Translating better skills into better economic and social outcomes

Lisbon Council
15 September 2011

OECD

Agenda for this morning

- Skills matter for individuals…
  - because skills have an increasing impact on labour market outcomes and social participation

… and for economies

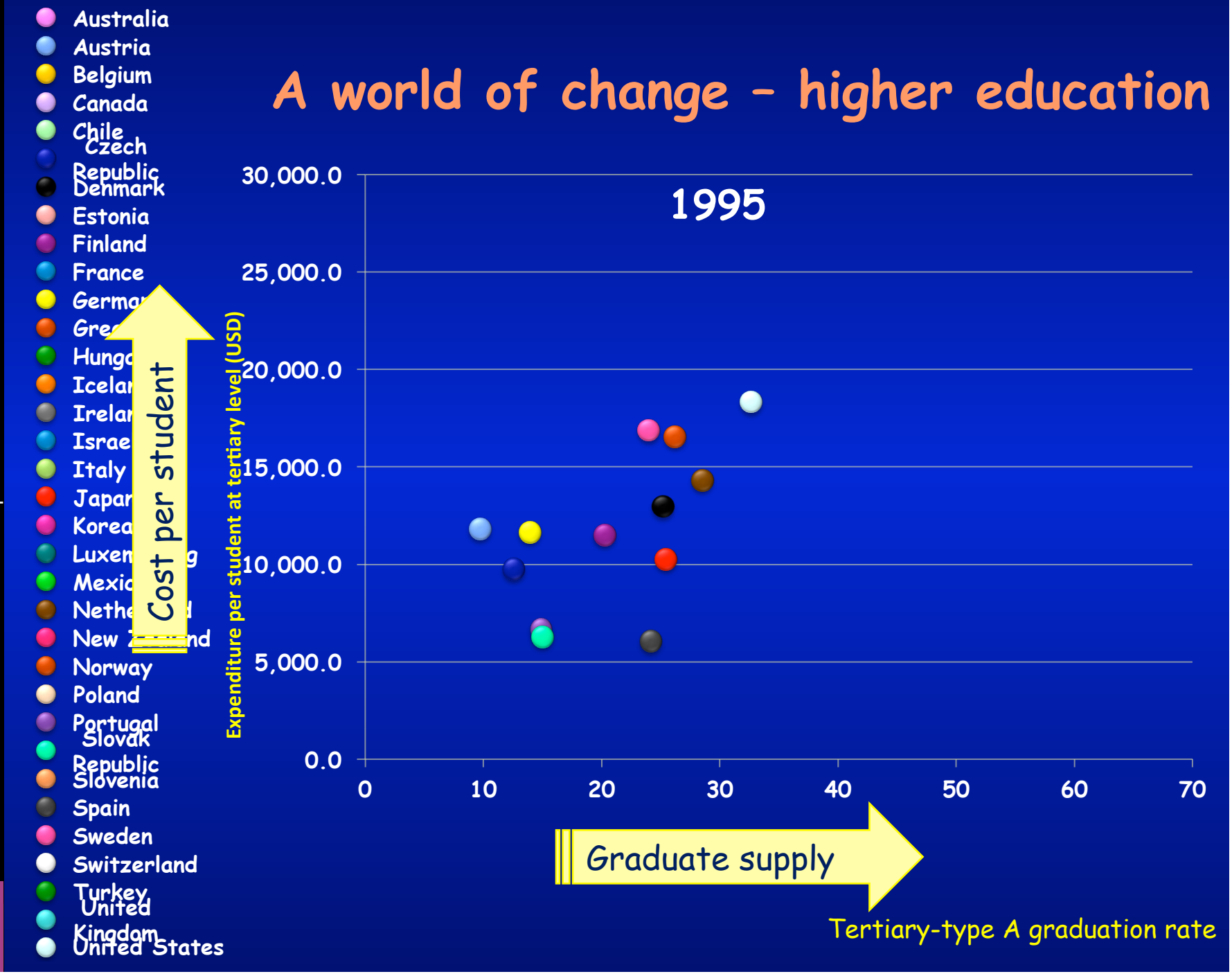
  - because failure to ensure a good skills match has both short- term consequences (skills shortages) and longer-term effects on economic growth and equality of opportunities

… but better skills do not *automatically* translate into higher incomes and higher productivity

  - Success with converting skills into jobs and growth depends on whether
    - we know what those skills are that drive economic outcomes
    - the right mix of skills is being taught and learned in effective, equitable and efficient ways
    - economies and labour-markets fully utilize their skill potential
    - Governments build strong coalitions with the social partners to find sustainable approaches to who should pay for what, when and where .

Many systems have done well in getting more people to higher qualifications

A world of change – higher education



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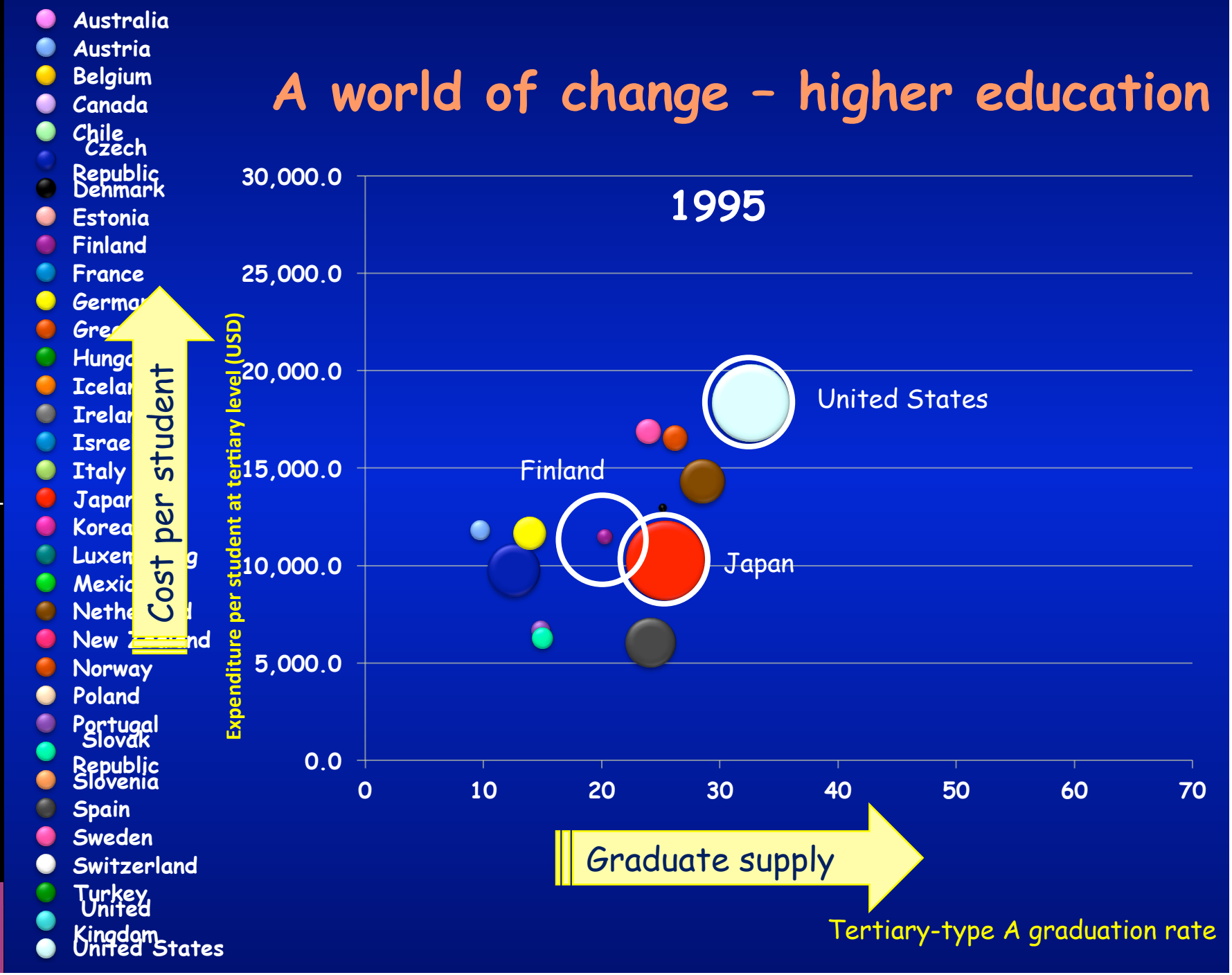
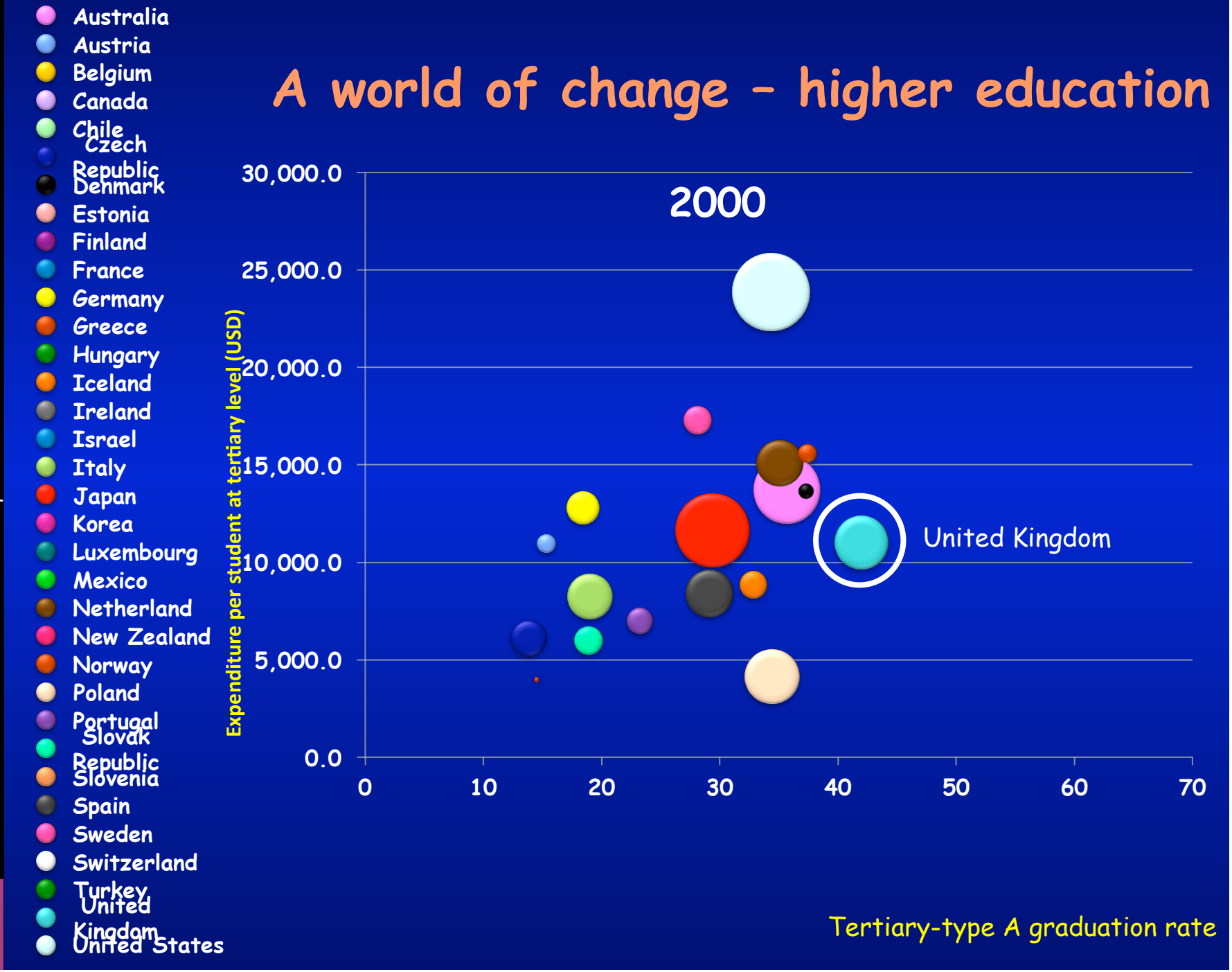


A world of change – higher education



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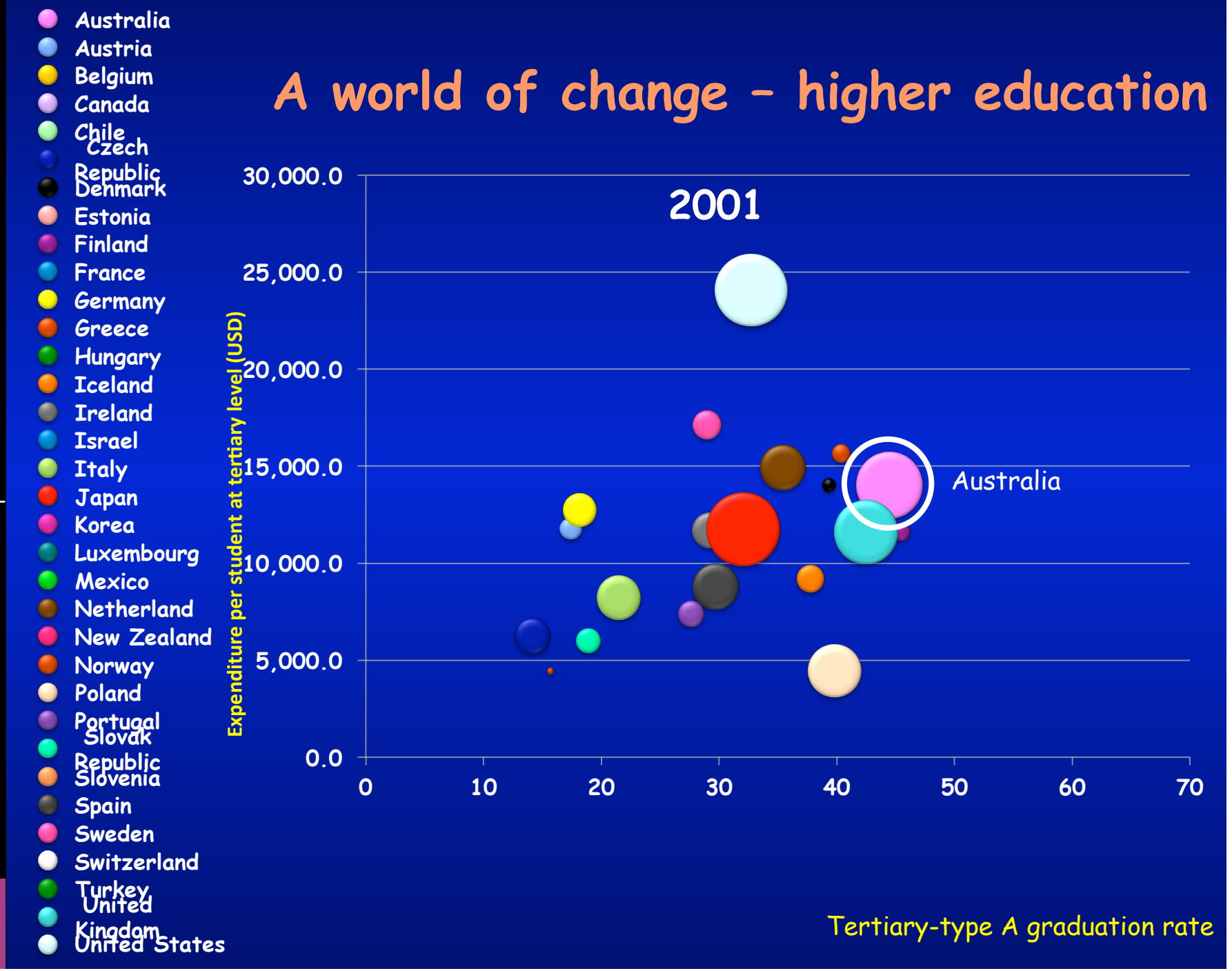

