

# **THE RIGHT SKILLS FOR THE JOB?**

## **Rethinking Training Policies for Workers**

Presentation by Jeffrey D. Lewis

Director, Economic Policy, Debt and Trade Department, World Bank

Geneva, July 9, 2013

Based on a 2012 volume of the same title edited by:  
Rita Almeida, Jere Behrman, and David A. Robalino

# TWO PROBLEMS

- The average number of years of education of workers is 5 in LICs and 8 in MICs
- Many skilled workers do not have the technical, cognitive, and/or non cognitive skills needed to fill CURRENT vacancies or create NEW jobs.
  - 40% of employers can't fill entry jobs
  - 45% of youth are in jobs that don't use their skills

# THE BOOK

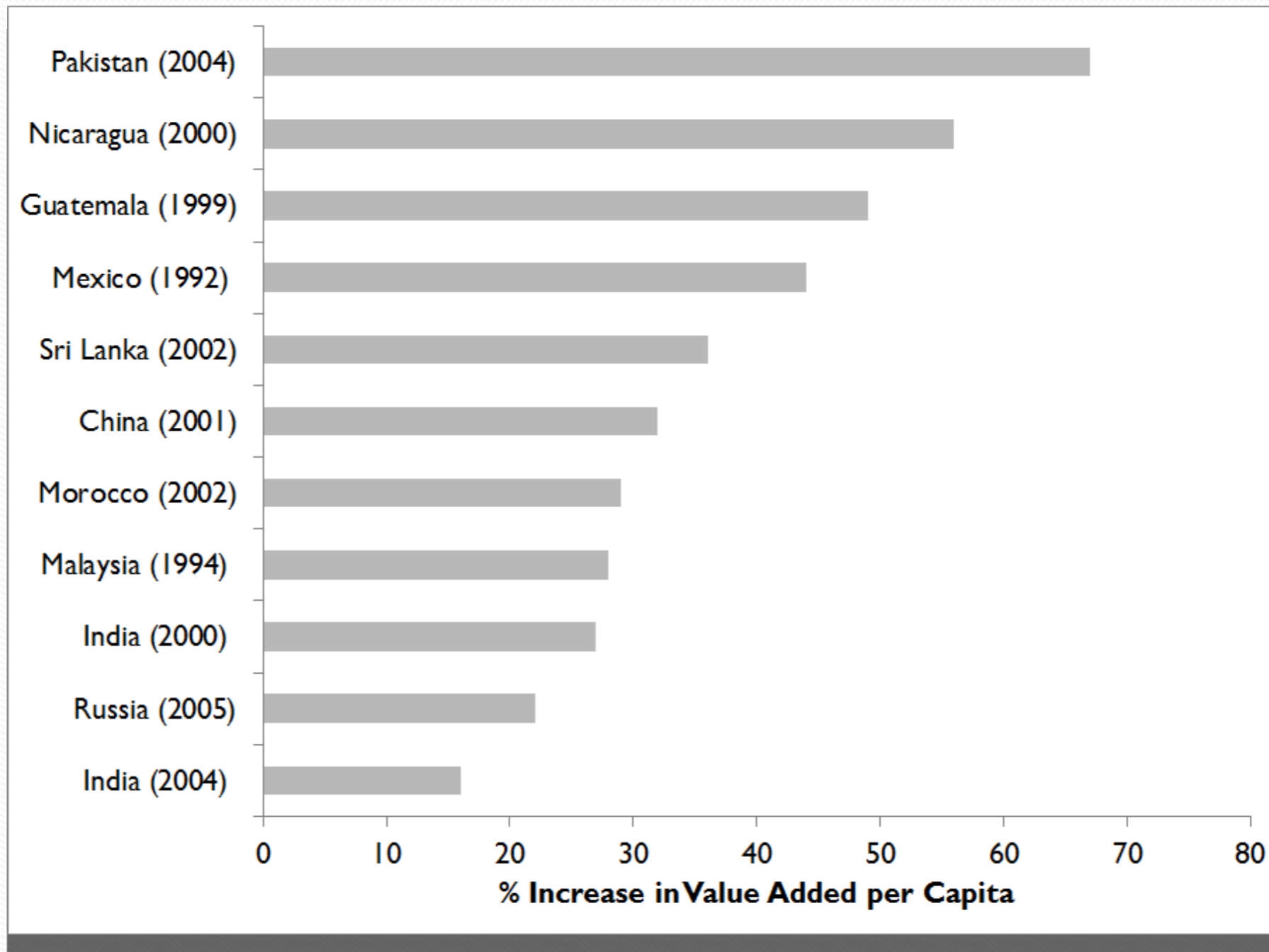
- What are the things that countries can do to address these two problems?
- Many of the solutions might not require providing or financing training; they are about improving the functioning of labor and capital markets; empowering workers; providing financial incentives and information
- Government initiatives often fail, because of weak governance, inadequate arrangements for service delivery, and lack of information
- But there are promising new tools to guide policies and ideas about how to improve the design of training programs

# THE TRAINING PROGRAMS

**The book examines three types of training programs for individuals who are leaving formal general schooling or are already in the labor market:**

- **Pre-employment technical and vocational education and training (TVET)**
- **On-the-job training (OJT)**
- **Training-related active labor market programs (ALMPs)**

# WHY DON'T PEOPLE INVEST IN SKILLS?



# WHAT GOES WRONG

- **Labor and product markets**
  - Poaching of workers
  - Workers don't have enough bargaining power
  - Coordination failures
- **Capital markets**
  - No financing of training for individuals or firms without collateral
- **Decision making problems**
  - High discount rates and biased expectations
  - Effects of peers
  - Lack of basic cognitive skills (literacy and numeracy)
  - Lack of information about LM needs and providers
  - Lack of basic non-cognitive skills (discipline, perseverance)

# SOLUTIONS?

- **Enable investments in the right types of skills:** training contracts to deal with "poaching;" insurance for workers; information about labor markets and the quality of providers; targeted financial incentives; credit lines...
- **Deal with coordination failures:** PPPs to develop specific sectors/industries in particular regions (e.g., role of TVET in Korea, Singapore).
- **Develop integrated training programs for vulnerable workers:** rely on providers which are connected to employers, subsidize internships or offer credit and business services.
- **Deal with government failures:** apex authorities; empower training centers, change financing mechanisms and promote competition.

# IMPLICATIONS

- New tools
- More systematic monitoring and evaluation
- Knowledge sharing

