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Skills development for job creation, economic growth and poverty reduction

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1. Introduction

Education, vocational training and lifelong learning are central pillars of employability, employment of workers and sustainable enterprise development within the Decent Work Agenda, and thus contribute to achieving the Millennium Development Goals to reduce poverty. Skills development is key in stimulating a sustainable development process and can make a contribution to facilitating the transition from the informal to the formal economy.

Skills development is also essential to address the opportunities and challenges to meet new demands of changing economies and new technologies in the context of globalization. The principles and values of decent work provide guidance for the design and delivery of skills development and are an effective way of efficiently managing socially just transitions.

At the International Labour organization's (ILO) 2008 International Labour Conference (ILC), representatives of governments, employers and workers adopted a set of conclusions for using skills development to improve productivity, employment growth and development. The conclusions comprise a set of guidelines that can help sustain the competitiveness of enterprises and the employability of workers. In this framework, skills development can help build a "virtuous circle" in which the quality and relevance of education and training for women and men fuels the innovation, investment, technological change, enterprise development, economic diversification and competitiveness that economies need to accelerate the creation of more jobs, but also more productive jobs.

This paper builds on these ILO conclusions. It provides a broad definition of the issue of skills development and its role in promoting economic growth and poverty reduction. It reviews approaches to skills development within the context of international instruments such as the Millimuim Development Goals (MDGs) and reviews trends in the Arab Region. It then proceeds to address the key policy challenges with an international perspective through citing examples of skills development efforts from countries outside the Arab region. The paper concludes with key messages for the future.

2. Broad definition of training and skills

The future prosperity of countries depends ultimately on the number of persons in employment and how productive they are at work. Nevertheless skills development need to be connected to broader growth, employment and development strategies and that requires that governments, working with the social partners, build policy coherence in linking education and skills development to today's labour markets and to the

technology, investment, trade and macroeconomic policies that generate future employment growth.

Nevertheless, training and skills development can have multiple meanings as they include wide ranging elements. In the current discussion it is understood in broad terms to include:

- Basic education ensures each individual the development of their potential, laying the foundation for employability;
- Initial training provides core work skills and the underpinning knowledge, industry-based and professional competencies that facilitate the transition into the world of work;
- Lifelong learning ensures that individuals' skills and competencies are maintained and improved as work, technology, and skill requirements change;
- Different countries focus on different elements, as they see relative strengths and weaknesses in their own skills development systems, and as they learn more about innovations and experience in other countries.

Box One: Skills for work and adult life

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Skills have a multiple meanings and many elements and might be categorized in the following way:

Basic literacy, numeracy and ICT skills

Core, key, generic, soft - 'employability' – skills – This may include communication, application of numbers, team working, problem solving, learning to learn etc.

Higher order skills – for example: logic, reasoning, analysis, synthesis, statistics, etc.

Specialist, vocational, technical, academic skills - technical knowledge including enterprise, business know-how, financial skills etc

Attitudinal and behavioural skills – such as initiative, confidence, willingness, perseverance, determination etc.

Life skills - social, health, interpersonal skills

Evidence on the benefits from adequate investments in quality education and training firmly establishes that good education and training:

- Enhances people's capacities and creativity, opportunities, and satisfaction at work;

- Empower people to develop their full capacities and seize employment and social opportunities;

- Raise productivity of workers and of enterprises;

- Contribute to boost future innovation and development;

- Encourage domestic and foreign investment, thus job growth lowering unemployment and underemployment;

- Lead to higher wages; and

- When broadly accessible, expand labour market opportunities and reduce inequalities between different groups of people.

3. Skills development within MDGs and other global frameworks

The poverty reduction paradigm behind the Millennium Development Goals (MDGs) has been moving closer to a labour-market-centered approach. This is based on the reasoning that labour is the only asset of the poor and that a growth process that does not create more and better jobs with adequate social protection might fail to reduce poverty.

An educated and skilled workforce is a critical component of this new emphasis on labour markets and their performance. The ILO has for years been advising member States on skills development policies, and developing research and analysis in this area. Skills development policies constitute a core element of the ILO's Global Employment Agenda (GEA), the ILO's policy framework for the employment promotion objective of the Decent Work Agenda. The Human Resources Development Recommendation, 2004 (No. 195), also provides guidance for effective skills and employment policies.

