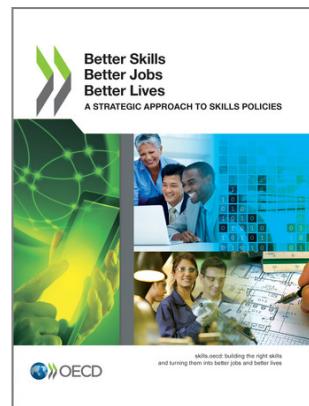


OECD *Multilingual Summaries*

Better Skills, Better Jobs, Better Lives. A Strategic Approach to Skills Policies

Summary in English



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[10.1787/9789264177338-en](https://doi.org/10.1787/9789264177338-en)

- Skills transform lives and drive economies. Without the right skills, people are kept on the margins of society, technological progress does not translate into economic growth, and countries cannot compete in today's economies.
- But the toxic co-existence of unemployed graduates and employers who say that they cannot find the people with the skills they need shows that skills do not automatically translate into better economic and social outcomes.
- The OECD has now put together a strategy that helps countries transform skills into better jobs and better lives.

How can a country improve the quality and quantity of its skills?

Encourage people to learn

Gather and use evidence about the changing demand for skills: Investing in skills development throughout a person's lifetime is at the heart of skills policies. During the past few decades, the labour market in many OECD and emerging countries has moved from agriculture to industry to, increasingly, services. These changes imply a decline in demand for craft skills and physical labour and a rise in demand for cognitive and interpersonal skills, and for higher-level skills more generally. Government and business need to work together to gather evidence about skills demand, present and future, which can be used to develop up-to-date curricula and inform education and training systems.

Involve social partners in education and training programmes: Skills development is more effective if the world of learning and the world of work are linked. Compared to government-designed curricula taught exclusively in schools, learning in the workplace offers several advantages: it allows young people to develop "hard" skills on modern equipment, and "soft" skills, such as teamwork, communication and negotiation, through real-world experience. Hands-on workplace training can also help to motivate disengaged youth to stay in or re-engage with the education system and smooths the transition from education to work. Employers have an important role in training their own staff; trade unions can also help to shape education and training and see that investments in training are reflected in better-quality jobs and higher salaries.

Remove barriers to investing in further learning: Preparing young people for working life with up-front education and training is only one facet of skills development; working-age adults also need to develop their skills so that they can progress in their careers, meet the changing demands of the labour market, and retain the skills they have already acquired. A wide spectrum of full- or part-time adult-learning activities needs to be available: from work-related employee training, formal education for adults, second-chance courses to obtain a minimum qualification or basic literacy and numeracy skills, language training for immigrants, and labour-market training programmes for job-seekers, to learning activities for self-improvement or leisure.

Promote equity by ensuring quality education for all: Spending time in education is one thing; learning is another. The OECD's Programme for International Student Assessment (PISA) shows that significant numbers of 15-year-olds in many countries do not acquire even a minimum level of skills through compulsory schooling. Governments can help to foster quality from early education through school and beyond. Teaching must be valued as a profession so that the best candidates are recruited and the most effective teachers retained. Workplace training should also be subject to quality control, in the form of contractual arrangements, inspections and self-evaluations. Investing in high-quality early childhood education and initial schooling, particularly for children from disadvantaged backgrounds, is an efficient way to ensure that first skills beget future skills. Second-chance options can offer individuals with poor skills a way out of the low skills/low income trap.

Ensure that the costs of education and training are shared: Governments can design financial incentives and tax policies that encourage individuals and employers to invest in post-compulsory education and training. Allowing people to deduct the cost of such education from their income taxes could help. Individuals can be encouraged to shoulder more of the financial burden for tertiary education and funding can be linked more closely to graduation rates. At the same time, individuals need to have access to income-contingent loans and means-tested grants.

Encourage skilled people to enter the country

Facilitate mobility for skilled migrants: Countries may not have an adequate supply of skills because they have booming emerging sectors and not enough people trained in those fields, because their societies are ageing and there are too few young people to replace retiring workers, or because they want to move major parts of the economy to higher value-added production, which requires a well-trained workforce. Labour-migration policies can complement other measures to address these shortfalls. In addition, several OECD countries have eased their immigration policies to encourage international students to remain to work after their studies. And migrants who return to their home country bring back useful knowledge and experience.

Promote cross-border skills policies

Invest in skills abroad and encourage cross-border higher education: While skills policies are typically designed nationally, an increasing number of employers operate internationally. Some countries have therefore begun to invest in the skills of people abroad. This has the double advantage of providing well-trained workers to branches of firms

located abroad and reducing the incentives to emigrate, especially among highly skilled individuals. Another way to encourage skills development globally is to design policies that encourage cross-border tertiary education. This can help a country to expand its stock of skills more rapidly than if it had to rely on domestic resources alone.

How can a country activate skills in the labour market?

Encourage people to use their skills

Create financial incentives that make work pay: Labour-force participation rates – the sum of people in employment and in unemployment as a percentage of the working-age population – range from close to 90% in Iceland to below 60% in Turkey. Countries can review costly childcare services, tax systems that make work economically unattractive, or benefit systems that offer better compensation compared with expected salaries, all of which can make work economically unattractive.

