

Markets and Opportunities for UK Qualifications in East Asia

Region Overview with an In-depth China Report
2016

British Council East Asia Exams

INTRODUCTION

Over the last two decades, Asia has emerged as the epicentre of global economic growth, averaging roughly six per cent annual expansion. This trend is expected to continue unabated, with the IMF predicting that Asia will surpass the combined economic output of the United States and the European Union before 2030. Nevertheless, the rapid changes in these economies will present significant challenges, including the financial burdens of ageing populations and a need to upgrade economic activities to higher-value goods and services.

Against this backdrop, the British Council has conducted research seeking to identify the needs and goals of awarding bodies in the UK and match them to emerging opportunities in the British Council's East Asia region. While there are numerous markets and industry opportunities emerging across the region, in order to limit the research to a manageable scope, this report focuses only on six East Asian markets and six broad sectors with strong growth trends and an alignment with reputed strengths in the UK.

Broad sectors:



Accounting



Financial Services



Information Technology



**Business & administration
(including HR)**



Logistics & transport



Health & Safety

This project was implemented in two phases, beginning in March 2016 with a survey of 115 UK Federation of Awarding Bodies members, asking about their exam distribution models, engagement in East Asia, strategies for future growth and the challenges they face. The second phase of the research involved follow-up interviews with key awarding bodies, as well as in-depth interviews with policymakers, industry leaders and channel partners. Additionally, extensive research on the relevant background, trends and development priorities of the key markets and sectors was undertaken.

This report only extracts China's findings in detail. Should you be interested in knowing more about the various key market profiles and findings in East Asia, please contact: Carol.Cao@britishcouncil.org.cn to obtain the additional key market profiles and findings.

REGIONAL OVERVIEW

- 01 Executive Summary
- 02 Overview of the Study Area



EXECUTIVE SUMMARY

82 per cent of Awarding Bodies plan to expand in overseas markets. These are the top 5 challenges they identified:

1. Gaining access to decision-makers and growing recognition for their qualifications
2. Finding and developing ambitious, reliable course providers
3. Navigating regulatory and legal restrictions
4. Finding trustworthy and professional marketing and examination administration partners
5. Prioritising the right countries and cities

Awarding Bodies that are already successful in East Asia have learnt the following lessons:

1. The best partners to build recognition are well-connected industry experts, who often hold the Awarding Bodies' qualification themselves and are passionate about scaling it in their country.
2. In developing markets such as China, Vietnam and Myanmar, internationalisation of Higher Education provides significant opportunities to embed Awarding Bodies courses in university degree syllabuses.
3. The biggest threats to reputation are reliable Quality Assurance auditing, Candidate ID checks and non-compliance with UK best practice in Health and Safety and Disability Access.
4. Computer Delivered Assessment goes through the same adoption cycle as all digital products, so is only attractive at first to small numbers of early adopters.
5. There are very high risks involved in some countries if course providers also have the role of examination administrators.

East Asia decision-makers in government, industry and education identified the following critical success factors for overseas qualification providers:

1. Government bodies favour qualifications that are internationally respected, subject to rigorous quality assurance, and supplement skills gaps in cutting-edge local industries.
2. Effective implementation of Internationalisation of Higher Education programmes and improving the relevance of Further Education are often the headline benefits.
3. In China, linkage to the Five Year Plan is essential in any proposal. Similarly, overtly addressing skills gaps identified in government policy documents is essential in all the other countries.
4. However, decision-makers are influenced just as much by proof of demand by individual candidates and often take a wait and see approach.
5. Proof of 'hard skills' and subject knowledge remain less of a pain point for recruiters as 'softer' employability skills and cross-cultural behaviours.

Lessons learnt on which sector and geography to choose

1. In larger markets with diverse urban and economic conditions – such as China, Vietnam and Myanmar – 'Nailing' a city or province is often a better approach than attempting to immediately scale within one country or region.
2. Industries where there is government or other external pressure to conform to international processes and standards are the most likely to formally recognise overseas qualifications.
3. Industries and geographies where there is a high cost of non-compliance and a small number of dominant employers offer the best chance of industry recognition or endorsement.

East Asia is the centre of a historically unprecedented transformation in economic development and globalisation. Growing personal wealth, combined with an emphasis on educational achievement and the region's increasing importance to the world economy present a wide range of opportunities for professional and vocational qualifications. Across many key markets and industries, the UK is uniquely positioned to contribute expertise.

Based on surveys with UK awarding bodies, interviews with regional policymakers, industry leaders and learning partners, and extensive background research, this report examines the expansion plans and needs of UK awarding bodies, the attractiveness of six leading markets, and opportunities across six key industries.

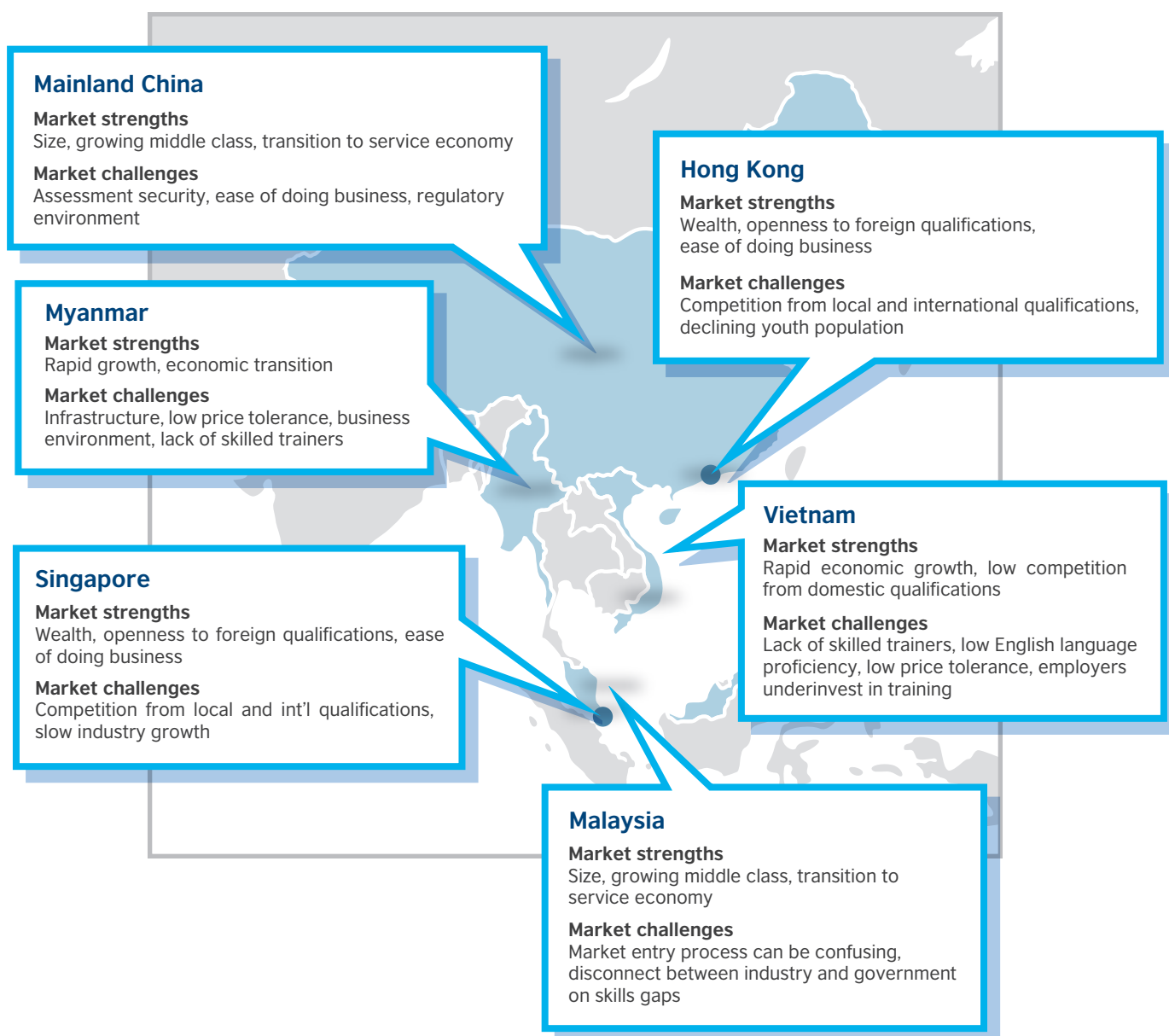
Awarding body perspectives

In March 2016 the British Council surveyed 115 managers at UK awarding bodies under the Federation of Awarding bodies, enquiring as to their activities, goals and challenges they face in growing their businesses overseas.

