



Getting Skills Right: Assessing and responding to changing skill needs

Skills transform lives and drive economies

Skills have the potential to transform lives and drive economies. However, as shown by the OECD Skills Strategy, it is critical that countries and individuals develop the **right** skills that respond to labour market needs so that these skills are **fully utilised** by individuals and employers.



Skills mismatches and shortages are common...

Imbalances between the supply and demand for skills generate significant skill mismatches and shortages in many countries. Skill mismatch is pervasive with as many as 3 in 5 workers employed in jobs that do not make the best use of their skills. At the same time, a large number of employers (around 40% of employers across 42 countries surveyed in 2014) report facing **recruitment problems** due to skill shortages. Shortages are frequent in specific occupations (e.g. skilled trades, engineering or technicians) or sectors (e.g. manufacturing).

Several trends could be behind these imbalances including, among others: too few or too many graduates in specific fields, given labour market demand; limited mobility (geographical, inter/intra-firm); other barriers to labour market participation; a lack of transparency in qualification systems; or rigid wage setting systems blunting incentives to invest in skills in short supply.

... and they are costly

Skills mismatches and shortages entail **large costs** for individuals, employers and society. They can result in lower earnings and job satisfaction, higher risk of job loss, loss of competitiveness as well as lower economic growth.

Better information on skill needs is required...

Developing the right skills to match labour market needs requires significant investments and co-ordination. Resources are scarce, however, particularly in the current economic climate.

Skills policies to prevent and reduce mismatches and shortages need to be designed based on **reliable information on skill needs**. Skill needs assessment and anticipation system can make these investments yield the greatest social and economic benefits.

... and it needs to be better used

While most countries have systems and tools in place for assessing and anticipating skills needs, their effectiveness is limited by difficulties in translating this information into policy and practice. In particular, **efficient co-ordination** is required

between the key stakeholders -- covering both the world of education and the world of work -- in the collection and use of information on skill needs.

How the OECD can help

Improving skill policies requires systematic and in-depth analysis of a country's strengths and weaknesses in: a) the collection of skill needs information; and b) how this information feeds into policy analysis. The OECD can assist in the following ways:

➤ In-depth country reviews

Country reviews offer a comprehensive analysis of the key areas where policy action is required to spur the development of an efficient system for skills assessment and anticipation to inform policy (see box).

Skills assessment and anticipation: in-depth reviews

The topics to be covered are agreed with each country, but common areas for review include:

- A brief overview of the extent of skills mismatches and shortages in the country.
- An overview of the strengths and weaknesses of the systems and tools in place for assessing skills needs.
- An analysis of the uses that are made of skills needs information for guiding policy and the barriers to more effective use.
- An assessment of the effectiveness of stakeholder involvement and coordination in the production and use of skills assessment and anticipation information.

➤ Shorter diagnostic/policy notes

Shorter diagnostic/policy notes can be prepared which either focus on specific aspects of each country's skills assessment system or provide an overview of international best practice.

➤ Seminars/workshops

The OECD can organise seminars/workshops bringing together international experts to discuss common barriers and best practices on specific skills issues. These events are an ideal way to facilitate peer-learning and build stakeholder engagement.

For further information:

Mark Keese (Mark.Keese@oecd.org), Head of Employment Analysis and Policy Division, Directorate for Employment, Labour and Social Affairs (tel.+33 1 45 24 87 94);

Glenda Quintini (Glenda.Quintini@oecd.org), Senior Economist, Employment Analysis and Policy Division, Directorate for Employment, Labour and Social Affairs (tel +33 1 45 24 91 94).