Dismantle non-financial barriers to participation in the labour force: Inflexible working conditions can make it difficult for people with care obligations or with disabilities to participate in the labour force. Part-time work and less rigid working-time arrangements are increasingly seen as a way to bring these groups into work. To be effective, these measures have to be combined with efforts to reduce employers' reluctance to hire such individuals and to re-train them if necessary.

Retain skilled people

Discourage early retirement: To keep older workers in the labour market, many countries have eliminated early-retirement schemes, increased the official pensionable age and corrected financial incentives to retire early. To tackle demand-side barriers to employing older workers, some countries have tried to balance labour costs with productivity by reducing employers' social security contributions or providing wage subsidies for older workers. Lifelong learning and targeted training, especially in mid-career, can improve employability in later life and discourage early withdrawal from the labour market.

Staunch brain drain: In certain countries, losing highly skilled individuals through migration, also known as brain drain, can create skills shortages and represents a loss of the investment made in these skills. Experience has shown that the best way to prevent brain drain is to provide incentives to stay, including by improving labour-market conditions locally, rather than by imposing measures to prevent emigration. Brain drain also happens within countries, particularly between rural areas and urban centres. Local career-advice services can help to ensure that skilled people are fully aware of the opportunities available nearby.

How can a country make the best use of its talent pool?

Ensure that people use their skills effectively

Help young people to gain a foothold in the labour market: The fact that skills shortages can co-exist with high unemployment hit young people particularly hard. In 2011, the average youth unemployment rate among OECD countries was close to 17% – 2.3 times higher than that of prime-age adults. While that figure reflects the impact of the global economic recession, high rates of youth unemployment were common even before the crisis. Strong basic education, combined with vocational education and training programmes that are relevant to the needs of the labour market, tend to smooth the transition from school to work; so do hiring and firing rules that do not penalise young people and financial incentives that make it viable for employers to hire young people who require on-the-job training.

Help employers to make better use of their employees' skills: The persistent evidence of mismatch between employees' skills and job requirements indicates that a population's stock of skills – and the investment made to develop those skills – may be partly going to waste. Public policies can help to identify workers with low levels of foundation skills and offer an incentive to both employees and employers to invest in skills development to meet the requirements of the job. When the skills available aren't adequately used, better management practices are needed. Trade unions have an important role to play in improving the match between skills demand and supply.

Provide better information about skills needed and available: Under-skilling, under-use of skills, and unemployment can arise because of a lack of information and transparency in skills systems. Quality career guidance thus becomes a critical part of any skills strategy. Competent personnel who have the latest labour-market information

at their fingertips can steer individuals to the learning programmes that would be best for their prospective careers. Continuous certification that incorporates non-formal and informal learning over the working life is also essential, as is recognition of foreign diplomas.

Facilitate mobility: One reason why skills shortages can co-exist with high unemployment is that people with the relevant skills are not in same geographical location as the jobs that require those skills. Reducing costs and other barriers associated with job mobility helps employees to find suitable jobs and employers to find suitable workers.

Increase the demand for high-level skills

Help local economies move up the value chain: Policies can also “shape” demand, rather than merely respond to it. Government programmes can influence both employer competitiveness strategies (how a company organises its work to gain competitive advantage) and product-market strategies, which determine in what markets the company competes. By fostering competition, policy makers can promote productive economic activities that contribute to stronger economic growth and more productive and rewarding jobs.

Foster entrepreneurship: Entrepreneurs are made, not born. To be successful they need to know how to identify opportunities, turn them into successful ventures, and recognise and respond to difficulties and obstacles that may emerge. Teaching entrepreneurship in schools, universities and vocational training institutions can help instil these skills and competences. Since migrants too can be entrepreneurs, policies can support recent immigrants in establishing their businesses by offering seminars and briefings on local labour law, and income and corporate tax and social-security legislation in addition to more traditional courses.

The way forward

Several countries have already published or are developing national skills strategies. The key challenge is putting such strategies into practice and adopting a holistic approach that includes all relevant actors at the national and local levels. As a follow-up to formulating the Skills Strategy, the OECD will be devising guidance on how to develop national skills strategies and support countries in implementing them. As a first step, countries need to build “skills intelligence” to situate their strengths and weaknesses on the different dimensions laid out in the OECD Skills Strategy and to design and evaluate policy alternatives. The OECD Survey of Adult Skills can help. It provides a first-of-its kind assessment of the skills individuals have, how these are used on the job, and the resultant economic and social outcomes. The first results from the OECD Survey of Adult Skills will be published in October 2013 as part of a new OECD Skills Outlook.

In addition, the OECD is developing an interactive online portal for skills, <http://skills.oecd.org>. This will allow governments, researchers and other users to access the rich stock of data and analysis on skills, identify the strengths and weaknesses of their existing skills systems, and benchmark national skills policies internationally.

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OECD (2012), *Better Skills, Better Jobs, Better Lives. A Strategic Approach to Skills Policies*, OECD Publishing.

doi: 10.1787/9789264177338-en