

OECD *Multilingual Summaries*

OECD Skills Outlook 2017

Skills and Global Value Chains

Summary in English



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The world has entered a new phase of globalisation over the past two decades that presents countries and workers with new challenges and opportunities. Helped by the rise of information technology, production has become globalised and fragmented along so-called global value chains: workers across different countries now contribute to the design, production, marketing and sales of the same product. On average in OECD countries, one third of jobs in the business sector depend on demand in foreign countries. Thirty percent of the value of exports of OECD countries now comes from abroad.

The impacts of global value chains on economies and societies are more complex, more diffuse and more inter-dependent than those from earlier phases of globalisation. Globalisation is being questioned. Countries need to step up their efforts to make globalisation work for everyone. This publication shows that by investing in the skills of their populations, countries can help ensure that their participation in global markets translates into better economic and social outcomes.

Skills matter for globalisation

Skills can help countries integrate into global markets and specialise in the most technologically advanced industries

- When skills development accompanies participation in global value chains, countries can achieve stronger productivity growth. Countries with the largest increase in participation in global value chains over the period 1995-2011 have benefited from additional annual growth in industry labour productivity. This extra growth ranges from 0.8 percentage points in industries that offer the smallest potential for fragmentation of production to 2.2 percentage points in those with the highest potential, such as many high-technology manufacturing industries.
- To integrate and grow in global markets, all industries need workers who have not only strong cognitive skills (including literacy, numeracy and problem solving) but also managing and communicating skills, and readiness to learn. To spread the productivity gains from participation in global value chains across the whole economy, all firms, including small firms, need workers with such skills.
- To specialise in the most technologically advanced industries, countries also need:

– workers with good social and emotional skills (such as managing, communicating, self-organising skills) that complement cognitive skills. A country with a skills mix that is well aligned with the skills requirements of technologically advanced industries can specialise in these industries on average 10% more than other countries.

– pools of workers with qualifications that reliably reflect what they can do. Many technologically advanced industries require workers to complete long sequences of tasks; poor performance at any stage greatly reduces the value of output. Countries with such workers can specialise in these industries on average 2% more than countries whose skills outcomes are less certain.

Skills can help individuals face the potential negative impacts of global value chains

- Countries can reduce workers' exposure to the risk of offshoring – the relocating of production to other countries – by investing in the skills development of their populations. What people do on the job, and thereby the type of skills they develop, also strongly influences the exposure of their jobs to this risk. When workers have the necessary skills, they can evolve in their jobs or adapt more easily to changing needs.
- More educated workers enjoy higher job quality than less educated ones in all countries. However, countries that participate more in global value chains experience a wider gap in job quality between highly educated and less educated workers.
- Too many adults lack the skills needed to face the challenges of globalisation. More than 200 million adults across OECD countries (about one in four) have low literacy or numeracy skills and 60% of them lack both types of skills.

Skills have accompanied global integration of countries differently

Countries need to invest in skills not only to help individuals enter the labour market and protect them against the risks of job losses and poor job quality but also to pursue international competitiveness and economic progress in an interconnected world.

- Over the last 15 years, from different starting positions, Korea and Poland have increased their participation in global value chains and specialisation in technologically advanced industries, while improving the skills of their populations and achieving economic and social gains, thereby seizing the benefits of global value chains.
- Chile and Turkey have significantly increased their participation in global value chains, have developed the skills needed to face the challenges of global value chains, and have enjoyed strong employment outcomes. Their skills are weakly aligned with the requirements of technologically advanced industries, however, which partly explains their low specialisation in these industries.
- Germany and the United States also significantly increased their participation in global value chains. However, the skills of the German population appear to support the country's industry specialisation pattern while this is less the case for the United States.
- Some countries, such as Greece and to some extent Belgium, are weakly integrated into global value chains, have not improved the skills of their populations much, and have not benefited from global value chains as a source of economic growth.

Implications for skills-related policies

To seize the benefits of global value chains, countries need to invest in education and training, make better use of skills, better co-ordinate skills-related policies – from education and migration policies to employment protection legislation – and align these policies with industry and trade policies.

Equip graduates with reliable qualifications and strong mixes of relevant skills

From early childhood through to adult learning, education and training systems need to equip all learners with strong mixes of skills. This requires maintaining a strong focus on cognitive skills while developing innovative teaching strategies, flexibility in the curriculum choice and well-designed entrepreneurship education.

Countries can better align their skills characteristics with industries' skills requirements through high quality vocational and professional education and training that includes a strong work-based learning component, and specific policies to foster closer collaboration between the private sector, higher education institutions and research institutions.

Remove barriers to further skills development

Adults need to continuously develop and adapt their skills, so countries should dismantle barriers to further skills development, especially for adults with weaker skill sets. Governments, employers, unions, and education and training providers need to work together to develop flexible on-the-job training opportunities, improve access to formal education for adults, and make it easier for workers to combine work and training. Greater recognition of skills acquired informally would help workers gain further qualifications and adapt their careers to changing needs.

Use skills more effectively

Skills can enable countries to perform well within global value chains, but only if people are working in firms and industries that make the best use of their skills. Countries need to ensure that people can move easily into jobs where their skills can be used well, while providing flexibility to firms and security to workers. Countries could foster the development of effective management practices, design employment protection legislation, and regulate non-compete clauses in ways that enable expertise and knowledge to be shared across the whole economy more effectively.

Enhance international co-operation on skills policies

Rather than competing to attract talent, countries could co-operate in the design of education and training programmes. Such collaborative efforts can ensure quality and maintain the knowledge and skills that countries need to thrive in global value chains. They can also improve skills in developing economies and facilitate the recognition of these skills by other countries. Countries could consider financing arrangements that better reflect the distribution of benefits and costs across countries in a world where both education and the production process have been internationalised.

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doi: 10.1787/9789264273351-en