovative approach to skills planning and carried out in collaboration and consultation with key stakeholders at district level with a clear focus on sector specific inclusive skills development in tourism value chain. The action programmes were funded jointly by S4IG, and other stakeholders engaged in district development work.

This approach ensured integration of S4IG skills development interventions with on-going development work of the district and its sustainability during post-S4IG period.

Table 1 summarizes skills development work of S4IG, showing better performance during Phase I in terms of participant enrolment, gender and disability inclusion, and completion rates. The low enrolment in Phase II is likely due to the impact of COVID-19 (2020-2021), macroeconomic crisis (2022-2023) and concentration on institutional and policy support systems by the project management. The completion rate of S4IG trainees during Phase I was 75.5 percent, slightly below the average completion rate of 80 percent in tourism-related programmes at national level. However, the completion rate of S4IG trainees during Phase II was 65 percent, ten percent above the national level (55%). During Phase I, S4IG conducted 207 training programs across 11 occupation categories, with 50 percent meeting international standards and 45 percent achieving National Vocational Qualification level 3 (NVQ-3 (28%) and NVQ-4 (17%) levels. Private sector organizations ran 57 percent of these programs, while the public sector managed 37 percent. During phase II, more than 50 percent of programmes were in professional cookery and professional business coaching (Table 2).

**Table 1.** Summary of Training programmes.

Item	Unit	Phase I, 2017-20	Phase II, 2021-24	Total 2017-2024
Total enrolment	Nos	5344	1553	6897
Enrolment of females	%	40.3	35.9	40.3
Enrolment of PWDs	%	2.7	1.3	2.4
Completion rate	%	75.5	65	73.1

Source: S4IG, [9, 11].

**Table 2.** Enrolment of trainees by major occupation category - Phase I and II (%).

Occupation category - Phase I	%	Occupation category - Phase II	%
Accommodation	32	Professional Cookery	26
Tourism related services & skills planning*	17	Professional Business Coaching	26



Occupation category - Phase I	%	Occupation category - Phase II	%
Food & Beverages	16	Foundational Hospitality skills	19
Language skills	11	Skills Planning	11
Tour Guiding	10	Reasonable Adjustment for disability Inclusion	10
Soft skills development & Career Guidance	7	Destination Development	8
Workplace Mentoring for owner/ manager	3		
Business Coaching	2		
Travel Agents	1		
Destination development	1		
	100		100

\*Tourism & Hospitality management, Travel, Marketing, Beauty Saloons, Lifeguard, Refrigerator & Air Conditioner technician, Computer course, Waste management, Safety and hygiene, Multi skilled craftsman, Cashier, e-marketing, social marketing, digital content development, videography and photography, and startup business management.

Source: S4IG database.

## 5.2. Economic Returns to Training

Economic returns to TVET are important in the context of Sri Lanka which is a low growth performer. In the case of target beneficiary districts this is even more important given the low-income status and poor living standards of households. Acquisition of human capital through training enhances labour productivity and earning capacity of workers. High earnings of workers result in an increase in disposable income and improved quality of life. It also leads to efficiency gains and high value-added contributions at firm level. Becker's [2] work demonstrated that investments in education and training lead to high returns across countries and were important drivers of economic development. In the context of Sri Lanka, estimated private rates of returns to senior secondary education for men and women are 25 and 22 percent, respectively. The estimated social rates of return to senior secondary education are 20 and 18 percent for men and women respectively [24]. In the case of TVET in Sri Lanka, the estimated average earnings of TVET graduates are 23 percent higher than non-TVET graduates [20]. This means the earnings differential between workers with vocational training and without training is 23 percent. Work by Girsberger et al., [6] indicate a 10 percent increase in wages and 50 percent increase in em-

ployment due to training.

An assessment of training programmes conducted by S4IG during Phase I and II confirms validity of neo-classical economic theory of TVET. For example, during Phase I, out of 3283 trainees, 27 percent reported an increase in income earned while another 19 percent found new employment (Table 3). Among MSME owners, 35 percent created new jobs, and 22 percent increased business revenue. An assessment of the training impact of selected training programmes conducted during Phase II indicate positive income benefits of training despite poor macro-economic performance of the national economy (Table 4). In the case of Tuk Tuk drivers, estimated incremental income due to training is Rs. 24588 or 85 percent increase in monthly earnings. This estimate is based on a sample drawn from a group of participants living in a district characterized by low per capita income and high inequity. Similarly, incremental earnings due to skills training for tour guides is Rs. 3300 or 10 percent increase in monthly earnings. Given the high growth momentum of tourism industry in 2024 and 2025, the incremental earnings of tour guides may increase significantly over the coming years. Sample respondents also indicated high social recognition attached to the official license obtained through S4IG-sponsored training.