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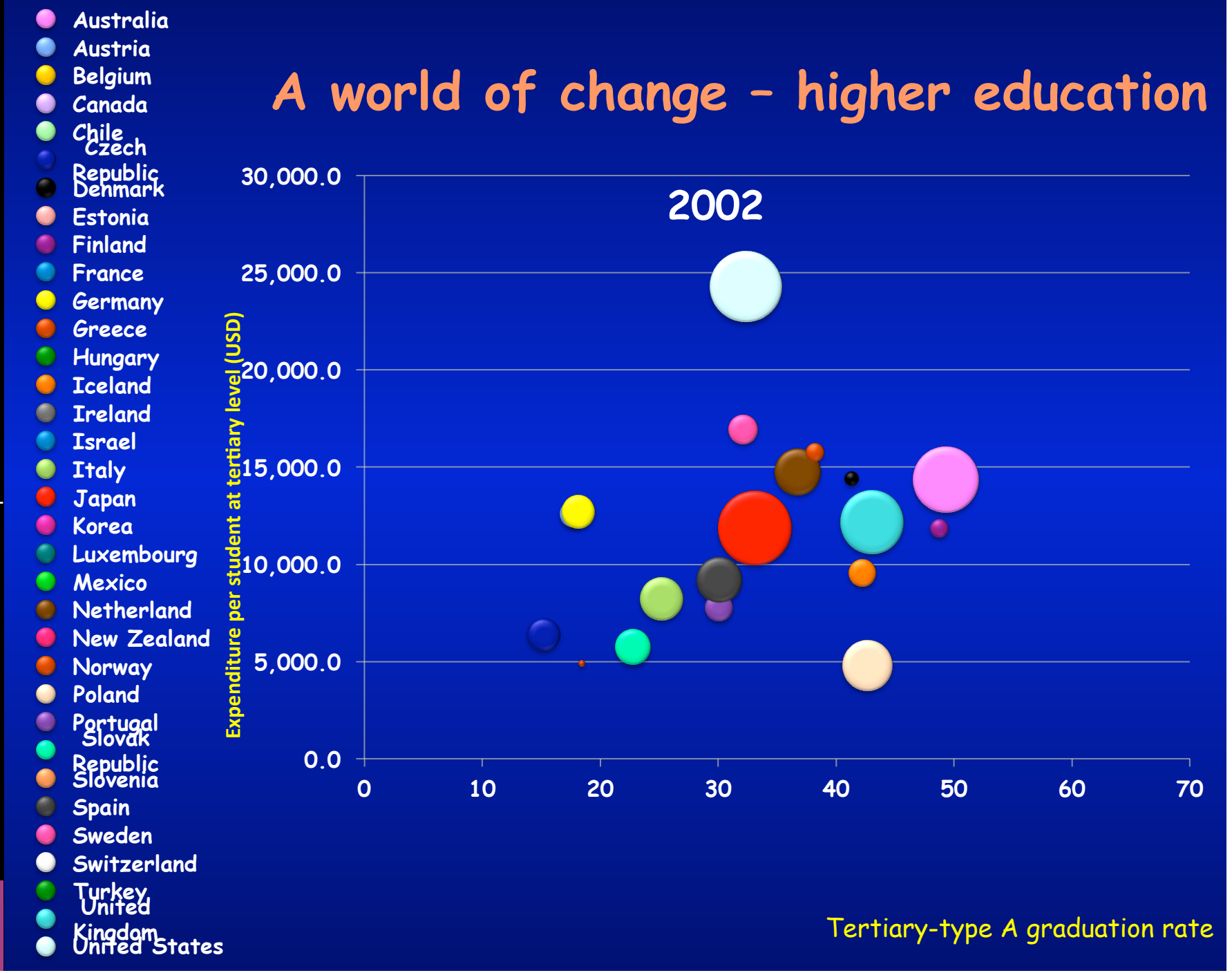

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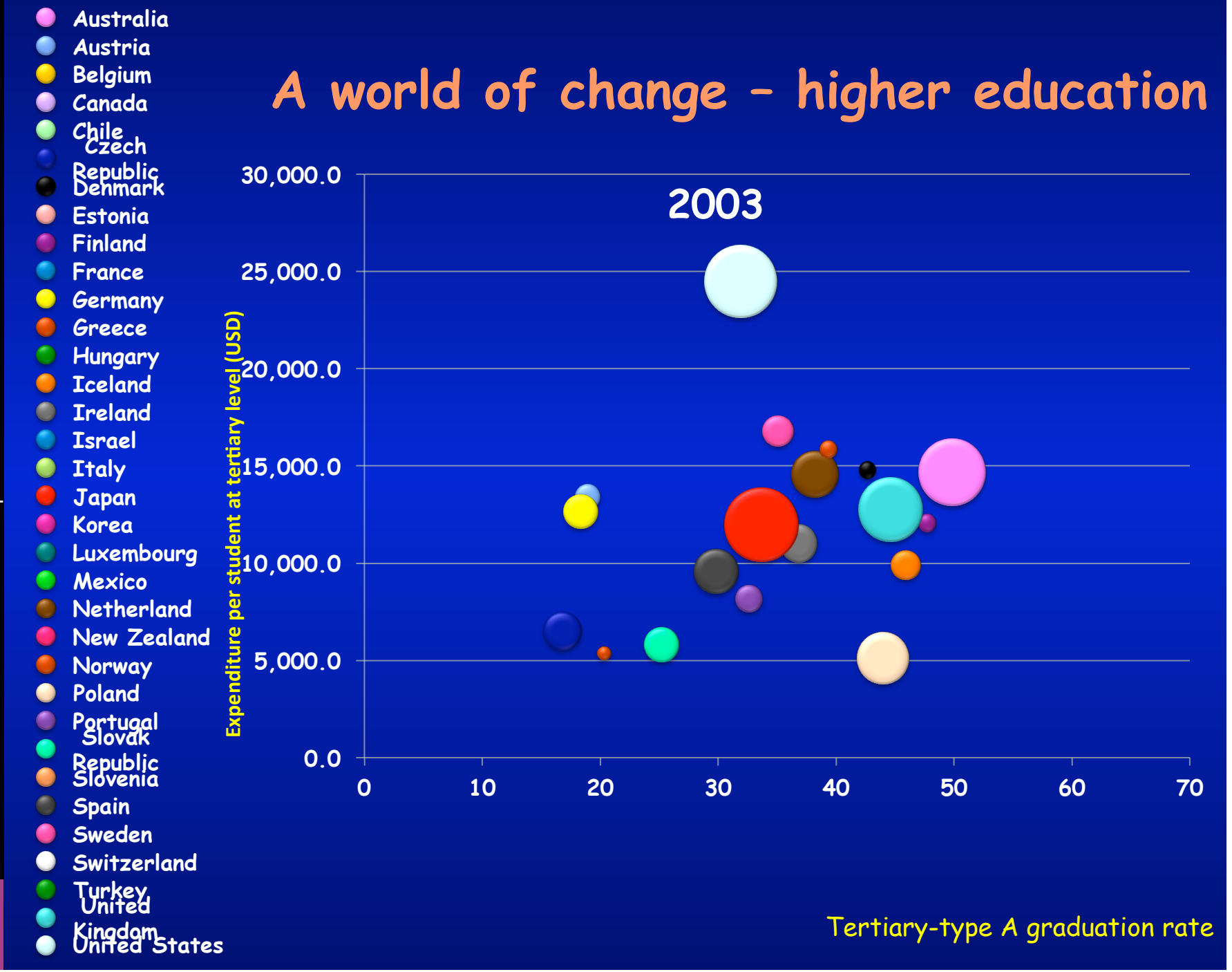

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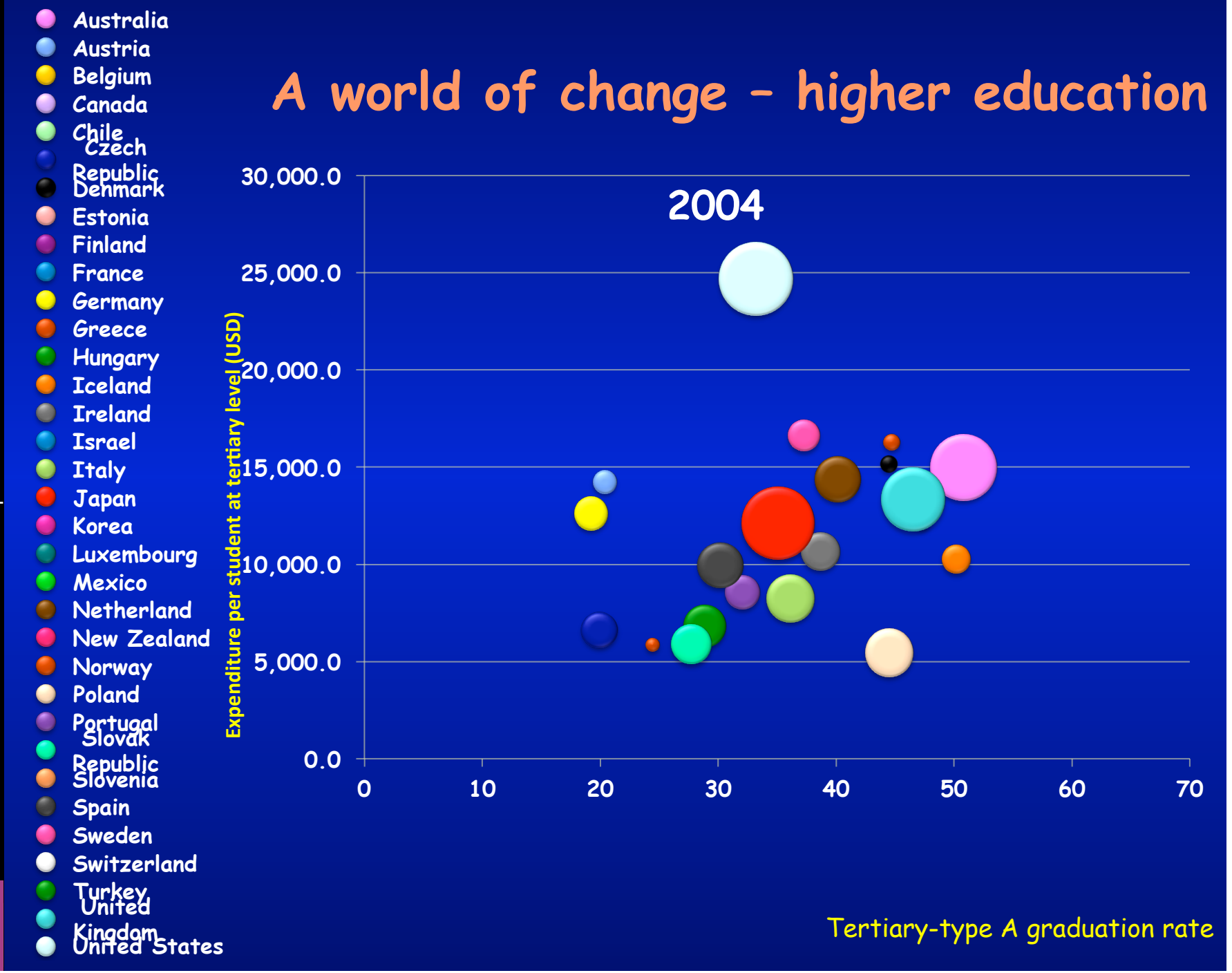
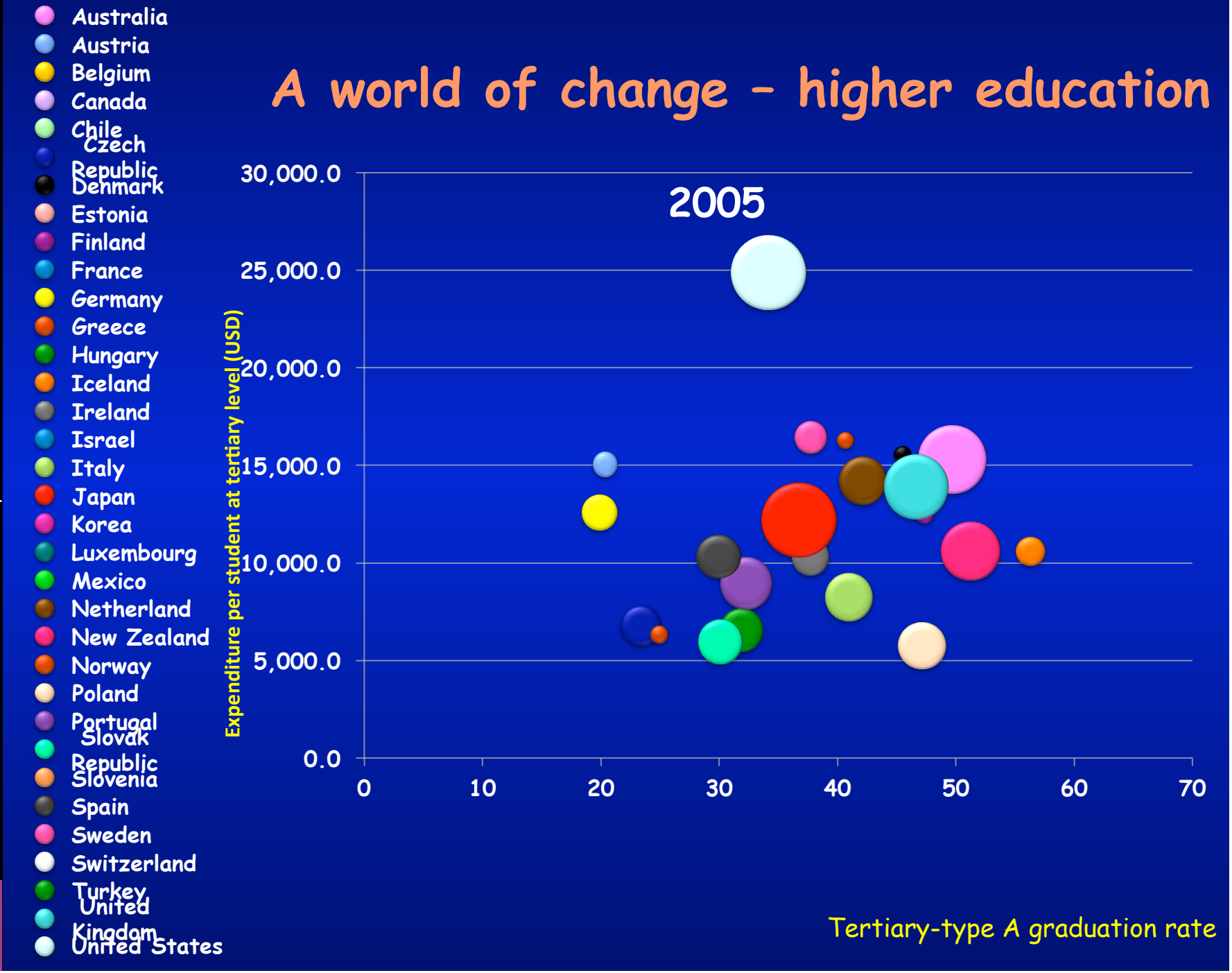
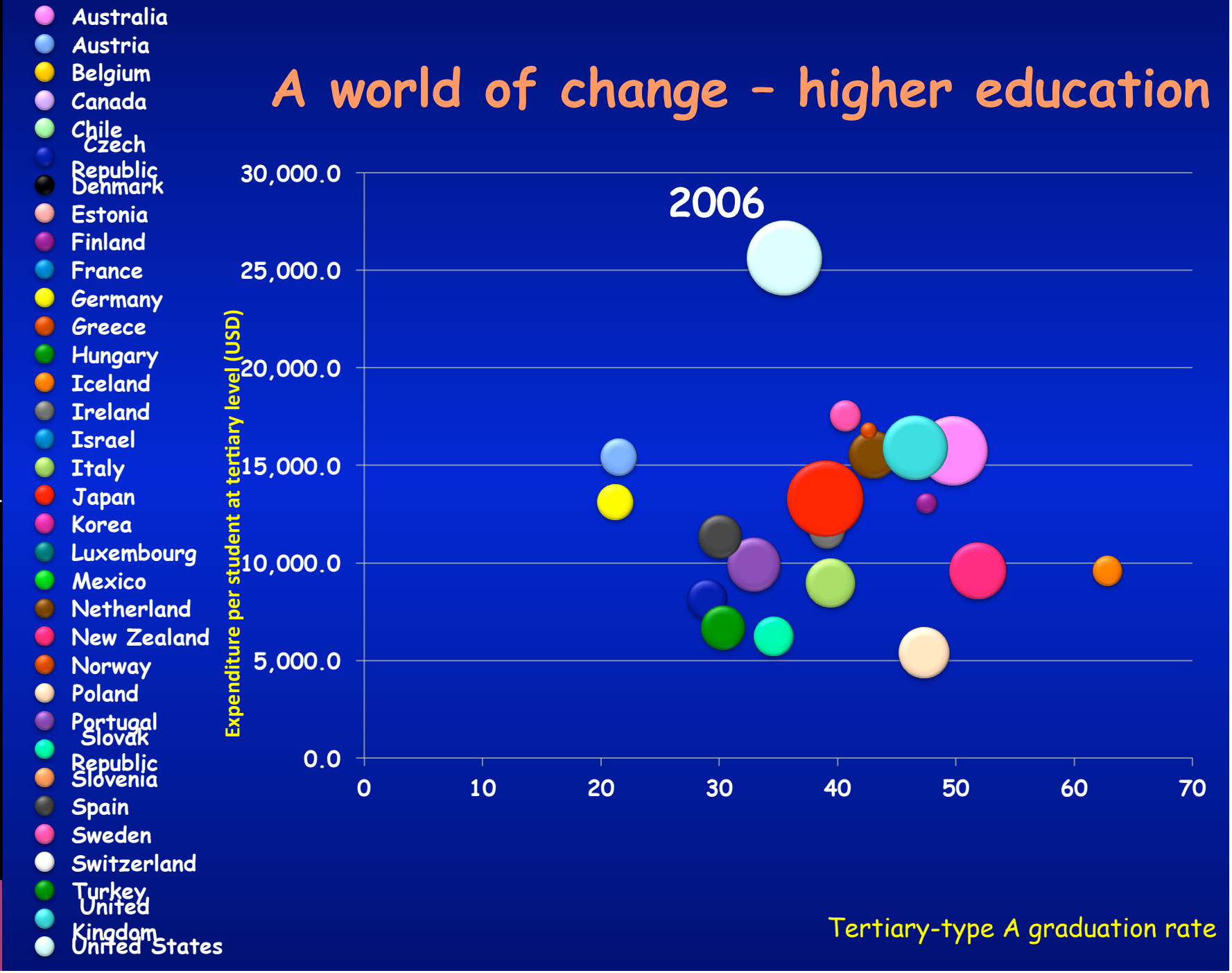