Given the importance of these issues, the ILO's 2008 International Labour Conference (ILC) general discussion on how skills development could better serve the twin objectives of increasing the quantity of labour employed and the productivity of labour was timely. The ILC adopted conclusions that provide a forward-looking framework for strengthening linkages between skills, productivity, employment, development and decent work. These conclusions underscore the principle that effective skills development policies need to be integral components of national development strategies in order to prepare the workforce and enterprises for new opportunities and

preparedness to deal with change. In order to successfully link skills to productivity and employment creation skills policies should target three objectives: matching supply to current demand for skills; helping workers and enterprises adjust to change; and anticipating and delivering the new and different skills that will be needed in the future.

The framework adopted in the conclusions also identifies prime responsibilities for governments and the social partners, and establishes priorities for support from the Office in five areas: (1) to boost skills development at the workplace and along value chains; (2) to help manage global drivers of change; (3) to allow early identification of current and future skills needs to feed national and sectoral development strategies; (4) to link education, skills development, labour market entry and lifelong learning; and (5) to promote social inclusion by extending access to education and training for those who are disadvantaged in society.

There is also a parallel process which focuses on education, rather than skills and labour market but which is equally important as a global mechanism that embeds an approach this is the *Education For All* which is a global movement led by UNESCO, aiming to meet the learning needs of all children, youth and adults by 2015. This was a result of 2 World conferences[1] which aimed to "universalize primary education and massively reduce illiteracy by the end of the decade". From these conferences, the World Declaration on Education for All (EFA) was adopted, which stressed that education is a fundamental human right and pushed countries to strengthen their efforts to improve education in order to ensure the basic learning needs for all were met. The resulting Framework for Action to Meet the Basic Learning Needs established six goals one of which is lifelong learning and which directly addresses the issue of skills development among young people as well as adults. The EFA goals also contribute to the global pursuit of the eight Millennium Development Goals (MDGs), especially MDG 2 on universal primary education and MDG 3 on gender equality in education, by 2015.

These global tools and mechanisms play a very important role in setting agendas at the global and national levels and provide guidance in principles and approaches. They also provide the set up for measuring progress. For example monitoring the achievement of the MDGs has given the ILO an opportunity to develop a set of indicators and a process to actually be able to measure decent work attainment. In relation to skills development one of the 4 indicators is labour productivity.[2]

[1] World Conference on Education for All, Jomtien Thailand 1990 and World Education Forum Dakar Senegal 2000.

[2] Indicators for measuring progress towards *full and productive employment and decent work for all is*
Employment-to-population ratios Labour productivity vulnerable employment and share of working poor

4. Overview of trends in skills development in the Arab Region

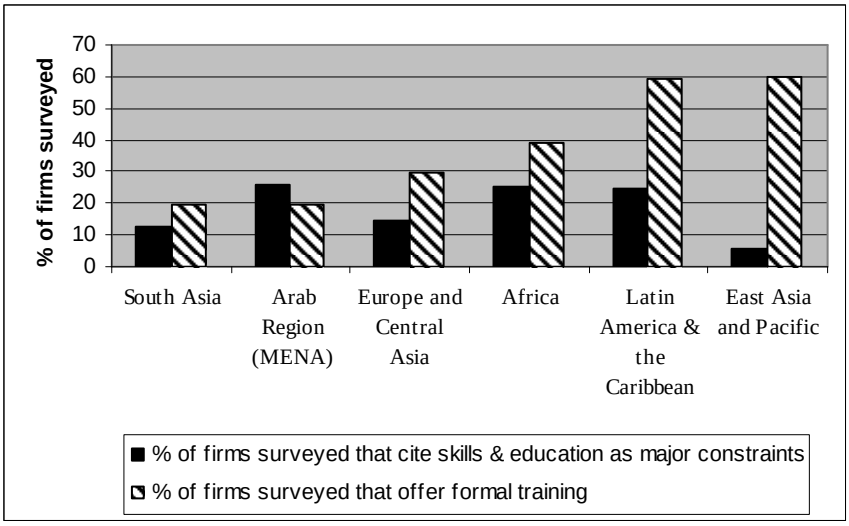
While recognizing the variety of challenges facing individual countries, the common problem identified, especially in the Arab region is that investments in education and training are not yet resulting in satisfactory levels of productive employment. Young people face uncertainty in moving from education into decent work. Enterprises often have trouble finding enough people with the skills they need to be able to expand their business or adopt new technologies. And the opportunities for employment growth due to industrial diversification, trade patterns, may be jeopardized because skills development systems are not oriented towards preparing the workforce for the future.