**Table 3.** Phase I Performance summary.

Performance of Trainees		Performance of MSME owners	
Participants completed, Nos.	3283	Enterprises participated, Nos.	391
Increased income%	27	New jobs created%	35
Gained new employment%	19	Increased revenue%	22

Performance of Trainees		Performance of MSME owners	
Improved employment%	11	New entrepreneurship%	10
		New products development	8

Source: S4IG [10].

An assessment of the economic impact of cookery programmes based on a sample of trainees drawn from four training centres including a centre supported by S4IG (Ahangama) revealed an incremental income of Rs. 5047 or an increase of monthly earnings by 27 percent during the post-training period. Across four training centres, incremental earnings of S4IG supported training centre was 17 percent higher than their counterparts in the other three training centres. This may be partly due to the superior quality standards of cookery training offered by S4IG compared to other training centres.

Skills development for MSME owners in tourism is crucial for inclusive growth. Around 84 percent of tourism sector MSME owners have started their businesses independently, with 19 percent lacking any business training [14]. S4IG interventions in skills development of MSME owners included training and Business Mentoring and Coaching support. The former, training for MSME owners included three major components: a) business development, b) digital applications, and c) vocational training. The first, business development includes training programmes for upskilling

and reskilling and Masterclasses and business support for small businesses engaged in the tourism value chain (e.g. Supporting improved kitchen operations and cooking skills). Second, digital skills development covers a mix of programmes including E-tourism, digital concept development, and ICT applications in tour guiding. The third, vocational training inputs included a mix of programmes aimed at improving business skills in new product development, financial management, business networking, and crisis management. Evidence showed that MSME owners saw a monthly income increase of Rs. 26,407 or 35% due to the training. Most MSME owners are in the accommodation sector (74%), while others work in restaurants, handicrafts manufacturing, and travel services. In terms of economic contribution, sample MSMEs revealed an increase in value added from Rs. 30,000 to Rs. 58,279 per month indicating a significant improvement in productivity. In terms of profitability (e.g. price-cost margin), about 63 percent of sample firms were operating at a loss during the pre-training period, and it has reduced to 35 percent during the post-training period.

**Table 4.** Incremental income effect of training -Phase II.

Beneficiaries of training	SS*	Pre-training income per month, Rs.		Incremental income per month		Increase in income **
	Nos	Mean	Median	Rs	\$	%
Tuk Tuk Drivers	17	30000	28882	24588	83	85
Training of MSME owners	43	60000	74849	26407	89	35
Professional cookery	51	17896	15000	5047	17	34
Business Coaching support for MSMEs	22	103458	107500	18985	64	18
Foundational Hospitality skills	112	26473	30000	2647	9	10
Tour Guides	34	30000	33000	3300	11	10

\*Sample size

\*\* Increase in income relative to pre-training earnings

Source: S4IG Data Base and S4IG [8].

Since 2017, S4IG has provided business mentoring and coaching to enhance tourism-related businesses such as guest houses, homestays, tour operators, and others. The mentoring

program included individual and group sessions aimed at supporting the personal and professional development of MSME owners. The economic impact of business coaching

support for MSMEs indicates incremental earnings of Rs. 18985 or 18 percent increase in monthly earnings. This is an impressive improvement given the slow business recovery of MSME sector enterprises in crises hit island economy. Average employment was 5 employees per MSME and about 75 percent of sample MSMEs were in the accommodation sector while the rest operate in wellness and restaurant sectors.

### 5.3. Human Flourishing Through Gender and Disability Inclusion

Ongoing debates on transformation of TVET repeatedly emphasize relevance of human development and human flourishing as key objectives of TVET. For example, Sen [19] identified three types of training benefits: a) the production aspect (employment yields an output), b) the recognition aspect (the self-identity, self-worth, and being engaged in something worthwhile), and a) the income aspect (the livelihoods earned). A survey of training providers in target beneficiary districts showed no PWDs participating in training or working in tourism before S4IG interventions [14]. Even the training programmes conducted by the Department of Social Service in Trincomalee for PWDs focused on handicraft items rather than high demand-oriented occupations in the labour market [13]. Training institutions also lacked basic facilities for PWDs. As a strategy to promote disability inclusion in training, S4IG introduced modern training methodologies, innovative learning material, training of trainers, reasonable adjustment methodologies in PWD trainee assessments and providing flexible learning opportunities for vulnerable groups.