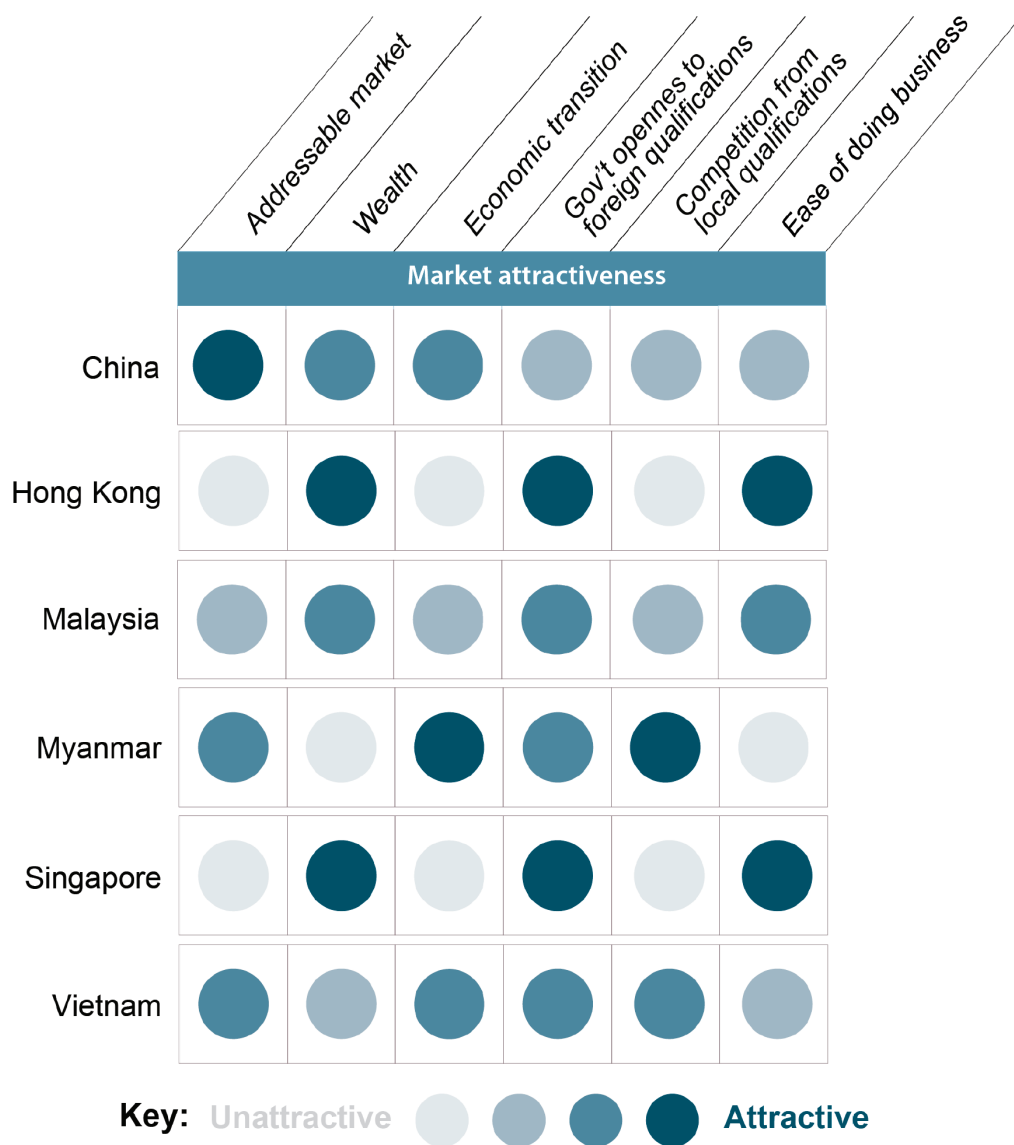
- One-third of respondents offering qualifications overseas said that they only deliver assessments in 1 to 5 markets, suggesting significant room for geographic expansion.
- In terms of income from overseas assessments, the majority (55 per cent) of respondents reported annual returns of under £100,000.
- 42 per cent of respondents said that they still deliver assessments by pen and paper only, while just 5 per cent reported solely using computer-based assessments.
- Asked about challenges in expanding business overseas, 'finding quality learning partners' and 'growing recognition for your qualifications' rose to the top of the list, followed by 'understanding legal and regulatory barriers'.
- Regarding reputational challenges faced when expanding overseas, 'quality assurance and audits' was the most popular response. Approximately one-fifth of respondents to the question said that the fact that their partners supply both training and assessment is a concern.
- An overwhelming majority of respondents (82 per cent) said that they have plans to expand overseas.

Market opportunities

Based on desk research and in-depth interviews with key stakeholders, we have rated the six markets based on their attractiveness and the opportunities they present across the six broad industries covered in this report. No market stands out as decidedly more attractive than the others, but our findings show distinctly different opportunities across the study area. The markets range from highly developed economies with open regulatory environments and competitive qualifications landscapes, to developing economies with uncertain legal frameworks and low competition.



Market attractiveness ratings



Summary of key market findings

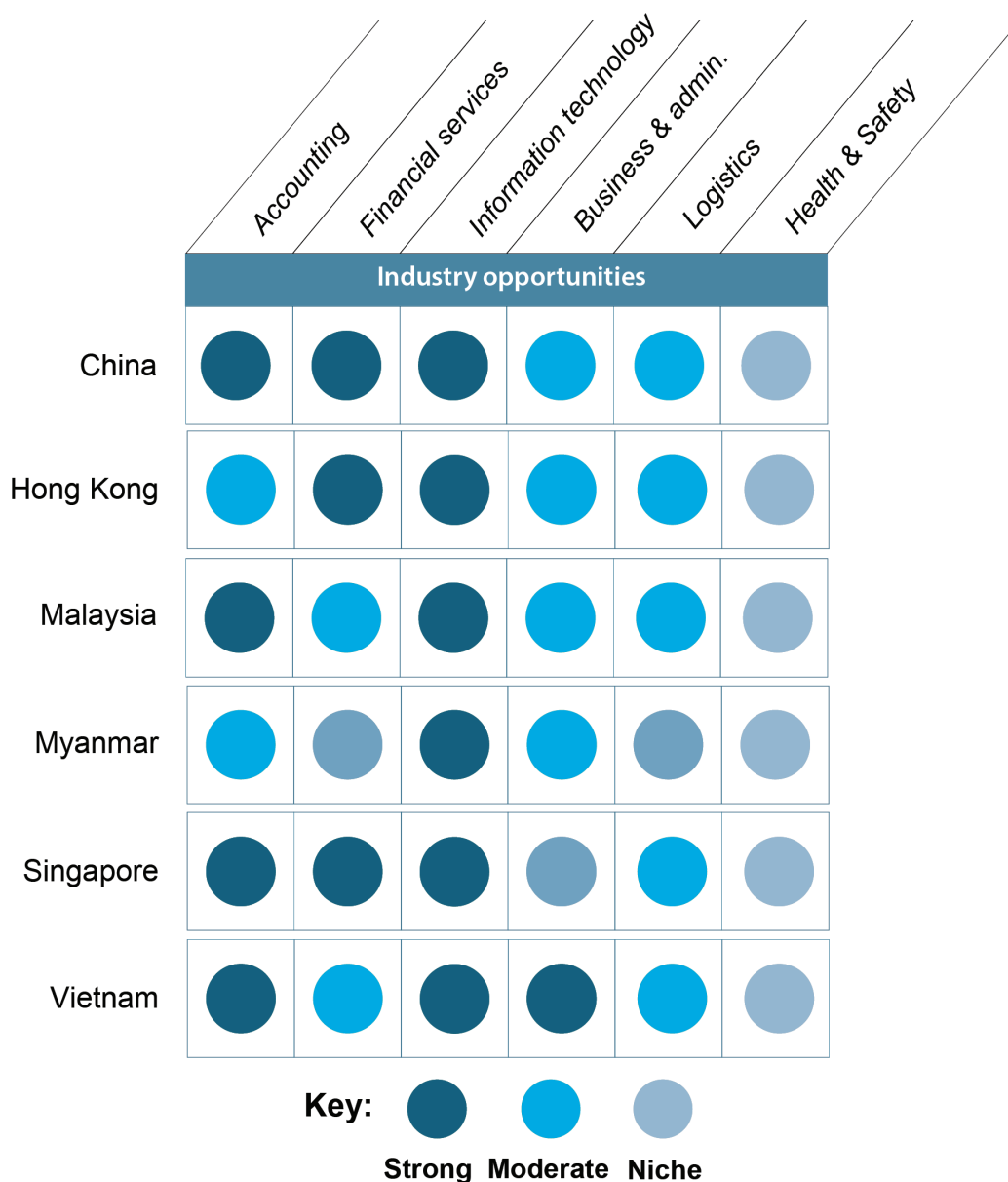
China	<ul style="list-style-type: none"> China is rebalancing its economy towards the service sector and higher value-added industries. This creates a strong demand for more highly-skilled workers. Forthcoming regulations may further restrict access qualifications, while giving more scope for independent bodies to offer voluntary proficiency qualifications.
Hong Kong	<ul style="list-style-type: none"> While barriers to international qualifications are low, local qualifications present strong competition across most sectors. Hong Kong's shrinking youth population presents challenges for awarding bodies.
Malaysia	<ul style="list-style-type: none"> Malaysia faces shortages both in highly-skilled workers and at the most basic skills levels. Of note, the government says it needs to double the number of qualified accountants to 60,000 by 2020. The government is generally supportive of international qualifications, yet competition from other foreign awarding bodies is growing and internal budget pressures are limiting state investment in training and certification.
Myanmar	<ul style="list-style-type: none"> Strong economic growth, a youthful population and lack of local qualifications make Myanmar attractive for international qualifications. Yet inadequate infrastructure, the small size of key industries, an unclear regulatory framework and low price tolerance complicate market entry or expansion.
Singapore	<ul style="list-style-type: none"> The country has a well-developed system of local qualifications that are often viewed as equivalent to, or even more attractive than, their international counterparts. Candidate fees for some domestic qualifications are subsidised through the SkillsFuture credit scheme. International qualifications are also eligible, but must first be approved based on evaluation of training programme.
Vietnam	<ul style="list-style-type: none"> Vietnam's economy is seeing strong and sustained growth, with forecasts predicting that its annual rate of economic growth will surpass China's by 2020. Vietnam is facing major skills gaps, and local domestic qualifications in many fields are not well regarded. International qualifications are therefore seen as a valuable advantage, and in some fields they are almost essential. The government is seen as supportive and does not create any particular hurdles for international professional qualifications.