Thus we see cases of high unemployment among workers, or employment concentrated in work of low productivity in the informal economy, coinciding with labour shortages for enterprises. Skill gaps are not the only likely explanation, of course. Labour market conditions, especially prevailing wages, the industrial structure of the economy and population growth are other key explanatory factors. Over and above despite impressive improvements in education in most Arab countries in the region, the percentage of young people who are both out of school and our of work is higher in the Arab region than in any other developing region (60%).

Across the Arab region, employers often identify lack of the right skills as a barrier to expanding business and employment. According to results of representative surveys of firms in different regions conducted by the World Bank, this concern is more prominent in the Arab region than elsewhere (Figure 1). One quarter of the enterprises surveyed in the Arab region cited skills and education as a major constraint to business growth, compared with, for example, about 5 per cent in East Asia. However, employers' level of concern does not appear to be matched by similar level of commitment to provide on-the-job learning opportunities. As also shown in Figure 1, the Arab region shared with South Asia the distinction of having the lowest incidence of formal training at the workplace, with just under 20 per cent of firms surveyed reporting that they provide formal training to their workers. The Arab region was the only one where more firms cited skills and education as major constraints than helped meet that need by providing formal training.

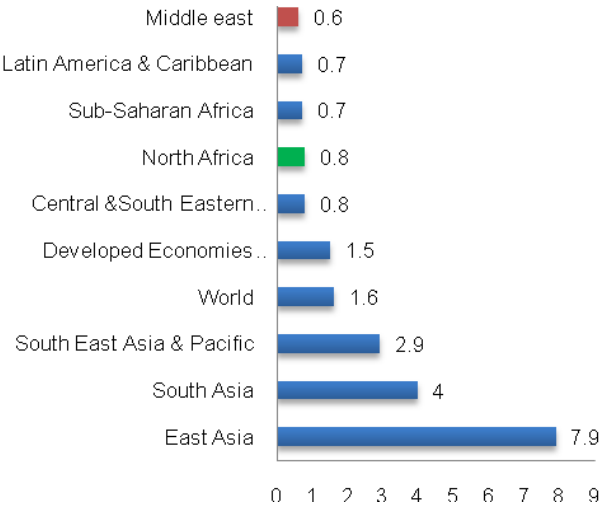
The concern about skills expressed in the survey is not about the quantity of young people that receive vocational training but about the quality or relevance of that training. This was the motivation behind a survey conducted by the ILO to trace vocational school graduates' experience in entering the labour market and to gauge their employers' satisfaction. The results showed that only 17 per cent of the employers found the technical and vocational training (TVET) graduates able to meet expectations. The graduates also seemed less than satisfied, with just under one in five reporting that their training had directly led to wage employment or self-employment.

Figure One. Employers' perceptions of TVET and provision of workplace training[3]



Within this context of low economic participation, low investment in training and a large public sector where most young people prefer to be, the Arab Region has very low productivity rates as compared to other regions in the World (Figure 2).

Figure Two: Annual rate (%) of productivity growth by region, 1991-2010[4]



[3] Investment Climate Capacity Enhancement Program, The World Bank Institute (Hong, 2006)

[4] Tzannatos (2011) based on Trends Econometric Models", Geneva, ILO October 2010 in *Arab Development Challenges Background Paper 2011 - Employment, Vulnerability, Social Protection and the Crisis of Arab Economic Reforms,* Khalid Abu-Ismail, Gihan Ahmed, Jennifer Olmsted and Mohamed Moheiddin

It is important to highlight that skills development and other investments in human in human capital comprise one of the factors necessary for productivity growth. Improving productivity is not an end in itself, but a means to improving workers' lives, enterprises' sustainability, social cohesion and economic development. Continued improvement of productivity is also a condition for competitiveness and economic growth and therefore poverty reduction.

5. Policy Challenges with focus on Arab Region

In this section, the principal issue of skills mismatch and persistent unsatisfactory employment outcomes of education and training is broken down into three policy challenges and responses with the use of good practice examples from around the world

Relevance of training – linking skills demand and supply;
Quality of training – standards and accountability; and
Access to training – availability of skills development opportunities, encompassing equity and labour market issues.

5.1 Relevance of training

This relates to linking skills demand and supply. There is often a gulf between the world of learning and the world of work. The pace of change in the world of world is also high and keeping up with the changes is a challenge for education institutions.