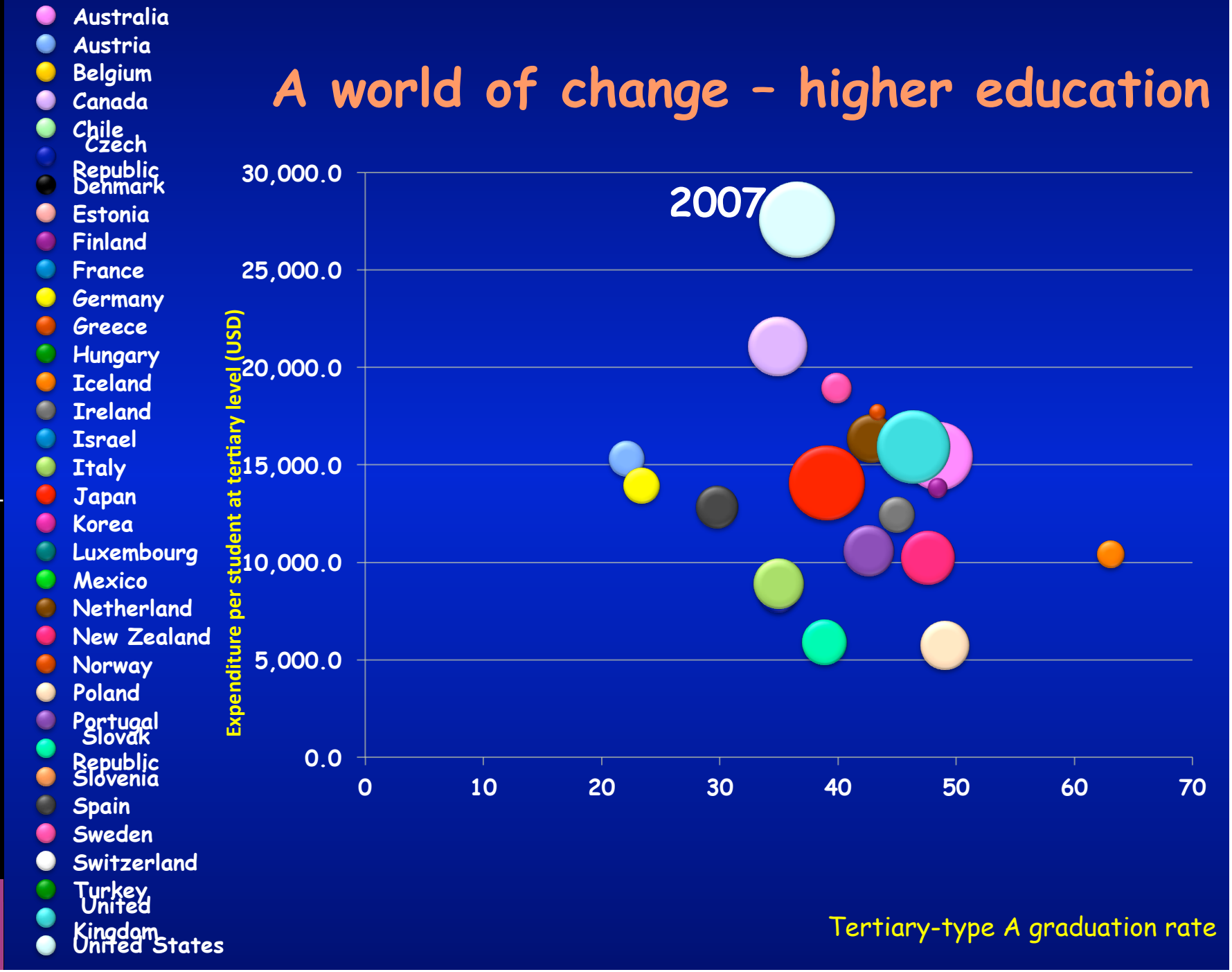
A world of change – higher education



A world of change – higher education



A world of change – higher education



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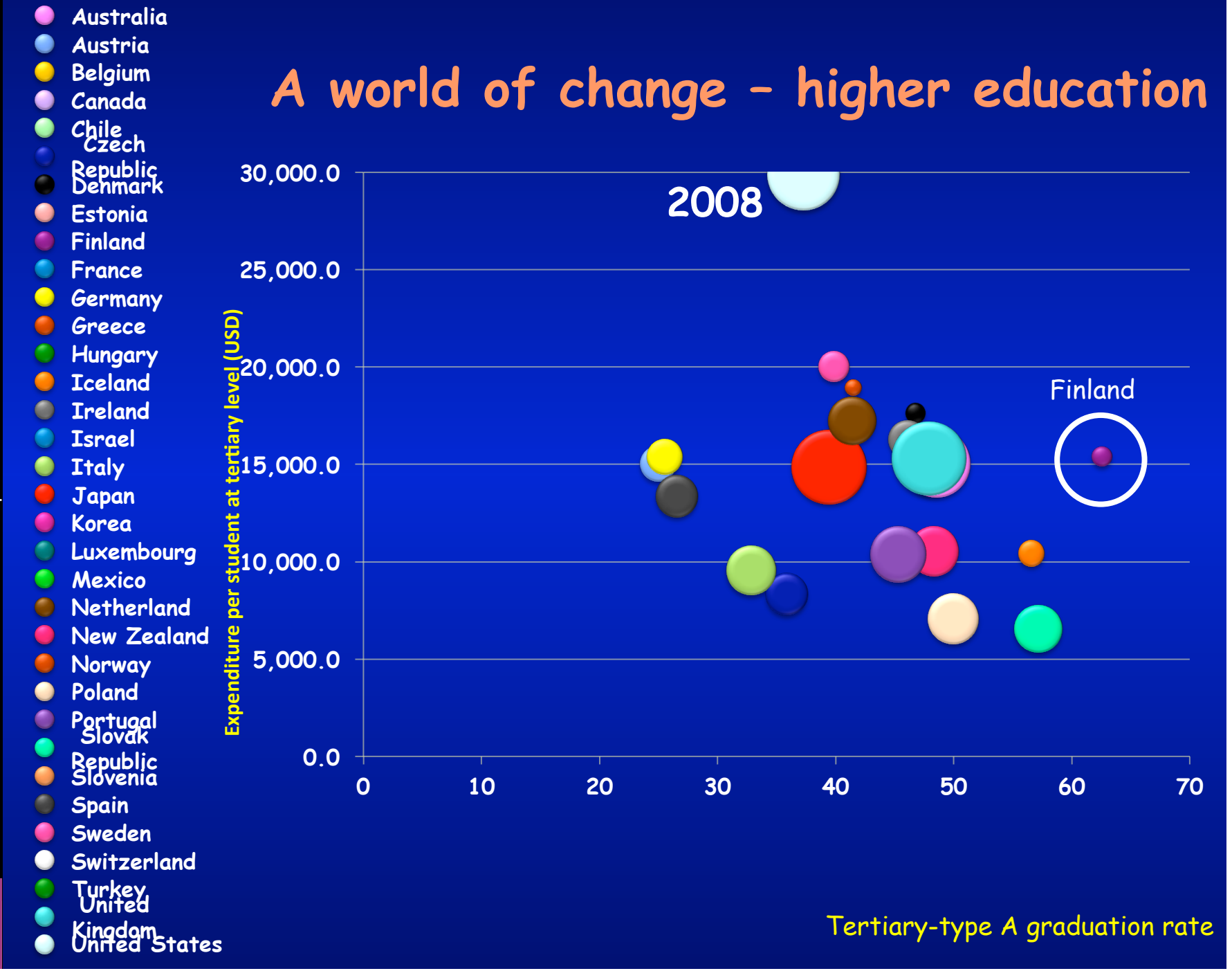

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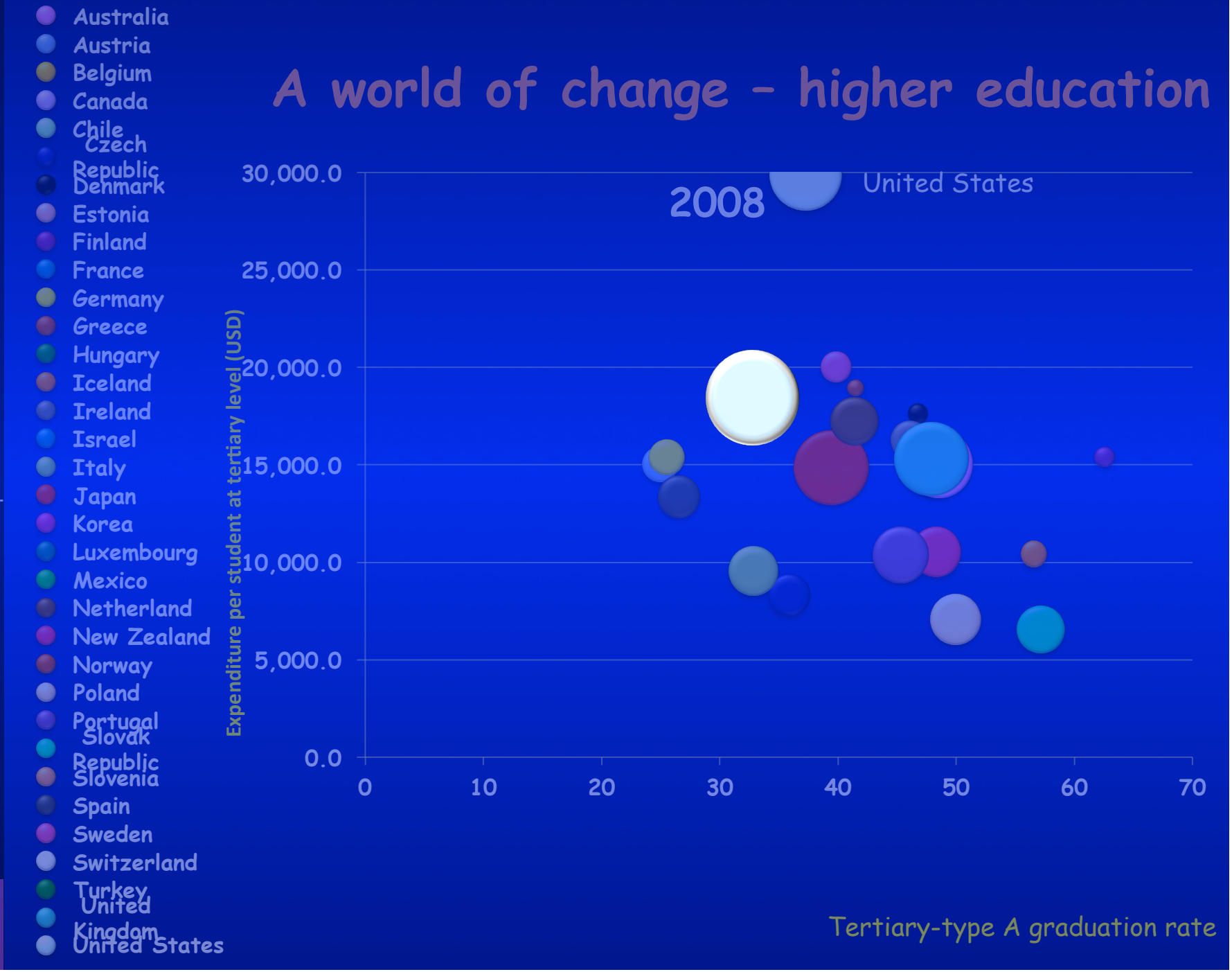