Industry opportunities

Looking at the six broad industries covered in this report, three stand out as having relatively greater potential than the others. Information technology was rated highly across all markets, though the nature of the demand varies depending on the development of the economy. Accounting is also in strong demand, with ample opportunity to expand international qualifications in most markets, though decreasing uptake among youth and the threat of automation may pose threats in the longer term. Beyond accounting, financial services is also a promising growth area, with Hong Kong and Singapore ranking among the worlds' leading financial centres, and mainland China rapidly rising in global importance.

The other industries covered the report – business & administration, logistics & transportation and health & safety – also present opportunities, though perhaps at smaller scales or over longer time scales. Each industry is expanding, but demand for qualifications is currently limited by low levels of professionalization or a lack of awareness among employers and policymakers. Opportunities in these fields will tend to be niche, and will require added emphasis on marketing and engagement with key stakeholders.

Industry opportunity ratings



Key findings by industry

Accounting



- Singapore and Hong Kong both have very highly developed accountancy sectors, yet the profession is declining in popularity among students in the latter.
- Mainland China has a mandatory domestic qualification, but as Chinese companies expand globally, harmonisation with global accountancy standards will become increasingly important.
- Malaysia's government has a target of doubling the number of qualified accountants to 60,000 by 2020.
- As Myanmar and Vietnam develop, demand for accountancy skills is rising, though from a much lower base.
- Interviewees said that automation will place many entry level accounting jobs at risk in the next ten years.

Financial services



- As Asia's two leading financial hubs, Hong Kong and Singapore present the strongest opportunities for qualifications.
- China's large financial sector is also promising, with opportunities driven by government support and demand from individuals.
- Malaysia's capital city is a relatively small financial centre but its growing integration into the global economy will push the adoption of international standards.
- Vietnam and Myanmar currently see low levels of investment in financial services training.
- Interviewees identified compliance functions as a major skills gap in the industry, driven by the global reach of US, UK and EU regulations. Demand for related qualifications appears to be on the rise, but mostly due to demand from individuals in the field. Employers, however, are still primarily focused on in-house development of skills.

IT



- All of the target markets report growing demand for IT professionals as well as current skills shortages in the sector, though less developed markets, such as Vietnam and Myanmar, tend to lack.
- The global nature of IT means that international qualifications have a strong advantage over local qualifications.
- Yet the fast pace of change in the field often causes employers to undervalue formal qualifications. The most durable and valued qualifications seem to be those that focus on systematic approaches to software development or IT management.

Key findings by industry

Business & administration



- Basic, low-cost business qualifications are in high demand less developed markets such as Vietnam and Myanmar.
- HR qualifications were flagged as an opportunity in Singapore, Hong Kong, Malaysia and Mainland China, but head-hunters in the industry said that employers in the region do not currently place much emphasis on qualifications, especially beyond the entry level.
- Project management skills were also noted as a significant skills gap in most markets, with the Project Management Institute's qualification ranking highly in search engine queries.

Logistics & transportation



- Demand for logistics professionals is rapidly expanding in step with the growth in e-commerce.
- Interviewees identified express shipping as the fastest growing segment in the industry, with China playing the key role, due to both its centrality in the global supply chain and its rapid rise in online shopping.
- Training priorities in the shipping industry are focused on customer-facing roles, and usually handled internally; however, several international qualifications are relevant, particularly at mid-management levels.

Health & Safety

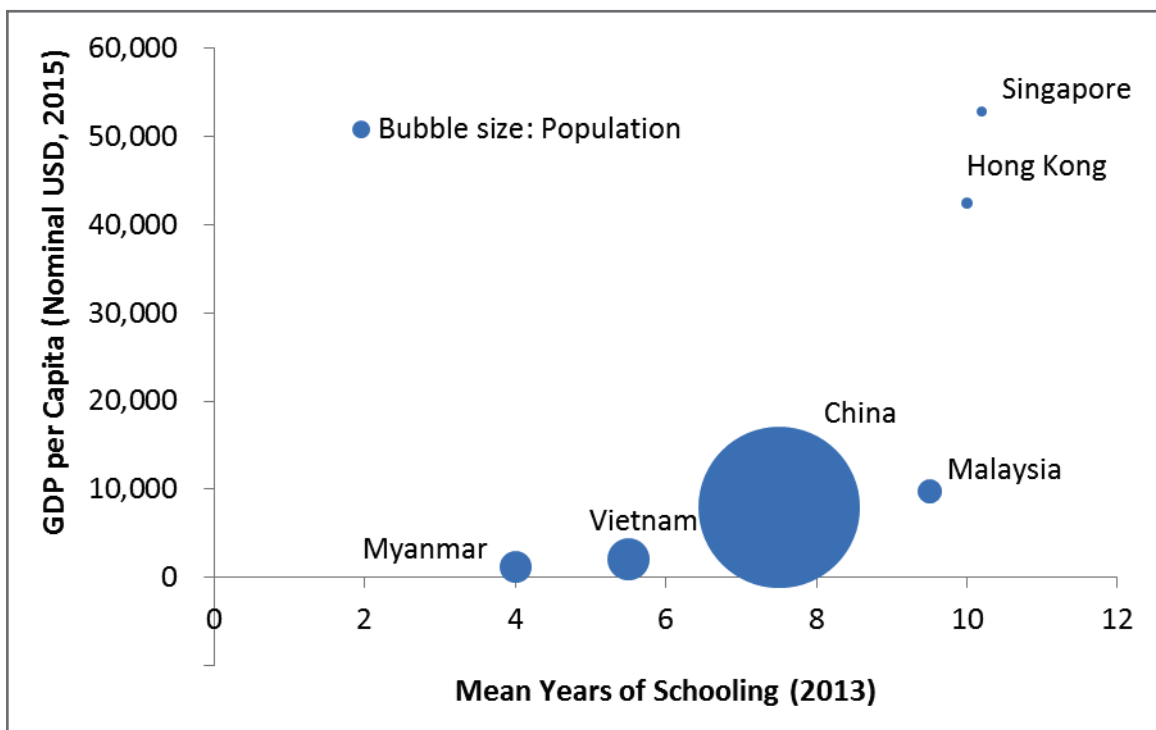


- The UK is a global leader in health and safety, while the target markets vary greatly – at one extreme, Singapore intends to become a “renowned centre of excellence for workplace safety and health”, while at the other end of the scale Myanmar has very high rates of workplace accident and injury.
- The biggest area of demand for international qualifications is in the oil and gas sector, although falling oil prices have temporarily curbed demand.
- Future opportunities may exist in engaging with multinational companies to standardise their H&S environments across global operations.

OVERVIEW OF THE STUDY AREA

In this study, we have focused on six markets within the British Council's East Asia region, each of which present opportunities, driven by a mix of demographic, economic and educational factors.

At the most developed end of the spectrum, the study includes the highly developed cities of Hong Kong and Singapore, which rank among the world's leading financial centres and have high levels of professionalisation. Both of these markets have advanced education and training environments, including numerous indigenous professional and vocational qualifications. China, by far the region's largest economy, and Malaysia are both in a transitional state, having already risen into middle-income status and now desperately trying to escape the "middle income trap".



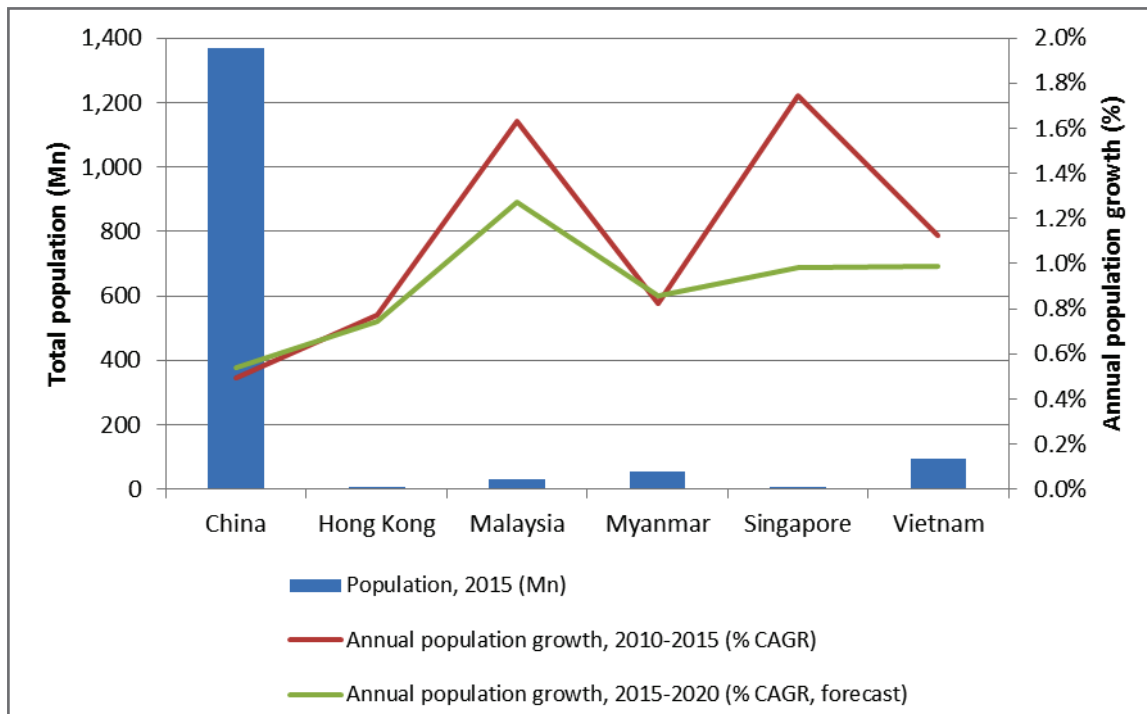
Demographics

Total population

Mainland China is by far the largest of the target markets, with a population of almost 1.4 billion – more than seven times larger than all the other markets combined. Vietnam, with over 93 million people, is the second largest, followed by Myanmar with 54 million and Malaysia with over 30 million. Hong Kong and Singapore, with populations of just 7.3 million and 5.5 million respectively, are the smallest markets.