The primary employer of educated new labour market entrants in most Arab economies used to be the public sector, resulting in a skills development system with few links to the private sector. The traditional attraction of employment guarantee in the public sector coupled with the disconnection between training provided by the education sector and the skills required by businesses help explain this tendency. With growing market economies in the region, the introduction of new technologies, and greater integration into the world economy, the demand for labour in higher-productivity private sectors is increasing, and the response by many public education systems in Arab States is lagging behind this new demand.

All over the world, teachers and trainers face the same problem: they tend to teach what they know instead of what their students need to learn. The involvement of employers in the management of training institutions helps to keep them abreast of changing technologies and ICT equipment in use at the workplace, as well as to track what occupations and skills are declining or rising in demand.

Sector-based bodies comprising employers' and workers' representatives, business associations, and specialized learning and research institutions is one institutional

mechanism to facilitate a continuous process of updating information on skill requirements. Both employers and trade unions can analyse the impact of emerging technologies or markets on future skill needs.

Because it is not possible to prepare students for every new technological breakthrough, the most important skill students can acquire is how to continue learning. "Learning how to learn" includes many ***core skills*** – in communication, math, computers, teamwork, and problem-solving, for example.[5] It is very difficult to train workers in these core competencies once they have finished their education. So it is important that employers help education and training institutions see this level of learning as one of their key responsibilities. Equipped with the ability to learn, workers can then more easily profit from on-job-training and employers are therefore more likely to invest in training workers.

Opportunities for workplace training can ease the transition from school to work for young people. Experiential learning, such as internship and apprenticeship programmes, enhance the classroom-based knowledge through practical application. This dual approach may be particularly appropriate for higher-skilled occupations, which require theoretical education and learning through doing.

Opportunities for workplace learning are important not only for young people entering the job market but for all workers throughout their careers. Lifelong learning smoothes the transition from declining to emerging sectors for workers and makes it easier for enterprises to adopt new technologies.

Another prime area of government responsibility is to collect, analyse and disseminate ***labour market information***. Timely and accessible information on national trends in occupations and industries provides an informed basis for training institutions to adapt their training provision and for ***employment services*** to provide better informed advice to students and TVET institutions.

[5] ILO, *Portability of skills*, Committee on Employment and Social Policy, Governing Body, 298th Session, Geneva, March 2007.

Box Two: International experience and good practices on relevance of training: upgrading skills of workers

In ***France*****,** national and particularly regional government provided generous funding to help enterprises train or retrain workers, often in combination with reduced working hours, but without loss of salary, as an alternative to retrenchment. A Social Investment Fund financed by the State. the European Social Fund (EUR 5 billion) and social partners (EUR 500 million) was set up to finance measures which promote the employment of young people, enable workers made redundant to re-enter the labour market, and facilitate access to vocational training

In **Germany**, reimbursement of employers' social security contributions increases to 100 per cent if the employer devotes down time to staff training.

In **Canada**, individual training plans range from upgrading skills in current jobs, preparing for promotions, and even training for jobs outside the company. Workers remain employed – helping retain aggregate demand in hard-hit communities – and acquire new skills, while employers are able to retain staff and avoid having to train new workers when markets pick up.

Source: ILO (2009*) A skilled Workforce fo strong sutainable and balanced grouth: Proposals to G20 leaders for a Training Strategy*, Pittsburg G20 Leaders meeting

Box Three: International experience and good practices on relevance of training: Anticipating future skills needs and stimulating growth

- ***Ireland'***s Expert Group on Future Skill Needs (EGFSN) analyses future skill needs and develops proposals for how to meet them, through a broad membership including business representatives, educationalists, trade unionists, and policy makers. The breadth of participation enables EGFSN to identify changing occupational profiles within sectors and the demand for different occupations. EGFSN identified the key elements to be included in a generic skills portfolio for the future: basic or fundamental skills (literacy, numeracy, ITC); people-related skills (communication, team-working...); and conceptual/thinking skills (collecting and organising information, problem solving, planning and organizing, learning to learn, innovation and creative skills). They provide advice on how to improve the awareness of job seekers of sectors where there is demand for skills and the qualifications required.

