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Working Group 2: Labour Market & development of higher education

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Main points:

High quality education can positively influence labour factor conditions of a country's economic development. The availability of a highly skilled labour force is a factor contributing substantially to national economic development. Most countries consider investment in education as being of strategic importance to enhance national competitiveness and to increase opportunities to attract foreign direct investment.¹

Analyses of factors ensuring competitiveness and prosperity of leading European and North American regions have shown a consistent pattern. Summarising the results of a cross-regional survey covering 20 regions in Europe and North America, Koellreuter² identified 50 factors, which have an influence on a region's economic advantage. The most decisive factors in ranking order (1 being most important) are a) Availability of highly skilled labour (1); b) Price/performance of highly skilled labour (2); c) Price/performance of skilled labour (5); Availability of skilled labour (6).

Making education fit a country's current and future needs in the fields of economic and social development is crucial to the country's ability to adapt to the continuous changes of the world's economy. Adequate educational systems are needed to ensure the availability of a skilled and highly skilled labour force without which economic and social development will be jeopardized and local and foreign investment discouraged.

Research results of China's labour market indicate a mismatch between labour supply and labour demand. For organisations operating in international markets (*e.g.* private sector enterprises), there is an important shortage of skilled labour at management and technical level. Employers require not only higher-levels skills but also a much broader range of skills, for managers, and to a lesser extent, for technicians, than for other types of workers. These broader skills include the ability to organize, solve problems, communicate with others, and work in teams.³

¹ Michie, Jonathan (2002), "Foreign Direct Investment and Human Capital Enhancement in Developing Countries, Competition & Change", 6, pp. 363-372.

² Christoph Koellreuter, "Increasing Globalisation: Challenge for the European Regions", BAK International Benchmark Report, 1997, Basle.

³ Venter, K, "Education and skills in the People's Republic of china: Employers' perceptions", ILO, 2002.



As has been pointed out by former Chinese president Jiang Zemin, there is an increasing imbalance between aggregate labour supply and demand, with a strong structural and regional dimension, which is in contraction with the goal of full employment.⁴ It appears that China's education and vocational training need to be more closely linked to economic and employment growth strategies to overcome skills mismatches.

⁴ An Employment Agenda for China, background paper for the China Employment Forum, ILO, 2003.