All six target markets have seen single-digit population growth over the last five years. Singapore, whose population was nine per cent higher in 2015 compared to 2010 – largely driven by migration – saw the fastest growth, while China saw a total growth of 2.5 per cent over the same period. Similar growth rates are forecast over the next five years, with China again expected to see the slowest increase in population, while Malaysia sees the fastest.

Figure 2.1: Total Population

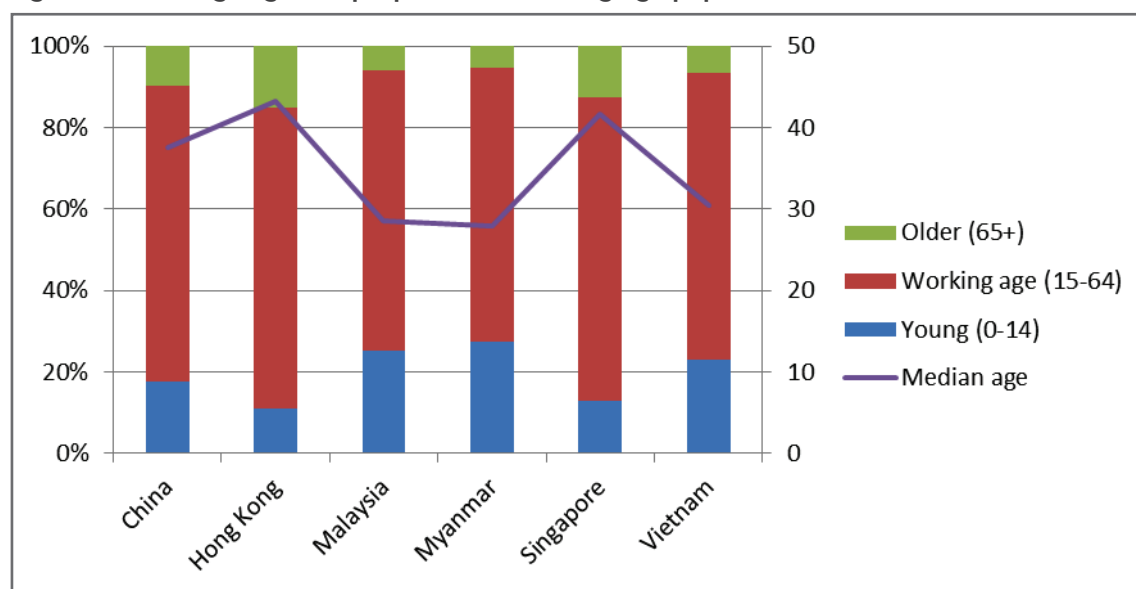


Source: Euromonitor

Working-age Population

Working-age people make up a fairly similar share of the total population in each of the five markets, with the proportion of 15 to 64 year olds ranging from 67 per cent in Myanmar to 75 per cent in Singapore. However, this masks significant differences between the different countries. Hong Kong has a larger elderly population compared to young people, with 15 per cent of its population aged 65 and over, compared to 11 per cent under 15. This is in stark contrast to Myanmar, where only five per cent of the population are aged 65+ and 28 per cent are under 15. Malaysia also has a very youthful population, with a median age under 30, while the median person in mainland China is in their late 30s and the median Hong Konger is 43.

Figure 2.2: Average age and proportion of working-age population



Source: Euromonitor

The average age of the population in each country has increased by around two years since 2015, and is expected to increase by a further one to two years by 2020. In Malaysia and Myanmar this will mean that a higher proportion of the population is in the “working age” bracket, while working-age people will make up a smaller proportion of the population in Hong Kong, Singapore and mainland China. Vietnam has seen an increase in the working-age proportion of the population over the last five years, but this is forecast to decline over the next five years.

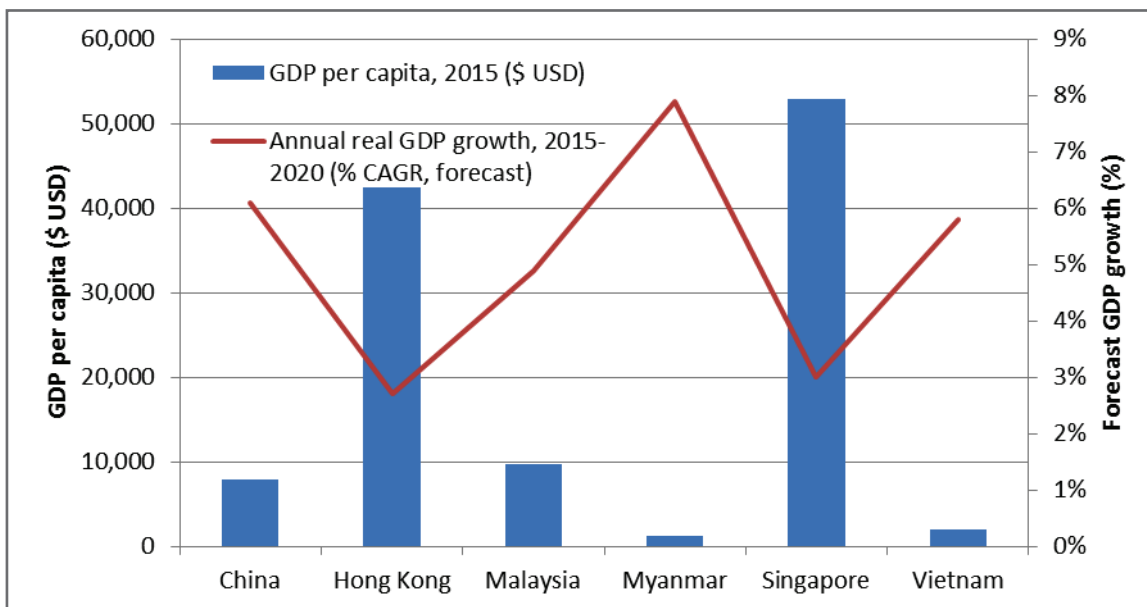
Economy

GDP

Singapore and Hong Kong have a far larger GDP per capita than the other target markets, at around \$52,800 and \$42,500 per person respectively as of 2015. This means that these two city-states' economies are similar in size to Malaysia and significantly larger than Vietnam or Myanmar, despite their much smaller populations. In contrast, Malaysia's per capita GDP is less than a quarter of that of Hong Kong, while mainland China's is around a fifth. There is another large gap between these countries and Vietnam and Myanmar, whose per capita GDPs are around 20 and 30 times lower than Hong Kong respectively.

Myanmar, the poorest of the six markets, is expected to see the fastest GDP growth over the next few years, with Euromonitor forecasting an average annual growth rate of eight per cent between 2015 and 2020. Meanwhile Hong Kong, the richest of the six markets, will see the slowest growth rate. The projected growth rate for most markets is similar to that achieved over the last five years, with only mainland China seeing a significant slowdown.

Figure 2.3: Per capita GDP and real GDP growth



Source: Euromonitor

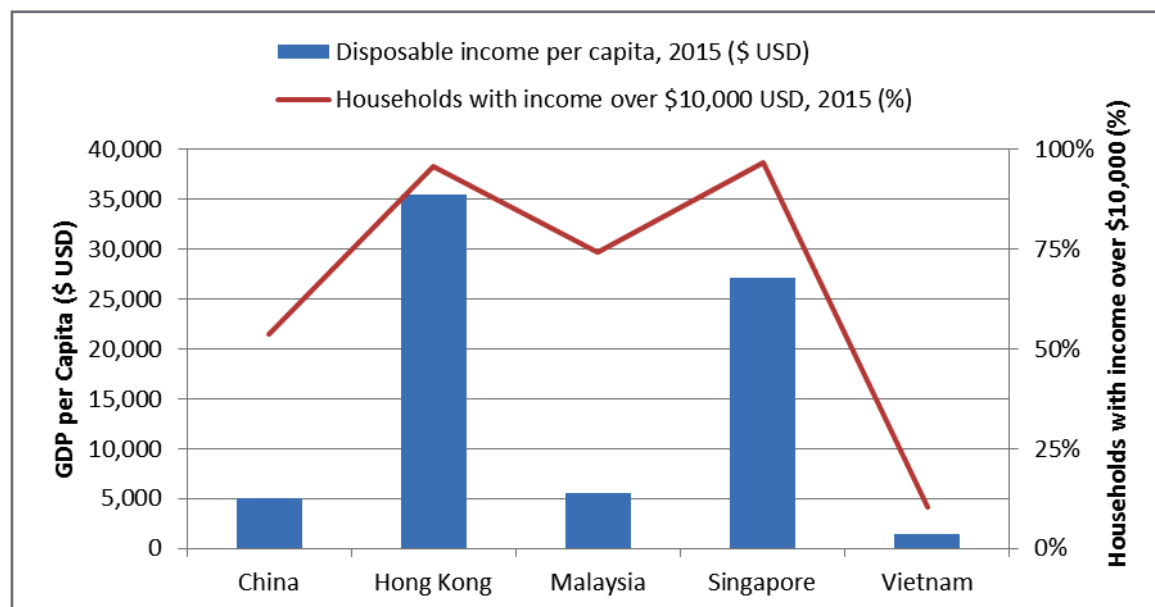
Income

As with GDP per capita, Hong Kong and Singapore residents have a significantly higher average disposable income than people in the other target markets, earning an average of US\$35,000 and US\$27,187 respectively, compared with \$5,700 in Malaysia, \$5,000 in China, and \$1,400 in Vietnam¹. Reliable data for Myanmar is not available, but disposable income is believed to be significantly lower than even Vietnam.