The composition of the global talent pool has changed…

Countries' share in the population with tertiary education, for 25-34 and 55-64 year-old age groups, percentage (2009)

55-64-year-old population

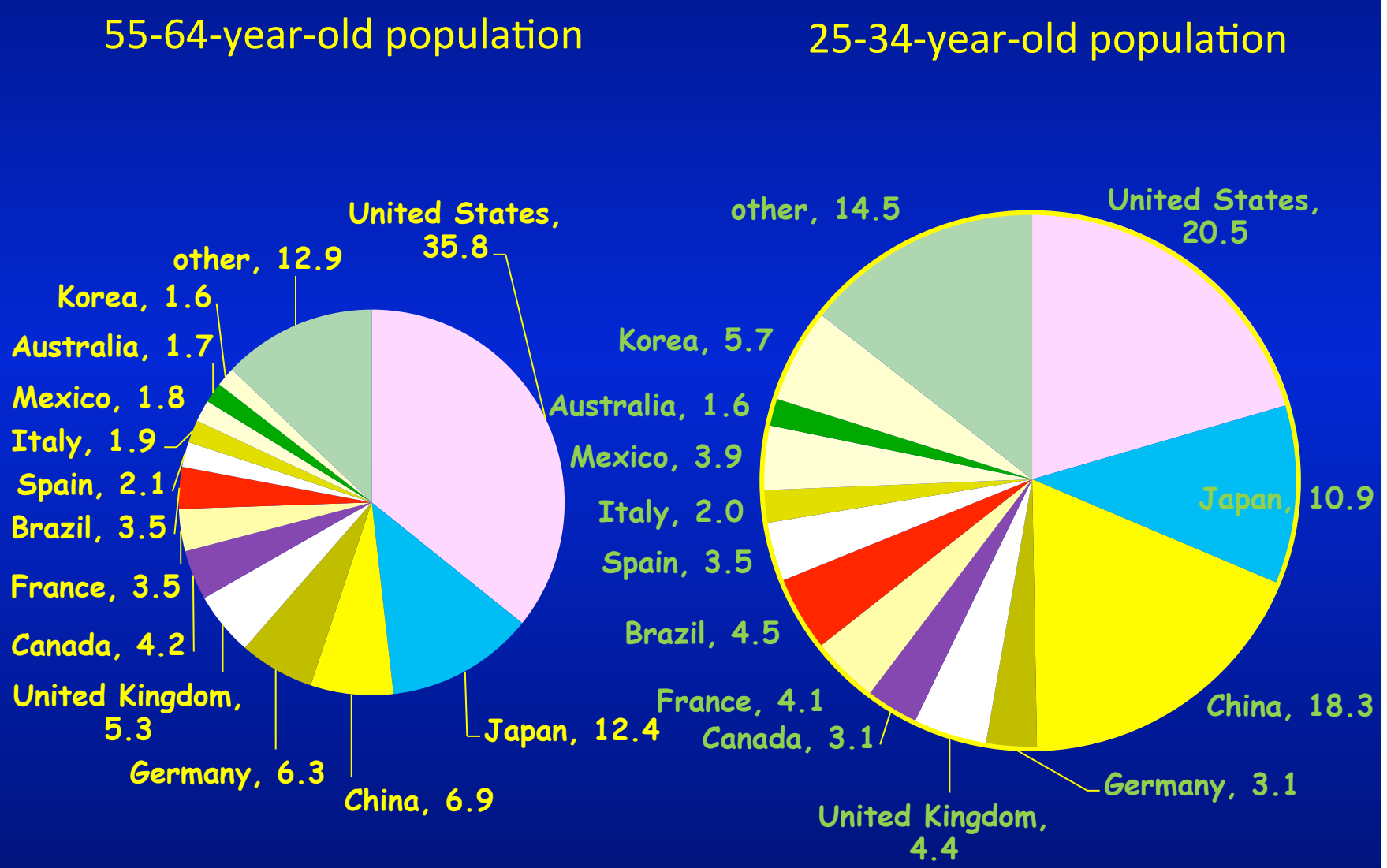
About 39 million people who attained tertiary level

25-34-year-old population

About 81 million people who attained tertiary level

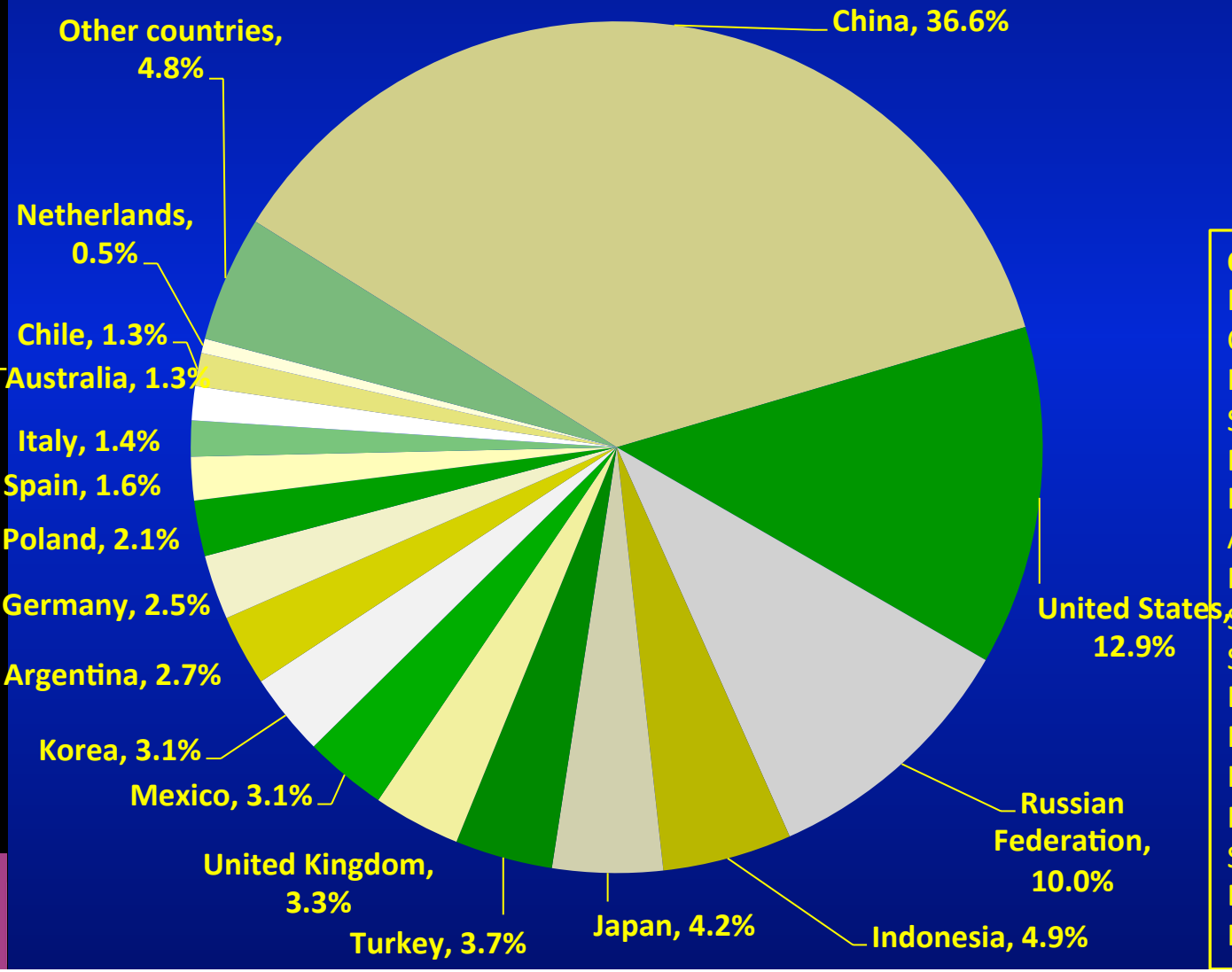
The composition of the global talent pool has changed…

Countries' share in the population with tertiary education, for 25-34 and 55-64 year-old age groups, percentage (2009)



…and will continue to change

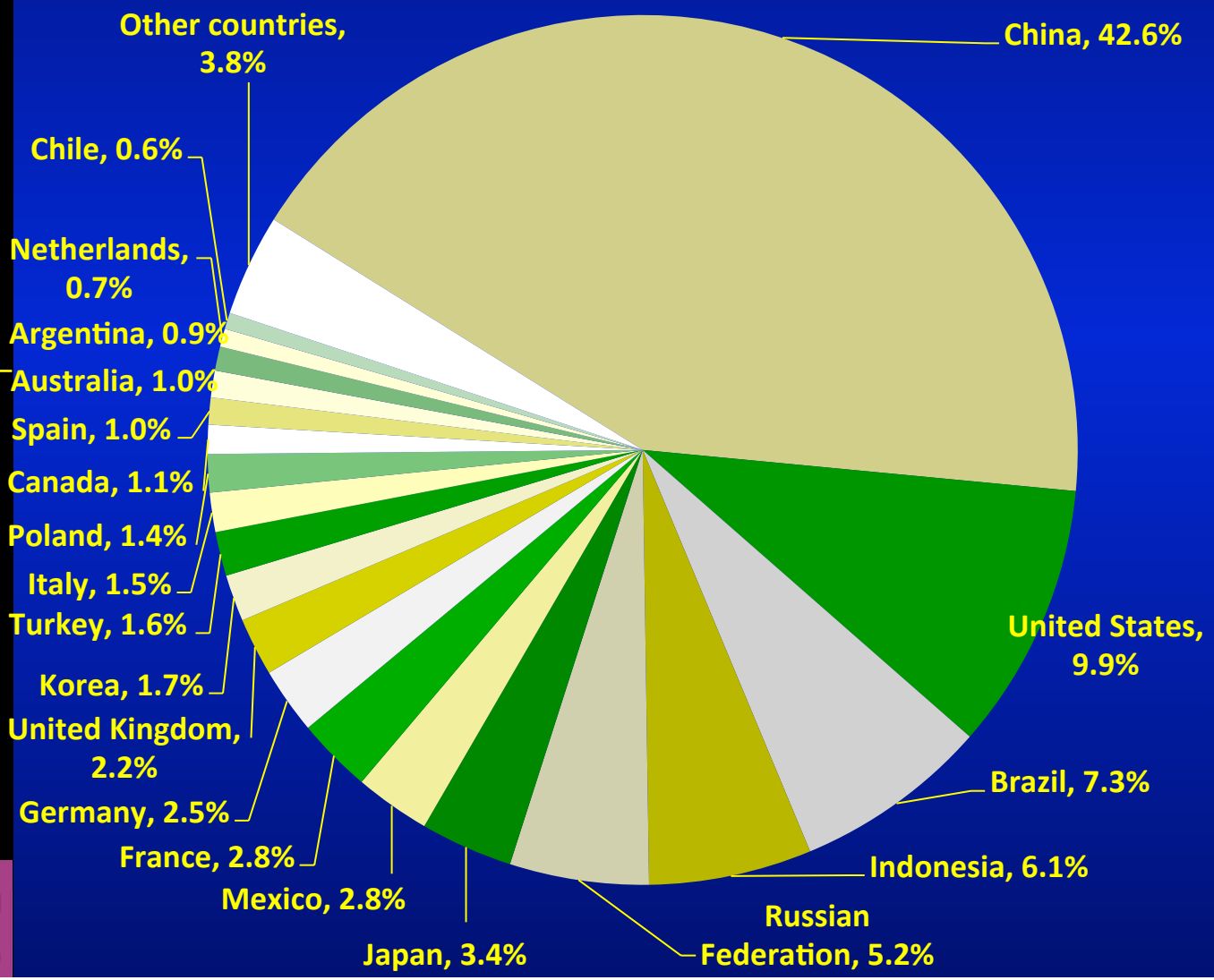
Share of new **entrants into tertiary education** in 2009 (all OECD and G20 countries)



Other	
Portugal	0.5%
Czech Republic	0.4%
Israel	0.4%
Sweden	0.4%
Belgium	0.4%
Hungary	0.4%
Austria	0.4%
New Zealand	0.3%
Switzerland	0.3%
Slovak Republic	0.3%
Denmark	0.2%
Norway	0.2%
Ireland	0.2%
Finland	0.2%
Slovenia	0.1%
Estonia	0.1%
Iceland	0.0%

…as also visible in the current output of schools

Share of **upper secondary graduates** in 2009
(all OECD and G20 countries)

