

## Education and skills

### STRENGTHENING SKILLS DEVELOPMENT AT THE LOCAL LEVEL

- ▶ Individuals with low-skills levels in the Czech Republic are particularly vulnerable to poor labour market performance.
- ▶ A robust skills system at the local level is crucial to tackle this challenge. Building such a system requires integrated actions across education, employment, training, and economic development policies.
- ▶ The Czech Republic could in particular strengthen local policy co-ordination and integration through stronger partnerships and governance structures, which are given flexibility to design programmes and strategies.
- ▶ Employers have a defining role to play in the local skills system and therefore should be well connected with educational institutions and training providers to ensure that the skills being deployed are meeting demand.
- ▶ To raise productivity, the Czech Republic should also focus policy efforts on better utilising the skills of the workforce.

#### What's the issue?

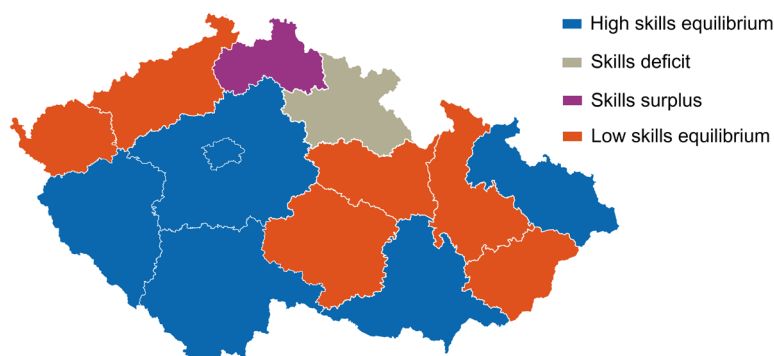
Skills are a key driver of economic growth. Thus, local development strategies need to consider how to better develop, attract and retain a skilled workforce that is adaptable and resilient over the long term. Despite having the second highest share of adults with at least upper secondary education in the OECD, the Czech Republic has a comparatively low share of tertiary graduates (22% compared with an average of 33%). Some regions perform better than others in educational attainment. Prague has the highest proportion of people with tertiary education and the proportion increased significantly between 2002 and 2011,

from 28% to 38%. At the opposite end of the spectrum are the Karlovy Vary and Ústí nad Labem regions, which have the highest proportion of people with only primary education.

Moreover, some Czech regions show potential mismatches between the stock of skills and the skills required by available jobs (see Figure). In those areas, jobs may remain unfilled, or skilled people may not find work where their skills are put to good use. In 2013, the regions of Prague, the Central-Bohemia, South-Bohemia, Plzen, South-Moravia and the Moravia-Silesia were in a high-skills equilibrium,

#### » The presence of a low-skills equilibrium in several Czech regions risks hampering incentives to invest in skills upgrading

Classification of Czech regions by the type of skills equilibrium, 2013



Note: A high-skills (low-skills) equilibrium is a situation where a strong supply of highly skilled (low-skilled) individuals is matched by jobs requiring individuals with these skills.  
 Source: OECD (2016), *Job Creation and Local Economic Development*, OECD Publishing, forthcoming.

where a supply of highly skilled individuals (i.e. measured by the percentage of people with post-secondary education) is matched by jobs requiring individuals with these skills (i.e. measured by the percentage of medium and high skills occupations and gross value added per worker). But six regions were in low-skills equilibrium, where a large supply of low-skilled individuals is matched by high demand for individuals with these skills. This can become a trap for local economies as incentives to invest in skills upgrading are limited because of the poor quality of available jobs.

The *OECD Review on Local Job Creation* in the Czech Republic found furthermore that employment services and vocational education and training (VET) institutions have limited ability to rapidly develop courses that respond to the needs of local employers (OECD, 2014). Employers and SMEs in particular report that training curricula do not sufficiently meet their needs, despite the work of the sector councils in developing labour market strategies. There is a concern about the relevance of secondary education and apprenticeships, which is reflected in the low employability of VET graduates. At the same time, forecasts by the European Centre for the Development of Vocational Training show that many future job openings between now and 2025 will require tertiary education. OECD research has also found gaps in the career guidance system in the Czech Republic, with educational counsellors tending to have limited knowledge of local labour market needs and job profiles.

### Why is this important for the Czech Republic?

Skills and education are particularly important for success in the Czech Republic, with a larger than average impact of education on employment and wages. A person with tertiary education and a literacy proficiency of level 4 or 5 in the OECD's Survey of Adult Skills (meaning that the person can for instance interpret or synthesize information from complex or lengthy texts) is 6.5 times more likely to be employed than an individual with below upper secondary education and a literacy proficiency of level 1 or below (meaning that the person can at most identify single pieces of information in short texts). This compares with an OECD average of just 4.2 times. Similarly, 25-64 year-olds with less than upper secondary education have a significantly higher unemployment rate than their peers in other OECD countries (22.7% compared to 12.5%), while the overall unemployment rate in the Czech Republic is in fact below the OECD average. This suggests that being low skilled in the Czech Republic leaves people particularly vulnerable to joblessness.

### What should policy makers do?

- ▶ Expand tertiary education pathways to better meet future job requirements.
- ▶ Upgrade the apprenticeship system to ensure it gives youth people good quality training opportunities linked to jobs.
- ▶ Expand the apprenticeship system into a broader array of economic sectors.
- ▶ Ensure that employers are fully involved in the design of training programmes.
- ▶ Put in place quality assurance mechanisms for career support programmes in schools and equip the programmes with adequate resources.
- ▶ Encourage more systematic cooperation between career support programmes in schools and labour and employment offices in acquiring information about local job opportunities.
- ▶ Urge local employment and skills institutions to help employers enhance their workforce development strategies to better utilize the skills of the existing workforce.
- ▶ Encourage VET institutions to work with employers to examine work organisation and production processes as well as to develop programmes to raise incremental innovation.
- ▶ Target these efforts at high-growth sectors and those that traditionally host poor quality jobs, such as retail.



### Further reading

Adalet McGowan, M. and D. Andrews (2015), "Skill Mismatch and Public Policy in OECD Countries", *OECD Economics Department Working Papers*, No. 1210, OECD Publishing. <http://dx.doi.org/10.1787/5js1pzw9lnwk-en>

Araújo, S. and P. Malecek (2015), "Strengthening Skill use and School-to-work Transitions in the Czech Republic", *OECD Economics Department Working Papers*, No. 1206, OECD Publishing. <http://dx.doi.org/10.1787/5js1pz2xnm6b-en>

Froy, F., S. Giguère and A. Hofer (2009), *Designing Local Skills Strategies*, OECD Publishing. <http://dx.doi.org/10.1787/9789264066649-en>

OECD (2014), *Employment and Skills Strategies in the Czech Republic*, OECD Reviews on Local Job Creation, OECD Publishing. <http://dx.doi.org/10.1787/9789264208957-en>