The different levels of income in these markets can also be illustrated by the number of households with income above a certain threshold. In Singapore, 97 per cent of households have a combined annual income of over \$10,000, and in Hong Kong over 30 per cent have a total income of over \$100,000. In contrast, only ten per cent of households in Vietnam are over the \$10,000 threshold.

¹ Disposable income refers to income remaining after tax and other mandatory charges. It should not be confused with discretionary income.

Figure 2.4: Average disposable income and households earning over \$10,000

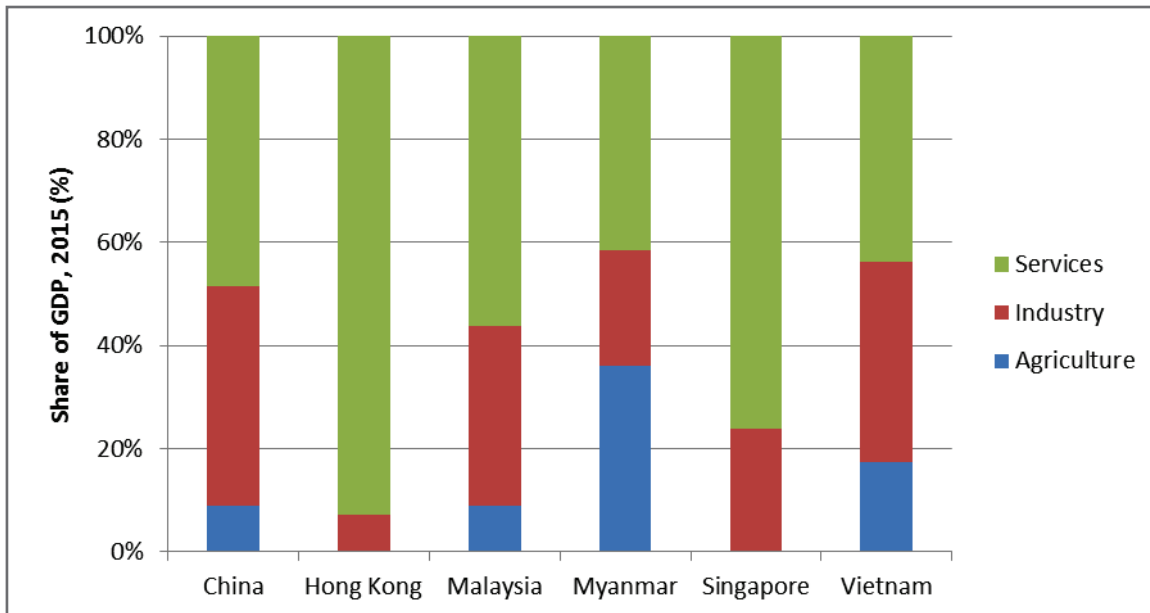


Source: Euromonitor

Economy by sector

Aside from the difference in total GDP, the markets are also quite differently balanced. Agriculture makes up only 0.1 per cent of Hong Kong's economy and even less in Singapore, compared to over a third of the economy in Myanmar. In contrast, the service sector accounts for over 90 per cent of Hong Kong's GDP, compared to less than half in Myanmar, Vietnam and mainland China.

Figure 2.5: GDP by Sector



Source: CIA World Factbook

Employment by sector is somewhat different to the chart shown above, as some economic activities are very labour-intensive, while others are much less so. In particular, the agricultural sector employs more people than its share of the economy would suggest, with Euromonitor estimating that over half of Vietnamese people were working in this field, while only a quarter were engaged in the service sector.

OPPORTUNITIES BY MARKET: CHINA

- 01 Key Findings
- 02 Market Analysis
- 03 International Professional Qualification Sector in China
- 04 Opportunity Ratings
- 05 Conclusion



KEY FINDINGS

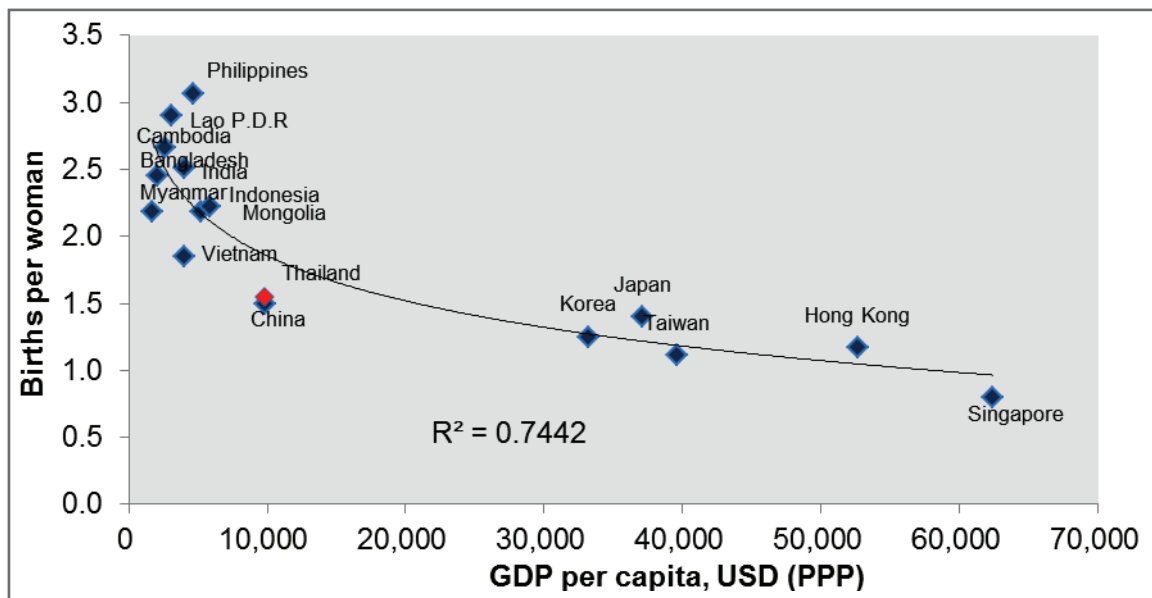
- Rising demands for skills to cope with economic growth, internationalisation and competition in job markets have led to a significant increase of people taking international professional qualifications in China.
- China is looking to move up the value chain towards a higher-skilled economy, along with rebalancing its economy towards the service sector and higher value-added industries. This creates a strong demand for more highly-skilled workers.
- Hundreds of thousands of people take various international professional qualification exams every year. While the factors behind the growth still prevail, the growth in the international professional qualification sector will be maintained.
- Recognition of overseas qualifications varies by industry. They are typically well regarded in the financial and IT sectors, as well as some fields of business services such as project management, although the importance of an overseas qualification depends on the particular role. In the logistics field, overseas qualifications are seen as valuable for more senior positions. However, demand for health and safety qualifications is mainly driven by regulatory compliance, so overseas qualifications are not usually required.
- Wealth is concentrated in China's Eastern coastal provinces, but economic growth is predicted to accelerate in the West. But when considering opportunities in inland China, it is important to note the significant gaps in price tolerance and English language ability.
- Compared to other countries, formal education institutions, particularly higher vocational institutions, play a larger role in China's professional qualification sector. However, there are also many private training centres in the country that also work with awarding bodies.
- The regulator for professional qualifications is the Ministry of Human Resources and Social Security (MOHRSS). Qualifications must be submitted jointly with a Chinese partner and go through an approval process that takes approximately four months, with approval reported to be relatively easy for legitimate foreign qualifications.
- The Ministry of Human Resources and Social Security is reportedly drafting regulations that may further restrict access qualifications, while giving more scope for independent bodies to offer voluntary proficiency qualifications.

MARKET ANALYSIS

Addressable market

Mainland China is by far the largest of the target markets, with a population of almost 1.4 billion – more than seven times larger than all the other markets combined. However, it also has the lowest population growth rate in the study and the overall population is forecast to begin to decline around 2026, according to estimates by the UN population division.

Furthermore, China's low birth rate means that the proportion of the population at working age is decreasing while the median age is rising. The relaxation of the one-child policy in 2015 is not expected to significantly reverse the population trends, as economic development in itself tends to encourage small family sizes. Compared to other Asian countries, China already has a lower fertility rate than its level of economic development would suggest (see chart below). As the working-age population declines, and the fiscal pressures of a growing elderly population mount, China will need to increase the efficiency of its labour force to compensate. This will encourage greater investment in upskilling and reskilling the workforce.