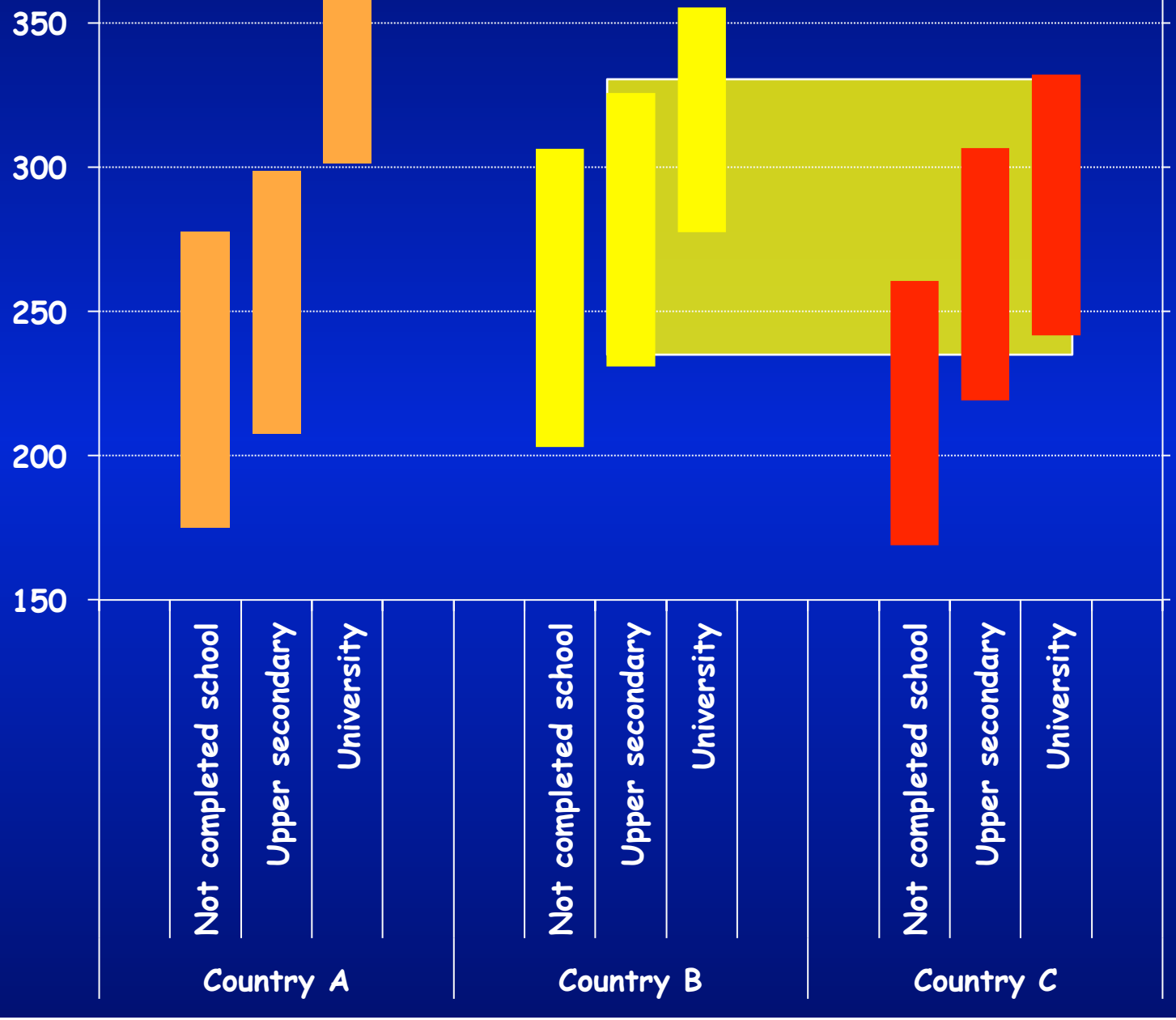


Other	
Belgium	0.4%
Portugal	0.4%
Czech Republic	0.3%
Hungary	0.3%
Israel	0.3%
Sweden	0.3%
Austria	0.3%
Switzerland	0.2%
Slovak Republic	0.2%
Finland	0.2%
Norway	0.2%
New Zealand	0.2%
Denmark	0.2%
Ireland	0.2%
Slovenia	0.1%
Estonia	0.0%
Iceland	0.0%
Luxembourg	0.0%

...but qualifications
are not the same as skills...

Measuring the value of qualifications

Interquartile range in skill distribution by educational qualification



- PIAAC will
  - in each country interview 5000 adults aged 16-65 in their homes and testing their skills
  - collect information on the antecedents, outcomes and contexts of skill development and use

… in order to…

- provide a comprehensive assessment of the human capital stock
- show to what extent skills held by individuals are actually used at work and identify the role skills play in improving labour market prospects
- improve understanding of the labour market and social returns to education and training
- help governments better understand how education and training systems can nurture these skills
- help countries prioritise investment of scarce resources in education
- contribute to building strategic partnerships for policy implementation .

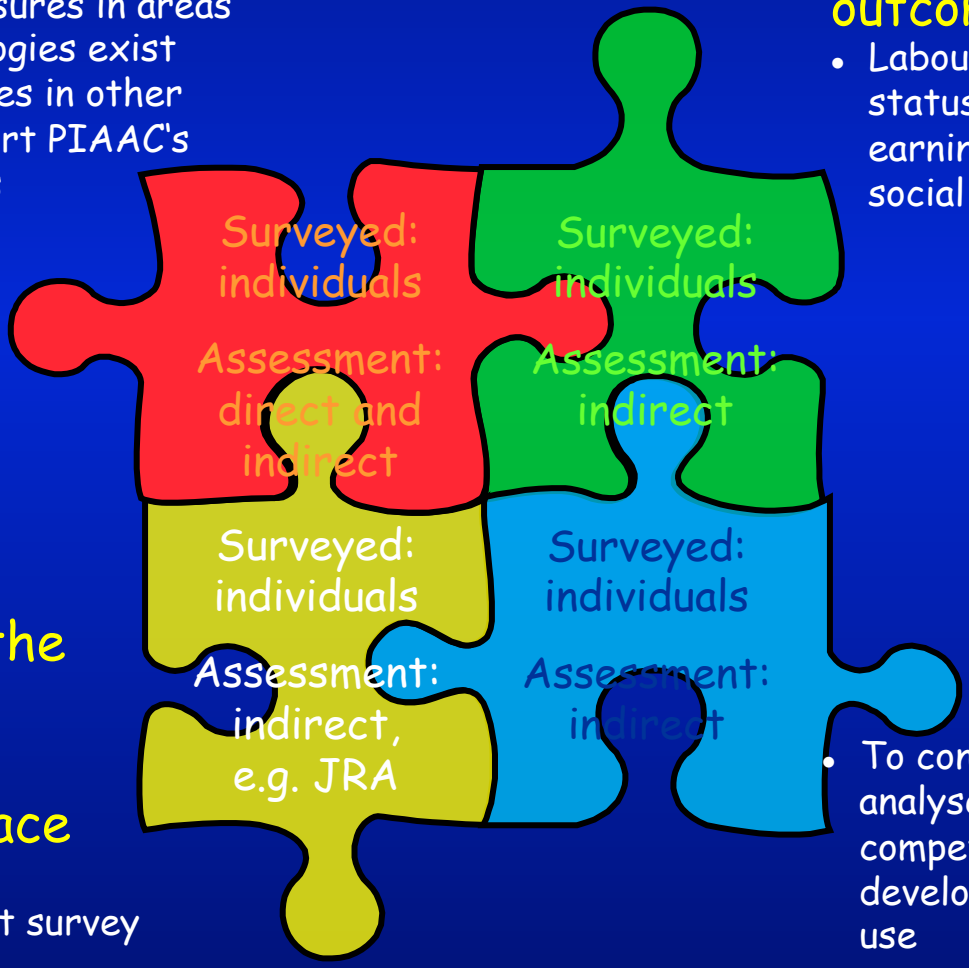
Key elements of PIAAC

Measures of adult competencies

- Test-based measures in areas where methodologies exist
- Indirect measures in other areas that support PIAAC's policy objectives

Measures of key social and economic outcomes

- Labour-market experience , status and transitions, earnings, adult learning, social outcomes



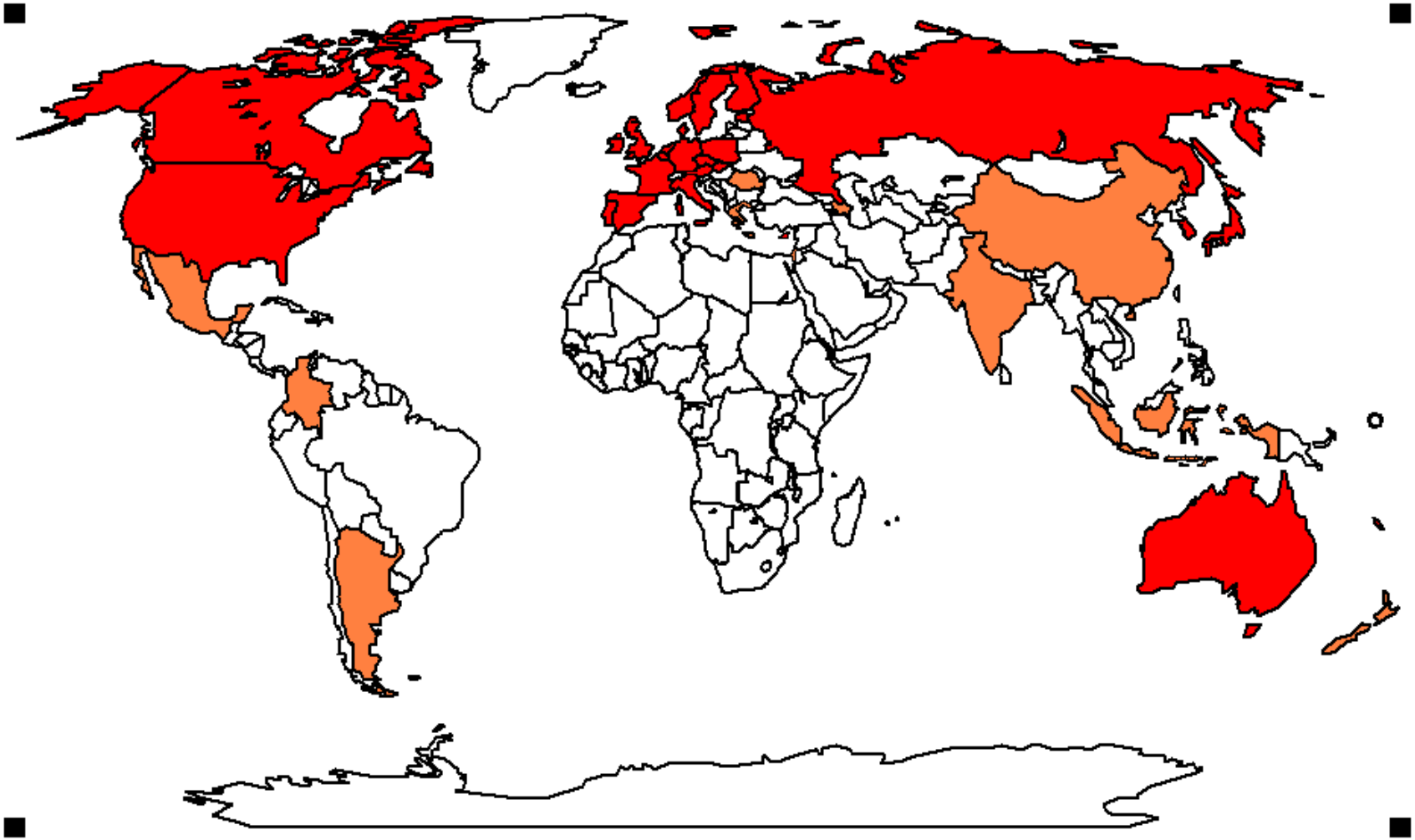
Measures of the utilisation of competencies at the workplace

- Through a job-requirement survey

A background questionnaire

- To contextualise and analyse determinants of competencies, their development, and their use

PIAAC participating countries Round 2



•Description of the population with low skills, or special population groups such as immigrants, and interrelationships with labour-market outcomes.
•What is the role of skills in explaining differences in labour-market

•Labour force skills and the price of these skills are crucial to understand in the perspective of increasing global competition for jobs higher up in the skill hierarchy. PIAAC can tell us more about which cognitive and non-cognitive skills are important in particular.
•PIAAC can provide systematic insights into the risks and rewards for skills in the labour market, for individuals and economies, as well as for specific subgroups such as immigrants

important and does it translate into large earnings penalties? Have education and training systems in OECD countries shown sufficient adaptability in the face of changing skill demands or are skills mismatches endemic? How do task-based learning (JRA) and job-related training relate to the length of the working life? (but keep in mind that labour-market outcomes and training are snapshots in time whereas the measured skills are accumulated over the lifespan)

these relate to educational attainment?

Money pits

Low-hanging fruits

…

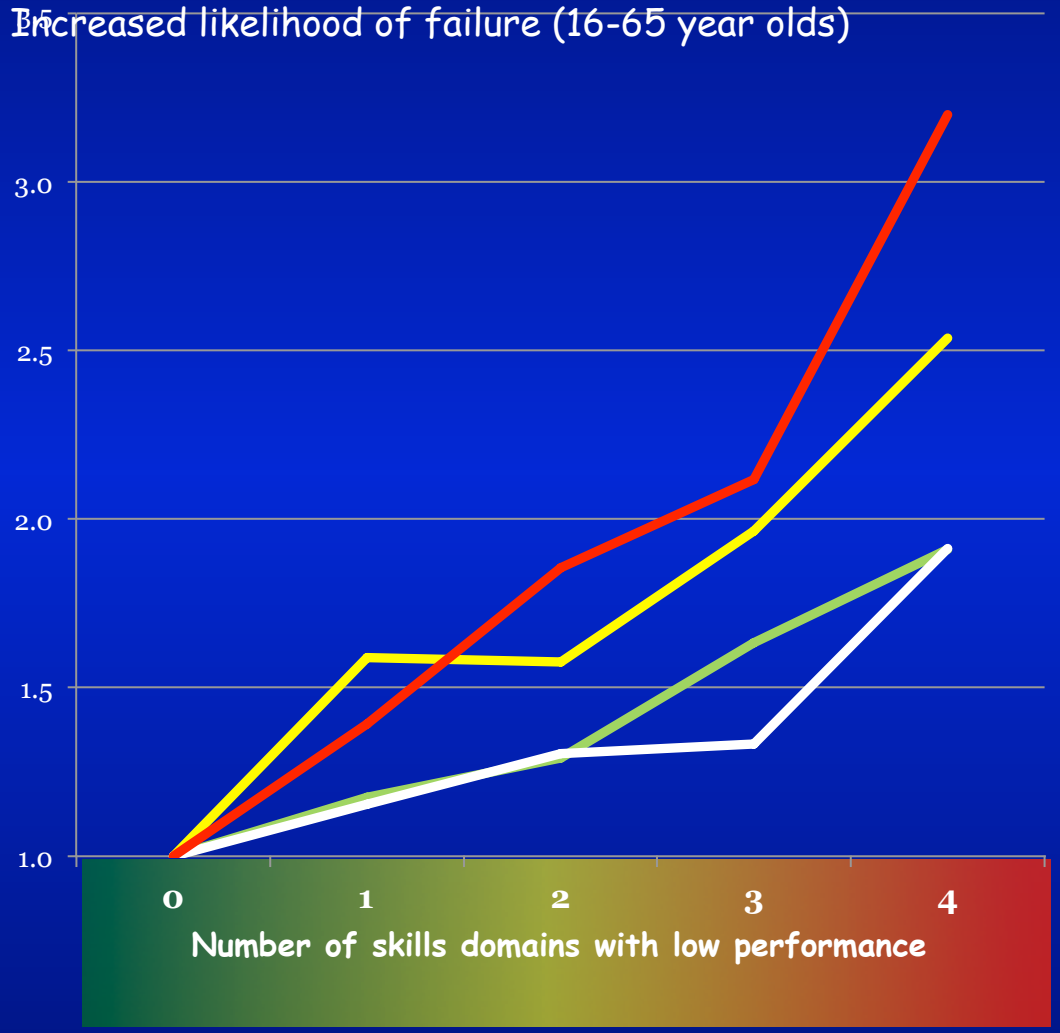
Reasonable potential for policy

(Skip examples)

