

**Expert Group Meeting on
“Full Employment and Decent Work for All”
2 - 4 October 2007**

Background Note

Skills, employability and social inclusion

Introduction

Full employment and decent work, in particular productive work, is a critical instrument to improve human well being and reduce poverty. However, there is often a skills gap between the skills required by the labour market and the skills possessed by a vast range of the workforce, especially in the context of competition in the global economy and technological changes, which require continuously new and different skills. This potential skills gap is particularly evident for marginalized groups, such as women, youth, people with disabilities, older people, informal sector workers, and working poor. For instance, partly due to lack of skills, almost half of the world’s workers have access only to unproductive and low-paying work, living with their families on less than \$2 a day, and almost 20% live on less than \$1 a day. Although their potential contribution to economic development is important, including in productive wage employment and entrepreneurship, these groups remain trapped in a vicious circle of low skills, low productivity and low incomes, leading to poverty.

Skills development is therefore critical to improve the productivity and employability of the vulnerable and marginalized social groups. Depending on the social group and the overall national development strategy, more emphasis is given to primary or secondary education, vocational or non-vocational education and training programmes. For instance, in developing countries, the sectoral transfer of labour from agriculture to more productive activities is particularly difficult because workers often lack basic literacy skills required for learning, and for employability in new forms of work. In many developed countries, closure and relocation of production place an enormous challenge for many workers who possess job-related skills that are not transferable. In this case, more emphasis is placed on non-vocational skills formation, in order to foster labour flexibility and employability.

Consequently, the education and training systems have to adjust and quickly adapt to the transformation of the labour market, while supporting the most disadvantaged social groups. However, in many developing countries, Governments are often excessively preoccupied with the higher skills needed to achieve international competitiveness in the global economy, at the costs of excluding disadvantaged social groups from the training programmes. For instance Governments are often reluctant to allocate resources in favour of the informal sector, preferring to invest in trainings for improving the productivity of formal sector enterprises. There is therefore a need to reform the education and training systems to design specific programmes for the most disadvantaged, and raise enough resources for those

programmes. Other providers should be involved and new types of participatory skills development should be stimulated.

Policy Response

Maintaining the employability of the labour force, in particular of the disadvantaged groups, is one of the major issues for individuals, private sector and Governments. Innovative policies for the education and training systems are therefore crucial to face these challenges in the labour market.

In the case of many developing countries, the skills gap is particularly wide, since the rates of illiteracy are still very high and enrolment in secondary education is low. This is often considered as constraint for employers in the operation of their business. Increasing the level of education will be determinant to increase productivity and incomes. In particular, certain groups, such as women, people with disabilities and indigenous groups, are under-represented in many occupations. By improving access of these groups to secondary and tertiary education institutions can promote more equitable labour market outcomes.

In developed countries, increasing international competition has also accelerated structural changes in many economies, resulting in greater need to retrain workers. This is particularly the case for lower-skilled manual workers displaced from their jobs.

Paradoxically, the labour markets are not always able to absorb highly educated workers. This factor, combined with favourable immigration policies for highly skilled individuals in other countries, has contributed to the out migration of higher skilled and educated individuals. Special measures need also to be taken to prevent and reverse this phenomenon of brain-drain. Skills formation policies should be considered in an integrated way, taking into account at the same time the demand side of labour market for generating productive employment and the supply side for improving education and skills.

In order to compete effectively in the labour market and be integrated into the economic and social life, individuals need also technical skills and core work skills. Vocational training and technical skills are important for an individual's ability to carry out specific tasks in a single workplace. In developing countries, many Governments have established networks of vocational education and training institutions in order to supply the high and middle level manpower needed to meet specific development objectives. However, the skills needed for a specific work place change often during the development process. For example, standardized training choices limited to a range vocational skills have shown little success. They have been criticised for failing to provide good quality, relevant and cost-effective pre-employment and job-related training.

The increased competition in the global markets and varying technological conditions call for individuals who are able to flexibly acquire, adapt and transfer their knowledge to different contexts. Therefore, there is a particular interest to develop also a core work skills and lifelong learning for all, which require the conception of non-vocational trainings. Some countries have successfully introduced a core work skills development in certain skills development programmes.

In the rural sector of many developing countries, such integration of the skills formation programmes in a broader perspective, than the traditional vocational and technical training for agriculture, has also been emphasized. The rural development implies the sectoral transfer of labour away from agriculture to other economic sectors, but also the integration of labour on non-farm activities – such as agro industries, tourism, and craft production. For instance, in Sub-Saharan Africa and Latin America non-farm activities originates about 40 to 45 per cent of rural household income on average. Higher education and non-vocational trainings are central for this transformation of the rural labour markets, which require a much more flexible labour force able to adapt to a wide range of economic activities.

At the same time, since the vast majority of people living in poverty cannot afford and have no access to education and training opportunities, notably the working poor, the combination of literacy and vocational training can bring positive effects. For instance, this type of combination has been implemented successfully in certain countries with high levels of illiteracy. It has equipped individuals with skills to solve some of the day-to-day problems of earning a living. In addition, it has often including training in the skills needed to set up and run small businesses.

Renewing modes of delivery has also been a major challenge for education and training reform. The private sector in response to the inadequacy of public sector training provision has varied among countries. In some countries, industries have tried to take greater control of the training process. In many cases, when enterprises gain some control over public training resources and can choose where to train, they opt for private sector providers. In this respect a central concern is to consolidate linkages between employers and providers. For example, the technical and vocational education is much more able to respond to the changes in the labour market when new forms of partnership are made with employers. Traditional vocational schools are in that way able to provide company-based training and job placement services to students and also to offer continuing education and other types of support to enterprises.

Enhancing the employability of women starts by expanding free basic education for all, in particular for girls. More active policies in the labour market, such as quotas for certain jobs and for admissions to training courses in skills that are high in demand in the labour market, have been effective in reducing gender inequality. Scholarship programmes targeting women to take up non traditional areas of study and employment grants to support their integration into non-traditional occupations have also been effective to improve their employability in fields where wages are higher and opportunities of promotion are greater.

In the case of youth, a major task for public policy would be to provide adequate youth education and training programmes that address the skills gap and reduce the length of transition from school to work. Over the past 20 years, labour market policies and programmes have been used to raise demand for young workers and enhance their employability. Several examples show that initiatives are more effective if they combine education and labour market demand. For instance, educational guidance and employment counseling are important instruments for facilitating the school-to-work transition and for overcoming the potential skills gap between labour supply and demand. More recently, the PRSPs are starting to recognize the crucial importance of youth employability to reduce poverty. National Action plans on youth employment, promoted under the aegis of the United Nations Secretary-General's Youth Employment Network, provide a framework for an integrated approach to counter the problems of youth unemployment, focusing on employment, employability, entrepreneurship and equal opportunities.

Suggestions for discussion

The meeting may wish to consider the following questions:

- Based on national/regional experience what are the most effective programmes/approaches in investing in skills and knowledge development for marginalized groups, especially young people, women and the working poor?
- With changes in the nature and content of jobs, including outsourcing what kind of new training policies/initiatives have been introduced by enterprises, public and private employment services, and training institutions to reduce skills gap, improve access to ICT, information, knowledge, and lifelong learning for these social groups?