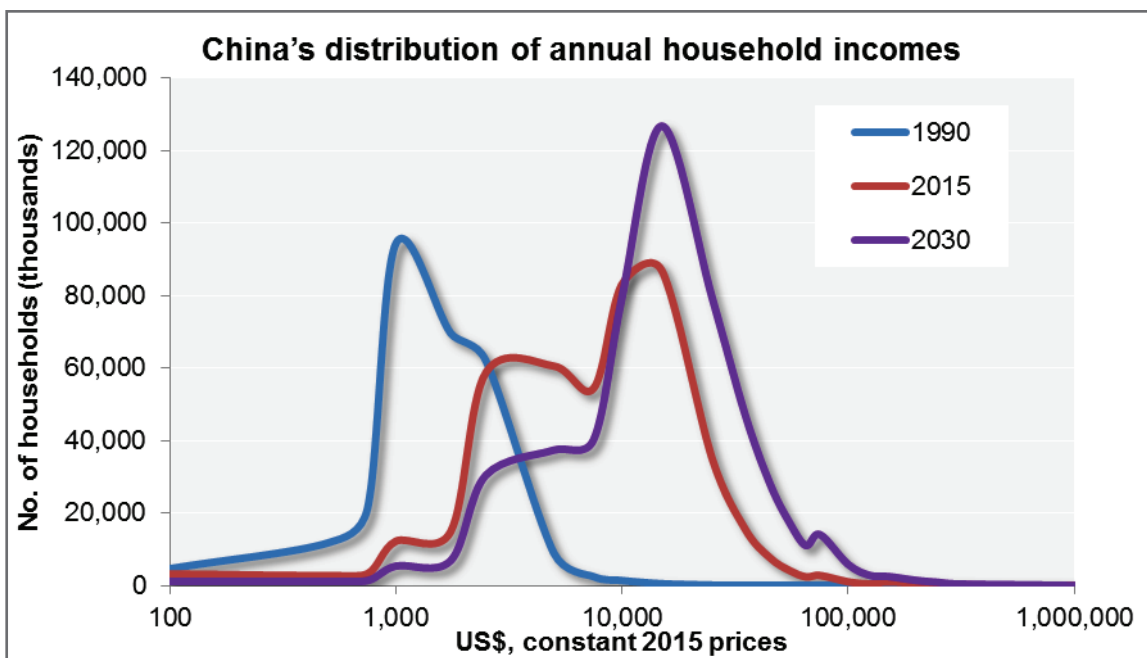


Economy

China has the world's second largest economy, but in per capita terms the country still trails behind the Western world, with a per capita GDP of around US\$8,000 in 2015. Compared to other profiled markets, this is somewhat below that of Malaysia and far below Hong Kong and Singapore, but well above Vietnam and Myanmar. China's rate of economic growth is expected to cool over the coming years, but will likely remain higher than other markets in this study, with the exception of Myanmar and Vietnam. Most medium-term forecasts still place China's annual economic growth at around six per cent until at least 2020, before gradually tapering off to below four per cent by 2025.²

While the overall advance of China's economy is impressive, the more important story for UK awarding bodies is the rapid advance of the country's middle class. As the chart below illustrates, the majority of China's population will earn above US\$10,000 (in 2015 dollars) per year by 2030.

² Economist Intelligence Unit forecast.



Source: Euromonitor

Manufacturing continues to play a strong role in China's economy, but the service sector has now overtaken industry to play the leading role in terms of GDP by sector. According to the CIA World Factbook, services now account for 48 per cent of the country's economy. This proportion has increased year-on-year and most economists predict a continued rebalancing of China's economy towards the service sector. Yet, many of the services still make up a relatively small share of total exports (nine per cent in 2013, according to UN Comtrade) and the value of service jobs created has thus far been relatively low.

Exports of manufactured goods are a very important part of China's economy. The country's main exports in terms of total value are electronic devices such as computers or mobile telephones. However, the categories in which China has the largest global market share tend to be relatively basic manufactured items, pointing to the country's continued strength in low value-added manufacturing. Given the population and economic pressures China will face in the next decade, the central government is trying to accelerate a shift towards manufacturing of higher value goods, while allowing lower order manufacturing jobs to relocate to developing markets or be replaced by automation.

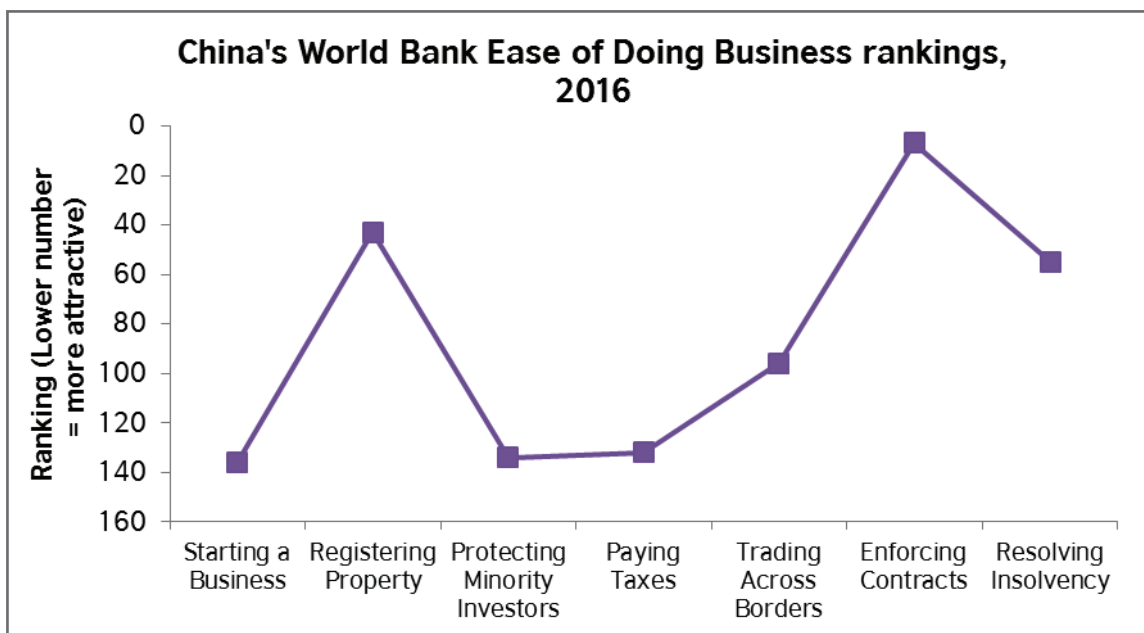
The Chinese economy has slowed down and is in the process of a fundamental transformation. The economy is shifting from investments to consumption, from low-skill intensive to skill-intensive production and is increasingly driven by innovation instead of input and investment. China's economic challenges are unlikely to cause a slowdown in the growth of international professional qualifications. In fact, skills development is seen as a necessary approach to improve the productivity required to ensure an advantage in the labour market.

From a regional point of view, China's "tier 1" and "tier 2" cities are strongholds with regard to macro-economy and employed population, registering higher penetration of modern retail and foodservices, as well as developed manufacturing services, banking and finance industries. However, the rate of growth in less-developed "tier 2" and "tier 3" cities is substantially faster than that in the most developed parts of China. Similarly, the Western part of the country – which is again less developed than the Eastern and Southern coastal provinces – is seeing a significantly higher GDP growth rate. As with the country as a whole, Chinese authorities are pushing these regions to move towards higher value-added industries, which will in turn drive demand for skills.

Ease of doing business

Over three decades after the reformation and opening of China's economy, significant barriers to foreign trade and investment still remain. China's overall position in the World Bank's Ease of Doing Business rankings is 84th of 189 economies – similar to Vietnam, but well behind Singapore, Hong Kong and Malaysia. Broken down by category, the country performs relatively well in enforcing contracts or registering property, but much worse in terms of the ease of starting a business, protection for minority shareholders, or tax policies.

China's currency, the renminbi, is still not freely convertible, despite the government's stated long-term goal of removing controls from the official exchange rate and easing restrictions on remittances. In response to investor flight from the renminbi as economic growth began to slow in 2015, capital controls have in fact tightened further in recent years, making the export of profits gained in China challenging, particularly for smaller organisations.



Source: World Bank. Factors which are less relevant to professional qualifications, such as dealing with construction permits, have been omitted.

Most interviewees from the professional qualifications sector generally did not mention specific problems in doing business in China compared to other countries in the region. Discussing developing countries in the region in general, one interviewee did say that “corruption and lack of clear laws distort the demand for skills”, and that corruption had repeatedly affected their negotiations in different markets.

Another factor which can affect growth is the requirement for government approval when working with schools in the formal education system. Although interviewees from the vocational education sector said that the Ministry of Education (MOE) was supportive of institutions integrating international professional qualifications in their courses, at least one UK awarding body disagreed. This interviewee said that receiving MOE approval was “a big challenge”, and such regulatory issues are often the main factor influencing expansion.

China's Development Priorities and Key Industries

China's development priorities for the next five years are set out in the country's 13th Five Year Plan, covering the period from 2016 to 2020. In most industries the focus of this plan, as well as other government initiatives such as the Made in China 2025 strategy, is to move up the value chain and focus on high-tech and high-skilled sectors.

The plan sets out four broad fields for particular promotion, with several specific industries listed in each category as listed below. This will likely mean strong growth potential in these industries over the next five years, which could lead to increased demand for relevant training and qualifications.

Emerging industries: These include next-generation information and communications technologies; new energy vehicles; biotechnology; green and low-carbon industry; high-end equipment and materials; the creative and digital sector; advanced semiconductors; robotics; additive manufacturing; intelligent systems; next generation aviation equipment; space technology; smart transportation; smart medicine; energy efficiency; distributed energy systems; smart materials; environmental protection; and virtual reality interactive media.

Strategic industries: These include aerospace and oceanography; information networks; life sciences; nuclear technology; development of new aircraft and spacecraft; next-generation air and space observation systems; quantum communications; internet of things; synthetic biology and regenerative medicine technology; next-generation nuclear reactors; small-scale nuclear reactors and equipment; and nuclear analysis and imaging systems.

Professional services: These include industrial design and creative development; engineering consulting; business consulting; law; accounting; insurance; credit rating; after-sales service; inspection and testing; HR services; logistics; high-tech services; and specialist outsourcing services. Within this sector the plan calls for integration with international standards systems and an improved level of internationalisation, which may be a positive indicator for UK qualifications.

Services to improve peoples' quality of life: These include education and training (including vocational training and skills assessment); health; pensions; culture and entertainment; sports and fitness; and tourism (including eco-tourism, cultural tourism, leisure tourism, and tourism in mountainous regions).