- The wide replication of **Brazil**'s national training institution, SENAI, is a good measure of success. SENAI is run by association of industries, funded by a levy on the industrial payroll, and has sister institutions serving different sectors (agriculture, small enterprise, service sector, etc.). Senai's "Prospecting Model" adjusts training provision based on analysis of take up rates of emerging technologies and of new forms of work organization. The model generates estimates of job requirements over a five-year period based on studies of technological and organization prospecting, tracking of emerging occupations and monitoring demand trends for vocational training. The quality of basic education is challenging the share of young people able to take advantage of training opportunities.

- At the core of the **Republic of Korea's** sustained growth pattern lays a government-led skill development strategy. The rapid progress in closing the productivity gap reflected an economic development strategy based on investment and research and development. Investment in a well-educated and highly-skilled workforce was an integral part of encouraging adoption of new technologies. A current challenge is to avert shortages in the higher-end vocational occupations by increasing the attractiveness of non-academic skill development paths.

Source: ILO (2009) *A skilled Workforce fo strong sutainable and balanced grouth: Proposals to G20 leaders for a Training Strategy*, Pittsburg G20 Leaders meeting

5.2 Quality of training

Higher school enrolment rates across the Arab region have coincided with declines in quality. Many countries in the Arab region have found it difficult to maintain standards for teaching staff or to invest in infrastructure, equipment and curriculum development. Measures to improve the quality of education and training systems need to be considered through social dialogue with all stakeholders. Some of the measures aiming at improving the quality of education and the training system in Arab states that are under consideration or being implemented as part of TVET reform include:7

- Developing more effective teacher training programmes and creating incentives for teachers and training institutions by linking a portion of teacher salaries or institution budgets to performance;
- Establishing standards for what students should know and be able to do at various stages of the education and training system;
- Enhancing the use of information technology in the educational process; and
- Linking improved quality of training and employability of graduates to higher perceptions of the value of vocational education and training.

Some countries have attributed low social esteem of vocational training to early tracking systems that seem to curtail young people's options instead of being the gateway to multiple paths towards lifelong learning and decent and productive work. Some countries in the region are moving from a tracked system to a more integrated programme with more options for students. In Tunisia, following the 2002 education reform, bridges have been built between general and vocational education enabling students to move from vocational training onto the baccalaureate track and so gain access to higher education. A similar system operates in Lebanon where vocational secondary school can lead to a technical baccalaureate that opens to post-secondary technical or to university education.

Box Four: International experience and good practices on Quality of Training

European *Qualification Framework* The EQF is a "translation grid" between European Member States' qualification systems to help employers and workers better understand EU citizens' qualifications. Intended to support mobility and lifelong learning, the EQF establishes equivalences between qualifications and certificates obtained in different countries. It is a reference tool for both employers and workers when comparing the qualification levels of different countries and various education and training systems. The EQF includes eight broad categories of skills – "reference levels" – ranging from basic to the most advanced qualifications. Each category includes descriptions of what workers should know and be able to do, regardless of where their diplomas, qualifications or certificates were obtained. In part, this responds to the particular circumstance of opening labour markets at the Europe-wide level, where individual institutions' reputations for quality of training are not known throughout the wider EU.

Argentina focuses on improving training at the enterprise level through uses of its Tax Credit Regime to target incentives to SMEs to invest in training workers. SMEs can finance training projects up to the equivalent of 8 per cent of the sum of total remuneration. They can also be reimbursed for costs incurred for skills assessment and certification in addition to actual training – an incentive to boost recognition of skills learned informally or on-the-job. This feature helps make the programme (begun in 2007) attractive to SMEs, who comprise 70% of beneficiaries.

Source: ILO (2008) *Skills for Improved Productivity, Employment Growth and Development*, International Labour Conference, 97th Session, report V, Geneva

5.3 Access to training

Increased provision of training must accompany the enhanced flow of information about what kind and levels of training are needed. Otherwise training institutions will not be able to respond and extend the availability of training to young people and to those already in the labour market. In addition, there is a need in many countries to expand training opportunities to broader segments of society in order to help them meet their potential for productive work, for example, by improving skills development in the informal economy, by overcoming barriers that deter women from training, by extending good quality education into rural areas and to areas recovering from crises, and by enabling persons with disabilities to receive training and use it to get better jobs. Measures such as these serve the twin objectives of reducing inequality and meeting labour market needs.