Of 6897 participants, 40 percent were females and 2.4 percent were PWDs, improving from 18 percent female participation and no PWD workers in tourism before S4IG. Of this enrolment, the majority (88%) were trained during Phase I of the project. Out of 391 enterprises in S4IG training and business coaching programmes, 93 were managed by females and 6 by PWDs. These businesses employ 2311 women and 137 PWDs. The S4IG training shows that PWDs can succeed in various non-traditional jobs such as tour guides, hotel receptionists, bakers, cooks, and Tuk Tuk drivers. It challenges stereotypes and promotes higher PWD participation in tourism. A tracer study on PWD training (e.g., Guest House, Beauty Salon, and Bakery skills) indicates better social recognition, service output, and income levels. Half of the bakery skills participants found jobs and career paths, with over 50 percent feeling positive about tourism work. Additionally, 33 percent of guest house owners improved conditions for women employees, and one third of beauty salon operators were willing to hire PWDs [9, 11].

Evidence shows S4IG training improves business performance and benefits communities in deprived regions. A female entrepreneur providing ICT services in Batticaloa District stated that S4IG training helped her to diversify service mix and expand its customer base [11]. Cartridge World Pvt

Ltd transformed a craft industry using local materials (Guinea grass and Bana fibre) to produce handmade paper products (e.g., souvenirs, greeting cards, etc.) employing rural women and improving their economic well-being [9]. Programmes for skills development in Tuk Tuk drivers created trained tour guides, enhancing local tourism. The Homestay Plus program integrated homestay and tour activities through village-based businesses.

The Reasonable Adjustment is yet another innovative intervention by S4IG to promote disability inclusion in tourism value chain. It was aimed at providing user-friendly toolkits to support NVQ assessors successfully implement the concept of reasonable adjustments when engaging with candidates with disabilities. It offers visual and practical examples for assessing trainee performance across various disabilities: physical, hearing, visual, and intellectual. Evaluation spans five occupational categories: Receptionist, Cook, Beautician, Room Attendant, and Steward [11]. This approach enhances skills development and training for disability inclusion in TVET, aligning with human development and capability principles by focusing on disability inclusion. The benefit streams of this intervention support the theory of human capital development and validate the human development and capability approach (HDCA) in TVET. At the national level, the Technical and Vocational Education Commission, the apex body of technical and vocational education and training, has introduced reasonable adjustments in NVQ assessments for disabled persons and issued a circular to implement these reasonable adjustments for persons with disabilities ([http://www.tvec.gov.lk/?page\\_id=84](http://www.tvec.gov.lk/?page_id=84)).

### 5.4. Overall Assessment

An overall assessment of S4IG skills development interventions reveals some interesting lessons on transformation of TVET system to meet emerging skill requirements of a labour market caught up in low skills equilibrium trap. Sri Lanka, a lower middle-income economy, has been stuck in low equilibrium for the past decade, with low growth, high debts, depleting foreign reserves, and rising unemployment and underemployment. In training, the institutional structure of TVET system is highly complex and less supportive for innovative changes.

The primary aim of S4IG project was to promote job-rich inclusive growth through skills development with a special focus on marginalized and disadvantaged people, particularly women and PWDs. S4IG's goal was to demonstrate replicable models and modern delivery modes for a more flexible and responsive skills development system rather than providing funds for training. By introducing modern and innovative vocational training methods and providing technical assistance, S4IG sought to influence the national and sub-national level TVET system to better meet skill needs of employees, business owners, trainers and officials engaged in career guidance, skills planning, and business coaching. Thus, S4IG

objectives are more in line with the human development and capability approach (HDCA) developed by Sen [19]. The core of the HDCA is more about human flourishing rather than human capital development. It places much emphasis on the achievement of human flourishing instead of immediate employability and income-based criteria in evaluating training outcomes. These additional roles of training are difficult to price in the labour market, but they are valued within the capability framework [7]. These productive capabilities are therefore important for not only promoting productivity but also supporting lives of greater value.

S4IG has made progress in addressing tourism sector skill gaps and shortages, concentrating on MSMEs operating in underserved districts. These districts have served as incubators to experiment innovative approaches to skills development which can be improved and replicated in other districts of Sri Lanka and in other developing economies experiencing skill gaps and shortages. Its pro-gender approach to training has improved female labour force participation in tourism value chain in terms of female employment and promoting female entrepreneurship. Similarly, disability inclusion in tourism has led to notable achievements in terms of economic benefits, social well-being and human development. The S4IG's approach to promote human development and human flourishing through skills development is exemplary. S4IG training models seem to be relevant and effective in promoting inclusive growth through skills development in low-income economies experiencing high poverty, inequity, and limited access to training especially for vulnerable groups.

Based on an analysis of donor-funded skills development projects in Sierra Leone, Harris [7] argued that such programmes focus heavily on outputs rather than outcomes and therefore unlikely to create skills that can meaningfully contribute to national growth and development. An assessment of a job training programme for vulnerable workers through donor-driven skills development in Chile (e.g. FORTAB, 2012-2018) reported limited labour market outcomes [4]. It was a supply driven programme comprising 123 programmes providing training for more than 5000 beneficiaries living in three regions. Its findings also revealed that the programme was less effective for females and youth (i.e., younger than 30) than for adults. Its programmes were cost-ineffective, and economic returns were negative as opposed to positive returns reported by some other training programmes offered for vulnerable groups. In contrast, heterogeneous effects of S4IG training programmes reveal better labour market outcomes in terms of providing access to training for vulnerable groups, job creation, income generation, career development, entrepreneurship development and promoting social wellbeing. It also reveals generating both material and non-material benefits to target beneficiaries.