Skills matter for individuals…

…because skills have an increasing impact on labour market outcomes and social participation

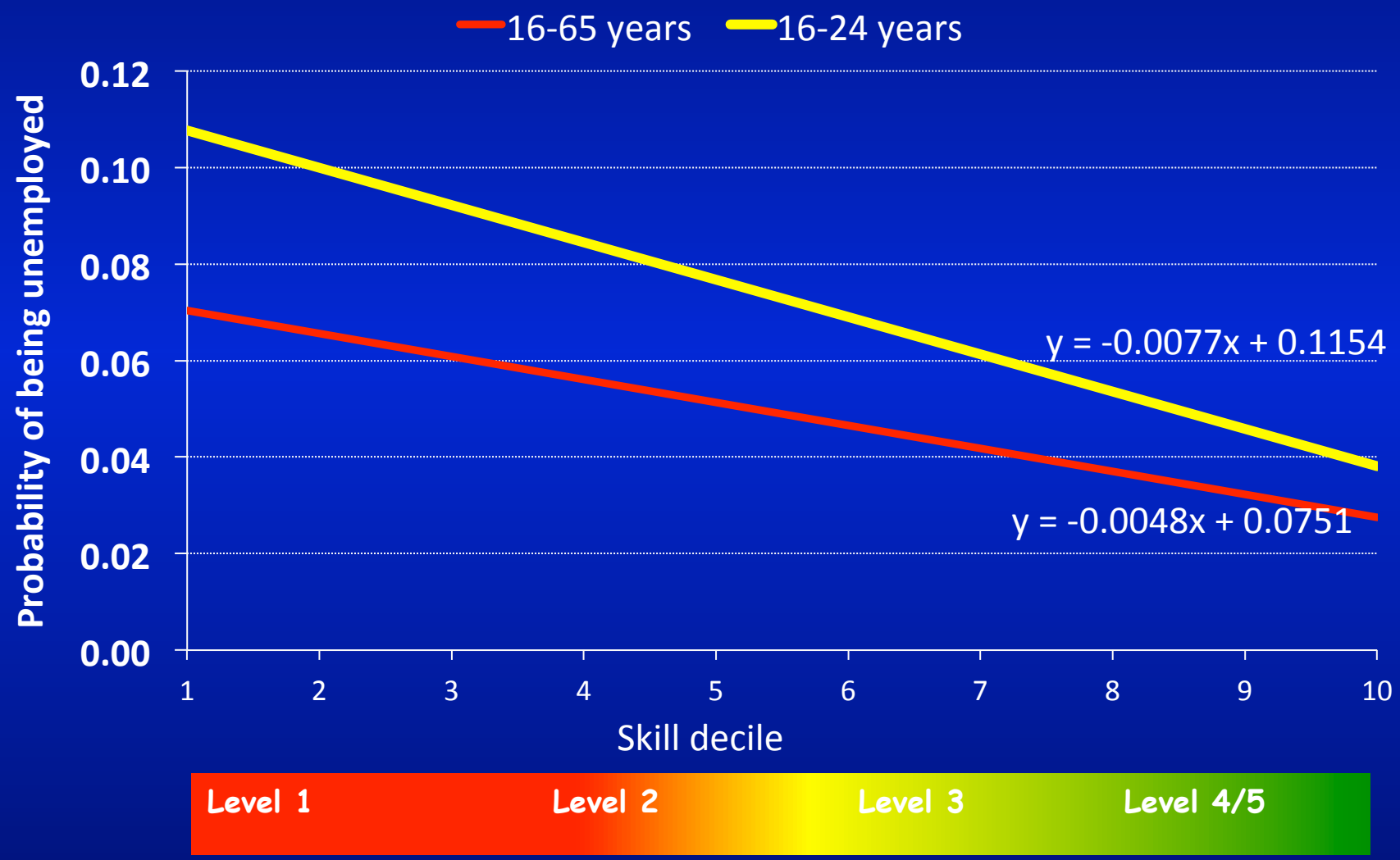
Low skills and economic outcomes



- In lowest two quintiles of personal income
- Unemployed
- Received social assistance in last year
- Did not receive investment income in last year

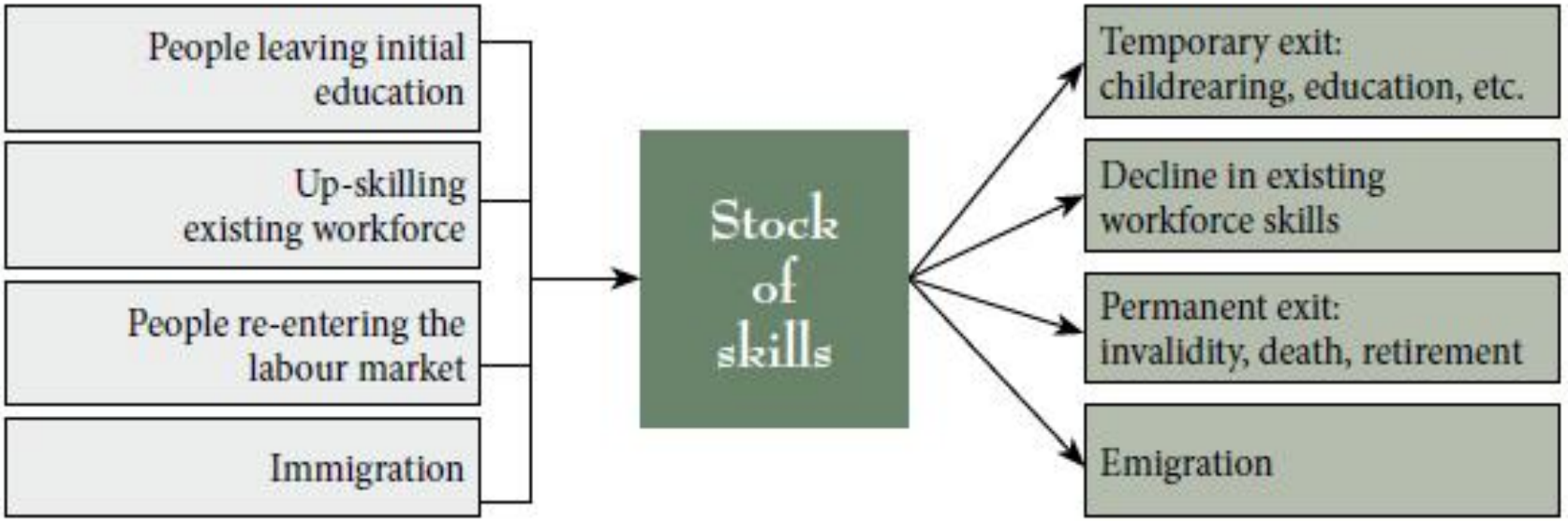
Odds are adjusted for age, gender and immigration status.

Marginal probability of being unemployed by skill decile



Adjusted for age, gender, foreign language status, and country.

Producing an effective skill mix



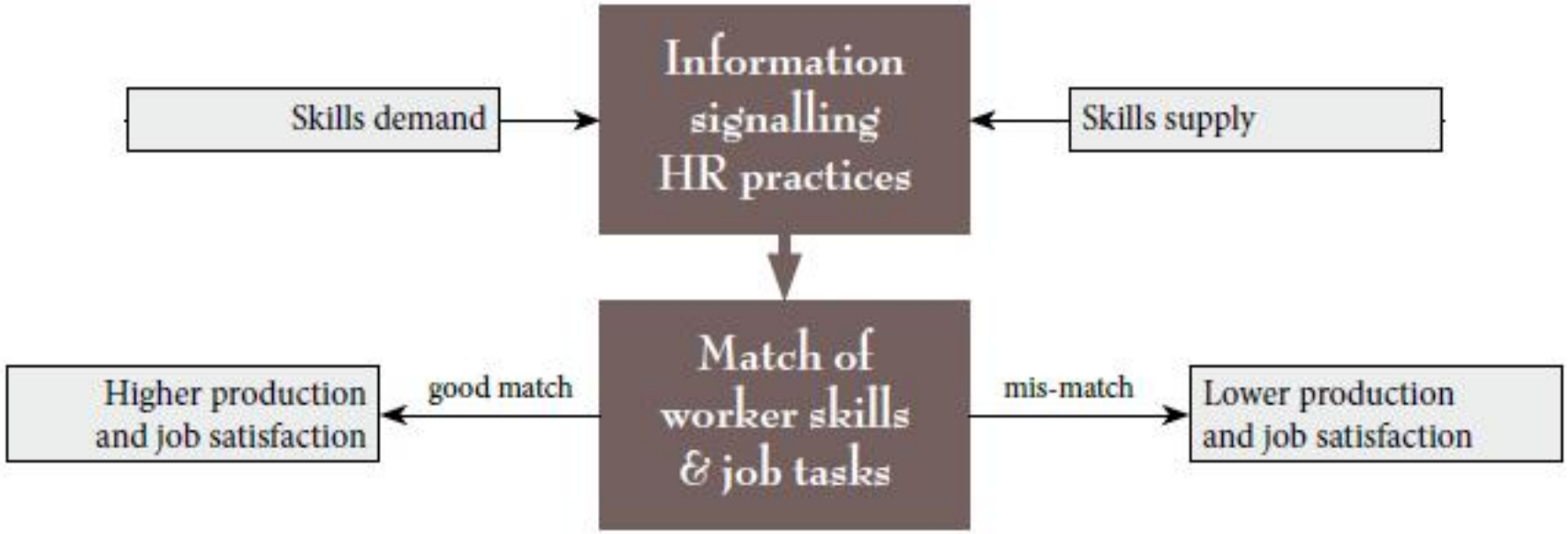
Drivers of current and future demand of skills

Instruments to ensure responsiveness of education provision to labour demand

Optimising access to education and training throughout life

Impact of migration and international labour mobility on skill formation systems

Optimising the use of skills



Which measures help optimise the utilisation of skills on the job?

How can workforce participation be boosted?

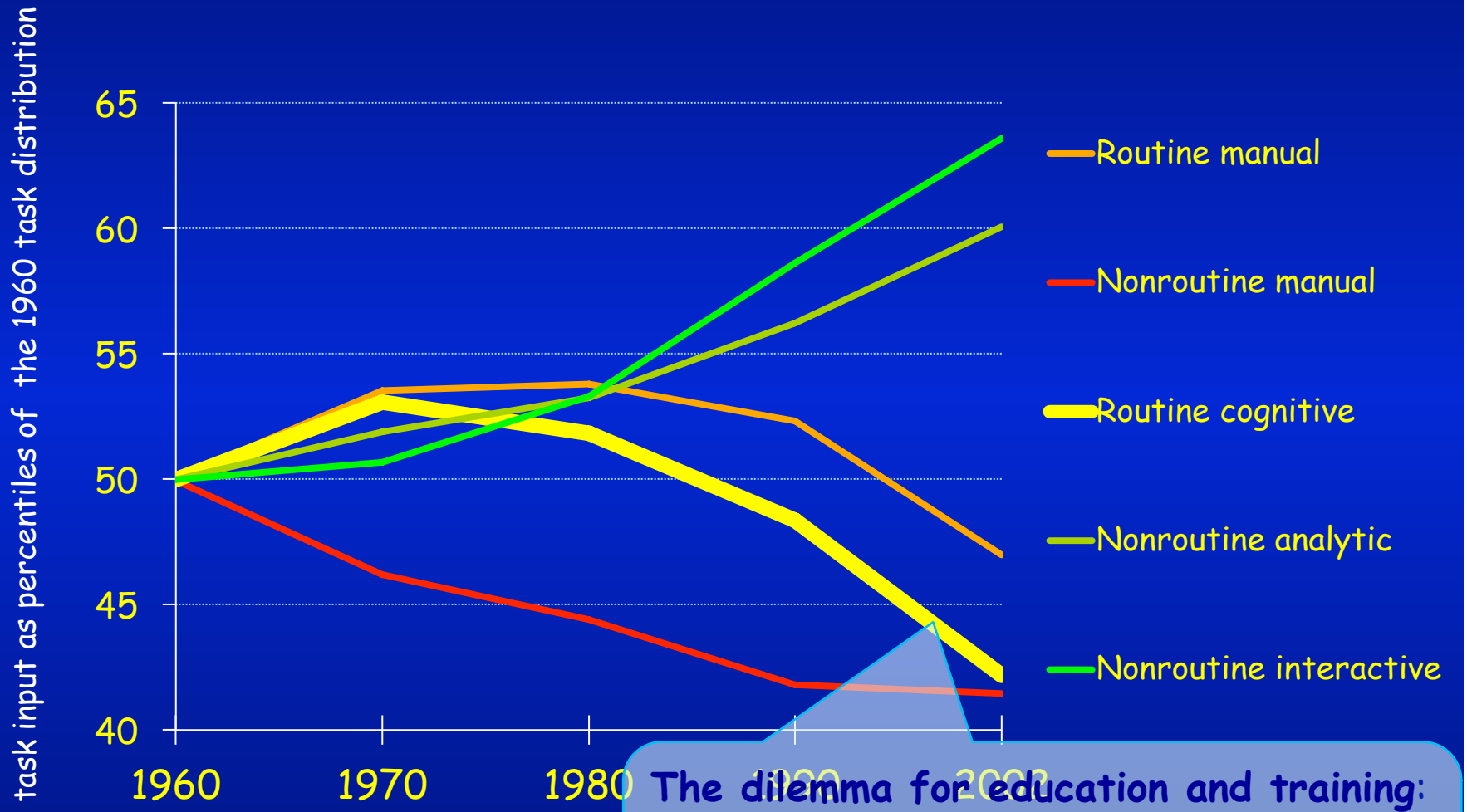
Which tools facilitate the recognition of skills?

How can transparency of skills systems be ensured?

What information is necessary to facilitate matching of skills?