Across the region the large formal economy coexists with a large informal economy. The high growth sectors with high value added requiring higher-skilled workers are not necessarily the ones creating the majority of new jobs, while at the same time training of poor quality traps workers in low-productivity work in the informal economy. For example, in Egypt employment is expanding at a good pace and unemployment is declining but major concerns remain about the quality of jobs being created as public sector employment growth slows, the population bulge of youth starts to enter the labour market, and the private sector does not create enough good jobs.

Box Five: International experience and good practices on improving access to training for specific target groups

"Second chance" programme in Spanish cities The programme accepts students and trainees who do not have skills or want to diversify their skills. It provides technical training and individualized support services to help young people make the transition into the labour force. The programme is flexible to accommodate for the schedules of the trainees. This programme is run by the European Association of Cities for Second Chance Schools and is being implemented in four Spanish cities: Bilbao, Cadiz, Gijón and Barcelona. The programme is divided into phases with a decreasing share of coursework and an increasing proportion of workshops, tutoring and in-company work over a two-year period. The programme benefits from the strong local involvement of employers in raising the success level.

Assisting girls and young women with access to secondary education and skills training in Bangladesh The Female Secondary School Assistance Programme, financed by the International Development Association (IDA), supported government efforts to improve girls' access to secondary education (grades 6–10) in rural areas. They and their families were given cash stipends to cover tuition and personal costs. This incentive was combined with efforts to increase the proportion of female teachers, to invest in the provision of water and sanitation facilities, and to improve community involvement in the incorporation of occupational skills into the training. Overall, access to secondary education increased for girls in Bangladesh, jumping from 1.1 million in 1991 to 3.9 million in 2005. An increasing number of the girls enrolled come from disadvantaged or remote areas.

Skills Development for people with Disabilities in Australia
The Bridging Pathways national action plan 2000–05 was introduced with the aim of creating a vocational education and training system that would lead to international best practice in achieving equitable outcomes for people with disabilities. Specifically, the plan of action aims to increase access for persons with disabilities to vocational education and training; to improve their successful participation and achievement in all fields of study and levels; and to achieve outcomes in employment and lifelong learning that also increase their contribution to the economic and social life of the community. Following recognition that people with a disability in vocational education and training continue to experience lower levels of employment before and after training, compared to the general result, a revised Bridging Pathways Blueprint was introduced in 2004. This Blueprint points to progress achieved but says "despite pockets of achievement, we are still struggling to see substantial employment outcomes".

Source: ILO (2008) *Skills for Improved Productivity, Employment Growth and Development*, International Labour Conference, 97th Session, report V, Geneva

6. Key concluding messages

In brief, the building blocks of any skills strategy must be: solid foundation for skills and stronger links between the worlds of education and work. This in turn requires: good quality in childhood education; good information on changes in skill demands; responsiveness of the education and training system to structural changes; and recognition of skills and competences. To be effective, policy initiatives in these areas will also need to be closely linked with economic and social policy agendas.

There is a wide agreement on a few broad guiding principles linking skills and work

- Quality basic education for all is an agreed goal and an essential prerequisite for further skills development.

- Connecting vocational education and training and skills development to the world of work increases the odds of imparting the "right" skills, responding to the evolving demands of labour markets, enterprises and workplaces in different economic sectors and industries.

- Effective partnerships between governments and employers' and workers' organisations and training institutions and providers anchor the world of learning in the world of work.

- Broad and continued access to training and skills development fosters opportunities and benefits of initial and lifelong learning to all, meeting the aspirations of women and men, young, adult and older, in urban or rural areas.

- Dedicated policies and measures are required to facilitate access to training and skills development to persons and groups hindered by various barriers, including low income, ethnic origin and disabilities.

- Education and skills policies are more effective when well coordinated with employment and social protection policies and with industrial, investment and trade policies.

- Timely information enables the world of learning to monitor the match between the supply of skills and the demand.

- Employment services and vocational guidance put that information at the disposal of young people and workers to help them make better-informed education choices.

- The pace of change of the world of work, set by innovation, technology and markets, is high. Keeping up with this pace of change is a continuing challenge

for learning institutions. The active participation of employers' and of workers' representatives in vocational education and training institutions is essential to bridging this gulf.

- Assessing the continued relevance and quality of training institutions and programmes, relative to their cost, is a challenge. Tools and methods, including international comparisons, require further development at the national level

- Most importantly, skills by themselves do not automatically lead to more and better jobs. Skills policies must be part of a broad set of policies that are conducive to high rates of growth and investment, strong employment generation of high quality, investments in basic education, health and infrastructure, respect for workers' rights.

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