The construction sector will see on-going investment due to new infrastructure projects, especially in the transportation sector; these projects will also give a boost to the logistics and transportation industries. In **manufacturing**, policies call for a shift towards high-end, intelligent, green and service-oriented manufacturing. In the **financial sector**, the plan calls for the promotion of a broad, differentiated financial system, with increased funding channels, development of innovative financial services, and clearer and better co-ordinated

Skills supply and demand

China's education sector is in the midst of intensive reform, with education authorities attempting to link higher education more closely to industry (for example, by transforming around 600 universities to Applied Technology Universities) as well as increasing the level of innovation and entrepreneurship among students and graduates. However, employers in general tend not to see China as facing a critical shortage of specific technical skills, with many instead pointing towards a lack of 'soft skills'. In previous research, the British Council has found that this is particularly true at the middle management level and for skills relating to leadership, communication and critical thinking³.

Nevertheless, the rapid rebalancing of the economy towards the service sector does mean that there is demand for professional skills in a range of fields. According to an interviewee from the State Administration of Foreign Experts Affairs, the country's main skill shortages are in the mid-to-high level professionals and skilled workers, particularly in fields where the government is providing encouragement and support. Fields specifically mentioned by the interviewee included the combination of the internet and traditional industries; niche areas related to IT including cloud computing, big data and virtual reality; and fields such as robotics or CNC machine tools which are related to upgrading traditional industries.

According to an interviewee from the State Administration of Foreign Experts Affairs, the country's main skill shortages are in the mid-to-high level professionals and skilled workers, particularly in fields where the government is providing encouragement and support.

Meanwhile, an interviewee from the National Education Examinations Authority saw fields undergoing internationalisation as areas with unmet demand for skilled and certified professionals. The economic and finance field was cited as the leading example, as the globalisation of China's financial markets creates a need to adopt international standards. Logistics was also noted as an area with demand for internationalisation.

Other fields identified by interviewees as having unmet skills demand included healthcare, early childhood (pre-school) education and elder care, which are again fields where China is seeing rapid development from a relatively low base. In general terms, one interviewee commented that Chinese government plans "put too much focus on universities [...] there is great demand for the skills sector that they are not focusing on".

³ "Soft Skills, Hard Challenges", British Council, 2015

INTERNATIONAL PROFESSIONAL QUALIFICATION SECTOR IN CHINA

Overview

International awarding bodies entered the Chinese market in the 1990s and the overseas professional qualification market began to comprehensively mushroom in 2008. Rising demand for skills to cope with economic growth, internationalisation and competition in job markets have led to a significant increase in people pursuing international professional qualifications. Hundreds of thousands of people take part in various international qualification examinations every year.

In recent years, international professional qualifications have gained wider recognition by the industries and employers in China. Although the recognition and value of each qualification may depend on the nature of the industry, international professional qualifications have become increasingly popular due to their authority, credibility and reliability.

International professional qualifications are playing a progressively more important role in the job market. Overseas qualification requires a large amount of additional time and effort to study in preparation. Therefore, having international qualification is seen as a testimonial of not only the knowledge and the expertise of the candidate, but also of the self-discipline and clear career planning involved. Candidates with international professional qualifications are more competitive in the job market.

While the factors behind the growth still prevail, growth in the international professional qualification sector will be maintained.

Leading international qualifications in China

Many international professional bodies have an established presence in China. The chart below lists the popular qualifications in the six target industries. The UK and the United States are the two key players.

Sector	Qualification	Awarding Bodies	HQs
Accounting	ACCA	The Association of Chartered Certified Accountants	UK
Accounting	AICPA	American Institute of Certified Public Accountants	USA
Accounting	CPA Australia	CPA Australia	Australia
Accounting	CIMA	Chartered Institute of Management Accountants	UK
Accounting	ACA	The Institute of Chartered Accountants in England and Wales	UK
Accounting	HKICPA	Hong Kong Institute of Certified Public Accountants	HK
Financial Services	CFA	CFA Institute	USA
Financial Services	FRM	Global Association of Risk Professionals	USA
Financial Services	PMP	Project Management Institute	USA
Financial Services	CFP	Certified Financial Planner	USA
Financial Services	FSA	Fellow of the Society of Actuaries	USA
Financial Services	FLMI	Fellow, Life Management Institute	USA
Health and Safety	IGC/IOGC/HSW	The National Examination Board in Occupational Safety and Health	UK
Health and Safety	CSP/CIH	American Board of Industrial Hygiene	USA
Health and Safety	IWCF	International Well Control Forum	UK
Health and Safety	IFAP	IFAP	Australia
Health and Safety	OSHA	Occupational Safety and Health Administration	USA
Logistics	CIPS	Chartered Institute of Procurement & Supply	UK
Logistics	CILT	The Chartered Institute of Logistics and Transport	UK
Logistics	ELA	European Logistics Association	Brussels
Logistics	CSCP	APICS	USA
IT	MCPS/MCSE/MCDBA/MCSD	Microsoft	USA
IT	Oracle certification	Oracle	USA
IT	ITIL	AXELOS	UK
IT	CAN/CNE	Novell	USA
IT	CCNA/CCDA/CCNP/CCDP	CISCO	USA
IT	CIW	CIW	USA
IT	CISA/CISM	ISACA	USA
IT	NCC Award	NCC	UK
Business & Mgt	management	Association of Business Executives	UK
Business & Mgt	management	LCCI (Pearson)	UK
Business & Mgt	management	City & Guilds	UK
Business & Mgt	CIM	Chartered Institute of Marketing	UK
Business & Mgt	PHR/SPHR	American Certification Institute	USA
Business & Mgt	IHRI	International Human Resource Institute	USA
Business & Mgt	SHRI	Singapore Human Resources Institute	Singapore
Business & Mgt	APM Project Mgmt	APM Group	UK
Business & Mgt	AMA	American Marketing Association	USA

Regulatory and legislative framework

Professional qualification in China is regulated by the Ministry of Human Resources and Social Security (MOHRSS). The procedure for approving a new international qualification by MOHRSS involves four steps:

1. A joint application must be submitted by the awarding body, along with a domestic Chinese institution, which can be an awarding body, industry association, social organisation or other Chinese legal entity. Documentation must include the operating licenses of the two partners, as well as the details of the examination, a feasibility study and a signed cooperation agreement.
2. The MOHRSS will perform an initial review of the documents, which will take around 15 days.
3. The MOHRSS will review the suitability and feasibility of the examination, which will take around 90 days.
4. The MOHRSS will grant final administrative approval, which will take around 30 days.

According to interviewees, it is relatively easy for legitimate overseas qualifications to pass this approval for voluntary proficiency qualifications, although “access qualifications” that are compulsory for entry to a certain sector are strictly regulated and should be run by national bodies. Vocational education continues to be included in the “encouraged” list in the country’s Catalogue for the Guidance of Foreign Investment Industries.

Qualifications delivered as part of courses at formal education institutions (such as universities or higher vocational institutions) are regulated by the Ministry of Education (MOE) rather than the MOHRSS. As discussed above, officials from the vocational education sector commented that they were supportive of integrating these international qualifications into courses, but not all UK awarding bodies agreed.

An interviewee from the State Administration of Foreign Experts’ Affairs (SAFEA) mentioned that the MOHRSS is currently drafting regulations on the management of qualifications, which are likely to be completed later this year or next. These regulations are likely to reflect current policy, giving stricter regulations on access qualifications while giving more scope for independent bodies to offer voluntary proficiency qualifications. The MOHRSS’s other current focus in the qualifications field is simplifying and harmonising the structure of qualifications offered by different government departments and other government-linked bodies, including cancelling a large number of unneeded or duplicate qualifications.

Another upcoming regulation that may affect some organisations in the international qualifications sector is the Management Law on Foreign NGOs. A number of international awarding bodies will be affected. Since these bodies are classed as NGOs, they will at least be required to register with the Ministry of Public Security. While the full text of the law has already been released, the extent of the effect on foreign organisations will not be made clear until implementation guidelines are published this fall.

Openness to foreign qualifications

From a regulatory point of view, the Chinese government – to quote an interviewee from the National Education Examinations Authority – “neither supports nor opposes the entrance of overseas qualifications into the Chinese market”.

The level of acceptance of foreign qualifications varies across different industries. According to interviews with Chinese officials, the level of acceptance generally depends on the level of internationalisation of the specific industry, saying that “globalised industries like finance or IT” have the greatest level of acceptance of overseas certificates. Other interviewees said that overseas qualifications from countries that had a particular advantage in the relevant area were more likely to be recognised, giving an example of German qualifications in electrical machinery.

*The **MoHRSS** is reportedly drafting regulations that may further restrict access qualifications, while giving more scope for independent bodies to offer voluntary proficiency qualifications.*

Interviewees also mentioned that the level of recognition depended on the scale and level of a company. Large-scale companies were more likely to value international qualifications in comparison to smaller and lower-end companies. Similarly, multinational corporations are more likely to value international qualifications.

Sectors mentioned as being particularly open to foreign qualifications included the financial sector, “cutting-edge” industries such as those related to the environment, clean energy and advanced manufacturing, “modern services”- particularly logistics, travel/tourism and IT.

Key stakeholders in China's international qualifications sector

Ministry of Human Resources and Social Security (MOHRSS)

Regulates professional qualifications, including approving the entry of overseas professional qualifications into the Chinese market. Is not responsible for qualifications included in courses in the formal education system.

Ministry of Education (MOE)

Approves qualifications included in courses in the formal education system. This is most common in universities (controlled by the Department of Higher Education or its provincial equivalents) and higher vocational institutions (controlled by the Department of Vocational and Adult Education or its provincial equivalents).

Industry associations

Often offer their own domestic qualifications, but many also work with international awarding bodies to introduce their qualifications into the Chinese market.