## 6. Summary and Conclusions

Although skills development is recognized as an important

strategy to promote inclusive growth, its empirical validity remains underexamined. This paper attempts to address this literature gap based on the experience of a skills development project designed to promote inclusive growth through skills development. Its target beneficiaries were locked in a low-skills equilibrium due to demand and supply side failures of the labour market and poor macroeconomic performance of the national economy. This situation was further exacerbated by COVID-19 and macroeconomic crisis in 2022 and 2023. Despite these challenges, skills development interventions in tourism value chain by case study project over a period of eight years reveal inclusive labour market outcomes. The findings on skills development of tourism sector employees confirm the relevance and validity of human development and capability approach. Similarly, the evidence on training and capacity building of MSME owners and managers indicates promising results in the areas of new product development, incremental earnings, value added and profitability. Although the findings presented here are from a small-scale project study, they provide important evidence on efficient and effective delivery of TVET services to escape from low-skills equilibrium condition. The findings elaborated here also have wider relevance to the international literature on skills development challenges of underserved regions.

Skills development is crucial to Sri Lanka's economic recovery. This assessment presents convincing evidence on how to escape from low skills equilibrium status and continue with job-rich economic recovery path. The evidence on promoting inclusive growth through skills development reveals a gradual shift from a static supply-driven system towards a demand driven and inclusive training system in collaboration with key stakeholders at sub-national level. The findings help policy makers improve the TVET sector to address labour market challenges in an underdeveloped economy.

Two additional remarks are noted for further research. First, the analysis is based on Meso-Micro level skills development interventions at the district level. This presents a limitation, and future research should address Macro level factors such as national level policy directions, legislation, planning, employment trends, labour supply and demand, among others, in relation to inclusive skills development interventions. Second, it is recommended that future studies employ more quantitative methodologies to ensure robust statistical findings on innovative interventions in skills development. Additionally, the use of case study method may provide better insights into disability inclusion in skills development.

## Abbreviations

HDCA	Human Development and Capability Approach
IG	Inclusive Growth
MSME	Micro, Small and Medium Scale Industries
NVQ	National Vocational Qualification
PWD	Persons with Disabilities
S4IG	Skills for Inclusive Growth



TVEC Technical and Vocational Education and Training

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## Author Contributions

Sunil Chandrasi is the sole author. The author read and approved the final manuscript.

## Appendix

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## Data Availability statement

The data supporting the outcome of this research work has been reported in this manuscript.

## Conflicts of Interest

The authors declare no conflicts of interest.

**Table A1.** Programme Mix of S4IG Training Interventions (2017-2024).

Sub-sector	Training Mix
Accommodation	Front office, Housekeeping, Room attendant, Receptionist, Customer care, Guest house standards, Exposure visits.
Tourism related services	Tourism & Hospitality management, Travel, Marketing, Beauty Saloons, Lifeguard, Refrigerator & Air Conditioner technician, Computer course, Waste management, Safety & Hygiene, Multi-skilled craftsman, Cashier, e-marketing, social marketing, Digital content development, Videography and Photography, Startup business management
Food & Beverages	Bakery, Cookery, Waitress & Steward, Food & Beverage, Restaurant & Bar, Basic kitchen operations, Professional cookery, Foundational hospitality skills, Multitasker skills
Language skills	English, Russian, German
Tour Guiding	Communication skills, ICT applications in tour guiding, Customer service skills, Business Networking
Travel Agents	Customer service skills, Business Networking
Leisure, Excursion & Tours	Surfing, Swimming, Content development for Tour Guiding, Tour activity specific skills (Bird watching, Fine Arts, Tour Design and Tour Content Development)
Handicraft industry	Handloom Training, Handicraft Training
Reasonable Adjustment for disability inclusion	Receptionist, Cook, beautician, Room Attendant, Steward.
Career Guidance	Career Guidance, Soft skills development
Business mentoring	Workplace Mentoring for owner/ manager
Business Coaching	Guest house improvement, Beauty Salon Improvement, Tour Activity development, Surf clubs and Tuk Tuk Tour guiding groups
Introduction of Skills Planning Toolkit	Capacity building of officials engaged in district /provincial level planning

Sources: S4IG database and S4IG [11].

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## Biography



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## Research Field

**Sunil Chandrasiri:** Skills development, Labour market analysis, Development economics, Technical and vocational Education and Training, Higher Education, Industrial Organization.