How the demand for skills has changed

Economy-wide measures of routine and non-routine task input (US)



(Levy and Murnane)

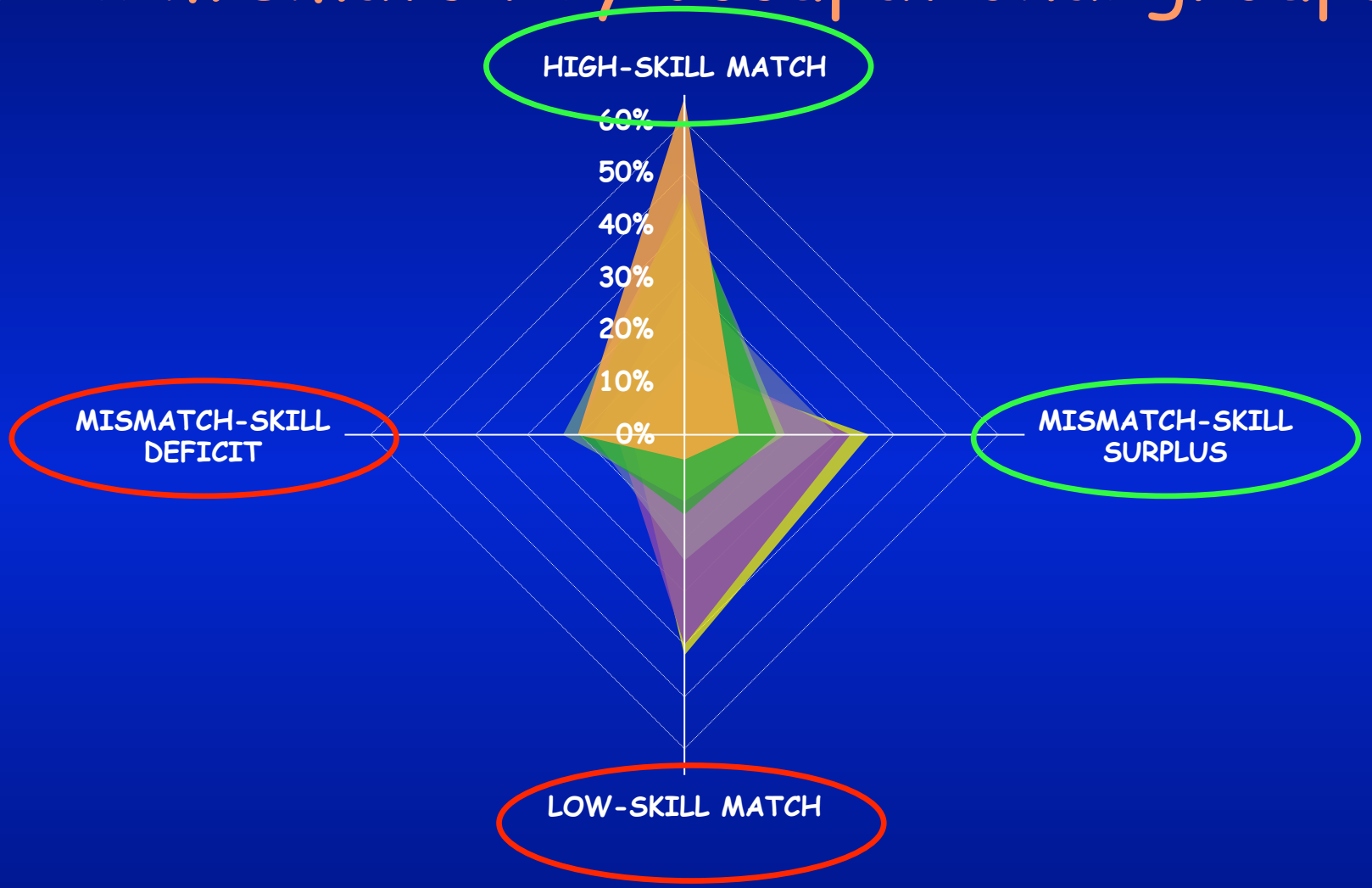
The dilemma for education and training: The skills that are easiest to teach and test are also the ones that are easiest to digitise, automate and outsource

Changes in employment shares by occupation

1960-2009, selected OECD countries

Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States.

Skill mismatch by occupational groups



Source: PIAAC Field trial

Making investment in skill development and utilisation more efficient

Who should pay for what, when and how?

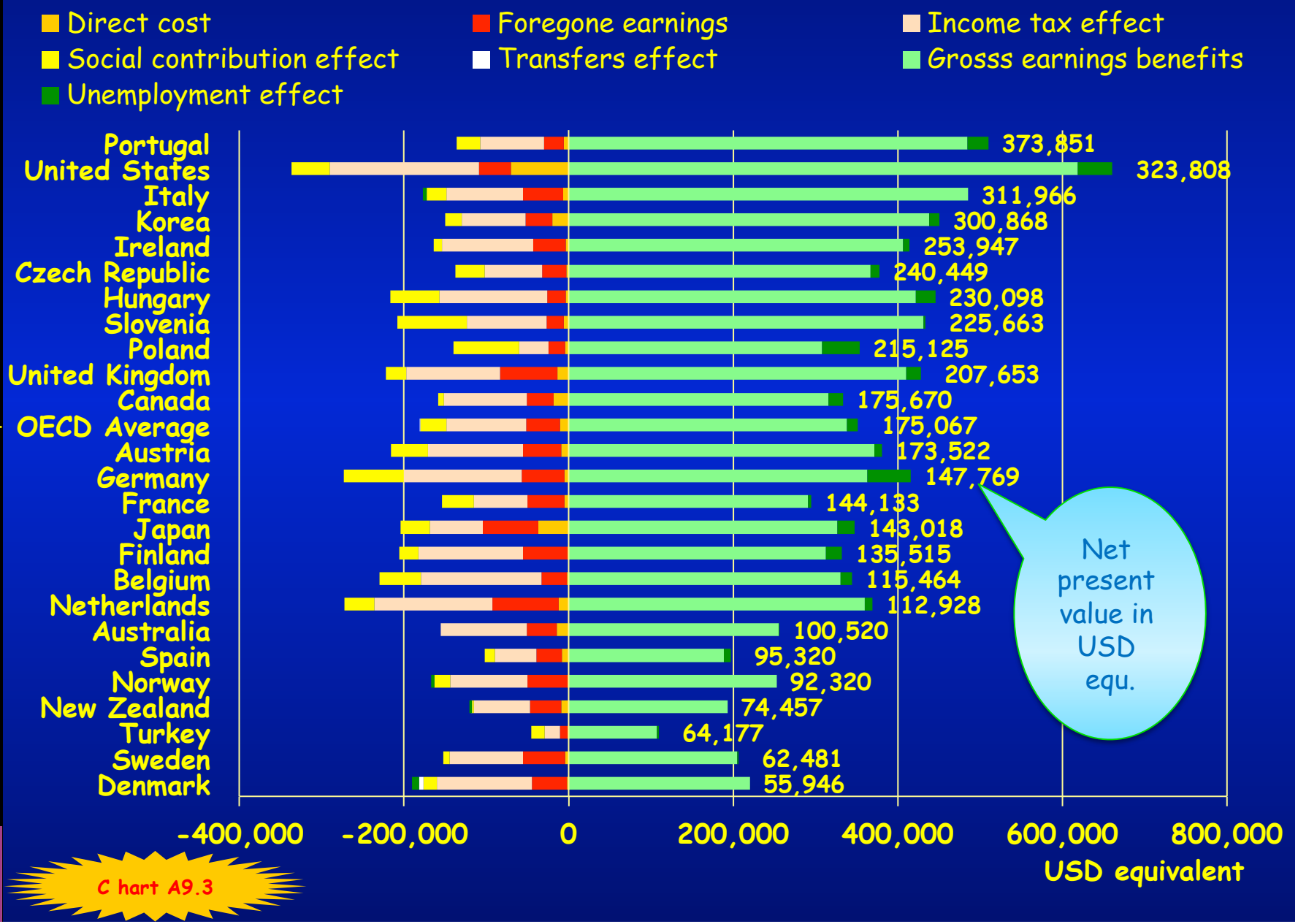
Which is the right level of intervention (regional and local dimension)?

How should financing and incentives (to employers and individuals) be structured?

What are good models of policy evaluation to ensure efficiency/ continuity of skills policies?

Individuals are getting a good return…

Components of the private net present value for a man with higher education (2007 or latest available year)



C hart A9.3

OECD

Percentage-point change in relative earnings

25-64 year-olds (1998-2008 or latest available years)

OECD countries	Tertiary
Australia	1.6
Austria*	2.8
Belgium*	3.7
Canada*	0.0
Czech Republic	9.1
Denmark	3.2
Finland*	-6.2
France	-3.6
Germany	21.6
Hungary	11.1
Ireland*	10.9
Israel*	2.7
Italy*	11.7
Korea*	-9.7
Luxembourg*	16.8
Netherlands*	10.8
New Zealand	-2.1
Norway*	-5.5
Poland*	6.1
Portugal	-8.7
Slovenia*	-7.4
Spain*	12.5
Sweden	-5.2
Switzerland	1.2
United Kingdom	-3.2
United States	13.0

TA8.2a

* Limited years; Other notes: Yellow within +/- 3%; Red > -3%; Green > +3%

…Taxpayers are getting a good return too

Public cost and benefits for a man obtaining tertiary education (2007 or latest available year)

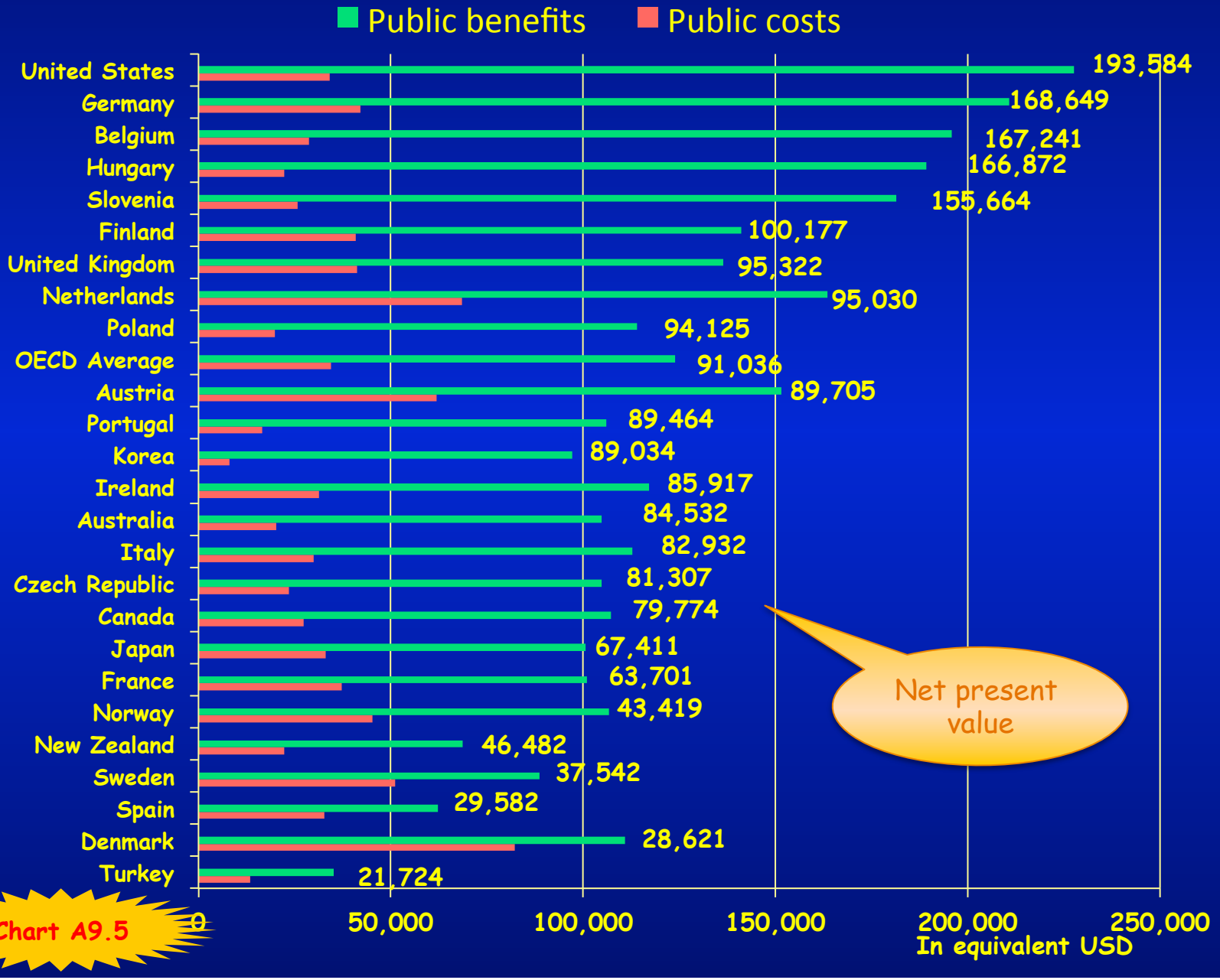


Chart A9.5

Public cost and benefits for a man obtaining upper secondary or post-secondary non-tertiary education (2007 or latest available year)