Awarding bodies

An awarding body designs, develops, delivers and awards the recognition of learning outcomes of an individual following an assessment and quality assurance process that is valued by employers, learners or stakeholders.

The local office of awarding bodies in China is normally responsible for marketing and business development in local markets, as well as providing membership service. The exams administration is normally taken care by UK team.

Learning providers

Educational institutions, including universities and high vocational institutions, commonly cooperate with international awarding bodies to embed their qualifications into the students' courses. Higher vocational institutions are encouraged both to internationalise and to make their courses more relevant to each industry. This makes the institutions particularly likely to add international qualifications.

Private training centres often have links within the local industry. They help the exam boards to promote the qualification and provide preparation courses to the candidates.

Exams administrators

Learning providers sometimes take the exam administration role. However, there is a strong conflict of interest and many cases of cheating have been reported over the past years with the training schools being implicated in assisting candidates in cheating.

A number of independent, third party organisations offer an exams administration service for international professional bodies. The British Council administers a wide range of professional qualification exams and arranges more than 200,000 tests in China every year.

Learning partners

In comparison to other profiled markets, education institutions, especially those higher vocational institutions offering 3-year diploma courses, but also to a lesser extent universities, are much more popular partners in China. These institutions are currently being encouraged to make their courses more relevant to the industries they serve, as well as to increase their level of internationalisation. For example, in 2014 China set up 62 Industry Steering Committees to promote the internationalisation of the vocational education sector. Several UK awarding body interviewees noted that this was an important channel in China. One interviewee mentioned that “in the Chinese market, most partners are public colleges and universities” while elsewhere private training centres play the dominant role. Another awarding body added that, in contrast to other markets in which they rely on private training centres, their China channel partners are mainly schools and Higher Education Institutions.

Interviewees from bodies representing the vocational sector were keen to encourage UK awarding bodies to work with institutions to set up courses related to qualifications that are “useful or helpful for students’ employment”, including employment with international employers. Other important concerns are the students’ language ability (English levels at vocational institutions are typically lower than those of university students) and students’ financial capabilities. Qualifications packaged as part of the curriculum at these institutions only need approval from the Ministry of Education (MOE), rather than the Ministry of Human Resources and Social Security (MOHRSS), which is usually responsible for professional qualifications.

Another reason for the importance of these partners is the higher attention paid to academic qualifications rather than professional certifications in China – even among graduates from vocational colleges.

Nevertheless, China does also have a large number of private training providers across many sectors of the economy. The interviewee from CIPS mentioned that their training partners in China (as elsewhere) were mostly private study centres, while the ACCA’s learning partners are a mixture of universities and private training organisations. Similarly, the training partners Axelos uses for its ITIL certifications are typically private training centres, and the same is true of the IT certifications awarded by international vendors.

As with other markets, independent training providers in China also offer preparatory courses for examination-based qualifications without being formally affiliated with the awarding body. This is particularly true for vendor certifications in the IT field and for the Certified Financial Analyst (CFA) qualification. A similar phenomenon is of course seen with British Council examinations such as IELTS.

Industry associations also have their own training capabilities. In some fields these work with international bodies. One example in a key profiled sector is the China International Freight Forwarders Association (CIFA), which works with the International Federation of Freight Forwarders Associations (FIATA) to offer examinations and related training for the FIATA Diploma in Freight Forwarding. Similarly, the China Association of Actuaries works with the UK’s Chartered Insurance Institute, but in this case the cooperation is not seen as successful, an issue which was blamed on the qualification being insufficiently localised.

Finally, the State Administration of Foreign Experts Affairs (SAFEA) also acts as a delivery partner for some international qualifications, including Project Management Professional (PMP) certification. These qualifications are offered through SAFEA’s national network of examination centres.

Key challenges for UK professional bodies in China

A major challenge is rising competition from other countries, particularly the US, Canada and Australia. UK qualifications need to highlight their feature as internationally recognised qualifications, while the boards need to differentiate their organisation from these competitors.

Affordability of the training course and high-stake exams is a problem, particularly in less-developed regions of the country. This is a significant barrier to growth in second and third-tier markets. Business environment and regulatory framework still pose problems for many foreign institutions. Receiving approval from the Ministry of Education when working with institutions sometimes can be challenging and such regulatory issues are often the factor influencing market entry.

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In comparison with other countries, UK awarding bodies place a higher emphasis on providing qualifications in the local language in China. A number of professional bodies offer qualification content in Chinese. Understanding demand for local language options can be a challenge. One interviewee from an awarding body commented that creating Chinese-language modules “hasn’t really resulted in an increase in candidates” – although it has helped to improve stakeholders’ perceptions and show that the organisation is “committed to the market for the long-term”.

China is identified as a country with high levels of malpractice in the global exam market. The coordinated cheating poses a great challenge to high-stake exams in China. In particular, there is strong conflict of interest in cases where the same organisation provides both training and administration. Many cases of cheating have been reported over the past years with the training centres being implicated in assisting candidates in cheating. According to our survey results and interviews, a significant number of awarding bodies rely on the same partner for both training and assessment, which poses potential conflicts of interest and security risks.

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Quality assurance and compliance is another big challenge in protecting the reputation of the qualification. The local administrators are not experienced in managing international test delivery and are not in compliance with UK good practice in test content security, equal opportunity and special candidate needs, health and safety, child protection and data protection. Unless dedicated resources are in place, it is hard for the awarding bodies to monitor and quality assure standards used by various centres across the country.

Opportunity ratings for six key sectors

■ Strong | ■ Moderate | ■ Niche

Accounting

ACCA and other overseas qualifications are popular and well regarded, although the number of holders is well behind the domestic certificate which is compulsory in China. According to a major multinational in this field, the value of international qualifications depends on the particular role and department – they are seen as a major advantage for some functions, but less so for others. Even at a moderate uptake, the scale of China and the pace of growth in the industry make this a promising area to expand international qualifications.

Finance

China's financial services sector is vast, with an estimated 5.6 million practitioners. Financial services are specifically singled out as a development priority in the 13th Five Year Plan, with emphasis on developing innovative financial services and increased funding channels. As Chinese firms and banks expand abroad, they are also increasingly bound by international financial regulations, which require highly specific knowledge and skills to navigate. Most domestic financial institutions currently tend to favour in-house training over formal qualifications, but government support for professionalisation and individual investment in training will make this promising growth area for international qualifications.

Health & Safety

Demand for safety qualifications is generally driven by regulatory compliance rather than seen as a competitive advantage. Chinese companies thus tend not to place much emphasis on international qualifications in this field and pay more attention to compulsory (domestic) qualifications. International qualifications are often required when Chinese companies deliver major projects abroad, but in that case the qualifications are often delivered overseas rather than in China. There is also some demand among MNCs, which tend to have higher safety demands. Promising area to expand international qualifications.

Logistics

International qualifications are seen as an advantage in the logistics field, although they are not necessary for finding a position. One interviewee said that UK qualifications would be particularly valuable as they reflect the international rules of the industry, making them useful in the arbitration of disputes. Certification for dangerous goods handling is also in demand, with need for training at every distribution centre.

IT

There is strong unmet skills demand in rapidly-growing sub-fields, such as cloud computing, big data and the Internet of Things. However, an interviewee from a major tech company said that experience is valued more than formal qualifications due to the rapid pace of change. Overseas qualifications are nonetheless highly regarded. Several of the most popular qualifications in this field come from international vendors like Microsoft or Oracle, while Axelos's ITIL certification is also very popular.

Business, management and entrepreneurship

International qualifications are common, particularly the Project Management Professional qualification. However, according to one interviewee, this market is relatively saturated compared to other fields and there is less potential for new entrants.

In the human resources area, interviewees saw HR qualifications as a significant growth opportunity, with some big organisations preparing to make a push into the market.

Conclusion

China is by far the largest of the profiled markets and clearly presents substantial potential for UK awarding bodies, even in relatively niche areas. But accessing these opportunities requires navigating the significant challenges outlined above. In particular, the market continues to pose severe reputational risks to UK awarding bodies, as underlined by the widespread media coverage of the hacking of American university entrance exams in 2016. Beyond immediate reputational risks, such security lapses may also pose compliance risks for UK organisations. The importance of security and trustworthy invigilation of exams therefore should be paramount to awarding bodies operating in the market.

Likewise, while China has a number of quality learning partners for awarding bodies to work with, options are more limited when seeking opportunities in the emerging second- and third-tier cities which will take centre-stage in the next phase of China's growth story. To fully engage with all of the opportunities China presents, UK awarding bodies should seek a local partner with an adequate network, the capacity to manage remote centres, and a comprehensive compliance system for managing high-stake exams operations. Brand awareness, reliability, accessibility and customer service are the key success factors in enlarging the market shares of overseas qualifications. Awarding bodies should seek a quality partner rather than using a wide range of local institutions, training centres and agents as exams administrators. This helps to ensure consistency of customer experiences and minimise conflicts of interests that could undermine their brand.

In engaging with the China market, it is important that awarding bodies emphasize their international recognition, not just their status in the UK. Coordination with government agendas is also key, both at the national and local level. Municipal and Provincial governments that have autonomy over economic development plans are often more willing to help overcome regulatory and legal barriers than the central government, with provinces such as Jiangsu and Guangdong serving as prime examples.

Finally, China's regulatory environment is fluid, and requires constant monitoring and frequent adjustment on the part of foreign organisations. The forthcoming Foreign NGO Law, which is scheduled to come into effect in early 2017, and will likely require many awarding bodies to register with the Ministry of Public Security, is a case in point. Awarding bodies must devote resources to anticipating and adapting to regulatory changes as the political context evolves.