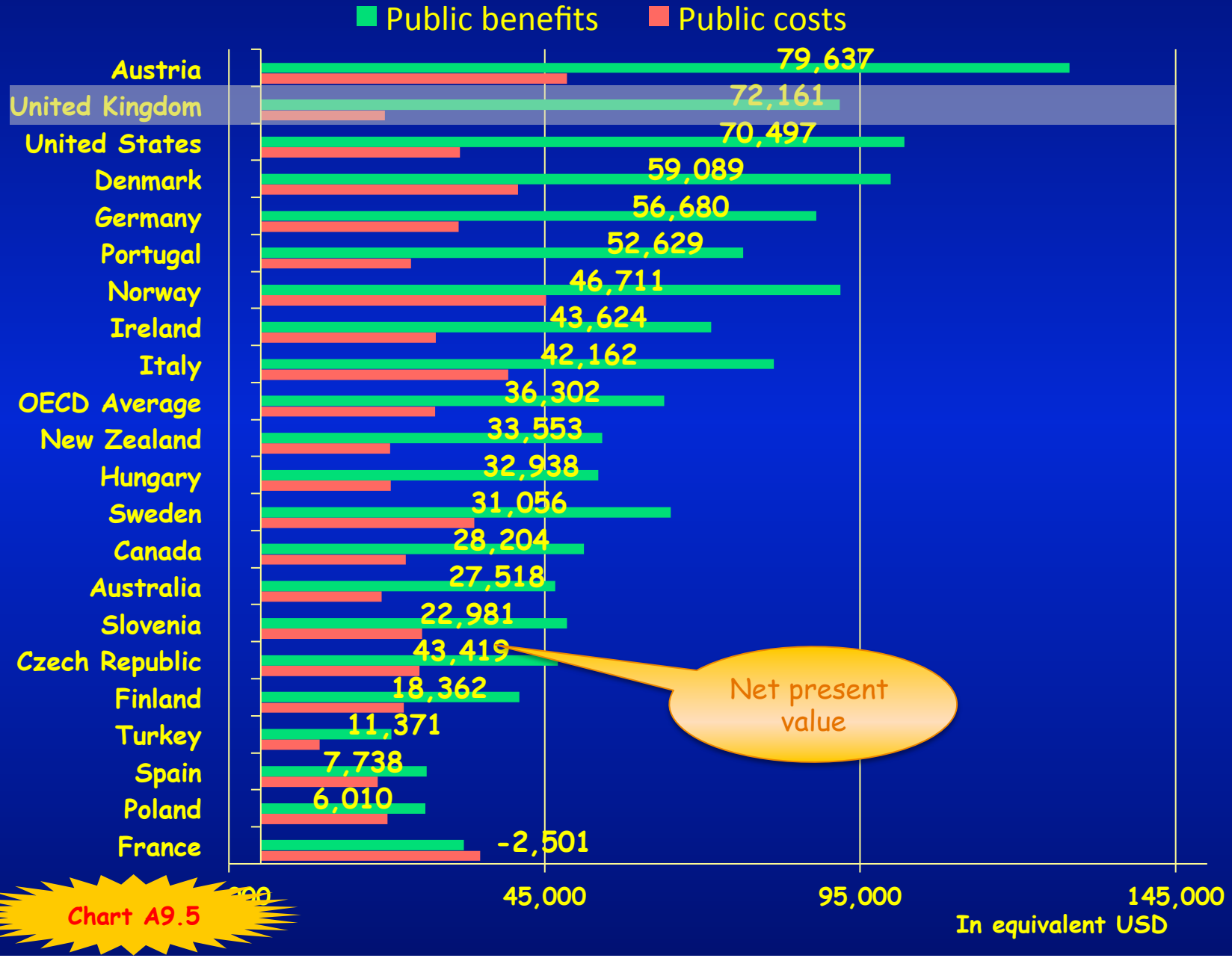


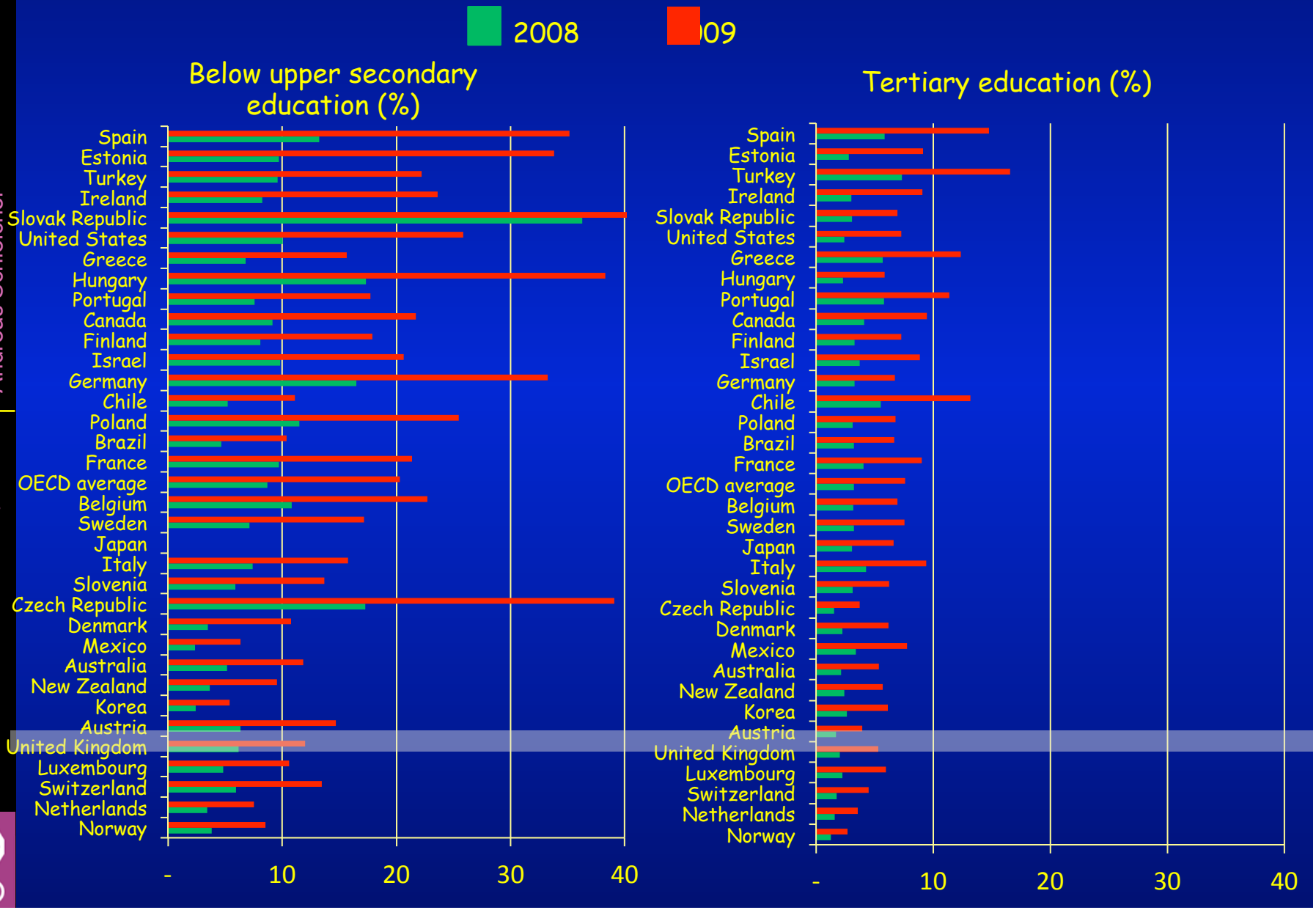
Chart A9.5

The crisis hit the least educated hardest

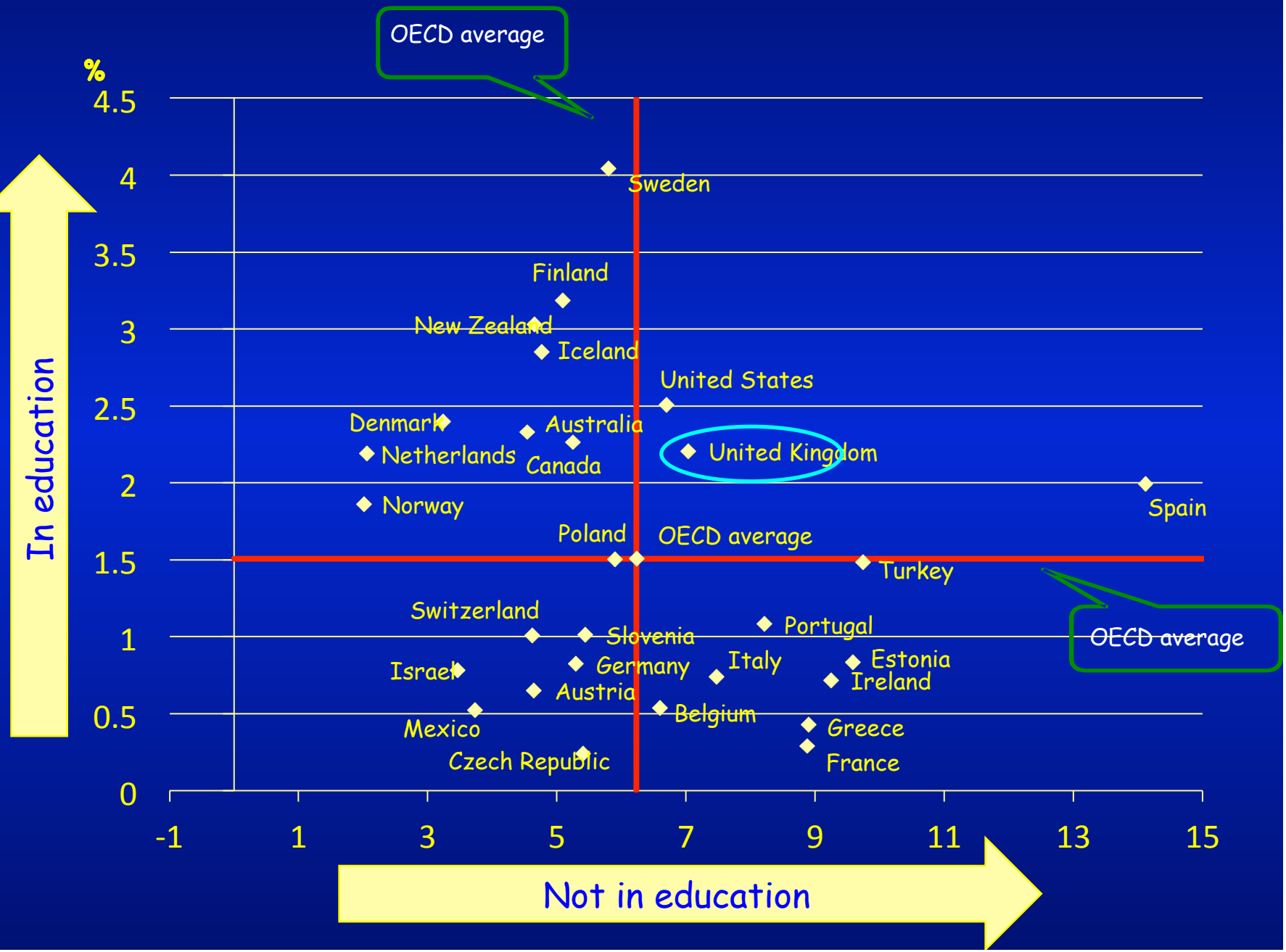
Lack of relevant skills/experience brings higher unemployment risk for recent entrants to the labour force

When the crisis hit

Percentage-point change between 2008-09 in unemployment rate for 15-29 year-olds



Proportion of 15-29 year-olds unemployed (2009)



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Proportion of 15-29 year-olds unemployed, by duration of unemployment (2009)

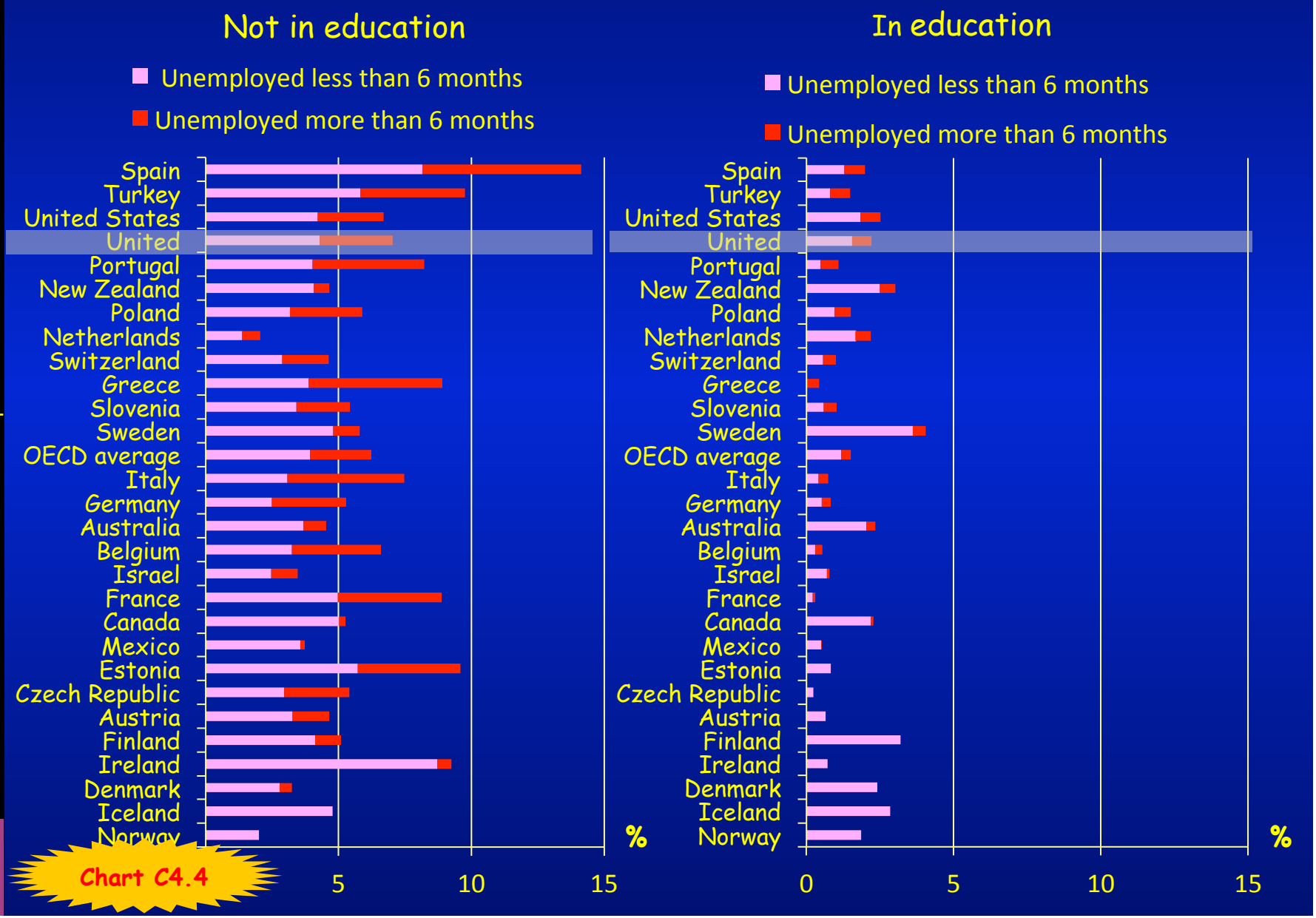

Chart C4.4

We can do better

(probably a lot)

What we need to resolve…

- Some people have poor foundation skills
- Shortages, skills gaps exist
- Skills are underutilised (unemployment, low rates of labour market participation)
- There is evidence of mismatch
- Are we skilling for future jobs (quantity and quality)?

What we can do

- Mobilise and develop comparative intelligence on skills and skill utilisation
- Prioritise investment of scarce resources in skills development
- Foster peer learning and look at skills beyond the nation state
- Contribute to building strategic partnerships for policy implementation .

In Conclusion

Pillar 1:
Labour market responsiveness

- Curricula and provision is informed by labour market needs
- Education systems are flexible and responsive
- Preparing for future labour market needs

Pillar 2:
Attention to quality

- Setting high performance standards
- Quality assurance at all levels of education
- Preparing, attracting and retaining good quality teachers

Pillar 3:
Adequate skills use

- Good quality career guidance
- Transparent skills systems (recognition, assessment, qualification frameworks)
- Effective HRM in firms
- High demand

Pillar 4:
Open/equal access

- No barriers to participation in education
- easy re-entry and second chance options
- Labour market participation (including marginalised groups)

Pillar 5:
Effective partnerships

- Co-ordination at all levels of government
- Engagement of social partners and education stakeholders
- Co-ordinating policy fields (skills, labour, family, migration)

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Thank you!